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8 December 2014

2014 Annual General Meeting – Chairman’s Address

Address to shareholders by Mr Keith Spence, at Geodynamics Limited’s Annual General Meeting in Brisbane on 8 December 2014.

Good evening ladies and gentlemen and welcome, to the 2014 Geodynamics Annual General Meeting. It is a pleasure to address you this evening.

2014 was a significant year for Geodynamics – we successfully demonstrated EGS technology in the Cooper Basin and completed the Habanero Field Development Plan and Feasibility Study which analyses potential development options for the EGS resource at Habanero. We have also progressed our conventional geothermal opportunities in the Pacific area.

We have developed a specific plan for each of our key assets focussed on securing value and we are in a secure financial position. This has been achieved in a political and economic environment that has become increasingly hostile to investment in renewable energy and emerging technologies.

In response to this hostile environment and in order to maximise returns on the funds that are available for investment, your Board has taken the major strategic decision to diversify into areas beyond geothermal. Geodynamics has been actively pursuing opportunities in three areas - Clean Energy Supply and Services; Efficiency and Storage; and Cleantech Industrial Services.

This will not be easy, nor will it be quick. However, we are determined to become an entrant and player in the dynamic and changing technology and energy system of the 21st century.

Turning to Habanero then, we commenced the year with the achievement of a long awaited milestone – the operation and successful demonstration of power generation

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from the Habanero Pilot Plant. The Habanero trial, which commenced in May 2014 and was completed in October 2014, demonstrated the reliability and capacity of the Habanero geothermal system, and achieved some notable operational successes including the highest flow rates yet achieved in open and closed flow modes. This was further recognised in late July last year when Geodynamics received the Clean Energy Council Innovation Award.

During the Habanero trial, we were honoured to host Federal Minister, the Hon Gary Gray AO and former Minister, the Hon Martin Ferguson AM as well as representatives from industry, the Government of South Australia and CSIRO at the Pilot Plant at Habanero. I would like to particularly acknowledge and thank the Australian Renewable Energy Agency for their support and contribution to the success of the demonstration program, which is truly a significant milestone in Australia's geothermal exploration history and a global demonstration of EGS technology.

It also goes without saying that, these achievements would not have been possible without the dedication, operational ability and perseverance of our team, and continued support from you our shareholders.

The results of the Habanero trial, which have undergone a rigorous analysis, have been incorporated into the Habanero Field Development Plan and Feasibility Study which analyses potential development options for the EGS resource. We believe this study is a first of its type for a geothermal project, integrating sub-surface, drilling and surface engineering for a whole of life assessment for the resource. Significantly the study has identified the potential to economically supply process heat or a combination of power and process heat to possible future unconventional gas developments in the Nappamerrie Trough area of the northern Cooper Basin.

This finding has driven and underpins our engagement with Beach Energy, an explorer for unconventional gas in the area. In March this year, we were pleased to report that Beach Energy had signed an Exclusivity Agreement with Geodynamics with the rights to negotiate a joint venture farm-in to our Cooper Basin Tenements and covering an initial joint R&D program, co-funded by the Australian Government through ARENA, to investigate the feasibility of integrating geothermal direct heat into a natural gas processing facility.

This agreement with Beach Energy is the first stage in securing a long term customer and partner for the further development of Habanero. This is a long term prospect, dependent on successful exploration for unconventional gas in the area being sufficient to support the development of new gas processing facilities. A future development at Habanero is tied to the timing and pace of the development of this nascent industry which is likely to have a significant lead time, with large scale development not likely until the period 2020 - 2025. Currently this remains the best opportunity to secure a viable customer to support the further development of Habanero, and maximise the value of our asset.

An agreement with ARENA in September to vary our Grant funding deed to enable the continued development at Habanero in line with the findings of the Field Development Plan was pleasing news. Under the Variation, ARENA will contribute up to \$27.15 million to the revised program. The activities outlined in the Variation have been aligned with the potential Beach Energy Joint Venture and aimed at supporting the direct use of geothermal heat in a future large scale gas processing facility in the Habanero area. Our first milestone under the revised deed is a comprehensive combined research program with Beach Energy, investigating the integration of heat into a processing facility. This research is well under way and is due for completion early next year.

Turning to the Pacific, we have made steady progress during the year on both the Savo Island Geothermal Project in Solomon Islands and the Takara Geothermal Project in Vanuatu.

At Savo we secured several key milestones with the completion of the Environmental and Social Impact Assessment (ESIA), receipt of Development Consent being the required environmental approval to progress with exploration drilling and development activities and continued positive engagement with the local community on Savo Island allowing good progress with pre-drilling planning activities.

The significant flooding brought about by Tropical Cyclone Ita in April this year, has caused progress in negotiating a power purchase agreement (PPA) to support the project moving into the drilling phase to slow, with government resources focussed, appropriately, on assisting people displaced from their homes and restoring basic services in the capital. Progress on securing a PPA has also now been further slowed by the recent election held last week. We are continuing to negotiate with the Solomon Islands Electrical Authority and the Ministry of Finance to secure the required Power Purchase Agreements and guarantees but now do not anticipate them being resolved until well in to 2015.

The Takara Geothermal Project was added to our portfolio through the acquisition of KUTh energy in January this year. Since acquiring the Takara project in January we have made strong headway, gaining agreement with all local parties to restart field work, completing a comprehensive ESIA and identifying an accessible drill site. This significant progress has helped to re-energise government and community support for the project. As we move into 2015 we look to capitalise on this momentum, as we continue discussions with the Ni Vanuatu Government and multilateral development agencies on the formation of a Public Private Partnership for the further development of the project. The formation of a public private partnership would maximise the benefits for Vanuatu while achieving returns on investment for shareholders.

We continue to believe that our Pacific geothermal projects are important projects that bring substantial benefits to host nations, consumers and communities. They are important examples of private investment in these small growing economies and have a very material positive impact on emissions in some of the countries that are most at risk from the consequences of ongoing climate change.

As I reflect on 2014, I again observe that it was yet another testing year for the renewable energy and sustainability industry, starting with the election of the Coalition government in September 2013. This combined with a Senate balance of power consisting of a historically diverse cross-bench, the focus on all things carbon pricing and renewable energy related has become, if possible, even more politicised and fraught. Legislation to repeal the carbon price, disband the Climate Change Authority, Climate Commission, the Clean Energy Finance Corporation and abolish the Department of Environment and Climate Change soon followed the change of government creating an environment hostile to investment in renewable energy and emerging technologies.

The move to abolish the Australian Renewable Energy Agency (ARENA) and make sweeping changes to the mandatory Renewable Energy Target (RET) (both supported by the Coalition prior to the election) were less expected. As we are gathered here tonight the future of the RET remains uncertain. However, what is clear is that the ongoing uncertainty is deterring investment in renewable and sustainable energy, negatively impacting a strong emergent industry that has created in excess of 10,000 Australian jobs and encouraging technical and engineering expertise, critical to the creation of innovation, new products and new jobs in Australia's economy, to take much needed skills overseas. This ongoing uncertainty, as much as any changes to the target, is having serious consequences for investment in large scale wind and solar projects and may also harshly affect uptake of small scale solar PV, battery storage, micro-grids, smart grid and other opportunities to make Australia's economy more productive.

Nevertheless, putting political uncertainty aside, we currently find ourselves at a decisive moment in Australia's energy future, with major disruptions occurring in the energy market as we transition from a legacy power system based on large centralised coal and gas fired power stations and a rigid network grid system to a more decentralised smarter electricity system maximising efficient use of power and the ability of consumers to generate their own power. With electricity demand in Australia now in its fifth consecutive year of decline, the National Electricity Market continues to experience a significant oversupply, whilst consumer prices continue to rise and the cost and capability of alternative solutions continues to improve, in some cases radically – this is a volatile mix.

Driving this disruption is the continued innovation and improvements in areas of solar PV, battery storage, grid integration of renewables, smart grids and micro grids which are already making these energy supplies cheaper than existing coal and grid system for many consumers. The widely held prediction (amongst both renewable sceptics and supporters alike) is that this will be uniformly true in markets like Australia within three to five years.

While this disruption and transition will not be easy, affecting a very substantial industry and asset base, requiring changes in regulation and market design, it is also opening the door for new business models and opportunities to take advantage of the revolution. This revolution as one can term it, will likely be characterised by boom and bust cycles and false starts as our modern

economy adapts to rapidly evolving ways of generating, using, transporting and sharing energy. This movement is already well underway, driven by consumers and businesses looking for better and cheaper energy solutions and seeking to reduce harmful environmental impacts – we believe this is real and cannot be stopped.

It has been one of our priorities during the year to ensure that Geodynamics remains in a financially strong position capable of weathering this uncertainty, as well as remaining well placed to take advantage of arising new opportunities. Along with reductions in operating costs and expenses, we have undergone the difficult process of reducing staff numbers through redundancy, losing valued team members who have contributed significantly to our operational success of the past three years.

On top of these reductions our balance sheet was strengthened through the receipt of \$8.5 million in R&D Tax Rebates as well as a drawdown of \$4.5 million under our ARENA funding grant. With our major spending commitments at Innamincka now completed we finished FY2014 with \$33.8 million leaving us with approximately \$25 million to invest in new opportunities after giving consideration to ongoing permit obligations associated with our activities in the Cooper Basin.

The Board has maintained rigorous annual strategy reviews over the last 4 years as part of our corporate governance and risk management process. As we look ahead to 2015 and beyond, considering the substantial change and uncertainty in our sector, it has become more and more evident that diversification into fields beyond geothermal is necessary, to maximise returns on the funds available for investment.

In reviewing the trends and opportunities that are emerging as a result of the energy revolution discussed earlier, we have identified a number of “mega-trends” – global factors that are fundamentally altering the outlook for energy markets and systems. Bloomberg New Energy Finance, a leading advisor in this area broadly classed these trends into three key categories; Clean Energy Supply and Services, Efficiency and Storage and Cleantech Industrial Services.

With strong internal capability in a range of renewable energy, technology and associated utility and infrastructure areas within our Board and staff, we are well positioned to take advantage of these trends.

We have been assessing opportunities in these areas, with the view of building a clean energy and energy services company which will be customer centric and responsive to compete in these increasingly dynamic sectors. This will not be an overnight achievement but a medium to long term vision for the company. We are determined to become an entrant and player in this dynamic and changing technology and energy system of the 21st century.

So as I look forward to 2015, I am encouraged by the opportunities that lie ahead of us.

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We have a specific plan for each of our key assets focussed on securing value through identifying a clear path to market and funding strategy, securing customers and environmental approvals, and continuing to define clear technical and operational plans.

We also find ourselves in a secure financial position, with a small but skilled team capable of delivering and transforming our Company. The transformation of Australia's energy sector and the rapid pace of technological change is presenting many new opportunities in the sustainable technology and clean energy areas, which we are actively pursuing.

Before I hand over to your Managing Director and CEO Geoff Ward, I want to add a few words regarding the board's composition and future intentions. It was the intention of the Board to reduce board numbers to a more optimum and sustainable size at this meeting. Our preference is for a 3-4 non-executive member board including a chairman, plus the Managing Director. However, whilst currently seeking and pursuing acquisition opportunities your Board considers it valuable to retain the current board with its broad experience and networks, and to ensure that due consideration is given to the important decisions the Board will have to take in pursuing diversification through mergers and acquisitions.

Conscious of the cost impact of this approach and the efforts the company has made to reduce costs, the Directors have unanimously agreed to a fifty percent reduction in Board fees whilst we are pursuing these new opportunities. We will review this situation, the Board composition and required director skills and experience in March to ensure that we remain best equipped to support the direction of the Company.

In closing I would like to thank our shareholders for their ongoing support, as well as our staff members who have remained dedicated and positive in an often challenging environment.

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 Ms Friederike Graser, on +61 7 3721 7588.

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 —