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# ASX Announcement

5 August 2015

## Receipt of Target's Statement

Geodynamics Limited (ASX:GDY) wishes to acknowledge the receipt of Quantum Power Limited ABN 63 115 910 659 (Quantum) Target's Statement, in respect to the Company's off-market takeover bid for Quantum.

For further information on the Takeover Offer please contact Geodynamics on + 61 7 3721 7500.

A handwritten signature in black ink, appearing to read "T. Pritchard", written over a thin horizontal line.

Tim Pritchard  
Company Secretary

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# TARGET'S STATEMENT

Quantum Power Limited  
(ABN 63 115 910 659)

The directors of Quantum Power Limited unanimously recommend that you

## ACCEPT

Geodynamics Limited's takeover offer  
(in the absence of a Superior Proposal or a Material Adverse Event  
in relation to Geodynamics Limited)

This Target's Statement has been issued in response to the off-market takeover bid made by Geodynamics Limited for all the ordinary shares in Quantum Power Limited.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

## Important information

### Nature of this document

This document is a Target's Statement issued by Quantum Power Limited (**Quantum**) under Part 6.5 Division 3 of the Corporations Act in response to Geodynamics' Bidder's Statement and Offer.

### Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in Section 12 of this Target's Statement.

### No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not constitute personal advice. The Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. Such statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Quantum operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Quantum, Quantum's officers and employees or any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

### ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and given to ASX. Neither ASIC, nor ASX nor any of their officers take any responsibility for the content of this Target's Statement.

### Disclaimer as to information

The information on Geodynamics and Geodynamics' shares contained in this Target's Statement has been prepared by Quantum using publicly available information. The information in this Target's Statement concerning Geodynamics and its assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Quantum. Quantum does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

### Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This

Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

### Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

### Privacy

Quantum has collected your information from the Quantum register of shareholders for the purpose of providing you with this Target's Statement. The type of information Quantum has collected about you includes your name, contact details and information on your shareholding in Quantum. Without this information, Quantum would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Quantum's related bodies corporate and external service providers (such as the share registry of Quantum and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

## CHAIRMAN'S LETTER

5 August 2015

Dear Fellow Shareholders

### Takeover bid by Geodynamics Limited

On 14 July 2015, Geodynamics Limited (**Geodynamics**) and Quantum Power Limited (**Quantum**) announced an intention to merge by means of Geodynamics making an off-market offer to acquire all the issued shares in Quantum (**the Offer**).

Under the Offer, Quantum shareholders will receive four and a half (4.5) Geodynamics shares for each Quantum Share, subject to rounding.

The Directors believe that, on balance, Geodynamics' Offer is in the best interests of Quantum shareholders because the Offer:

- provides an attractive value for your Quantum Shares;
- offers the liquidity of holding shares in an ASX listed company;
- allows you to maintain an interest in Quantum's existing biogas energy projects; and
- provides a stronger balance sheet and superior operational capability to develop a portfolio of renewable energy projects.

If the Offer is successful, Geodynamics will invite current Quantum director, Richard Brimblecombe, to join the Board of Geodynamics. Mr Brimblecombe intends to accept that invitation.

After careful consideration, the Directors unanimously recommend that you **ACCEPT** Geodynamics' Offer, subject to there being no Superior Proposal received, or no Material Adverse Event occurring in relation to Geodynamics, in which case the Directors will make a further recommendation to you.

The Offer is supported by major shareholders of Quantum, with shareholders representing an aggregate of 56.66% of Quantum's issued ordinary shares having advised Geodynamics that they intend to accept the Offer for all the Quantum Shares they own or control in the absence of a Superior Proposal.

If the Offer is not accepted by Quantum shareholders, Quantum will have to raise additional capital. This would potentially be highly dilutive to non-participating shareholders and there is no guarantee that any such capital raising will be successful.

All the Directors intend to accept Geodynamics' Offer in respect of their own shareholdings in Quantum, subject to there being no Superior Proposal received or no Material Adverse Event in relation to Geodynamics.

We encourage you to consider carefully the information contained in this Target's Statement in light of your own personal circumstances.

The Offer is scheduled to close at 7.00pm on 11 September 2015 (unless extended). To **ACCEPT** the Offer, simply follow the instructions outlined in Section 12.6 of the Bidder's Statement and your Acceptance Form that will have been sent to you by Geodynamics. No action is required if you decide not to accept the Offer.

Yours sincerely



**Richard Brimblecombe**  
**Chairman**

For and on behalf of the Directors

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## 1 Recommendation and relevant considerations

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### 1.1 The Quantum Directors' Recommendation

After careful consideration, taking into account each of the matters in this Target's Statement and in the Bidder's Statement, the Directors unanimously recommend that you accept the Offer in the absence of a Superior Proposal, or Material Adverse Event occurring in relation to Geodynamics.

The Directors believe that, on balance, the Offer is in the best interests of Quantum shareholders.

Details of the reasons why the Directors recommend that you accept the Offer can be found in Section 1.3 of this Target's Statement.

In considering whether to accept the Offer, the Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider your choices noted in Section 2 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

### 1.2 Why the Directors recommend you should accept Geodynamics' Offer

- (a) Geodynamics' Offer represents attractive value for your Quantum Shares.**
- (b) The Offer provides the opportunity to receive shares in a larger and more diverse company, listed on ASX, providing liquidity for your shareholding in the Merged Group.**
- (c) The Merged Group will have stronger financial resources to develop Quantum's portfolio of biogas energy projects.**
- (d) If the Offer is not accepted by Quantum shareholders, Quantum will have to raise additional capital. This would be dilutive to non-participating shareholders and there is no guarantee any capital raising will be successful.**
- (e) No Superior Proposal has emerged to date.**
- (f) The Offer is supported by major shareholders of Quantum, with shareholders representing an aggregate of 56.66% of Quantum's issued ordinary shares having advised Geodynamics that they intend to accept the Offer for all the Quantum Shares they own or control in the absence of a Superior Proposal.**

In deciding to recommend the Offer, the Directors have had regard to a number of considerations both for and against accepting the Offer. A more detailed overview of the principal reasons for the Directors' recommendation follows in Section 1.3 below. Section 1.4 sets out considerations why you may decline to accept the Offer.

### 1.3 Considerations for accepting the Offer

- (a) Geodynamics' Offer represents attractive value for your Quantum Shares.**

Geodynamics' Offer values Quantum at between:

- \$4.46 million, or \$0.157 (15.7 cents) per Quantum Share, based on Geodynamics share price on ASX as at the date immediately before the date of this Target Statement of \$0.035 (3.5 cents) per Geodynamics Share; and

- \$7.65 million, or \$0.27 (27 cents) per Quantum Share, based on Geodynamics net tangible asset backing of \$0.06 (6 cents) per Geodynamics Share – see Section 4.3 of Bidder's Statement.

**(b) The Offer provides liquidity for your investment**

By accepting the offer Quantum shareholders will gain access to a larger company, with Geodynamics Shares that will be quoted on ASX, providing liquidity for your shareholding in the Merged Group.

**(c) The Merged Group will have stronger financial resources to develop Quantum's portfolio of biogas energy projects.**

Based on its unaudited and unreviewed management accounts as at 30 June 2015, Geodynamics has net assets of \$24.21 million including \$28 million of cash.

Merger with Geodynamics will enable Quantum to accelerate delivery of its identified projects, and pursue larger project opportunities with the support of Geodynamics' financial capacity, project management and engineering capability.

**(d) If the Offer is not accepted by Quantum shareholders, Quantum will have to raise additional capital. This would be likely to be highly dilutive to non-participating shareholders and there is no guarantee any capital raising will be successful.**

After receiving approval for a \$20 million loan facility from the CEFC in February 2014, Quantum embarked on a strategy to raise matching equity funds in order to unlock the loan facility. The view of the Directors was that whilst Quantum's projects were still at too early a stage to enable Quantum to effectively raise capital (i.e. needed to build out the portfolio of BOOM projects further), Quantum sought to leverage the CEFC loan approval as evidence that an external party had conducted a thorough due diligence on Quantum and determined that Quantum had viable biogas projects.

Subsequent efforts to raise capital, including appointing corporate advisers, preparation of a detailed information memorandum and conduct of an investment roadshow, were however unsuccessful. The feedback from potential investors was:

- (i) Quantum was at too early stage of development, and needed to build out the portfolio of projects further; and
- (ii) The uncertainty regarding the CEFC, ARENA, carbon policy and the Renewable Energy Target involved too much investment risk.

The lack of available capital funding has already forced Quantum to abandon its proposal to build, own, operate and maintain a biogas facility for a processing plant, instead building the facility under an EPCM contract for Rural Funds Renewables Pty Ltd, with ongoing revenues derived from operations and maintenance services and a share of profits.

**(e) No Superior Proposal has emerged to date.**

Quantum has not received, and is unaware of, any proposal superior to the Geodynamics Offer.

**(f) The Offer is supported by major shareholders of Quantum**

Shareholders representing an aggregate of 56.66% of Quantum's issued ordinary shares have advised Geodynamics that they intend to accept the Offer for all the Quantum Shares they own or control in the absence of a Superior Proposal.

## 1.4 Considerations against accepting the Offer

This section sets out some reasons why you may decline to accept the Offer. This section should be read in conjunction with Section 9 of the Bidder's Statement, which sets out the risk factors associated with being a shareholder in Geodynamics.

### (a) The price of Geodynamics Shares fluctuates

You are being offered Geodynamics Shares for your Quantum Shares at a fixed ratio of four and a half (4.5) Geodynamics Shares for each Quantum Share, regardless of the price Geodynamics Shares trade at. If you receive Geodynamics Shares under the Offer, you will be exposed to any rise or fall in the Geodynamics Share price, along with the risks associated with being a Geodynamics shareholder.

In the six months prior to the Announcement Date, Geodynamics Shares traded between \$0.047 (4.7 cents) and \$0.033 (3.3 cents). At the lower end of this range, the Offer values Quantum Shares at \$0.149 and at the higher end at \$0.212. The Directors are not aware of the reasons for this range of trading price for Geodynamics Shares nor are they able to predict whether the current price will be sustained.

If you accept the Offer and you are issued Geodynamics Shares, you will be subject to the risks associated with being a Geodynamics shareholder which may affect the future performance of Geodynamics and trading price of Geodynamics Shares. These risks are set out in Section 9 of the Bidder's Statement.

You may consider that the valuation reflected in the traded price of Geodynamics Shares will not be sustained.

### (b) You may disagree with the Directors' recommendation

- (i) **You may hold a different view to the Directors and consider that the Offer of 4.5 Geodynamics Shares for every Quantum Share you hold is inadequate.**
- (ii) **You may not want to reduce your exposure to Quantum's assets.**
- (iii) **If you accept the Offer and it becomes unconditional, your interest in Quantum and the value that could be realised through a successful development of its assets will be diluted. Quantum shareholders will hold approximately 22.6% of the issued shares of Geodynamics immediately following the takeover.**
- (iv) **You may decide that you do not want to be exposed to Geodynamics' strategy or to its assets.**
- (v) **Should you accept the Offer and receive Geodynamics Shares, you will be exposed to the various risks associated with Geodynamics pursuing a broader portfolio of renewable, cleantech and distributed generation projects.**
- (vi) **You may consider that there is the potential for a Superior Proposal to be made in relation to Quantum**

### (c) Acceptance could preclude you accepting a Superior Proposal

Except in the limited circumstances provided for in the Corporations Act, accepting the Offer will preclude Quantum shareholders from accepting a Superior proposal from a third party, should one emerge during the Offer Period. As at the date of this Target's Statement, the Directors are not aware of an intention by anyone to make an alternative proposal.

**(d) Acceptance could preclude you from selling your Quantum Shares**

Accepting the Offer would preclude you from selling your Quantum Shares. Accepting the Offer will not, however, deny you the benefit of any superior price offered by Geodynamics which, under the Corporations Act, is required to be extended to all Quantum shareholders, including those who have already accepted the Offer. At the date of this Target's Statement, Geodynamics has given no indication that it intends to increase the Offer Consideration.

**2 Your choices as a Quantum shareholder**

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As a Quantum shareholder you have three choices currently available to you:

**(a) Accept the Offer**

Quantum shareholders may elect to accept the Offer. Details of the consideration that will be received by Quantum shareholders who accept the Offer are set out in Section 12.2 of the Bidder's Statement.

The Bidder's Statement contains details of how to accept the Offer in Section 12.6.

**(b) Sell your Shares**

During a takeover, shareholders of a target company who have not already accepted the bidder's offer can still sell their shares for cash.

This is not a readily available alternative for Quantum shareholders because the Quantum Shares are illiquid, not being listed on ASX and with no readily available buyers of Quantum Shares.

Shareholders who sell their Quantum Shares may be liable for CGT or income tax on the sale and may incur a brokerage charge. You should seek independent taxation advice to determine the consequences of sale in your individual circumstance.

**(c) Take no action**

Quantum shareholders who do not wish to accept the Offer or sell their Quantum Shares should do nothing.

Shareholders should note that if Geodynamics and its associates have a relevant interest in at least 90% of the Quantum Shares during or at the end of the Offer Period, Geodynamics will be entitled to compulsorily acquire the remaining Quantum Shares that Geodynamics does not already own (see Section 6.2 of this Target's Statement for further details).

### 3 Frequently asked questions

The information in this section is a summary only of Geodynamics' Offer and is qualified by the detailed information set out elsewhere in this Target's Statement and in the Bidder's Statement. You should read the entire Target's Statement and Geodynamics' Bidder's Statement sent to you at the same time as this Target's Statement, before deciding whether to accept the Offer.

Question	Answer
<p><b>What is Geodynamics' offer for my Quantum shares?</b></p>	<p>Geodynamics is offering 4.5 Geodynamics Shares for every Quantum Share held by you. As such, the value of the consideration you will receive will depend on the price of Geodynamics' Shares at the time they are allotted and issued to you under the Offer.</p> <p>Based on Geodynamics' closing price of \$0.035 (3.5 cents) on 4 August 2015, being the last day of trading on the ASX prior to the date of this Target's Statement, the Offer equates to \$0.157 (15.7 cents) per Quantum Share.</p>
<p><b>Who is Geodynamics?</b></p>	<p>Geodynamics is an ASX listed company headquartered in Brisbane aiming to operate in the clean energy, energy efficiency and storage and clean tech industrial services to diversify its current portfolio of geothermal energy development projects in Australia and the Pacific Islands.</p> <p>At 30 June 2015 it had \$28 million of cash and net assets of \$24.21 million. Geodynamics' stated intention is to maintain Quantum's work towards the development of its biogas energy assets (refer to section 7 of the Bidder's Statement).</p>
<p><b>Will the Geodynamics Shares issued as Offer Consideration be listed on the ASX?</b></p>	<p>Yes.</p>
<p><b>What happens if there is a large fall in the Geodynamics share price?</b></p>	<p>You are being offered Geodynamics Shares for your Quantum Shares at a fixed ratio regardless of the price at which Geodynamics' Shares trade on ASX. If you receive Geodynamics Shares under the Offer, you will be exposed to any fall in the Geodynamics Share price.</p>
<p><b>What are the risks associated with becoming a Geodynamics shareholder?</b></p>	<p>If you accept the Offer and become a Geodynamics shareholder, your investment will become subject to the risks associated with Geodynamics' business.</p> <p>Further information about the risks associated with an investment in Geodynamics is set out in Section 9 of the Bidder's Statement.</p>

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Question	Answer
<p><b>What are the consequences of accepting the Offer now?</b></p>	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Quantum Shares or otherwise deal with your Quantum Shares while the Offer remains open.</p> <p>The effect of acceptance of the Offer is set out in Section 12.7 of the Bidder's Statement. Quantum shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Shares and the representations and warranties which they give by accepting of the Offer.</p>
<p><b>If I accept the Offer, can I withdraw my acceptance?</b></p>	<p>If you accept Geodynamics' Offer, you may only withdraw your acceptance if Geodynamics varies the Offer in a way that postpones, for more than one month, the time when Geodynamics needs to meet its obligations under the Offer (this will occur if Geodynamics extends the Offer Period by more than one month and the Offer is still subject to conditions) or if otherwise permitted by law.</p>
<p><b>Can Geodynamics withdraw its Offer?</b></p>	<p>Geodynamics may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.</p>
<p><b>When does the Offer close?</b></p>	<p>The Offer is presently scheduled to close at 7.00pm on 11 September 2015, unless extended or withdrawn in accordance with the Corporations Act.</p>
<p><b>Can the Offer Period be extended?</b></p>	<p>Geodynamics may extend the Offer Period at any time before giving the Notice of Status of Conditions while the Offer is subject to conditions.</p> <p>However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), Geodynamics may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> <li>• Geodynamics improves the consideration offered under the Offer; or</li> <li>• Geodynamics' voting power in Quantum increases to more than 50%.</li> </ul> <p>If either of these 2 events occur, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs</p>

Question	Answer
<p><b>What happens if I do not accept the Offer?</b></p>	<p>If you do not accept the Offer and you do not sell your Quantum Shares, you will remain a Quantum shareholder and will not receive the Offer Consideration. However, if Geodynamics becomes entitled to compulsorily acquire your Quantum Shares, it intends to do so. If this occurs, Quantum will receive the Offer Consideration as your trustee. Quantum will give you written notice that the Offer Consideration has been received and is being held by Quantum pending your instructions as to how it is to be dealt with. You must claim this Offer Consideration, so you will receive it at a later date than you would have received it if you had accepted the Offer.</p>
<p><b>Can I be forced to sell my Quantum Shares?</b></p>	<p>You cannot be forced to sell your Quantum Shares unless Geodynamics proceeds to compulsory acquisition. Geodynamics will need to acquire at least 90% of Quantum's Shares in order to exercise its compulsory acquisition rights. In the event this occurs, you will then receive the same consideration as is payable under the Offer at that time.</p>
<p><b>Is the Geodynamics Offer conditional?</b></p>	<p>In summary, the Offer is subject to the following defeating conditions:</p> <ul style="list-style-type: none"> <li>• Geodynamics holding at least 90% (by number) of Quantum Shares;</li> <li>• before the end of the Offer Period there being no Superior Proposal;</li> <li>• receipt of all required regulatory approvals;</li> <li>• no restraint arising adversely affecting the Offers;</li> <li>• conduct by Quantum of its business in the ordinary course of business;</li> <li>• no Quantum Prescribed Occurrence occurring;</li> <li>• no Quantum Material Adverse Change occurring; and</li> <li>• representations regarding Quantum's issued securities continue to be true and correct.</li> </ul> <p>Refer to Section 13 of the Bidder's Statement for more detail.</p>
<p><b>What happens if the conditions of the Offer are breached or not fulfilled?</b></p>	<p>If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse and all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. You would then be free to deal with Quantum's Shares even if you had accepted the Offer.</p>
<p><b>Is there an Independent Expert Report?</b></p>	<p>No. There is no independent expert report as none is required by law. The Directors consider that Quantum's shareholders are able to decide whether or not to accept the Offer based on the merits of the Offer as presented in the Bidder's Statement and this Target's Statement.</p>

Question	Answer
<p><b>When will I be issued my consideration if I accept the Offer?</b></p>	<p>In the usual case, you will be issued your consideration on or before the later of:</p> <ul style="list-style-type: none"> <li>• one month after the date the Offer becomes or is declared unconditional; and</li> <li>• one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional, but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.</li> </ul> <p>Full details of when you will be issued your consideration are set out in Section 12.8 of the Bidder's Statement</p>
<p><b>What happens if Geodynamics improves the Offer Consideration and I have already accepted the offer?</b></p>	<p>If Geodynamics improves the Offer Consideration offered under its takeover bid all Quantum shareholders, whether or not they have accepted the Offer before that improvement in Offer Consideration, will be entitled to the benefit of that improved Offer Consideration.</p>
<p><b>What are the tax implications of accepting the Offer?</b></p>	<p>A general outline of the tax implications of accepting the Offer is set out in Section 7 of this Target's Statement and Section 10 of the Bidder's Statement.</p> <p>As these outlines are general only, shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>

## 4 Information about Geodynamics

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### 4.1 Overview of Geodynamics

Quantum shareholders should refer to Sections 3, 4 and 5 of the Bidder's Statement for detailed information on Geodynamics including details in relation to Geodynamics' Shares.

### 4.2 Risk of holding shares in Geodynamics

There are a number of risks relating to holding shares in Geodynamics of which Quantum shareholders should be aware. These risks are outlined in Section 9 of the Bidder's Statement. The Directors encourage you to carefully consider Section 9 of the Bidder's Statement before deciding on your course of action in relation to the Offer.

## 5 Profile of Quantum – Information and Risks

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### 5.1 Quantum's business model - overview

Quantum is a leading supplier of anaerobic digestion-based biogas powered electricity generation projects.

Quantum offers its customers two different project models:

**(a) BOOM:** This is Quantum's preferred model under which it:

- (i) finances, builds, owns, operates and maintains biogas and electricity generation facilities located on customer sites. Quantum would aim to fund the project using a mixture of debt and equity;
- (ii) sells electricity to the customer under a long-term power purchase agreement and (where appropriate and feasible) exports electricity to the utility grid; and
- (iii) can also produce and sell renewable energy certificates, abate greenhouse gas emissions and earn Australian Carbon Credit Units under the Emissions Reduction Fund.

**(b) Turnkey:** Quantum:

- (i) builds the entire biogas and electricity generation system; and
- (ii) sells the system to the customer on either a lump sum or cost plus basis, making a profit margin on the capital cost.

Under this model, Quantum provides full EPCM services and executes all contracts and procurement under the name of the customer (being the plant owner).

Quantum also provides maintenance and advisory services to its customers.

### 5.2 Business rationale

Anaerobic digestion is the simple, natural breakdown of organic matter into carbon dioxide, methane and water, by two groups of micro organisms, bacteria and archaea. The anaerobic digestion process will take the organic matter (eg effluent from a piggery) and produce a mixture of methane and carbon dioxide gases (biogas), water and some organic material (digestate).

Biogas can be burned to produce both heat and electricity, or refined to natural gas standards for use as vehicle fuel or injected into the gas grid. Digestate is a stable, nutrient-rich substance and can be used for fertiliser, as feedstock for ethanol production, and in low-grade building materials, like fibreboard. Water, after treatment within the anaerobic digestion process, may be recycled or subject to further treatment processes.

Quantum's projects provide value through:

- (a) improved management of effluent and other waste by-products;
- (b) conversion of waste by-products into higher value goods;
- (c) on-site production of heat and power lowering energy costs for the end consumer;
- (d) generating renewable energy certificates and Australian Carbon Credit Units that have monetary value; and
- (e) reducing carbon emissions by eliminating methane emission that would otherwise normally occur (Methane has a 21 x CO<sub>2</sub> global warming potential).

### 5.3 Biogas market

Anaerobic digestion systems and biogas fuelled power stations are suitable for piggeries, dairy factories, chicken and egg producers, red meat abattoirs, rendering plants, sewerage plants and similar industries that have large quantities of organic waste.

The overall market opportunity over the next 5 years for anaerobic digestion and biogas in Australia and New Zealand is significant.

The biogas market is expected to grow, driven by rising energy costs, public policy support and market consolidation of primary production facilities. Increasing levels of environmental regulation mean that new large scale intensive livestock facilities with a wet waste stream (e.g. piggeries and dairies) are required to install suitable waste treatment facilities in order to comply with environmental licensing obligations. Anaerobic digestion systems are recognised as effective components of waste treatment systems because of their relatively low capital cost and low operating costs when compared to alternative waste treatment systems.

The following are examples of the potential markets for biogas:

- (a) **(Dairy industry)** The dairy industry in Australia is rapidly intensifying, driven by strong demand from Asia, and transitioning to a more energy intensive model of barn style dairies. In the future, all new large-scale dairies in Australia will be required to establish effective waste water treatment processes.
- (b) **(Municipal markets)** Growth in population and the rising cost of delivered energy continue to improve the economics of large-scale biogas projects in the municipal markets.
- (c) **(Food processors)** Australia has an aging fleet of food processing plants. Many abattoirs have been operating for over 40 years. In a very high percentage of cases the waste-water treatment systems have been operating beyond original design capacity, or are acting as constraints to growth. Biogas projects offer a compelling solution to food processing plants as waste-water systems are converted from a cost centre into a profit centre.

### 5.4 Project delivery capability

Quantum's key asset is its project delivery capability developed through the course of delivering projects. This capability comprises significant knowhow, project management skills and commercial relationships.

Quantum has delivered more biogas projects in the food processing and intensive livestock industries than any other company in Australia, and is the only company in Australia to deliver projects spanning rendering, abattoirs, pig production, layer chickens and dairy processing.

Quantum has worked with multiple anaerobic digestion specialists including RCM Digesters, and HDR Inc, and has established relationships with other prominent anaerobic digestion specialists such as DVO Inc. In addition, Quantum has existing relationships with suppliers of leading biogas generator brands including Cummins, MAN, Guascor, Jenbacher and Caterpillar.

The delivery of projects is managed by Quantum through a mix of internal expertise supplemented by additional outsourced engineering and design. For example, Quantum uses engineering consultants for the design of the integration of the gas handling system, the generator, the customer's switchboard and the electricity grid.

## 5.5 Contracting arrangements

### (a) General

Quantum enters into legal arrangements on commercial terms which contain customary provisions for projects of comparable size, nature and type.

### (b) Project specific contracts

For BOOM projects, Quantum will enter into long term PPA's which contain customary commercial provisions relating to design, supply and installation of plant, access to project site, regulatory approvals, ownership of the plant, supply of feedstock and electricity, metering, electricity pricing, insurances and limitation of Quantum's liability.

For turnkey projects, Quantum enters into EPC or EPCM type contracts which contain customary commercial provisions relating to design requirements, subcontracting conditions, permitting, construction and commissioning, price and payments, defects liability, insurance, indemnities and limitations of Quantum's liability.

### (c) Suppliers

Quantum has entered into commercial contracts with third party product suppliers (eg for the use of digester technology and for the supply of capital equipment such as the generation equipment) and services suppliers (eg for design and engineering services).

## 5.6 Regulatory requirements for sale of electricity

For BOOM projects, Quantum's aim is to sell power to the end user customer.

The National Energy Retail Law provides a national framework for the sale of energy (gas and electricity) to customers. It currently applies in Queensland, New South Wales, the Australian Capital Territory, Victoria and South Australia, and is in the final stages in the move to national regulation of energy markets. The National Energy Retail Law is administered by the Australian Energy Regulator.

Under the National Energy Retail Law, anyone who sells electricity to people for use at premises must have either a retailer authorisation or a retail exemption. Accordingly, it is anticipated in the short to medium term that a Quantum group company which sells electricity will require an individual retail exemption. In the longer term, if Quantum's core business becomes the sale of electricity, it may require a retail authorisation which will impose more detailed obligations on Quantum.

## 5.7 Existing projects

### (a) BOOM Project, Qld – commissioned and operating

Quantum owns and operates 1 existing biogas power station, co-located at the AJ Bush rendering plant at Beaudesert in Southern Queensland. The installed nameplate capacity is 1.1 MW. Accessible generation capacity is currently restricted to 800kW due to certain operational and infrastructure limitations. Based on the current performance of the anaerobic digestion pond, the plant produces sufficient biogas for in excess of 4,000,000 kWh pa of electricity production.

The project is governed by a PPA, which was entered into in April 2010, with a term of 10 years commencing from July 2010.

With appropriate access to capital there is an opportunity to significantly improve the operational and financial performance of this site via an upgrade to existing assets. Additionally, further opportunities exist to increase output from the site via construction of an additional anaerobic digester and installation of additional power generation equipment.

Under the PPA, the project generates revenue from electricity sales at fixed contract prices and renewable energy certificate sales at floating market prices.

The PPA runs for approximately another 5 years and is expected to generate approximately \$500,000 revenue per year over the remaining life of the contract, based on:

- Sale of 4,000,000 kWh electricity per year.
- The agreed fixed electricity prices contained in the PPA.
- The creation of 4,000 LGC's per year. 1,000 kWh of bioenergy production will create one LGC. Under the PPA, Quantum is entitled to 90% of the sale price with the remaining 10% being paid to the customer.
- LGC sale prices are based on the forward price curve published by Mercari Pty Ltd (<http://lgc.mercari.com.au/>). Mercari operates licensed and regulated electronic markets for over the counter products including LGCs under an [Australian Market Licence](#) and [Australian Financial Services Licence](#) (No. 229935) and publishes a forward price curve for LGCs which is relied on by market participants as one of a number of authoritative industry benchmarks. The Mercari forward price curve methodology is based on firm prices tradeable on screen by counterparties with investment grade credit ratings and/or a confidential market poll of market participants with investment grade credit ratings, and/or Mercari's cost of carry model. The renewable energy certificate market is a volatile market with prices having ranged from approximately \$30/LGC to \$50/LGC in the last 12 months. The current LGC price is approximately \$50/LGC.

The production of 4,000,000 kWh is equal to a capacity factor of approximately 40%, based on the nameplate rating of the installed capacity of 1.1 MW. Based on a 40% capacity factor, an uptime of 90% of accessible generation capacity over the remaining period of the PPA, prior years operations and industry standard practice, the operating costs are estimated to be in the order of \$100,000 per year over the remaining life of the PPA. Operating costs will be subject to inflation and labour rates. Expectations for inflation and labour rates are in line with the Reserve Bank of Australia target of an inflation rate of 2-3% on average over the cycle.

#### **(b) Piggery Project, Qld**

The project site is a pig production facility located in Southern Queensland with capacity to house approximately 30,000 pigs.

Quantum is currently delivering an anaerobic digestion and 500 kW biogas project with a project value of \$2.7 million as a turnkey project for its client. This project is being delivered via Quantum RCM Pty Ltd, in which Quantum holds a 50% shareholding. Quantum has been contracted by Quantum RCM Pty Ltd on an EPC basis to deliver power generation infrastructure, electrical reticulation infrastructure and grid interconnections.

The anaerobic digestion pond has been completed and commissioned. The generators, gas handling plant and electrical installation is in progress with commissioning due shortly. The project is progressing to completion with the primary risks resulting from any rectification work that may be identified during the final commissioning of the project.

#### **(c) Red Meat Processing Plant, NSW**

Southern Meats own a sheep abattoir and service rendering operation in Goulburn, New South Wales.

Quantum is providing EPCM services (including supply and installation of plant) in relation to an anaerobic digestion and 1,000 kW biogas project with a project capital expenditure value of \$3.25 million for Rural Funds Renewables Pty Ltd who will own the biogas project and sell electricity to Southern Meats under a PPA.

Quantum has also been contracted to provide operations, maintenance, management and administration services for 10 years commencing on project commissioning (**OMA**) and also

participates in a profit sharing arrangement pursuant to which Quantum will share in any excess profits over and above Rural Funds Renewables benchmark return on investment.

Site surveys and geotechnical investigations have been completed. The anaerobic digestion system design, generator selection and electrical design are nearing finalisation. Civil construction will commence following design finalisation and equipment selection. The project will have a completion period of approximately 6 months.

Based on industry standard maintenance and overhaul schedules for gas handling and generator equipment, the OMA is expected to generate variable revenues depending on the repair and maintenance services required. Normal years are expected to result in OMA revenues of between \$50,000 to \$80,000 per annum whilst years with major equipment maintenance, expected to be every four years, may produce revenues of up to \$250,000 per annum.

The expected returns from the profit share arrangement will provide further potential upside to Quantum should the project meet or exceed expectations in terms of biogas production, generator performance and market price for renewable energy certificates and carbon credits, although the contribution is not expected to be material in the context of the Quantum's overall business.

#### **(d) Piggery, WA**

The project site is a pig production site located in Western Australia with capacity to house approximately 55,000 pigs.

In July 2015 Quantum received permission to conduct a biogas recovery and power production project from the site owner and executed a power purchase agreement to supply power from this facility to the site owner. The project will include an anaerobic digestion system and is planned to supply ~1,000 kW generation capacity, with surplus electricity to be sold into the grid.

The project is now at initial planning and approvals stage. Progression to completion is conditional upon a number of factors including all relevant regulatory approvals, qualification for registration under relevant renewable energy and emissions reduction fund legislation and approval by the Directors.

Based on preliminary project scoping studies and Quantum's previous experience designing and constructing anaerobic digestion and biogas plants, the project is estimated to have a construction cost of approximately \$3 million to \$4 million.

The project will produce revenue from a combination of electricity sales, renewable energy certificate sales and carbon credit sales.

The electricity will be sold at fixed prices to the client under the commercial in confidence PPA, with surplus electricity to be sold into the grid at spot price at the time of generation. Renewable energy certificates will be sold on the open market. Carbon Credit Units will be sold via the Emissions Reduction Fund auctions. The term of the PPA is 10 years plus two option periods each of 5 years.

The Australian pork industry has developed the PigBal 4 model for estimating piggery waste production (<http://australianpork.com.au/industry-focus/environment/waste-management-pigbal/>). Using the PigBal4 model it is estimated that the anaerobic digestion plant will produce sufficient biogas to produce approximately 4,000,000 kWh pa from the 1 MW generator. The PigBal4 model also estimates that the anaerobic digestion and bioenergy plant will result in the abatement of approximately 20,000 tCO<sub>2</sub>e pa, through the combustion of high global warming potential methane into carbon dioxide, where methane has a 21x global warming potential of carbon dioxide. The primary inputs into the PigBal4 model, consistent with the preliminary scoping study, are:

- Approximately 100,000 weaner pig purchases per year.
- Average daily live weight gain in the good range (650-700 g/day).
- A feed conversion ratio in the good range (2.3 – 2.6 kg feed fed / kg live weight gain).
- PigBal4 standard diet A.
- A covered anaerobic pond design philosophy.
- Volatile solids loading rate of 0.08 kg VS m<sup>-3</sup>day<sup>-1</sup>.
- Total storage depth of 8m.

- Length at embankment crest of 200m.

The 4,000,000 kWh per annum of electricity production from the project is expected to generate approximately \$500,000 per year in revenue from sales of electricity over the life of the project plus additional revenue from the sale of carbon credits sold through the Emissions Reduction Fund auctions.

The expected yearly electricity sale revenue is based on:

- Sale of approximately 4,000,000 kWh electricity per year.
- The agreed fixed electricity prices contained in the PPA.
- The spot market for surplus electricity sold into the grid.
- The creation of approximately 4,000 LGC's per year. 1,000 kWh of bioenergy production will create one LGC.
- LGC sale prices are based on the forward price curve published by Mercari Pty Ltd (<http://lgc.mercari.com.au/>). Mercari operates licensed and regulated electronic markets for over the counter products including LGCs under an [Australian Market Licence](#) and [Australian Financial Services Licence](#) (No. 229935) and publishes a forward price curve for LGCs which is relied on by market participants as one of a number of authoritative industry benchmarks. The Mercari forward price curve methodology is based on firm prices tradeable on screen by counterparties with investment grade credit ratings and/or a confidential market poll of market participants with investment grade credit ratings, and/or Mercari's cost of carry model. The renewable energy certificate market is a volatile market with prices having ranged from approximately \$30/LGC to \$50/LGC in the last 12 months. The current LGC price is approximately \$50/LGC.

In relation to carbon credits sale revenue, it should be noted that the Emissions Reduction Fund auctions is an embryonic market with the first auction held in April 2015. The auction resulted in 107 contracts being awarded, with over 47 million tonnes of CO<sub>2</sub>e of abatement being contracted at an average price of \$13.95/tCO<sub>2</sub>e. However, as the Emissions Reduction Fund market has a limited history, there is an insufficient basis to make any forward looking statements as to the potential future revenue contribution from the sale of the 20,000 tCO<sub>2</sub>e per annum of carbon abatement that is expected to be produced and Quantum makes no such statements.

Based on a 40% capacity factor, the nameplate rating of the installed capacity of 1.0 MW, an uptime of 90% over the period of the PPA, industry standard practice and, location factors, the operating costs are estimated to be in the order of \$150,000 per year over the remaining life of the PPA. Operating costs will be subject to inflation and labour rates. Expectations for inflation and labour rates are in line with the Reserve Bank of Australia target of an inflation rate of 2-3% on average over the cycle.

## 5.8 Pipeline projects

Quantum's business development team has built an extensive pipeline of opportunities in Australia and New Zealand. The opportunities span piggeries, dairy, chicken and egg production, red meat abattoirs and rendering plants, with a range of turnkey and build, own, operate opportunities. In total Quantum has a pipeline of 44 potential opportunities representing significant new installation capacity and build value.

Industry	Turnkey/BOOM	Projects in Pipeline
Abattoir	Turnkey	15
	Build Own Operate	8
Broiler Chickens	Turnkey	1
	Build Own Operate	3
Dairy Farming/Processing	Turnkey	5
	Build Own Operate	1

Industry	Turnkey/BOOM	Projects in Pipeline
Layer Chickens	Turnkey	1
	Build Own Operate	1
Pig Production	Turnkey	2
	Build Own Operate	5
Rendering Plant	Turnkey	1
	Build Own Operate	1
<b>Total</b>		<b>44</b>

## 5.9 Growth strategies and prospects

### (a) Demand from agribusiness sector

Quantum believes that the Australian agri-business sector is poised for significant growth during the upcoming years as the continued urbanisation and economic growth in Asia increases demand for high quality, safe and reliable food imports from Australian and New-Zealand producers.

Consistent with trends within agri-business broadly, Quantum believes it is likely that there will be consolidation amongst agri-business producers with a general trend towards having fewer, but larger producers in key categories operating larger facilities. Alongside this trend is a continued push to improve the environmental performance of food processing and manufacturing businesses, reduce waste and effluent emissions, improve operating costs and reduce CO<sup>2</sup> emissions, in order to secure a long term sustainable licence to operate.

### (b) Objectives

Quantum is targeting projects with the following profile:

- (i) a capital cost of greater than \$3 million;
- (ii) production of sufficient biogas to operate a 1,000 kW generator;
- (iii) production of approximately 3.5 million kWh per annum, to create 3,500 LGC's under the Renewable Energy Target; and
- (iv) abate approximately 10,000t CO<sup>2</sup>e per annum.

Through the combination of engineering, procurement, construction and management margins and ongoing revenue from BOOM projects, Quantum is aiming for a pre tax return on equity in excess of 20%.

### (c) Prospects

Quantum is well positioned to take advantage of these trends through its established market position and capability to supply biogas power systems.

The use of a Quantum biogas system has material and immediate customer benefits through reducing operating costs, while also improving effluent and waste emissions, reducing carbon emissions and increasing business sustainability.

The market in Australia and New Zealand for integrated biogas to power systems of the type supplied by Quantum is undeveloped with only a small proportion of the potential market filled.

Quantum has established a leading position in this industry in Australia and has delivered projects to the red meat, poultry and piggery sectors.

Building on this capability and track record, Quantum has identified and developed a strong pipeline of potential projects. Given existing financial and resource constraints Quantum is focussing on delivering projects in the \$3 million to \$5 million capital expenditure cost range of approximately 500 kW to 1 MW capacity.

**(d) Priorities and strategies**

In FY16 Quantum's immediate priorities are:

- (i) **Piggery (Southern Qld)** – to complete the installation of this 500 kW biogas project;
- (ii) **Red Meat Processing Plant (NSW)** – complete and commission the recently secured biogas project at Goulburn, New South Wales (EPCM contract);
- (iii) **Piggery (WA)** – to complete the installation of this 1,000 KW biogas project (BOOM contract); and
- (iv) **AJ Bush (Bromelton, QLD)** – pursue expansion of Quantum's existing biogas project. The expansion would include the installation of a new blower and variable speed drives to maximise current capacity, and there is further potential to add a new digester and new gensets.

Within its current resource constraints Quantum sees future growth being delivered through:

- **(new BOOM projects - food processing)** securing additional mid-sized BOOM contracts supplying customers in the established food production and processing sectors;
- **(dairy industry projects)** pursuing larger projects servicing the dairy sector that offer larger more consistent revenue and better returns on business development and engineering costs;
- **(municipal waste and feedlot projects)** expanding project focus to develop larger projects in the municipal waste and feedlot sectors.

Subject to being able to secure sufficient financing, engineering and project resources, Quantum will also explore the potential for acquiring operating biogas and generating facilities built by Quantum and the accompanying customer contract to sell electricity generated by the facilities.

**5.10 Challenges**

Quantum has three principal constraints on its growth potential and future performance:

- (a) Working capital constraints** – Quantum is presently unable to make the necessary capital investment to maintain or expand its projects. Quantum's annual report for the year ended 30 June 2014 stated that Quantum "will continue to operate as a going concern on the basis that capital is raised to meet the company's ongoing cash flow requirements". Quantum has however recently faced substantial difficulties in seeking capital to fund its operations and development of its various projects.
- (b) Resourcing constraints** – Quantum's ability to secure new customers and contracts is dependent on the availability of key operating resources including personnel and equipment. Quantum have completed 8 projects over 6 years of a size up to \$3 million but have struggled to fully recover administration and overhead costs due to scale limitations; and
- (c) Engineering capacity** – Quantum relies on the provision of engineering and consultancy services from an outsourced third party.

## 5.11 Capital raising constraints

Quantum's annual report for the year ended 30 June 2014 stated that Quantum '*will continue to operate as a going concern on the basis that capital is raised to meet the company's ongoing cash flow requirements*'.

Quantum has however recently faced substantial difficulties in seeking capital to fund its operations and development of its various projects.

### Previous Capital Raisings

Quantum has engaged in numerous capital raisings over the past 10 years. These have taken the form of rights issues to existing shareholders and offers to new shareholders.

The most recent issue of ordinary shares however occurred in August 2011. At that time \$600,000 was invested at a share issue price of \$0.40 per Quantum Share.

Since 2011, Quantum's only capital raising has been the amount of \$527,000 in June and December 2013 by the issue of a total of 1,505,705 convertible redeemable preference shares to two existing ordinary shareholders. The preference shares carried a coupon rate of 9% and were convertible to ordinary shares at \$0.35 per share and were redeemable 30 June 2015. At that time all Quantum shareholders were invited to express interest to invest on similar terms, but only one shareholder accepted the invitation. Quantum was unable to redeem these shares at maturity on 30 June 2015 and has negotiated a temporary extension pending successful capital raising initiatives.

### Capital Raising Strategy and efforts

After receiving approval for a \$20 million loan facility from the CEFC in February 2014, Quantum embarked on a strategy to raise matching equity funds in order to unlock the loan facility.

The view was that whilst Quantum's projects were still at too early a stage to enable Quantum to effectively raise capital (i.e. needed to build out the portfolio of BOOM projects further), Quantum sought to leverage the CEFC loan approval as evidence that an external party had conducted a thorough due diligence on Quantum and determined that Quantum had viable biogas projects.

Subsequent efforts to raise capital, including appointing corporate advisers, preparation of a detailed information memorandum and conduct of an investment roadshow, were however unsuccessful. The feedback from potential investors was:

- Quantum was at too early stage of development, and needed to build out the portfolio of projects further; and
- The uncertainty regarding the CEFC, ARENA, carbon policy and the Renewable Energy Target involved too much investment risk.

The lack of available capital funding has already forced Quantum to abandon its proposal to build, own operate and maintain a biogas facility for a processing plant, instead building the facility under an EPCM contract for Rural Funds Renewables Pty Ltd, with ongoing revenues derived from operations and maintenance services and a share of profits.

## 5.12 Loan finance provided by Geodynamics

Upon execution of the Takeover Bid Implementation Agreement on 14 July 2015, Geodynamics advanced a working capital loan of \$1,000,000 to Quantum on the following terms:

- Repayment date: 12 months, repayable (with accrued interest) on 14 July 2016.
- Interest rate: 7% per annum, accruing daily.
- Security: First ranking general security interest granted to Geodynamics. Although Quantum has granted the security interest, Geodynamics has suspended its requirement that it be first ranking, pending the outcome of discussions between Quantum and the

CEFC to enliven CEFC's financial support for Quantum. Accordingly, Geodynamics currently holds a second ranking general security interest behind a first ranking security held by CEFC which secures the payment of outstanding establishment fees of \$55,000. If Quantum's discussions with CEFC are unsuccessful, Geodynamics has reserved the right to and is entitled to require Quantum to pay the outstanding establishment fees owing to CEFC in exchange for a full release of CEFC's security.

- Covenants, representations and warranties, events of default and other provisions customarily found in arm's length senior finance.

### 5.13 Litigation

Windridge Farms Pty Ltd and D & J Walker Superannuation Pty Ltd, directors of which are shareholders in Quantum, commenced proceedings against Quantum and Quantum Gas Energy Pty Ltd (**QGE**) in the District Court of Queensland on 25 September 2014 claiming damages for breach of contract, negligence and misleading and deceptive conduct. The allegations are in relation to the design, supply and installation of bio-gas generators on piggery farms located in New South Wales. The initial claim, by letter of demand, was for \$115,105.62. The claim has never been properly particularised and has been amended in value a number of times. The current claim is for \$353,267.27 (not including interest or the plaintiffs' legal costs). Quantum and QGE have filed a defence and a counterclaim for unpaid invoices of \$14,520. Both Quantum and QGE deny liability for the claim. There have been settlement discussions but these have so far failed to resolve the dispute. If the matter cannot be resolved in the near future, the next step in the proceedings is disclosure.

### 5.14 Quantum's capital structure

As at 4 August 2015, Quantum had the following classes of securities and number of securities in those classes:

Class of securities	Number of securities in the class
Ordinary shares	28,330,860
Preference Shares	1,505,715

#### Substantial shareholders

As at the date of this Target's Statement, the following persons were substantial shareholders in Quantum:

Shareholder	Number of Quantum Shares	Percentage Shareholding
Stockton Capital Management Pty Ltd atf Diesel & Dust Super Fund	3,492,560	12.33%
Indevco Group Holdings Pty Ltd atf Vianello Family Trust	3,021,037	10.66%
Awesome Holdings pl (atf the Banksia Trust)	2,998,055	10.58%
Hirlogrove Pty Ltd	2,567,701	9.06%
Johan a le roux	2,305,847	8.14%
EA Brimblecombe atf EA Brimblecombe's Testamentary Trust	1,572,960	5.55%

### 5.15 Financial information

The information in this section 5.15 is a summary only of Quantum's historical financial information. It has been prepared on the basis of the audited financial statements of Quantum for the year ending 30 June 2014 and the unaudited management accounts of Quantum for the year ending 30 June 2015.

## Summary Consolidated Statement of Comprehensive Income

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	\$	\$	\$
<b>Income</b>			
Project Income	1,001,827	6,206,862	3,147,629
Site Income	231,146	196,509	143,952
Equipment Sales & Hire	656,446	85,323	826,294
Currency Gain/Loss	6,495	(693)	(3,324)
R&D Tax Concession	544,733	279,872	-
Other Income	28,922	17,815	135,665
<b>Total Income</b>	<b>2,469,569</b>	<b>6,785,688</b>	<b>4,250,216</b>
<b>Cost of Sales</b>			
Equipment Purchases	1,358,568	5,241,635	2,174,245
Subcontractors	106,090	453,786	519,277
Consultants	68,898	14,592	194,816
Freight And Handling	43,237	22,207	56,887
Other	91,047	172,408	111,570
<b>Total Cost of Sales</b>	<b>1,667,840</b>	<b>5,904,628</b>	<b>3,056,795</b>
<b>Expenses</b>			
Accounting And Audit Fee	52,195	62,814	48,346
Rent	30,084	27,392	29,939
Freight And Handling	329	590	851
Consulting Fees	61,828	227,506	13,328
Leasing Equipment	-	-	2,289
Interest Expense	67,814	42,742	1,688
Depreciation Of Plant & Equipment	150,859	210,724	224,446
Insurance	34,514	105,865	69,669
Wages And Salaries	630,713	662,779	346,934
Other Expenses	645,746	787,904	600,904
<b>Total Expenses</b>	<b>1,674,082</b>	<b>2,128,316</b>	<b>1,338,394</b>
<b>Profit Before Income Tax</b>	<b>(872,353)</b>	<b>(1,247,256)</b>	<b>(144,973)</b>
Income tax expense	-	-	-
<b>Profit for the year</b>	<b>(872,353)</b>	<b>(1,247,256)</b>	<b>(144,973)</b>
Share of Loss of equity accounted investments	(126,671)	(6,171)	-
<b>Total Comprehensive Loss</b>	<b>(999,024)</b>	<b>(1,253,427)</b>	<b>(144,973)</b>

## Summary consolidated balance sheet

	30 June 2015 (unaudited management accounts)	30 June 2014 (audited)	30 June 2013 (audited)
	\$	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	103,471	411,140	910,557
Trade and other receivables	244,371	569,137	929,201
Inventories	92,654	62,498	42,862
Work in progress	-	-	1,371,203
<b>TOTAL CURRENT ASSETS</b>	<b>440,496</b>	<b>1,042,775</b>	<b>3,253,823</b>
<b>NON CURRENT ASSETS</b>			
Intangible asset	239,699	239,699	239,699
Investment in associates	-	100	-
Intercompany loans	10,038	10,049	-
Property, plant and equipment	497,176	647,589	827,687
Deferred tax assets	-	-	-
<b>TOTAL NON CURRENT ASSETS</b>	<b>746,913</b>	<b>897,437</b>	<b>1,067,386</b>
<b>TOTAL ASSETS</b>	<b>1,187,409</b>	<b>1,940,212</b>	<b>4,321,209</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	933,315	702,202	811,529
Amounts owing to customers	-	-	1,463,406
Intercompany Loans	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>933,315</b>	<b>702,202</b>	<b>2,274,935</b>
<b>NON CURRENT LIABILITIES</b>			
Liability in associate Quantum RCM	132,840	6,169	-
CEFC Establishment Fee Loan	52,729	168,145	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>185,569</b>	<b>174,314</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,118,884</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>68,525</b>	<b>1,063,696</b>	<b>2,046,274</b>
<b>EQUITY</b>			
Issued capital	5,265,286	5,265,386	4,988,286
Retained earnings	(5,194,462)	(4,195,438)	(2,942,012)
Currency Translation Reserve	(2,299)	(6,252)	-
<b>TOTAL EQUITY</b>	<b>74,705</b>	<b>1,063,696</b>	<b>2,046,274</b>

## Summary consolidated statement of cash flows

	Year ended 30 June 2015 (unaudited management accounts)	Year ended 30 June 2014 (audited)	Year ended 30 June 2013 (audited)
	\$	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers	3,094,012	6,139,581	4,390,349
Payments to suppliers and employees	(3,303,708)	(6,852,245)	(4,613,183)
Net cash provided by operating activities	(209,696)	(712,664)	(222,834)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(3,035)	(31,897)	(38,664)
Net cash used in investing activities	(3,035)	(31,897)	(38,664)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loan repayment	(94,938)	(31,855)	-
Proceeds from the issue of preference shares	-	277,000	250,000
Net cash provided by (used in) financing activities	(94,938)	245,145	250,000
Net increase (decrease) in cash held	(307,669)	(499,417)	(11,498)
Cash at beginning of the financial year	411,140	910,557	922,055
Cash at end of the financial year	103,471	411,140	910,557

### 5.16 Quantum Board of Directors

Mr Richard Brimblecombe, Executive Chairman

*EMBA (Bond University), MAICD*

*Director since 2009*

Richard is an experienced executive in the agri-business and finance sectors, with a deep industry knowledge of agribusiness and agricultural finance. Richard brings experience in operation of agri-business gained through senior leadership roles at Namoi Cotton, Australia's leading cotton processing and marketing organisation, and as General Manager for Qld / NT for Landmark, a leading rural services business. Richard has also served in senior executive roles in the finance industry, specialising in lending to the rural sector, including as Head of Specialised Agribusiness Solutions (Qld/NT) for Commonwealth Bank of Australia and Chief Executive Officer of StockCo (Australia) Pty Ltd, Australia's and New Zealand's largest specialist livestock financier.

Richard served as Non-Executive Director from November 2007 to January 2009, Non-Executive Chairman of Quantum Power Limited from April 2009 until November 2011, Managing Director of Quantum Power from November 2011 to February 2015, and Executive Chairman from February 2015 to present.

Richard has previously served as a Non-Executive Director of the Grains Research and Development Corporation (**GRDC**), a research investment partnership between grain growers and Australian governments that is responsible for planning, investing and overseeing research and development to deliver improvements in production, sustainability and profitability across the

Australian grains industry. Whilst on the GRDC Board Richard was Chair of the Remuneration Committee, was a member of the Finance, Risk and Audit Committee and was a member of the Commercialisation Committee. Richard was also a Member of Bond University Limited from 2011 to 2014. Richard holds an EMBA from Bond University and is a Member of the Australian Institute of Company Directors.

**Mr Colin Vianello, Non-Executive Director**

*CFA/CPA SA, Post Grad in Adv Bus Management*

*Director since 2009*

Colin has over 35 years experience in senior management roles spanning the globe, including board positions of various large companies in Australia, Germany, United Kingdom and South Africa. Colin founded the Indevco Group of companies, in 1983. The Group evolved and remains today, the leading force in business consultancy in South Africa. The Group of companies listed on the Johannesburg Stock Exchange in 2006. Colin remained a Director of the listed entity and Chairman of the subsidiaries until 2007, at which time, he resigned to focus on his Australian interests and founded Indevco Group Holdings on the Gold Coast, Australia, specializing in venture capital and private equity investments. Colin currently holds board positions on numerous privately owned companies in Australia.

**Mr Lionel Freedman, Non-Executive Director and Company Secretary**

*MAICD*

*Director since 2013*

Lionel has over 30 years of corporate management experience spanning a diverse range of industries including: general aviation (charter, RPT and flying school businesses), magazine publishing and corporate investment and consultancy. Lionel has served for three years as president of the Gold Coast Region Environment Industry Association and has served on many Government and City Council advisory bodies. Prior to his career in private enterprise, Lionel was public relations officer for both the Brisbane and Mt Isa City Councils. He has served as an elected local government councillor and worked for the Australian Federal Government in Brisbane and Canberra.

If the Takeover Bid is successful, Messrs Vianello and Freedman will not continue as Directors.

**5.17 Risks associated with Quantum**

There are a number of risks relating to Quantum's projects and the industry in which Quantum operates (some of which are outside the control of Quantum) which Quantum shareholders should take into consideration in deciding whether to accept the Geodynamics Offer. The following is not an exhaustive summary, but points to some of the factors that may affect Quantum's future performance.

There are also risks associated with holding Geodynamics shares issued as consideration under Geodynamics' Offer. Quantum Shareholders should read Section 9 of the Bidder's Statement for a summary of these.

## Project Risks

Risk	Comments
Closing sales	<p>The primary risk for Quantum is closing sales from its pipeline of opportunities. Closing sales is vital in order for Quantum to build, own and operate a portfolio of biogas assets and produce long term revenue streams, as well as to achieve profits on the turnkey projects consistent with targeted returns on equity.</p>
Electricity Revenue	<p>Typically the projects will replace/reduce grid supplied electricity. If grid supplied electricity prices go up, the biogas projects become more attractive. If grid supplied electricity goes down, the biogas projects become less attractive.</p> <p>There is currently significant uncertainty in the electricity market resulting from demand efficiency measures, deployment of solar photovoltaics and battery storage, privatisations, mergers and acquisitions, changes in tariff structure (eg the mix between per unit charges, demand charges and fixed connection charges) and the commencement of east coast gas exports.</p> <p>There are also differences in end user prices depending on where a customer is connected on the network.</p> <p>The combination of the above factors, and normal market factors, produces a significant degree of uncertainty with respect to future electricity prices and revenue.</p>
Renewable Energy Certificate Revenue	<p>The biogas projects qualify for renewable energy certificates.</p> <p>Under current legislation there is a rising renewable energy target through to 2020 with the 2020 target being 33,000 GWh. The target is then steady at 33,000 GWh through to 2030 at which point the scheme is currently legislated to end.</p> <p>Over the history of the Renewable Energy Target there has been significant changes, both increasing and decreasing the targets and separation into large scale and small scale certificates amongst other changes.</p> <p>The combination of the above factors, and normal market factors, produces a significant degree of uncertainty with respect to the future prices for renewable energy certificates.</p>
Carbon Credit Revenue	<p>The use of anaerobic digestion ponds to capture methane emissions from organic waste and convert this methane into carbon dioxide abates greenhouse gas emissions. Methane has a 21x global warming potential relative to carbon dioxide.</p> <p>Anaerobic digestion and biogas generation previously qualified for carbon credits under the Carbon Farming Initiative.</p> <p>The Carbon Farming Initiative has now been incorporated into the Emissions Reduction Fund. Anaerobic digestion and biogas production projects will continue to qualify under the Emissions Reduction Fund.</p> <p>In recent history there has been significant uncertainty with regards to carbon pricing legislation with the introduction and then repeal of a carbon pricing scheme.</p> <p>The combination of the above factors, and normal market factors, produces a significant degree of uncertainty with respect to the future prices for carbon abatement activities.</p>
Project construction risk	<p>The anaerobic digestion and biogas projects have normal levels of project construction risk.</p>

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Risk	Comments
	Geodynamics has a strong record of project managing complex operational and construction activities and Quantum provides the specific anaerobic and biogas expertise.
Operating cost risk	The anaerobic digestion and biogas systems are robust, mature technologies though still have normal levels of operating risk which will be managed with normal industry practice.
Competition	Like all businesses, the anaerobic digestion and biogas market is subject to competition and market forces.  The biogas market is still somewhat of a niche market and is not as competitive as other areas in the clean energy space.

### Specific risk factors that affect Quantum

**(a) Operational**

Due to size and working capital constraints, the company has been unable to close sales and execute projects within a 2 year sales and engineering process as required per customer. Geodynamics funds should aid in accelerating Quantum's BOOM projects.

**(b) Design and Engineering**

As Quantum outsources its design and engineering services, if a design is ultimately defective, this may have a material adverse effect on the company's operations and financial performance. It may also make it difficult for Quantum to meet its obligations under its respective PPA's.

**(c) Procurement**

Quantum procures the construction and installation of purpose built energy generation systems, known as gensets. The quality of these products may not be acceptable or suitable for its intended use. Quantum is exposed to a risk of liability arising from any defects in the gensets, including indirect or consequential losses suffered by customers.

**(d) Renewable energy and carbon revenue**

The BOOM projects are currently exposed to LGC prices and Emissions Reduction Fund unit prices. There is significant uncertainty in future LGC prices with low price risk especially post 2020. Carbon pricing is similarly uncertain in the future.

**(e) Financing**

Any non-compliance by third party providers may have adverse consequences on the financial position of Quantum.

## 6 Other important matters for Quantum shareholders to consider

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### 6.1 Minority ownership consequences

Geodynamics' Offer is presently subject to a 90% minimum acceptance condition which, if fulfilled (and all the other conditions are fulfilled or waived), will entitle Geodynamics to compulsorily acquire all outstanding Quantum Shares. Geodynamics has the right to free its Offer from the 90% minimum acceptance condition.

If Geodynamics frees the Offer from the 90% minimum acceptance condition and acquires more than 50% but less than 90% of the Quantum Shares then, assuming all other conditions to the Offer are fulfilled or waived, Geodynamics will acquire a majority shareholding in Quantum.

Accordingly, Quantum Shareholders who do not accept the Offer will become minority shareholders in Quantum. This has a number of possible implications, including:

- Geodynamics will be in a position to cast the majority of votes at a general meeting of Quantum. This will enable it to control the composition of Quantum's board of directors and senior management and control the strategic direction of the businesses of Quantum and its subsidiaries. (Under the Takeover Bid Implementation Agreement, Quantum also agreed that once Geodynamics' Offer becomes unconditional, to procure the appointment to the board of Quantum of the number of persons nominated by Geodynamics); and
- if Geodynamics acquires 75% or more of the Quantum Shares it will be in a position to pass a special resolution affecting Quantum. This will enable Geodynamics to, among other things, change Quantum's constitution.

## 6.2 Compulsory acquisition

Geodynamics has indicated in Section 7.4 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Quantum Shares.

Geodynamics will be entitled to compulsorily acquire any Quantum Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period Geodynamics and its associates have a relevant interest in at least 90% (by number) of the Quantum Shares.

If this threshold is met, Geodynamics will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Quantum shareholders who have not accepted the Offer. Quantum shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Quantum Shares.

If compulsory acquisition occurs, Quantum shareholders who have their Quantum Shares compulsorily acquired are likely to be issued their Offer Consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Geodynamics will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Quantum Shares. Geodynamics would then have rights to compulsorily acquire Quantum Shares not owned by it within 6 months of becoming the holder of 90%. Geodynamics' price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

## 6.3 Interests and dealings in Quantum Shares

### (a) Interests in Quantum Shares

The Directors' interests in Quantum Shares as at the date of this Target's Statement are set out below.

Director	Number of Quantum Shares	Number of Quantum Preference Shares
Colin William Vianello	3,776,723	-
Lionel Myer Freedman	3,477,880	-
Richard John Brimblecombe	5,220,922	77,143

Quantum Shares and Quantum Preference Shares may be held either directly or indirectly by a Director.

### (b) Dealings in Quantum Ordinary Shares

There have been no dealings in Quantum Shares by the Directors during the period of 4 months prior to the date of this Target's Statement.

**(c) Dealings in Quantum Preference Shares**

The Offer does not extend to Quantum Preference Shares. Subject to the Offer becoming unconditional, the two holders of the Quantum Preference Shares have agreed to sell their Quantum Preference Shares to Geodynamics, and Geodynamics has agreed to purchase the Quantum Preference Shares, for a price equal to the amount subscribed by the Quantum preference shareholders for the Quantum Preference Shares, as follows:

<b>Preference Shareholder</b>	<b>Number of Preference Shares</b>	<b>Amount Subscribed</b>	<b>Purchase Price</b>
Glen Carrigan Mobile Welding Pty Ltd	1,428,572	\$500,000	\$500,000
Cleanspray Holdings (Australia) Pty Ltd	77,143	\$27,000	\$27,000
<b>TOTAL</b>	1,505,715	\$527,000	\$527,000

Cleanspray Holdings (Australia) Pty Ltd is a company associated with Quantum Director Mr Richard Brimblecombe, who is the sole director of the company.

**6.4 Interests and dealings in Geodynamics Shares**

**(a) Interests in Geodynamics Shares**

No Director has any interests in Geodynamics Shares.

**(b) Dealings in Geodynamics Shares**

There have been no dealings in Geodynamics Shares by the Directors during the period of 4 months prior to the date of this Target's Statement.

**6.5 Benefits and agreements**

No person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Quantum or related body corporate of Quantum as a consequence of the Offer.

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than:

- by Mr Brimblecombe in respect of Quantum Preference Shares as described in Section 6.3 above; and
- in their capacity as a holder of Quantum Shares.

If the Offer is successful, Geodynamics is required under the Takeover Bid Implementation Agreement to invite current Quantum Director, Mr Richard Brimblecombe, to join the Board of Geodynamics. Richard intends to accept that invitation.

Other than as stated above in relation to Richard Brimblecombe, none of the Directors have agreed to receive, or is entitled to receive, any benefit from Geodynamics which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Quantum Shares.

None of the Directors has any interest in any contract entered into by Geodynamics.

## 7 Taxation consequences

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The Bidder's Statement at Section 10 sets out a general outline of the Australian tax implications of accepting the Offer. The general outline is intended as a guide only for Quantum shareholders. The tax consequences for you will depend on your individual circumstances and you should obtain your own professional advice from a qualified tax adviser.

You should not rely on anything in this Target's Statement or in Section 10 of the Bidder's Statement as advice about your own affairs. It does not cover how tax may apply to all Quantum shareholders. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer for your Quantum Shares.

## 8 Other material information

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### 8.1 Information held by Geodynamics

Information held by Geodynamics about Quantum is as disclosed by Quantum in the course of the conduct of due diligence by Geodynamics and in accordance with the Takeover Bid Implementation Agreement.

### 8.2 Status of Offer Conditions

Under subsection 630(3) of the Corporations Act, Geodynamics must give a Notice of Status of Conditions to the ASX and Quantum on 3 September 2015.

- Geodynamics is required to set out in its Notice of Status of Conditions:
- whether the Offer is free of any or all of the conditions;
- whether, so far as Geodynamics knows, any of the conditions have been fulfilled; and
- Geodynamics' voting power in Quantum.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Geodynamics is required, as soon as practicable after the extension, to give a notice to the ASX and Quantum that states the new date for the giving of the Notice of Status of Conditions, and whether the Offer has been freed from any condition and whether the condition has been fulfilled on the date the notice is given.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Geodynamics must, as soon as practicable, give the ASX and Quantum a notice that states that the particular condition has been fulfilled.

While Quantum is not currently aware of any information which would cause a condition to Geodynamics' Offer to fail, Geodynamics' Offer is subject to a number of conditions and therefore Quantum shareholders may choose to wait for some of the outstanding conditions to be fulfilled or waived before accepting the Offer.

### 8.3 Takeover Bid Implementation Agreement

Quantum has entered into a Takeover Bid Implementation Agreement with Geodynamics. A copy of this agreement was released to ASX on 14 July 2015.

Key terms of the Takeover Bid Implementation Agreement are:

- (a) **Geodynamics to make the Offer:** Geodynamics agreed to make the Offer, subject to the Defeating Conditions. The agreed Offer Consideration is four and a half (4.5) Geodynamics Shares for each Quantum Share.

- (b) Quantum to support the Offer:** Provided Geodynamics makes the Offer as agreed:
- (i) the Directors will recommend that Quantum shareholders accept the Offer, and state their intention to accept the Offer in respect of any Quantum Shares they own or control, and
  - (ii) Quantum will support the Takeover Bid and participate in efforts reasonably required by Geodynamics to promote the merits of the Takeover Bid, including meeting with shareholders, optionholders, analysts, management, customers, press and other parties mutually agreed if requested to do so by Geodynamics,

subject in each case to there being no Superior Proposal, and no Material Adverse Event having occurred in relation to Geodynamics.

Quantum also agreed to not initiate any Competing Proposal and, to the extent it is within Quantum's control, to not do anything that will result in any of the defeating conditions of the Takeover Bid being breached, provided that nothing in the Takeover Bid Implementation Agreement prevents Quantum or the Directors from acting in accordance with the directors' duties as Directors.

- (c) Mutual exchange of information:** The Takeover Bid Implementation Agreement provides for Geodynamics and Quantum to exchange information required for the purpose of the preparation of the Bidder's Statement or Target's Statement respectively (subject to confidentiality obligations).
- (d) Conduct of business:** Until the end of the Offer Period each of Geodynamics and Quantum must conduct its business in the usual and ordinary course consistent with past practice, and use its reasonable endeavours to preserve and maintain the value of its business and assets and the relationships with suppliers, customers and employees.

#### 8.4 Third party statements

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any of the statements contained in it (unless expressly indicated otherwise in this Target's Statement).

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC. Pursuant to the Class Order, consent is not required for the inclusion of such statements in this Target's Statement.

In addition, as permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

#### 8.5 Consents

Law Elements Pty Ltd has given and has not, before lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Quantum's Australian legal advisers in the form and context in which it is named. Law Elements Pty Ltd has not advised on the laws of any foreign jurisdiction. Law Elements Pty Ltd has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target Statement other than any reference to its name.

C & N Audit Services has given and has not, before lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Quantum's external auditor in the form and context in which it is named. C & N Audit Services has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement

in this Target Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target Statement other than any reference to its name.

## 8.6 No other material information

This Target's Statement is required to include all the information that Quantum shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to the Directors.

The Directors are of the opinion that the information that Quantum shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in documents lodged by Quantum with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Quantum Shares;
- the matters that shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- the time available to Quantum to prepare this Target's Statement.

## 9 Glossary and Interpretation

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### 9.1 Definitions

(a) Capitalised terms used in this Target's Statement and not defined below have the same meaning as stated in the Bidder's Statement; and

(b) The following terms have the meaning ascribed below:

<b>Term</b>	<b>Meaning</b>
Acceptance Form	the acceptance form accompanying the Bidder's Statement
Announcement Date	14 July 2015
Approval	a licence, authority, consent, approval, order, exemption, waiver, ruling or decision
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
Bidder's Statement	the bidder's statement of Geodynamics dated 5 August 2015

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BOOM	build, own, operate and maintain
CEFC	Clean Energy Finance Corporation
CGT	capital gains tax
Corporations Act	Corporations Act 2001 (Cth) (as modified or varied by ASIC)
Directors	the directors of Quantum
EPC	engineer, procure and construction
EPCM	engineering, procurement, construction and management
Geodynamics	Geodynamics Limited (ACN 095 006 090)
Geodynamics Group	Geodynamics and each of its Subsidiaries
Geodynamics Shares	fully paid ordinary shares in Geodynamics
LGC	large-scale generation certificates
Material Adverse Event	<p>in relation to a party (except in Section 13 of the Bidder's Statement) means any change, event, effect, occurrence or state of facts that is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, financial condition or prospects of that party and any of its subsidiaries taken as a whole. For this purpose, 'material' means in relation to assets and liabilities:</p> <p>(a) In relation to Geodynamics: \$500,000 or more</p> <p>(b) In relation to Quantum: \$100,000 or more</p>
Merged Group	the Geodynamics Group following its acquisition of all or a majority of the Quantum Shares
Notice of Status Conditions	the notice required under section 630(3) of the Corporations Act, as explained in Section 8.2 of this Target's Statement
Offer	the off-market takeover offer made by Geodynamics to acquire all of the issued shares in Quantum
Offer Consideration	the consideration offered to Quantum shareholders by Geodynamics under the Offer, being, at the date of this Target's Statement 4.5 Geodynamics shares for each Quantum Share
Offer Period	the period during which the Offer will remain open for acceptance in accordance with the Bidder's Statement
PPA	power purchase agreement
Quantum	Quantum Power Limited (ABN 163 115 910 659)
Quantum Shares	fully paid ordinary shares in Quantum
Quantum Preference Shares	fully paid preference shares in Quantum
Subsidiary	has the meaning given to the term in section 9 of the Corporations Act
Superior Proposal	the definition stated in section 15 of the Bidder's Statement
Takeover Bid	the takeover bid as contemplated in the Takeover Bid Implementation Agreement

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Takeover Bid Implementation Agreement	the bid implementation agreement dated 14 July 2015 between Quantum and Geodynamics
Target's Statement	this target's statement of Quantum dated 5 August 2015

## 9.2 Interpretation

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Brisbane time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is to a section of this Target's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (g) \$, or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Rules, as the case may be;
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
- (n) a reference to you is to a person to whom an Offer is made; and
- (o) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

## AUTHORISATION

This Target's Statement has been approved by a resolution passed by the Directors. All the Directors voted in favour of that resolution.

Signed for and on behalf of Quantum

5 August 2015

A handwritten signature in black ink, appearing to read 'R Brimblecombe', with a small dot at the end.

Richard Brimblecombe

Chairman

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## CORPORATE DIRECTORY

### Registered Office

Unit 14, 2 Link Drive, Yatala, QLD 4207

### External Auditors

C & N Audit Services

### Share Registry

Unit 14, 2 Link Drive, Yatala, QLD 4207

### Legal Advisor

Law Elements Pty Ltd

### Offer Information Line

Within Australia: 07 3177 1040  
Outside Australia: +61 7 3177 1040

### Website

[www.quantumpower.com.au](http://www.quantumpower.com.au)

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