11 May 2018

GEO to Strengthen Balance Sheet

GeoOp Limited (GEO, Company) released an investor update to NZX on 8 May 2018 and has since been meeting with investors to explain its growth initiatives and their likely impact on its FY19 financial performance.

As outlined at the Company's AGM in late 2017, and again in this week's investor update, GEO intends raising further capital to fund its FY19 business plan and to take the Company to profitability.

GEO has received strong in-principle support for its capital raising process and for the redemption or conversion of its $3m in outstanding convertibles notes.

The Company's Directors consider that GEO should take advantage of this demand to strengthen its balance sheet. Accordingly, the Company now intends to proceed with the following three initiatives:

(1) **placement**: an immediate placement of new shares at 15 cents per share to raise $1.5-2.0m to introduce a number of high quality new professional investors to the GEO register;

(2) **rights issue:** a subsequent pro rata rights issue at 15 cents per share to raise a further $1.5m-$2.0m to enable all existing shareholders to participate on the same terms; and

(3) **removal of convertible notes:** subsequent redemption or conversion of the Company's $3m in outstanding convertible notes and loans.

The Company notes that while its share price has risen on limited volume since the publication of its market update, the 30 day volume weighted average price (VWAP) of its ordinary shares is 19.3 cents cents per share, and that the transaction pricing represents a 22% discount to one month VWAP.

Directors consider that the proposed transaction structure and pricing will provide certainty of funding while allowing for existing shareholders to participate on a pro rata basis. They note further that the combination of these three initiatives (likely to be in the vicinity of $6-7m) will nearly double the Company's equity capitalisation, leaving it debt-free and with a strong cash balance to pursue revenue growth and profitability.

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