

QUARTERLY REPORT
PERIOD ENDING 31 MARCH 2014



power from the earth



Review of the Quarter

HIGHLIGHTS

The key highlights from the quarter, were the signing of an agreement for the commencement of first stage exploration activities and ESIA in Vanuatu, the completion and submission of the Savo Islands ESIA as well as the sale of the Cooper Basin operating base to Beach Energy.

FOLLOWING IS A SUMMARY OF HIGHLIGHTS FROM THE QUARTER:

- Completion and submission of Savo Island Geothermal Project Environmental and Social Impact Assessment to Solomon Islands Department of Environment. Report highlights significant social and economic benefits for the Solomon Islands, the city of Honiara and the local community on Savo Island, through reduced reliance on imported diesel fuel, increased reliability of power supply, reduced end user prices and employment opportunities.
- Signing of agreement with kastom owners for the commencement of first stage exploration activities at Takara, Vanuatu, with strong support from Vanuatu Prime Minister Carcasses and key stakeholders.
- Sale of Cooper Basin Operating base to Beach Energy for a consideration of \$1.5m, with Geodynamics to retain all geothermal assets and power plant facilities.

POST THE QUARTER

- Commencement of Takara Geothermal Project ESIA and community consultation process.

The Company's cash position at the end of the quarter stood at \$ 39.5 million.

Cover: Taking delivery of the rod carrier for the track mounted drill rig at the Brisbane storage yard.



Letter to Shareholders

Dear Shareholders,

The March quarter saw Geodynamics take control of its second Pacific Island project, the Takara Geothermal Power Project in Vanuatu, following the successful acquisition of KUTH Energy late last year. Good progress continued in the Solomon Islands with the completion and submission for approval of the Savo Island Geothermal Project Environmental and Social Impact Assessment. These projects are the key focus of our growing portfolio of Pacific energy projects where we believe geothermal is well positioned to be the most cost effective supply option to these small growing economies.

Additionally we reached a key milestone with the agreement to sell some of our Cooper Basin operating assets to Beach Energy. This represents an important step in our goal to work more closely with the unconventional gas developers in the Innaminka area with a goal to supplying their future needs for energy, including process heat, from our Habanero resource.

The Sale of our Cooper Basin Operating Base to Beach Energy Limited during the quarter has enabled us to reduce our environmental obligations and camp overheads while retaining ownership of the geothermal facilities. We look forward to working closely with Beach Energy on operational support for monitoring and maintenance at the Habanero site.

In February I reported on the signing of an agreement between the Takara Community and Geodynamics enabling the first stage of exploration activities to take place. During this trip, David McDonald and I also had the opportunity to meet with the Prime Minister Carcasses and further Ministers as part of our ongoing discussions on project development with all parties eager to have exploration drilling underway this year.

Since the signing of the agreement, Geodynamics has engaged SLR Consulting to commence an Environmental and Social Impact Assessment (ESIA) for the Takara area. The ESIA forms an important part of our exploration planning, and demonstrates our commitment to the application of best practices in exploration and maintaining the highest standards of environmental and safety management.

The Savo Islands Project saw the completion and submission of the ESIA to the Department of Environment. The ESIA report highlights the significant social and economic benefits for the Solomon Islands, the city of Honiara and the local community on Savo Island. Importantly, it also outlines the minimal adverse impact on the local environment of the proposed project development. I would like to thank the Savo Island community for their positive engagement with the ESIA process and their open and honest communication with us. A development like this will only be successful if all parties are working together, and I believe we are on the right path to building a strong partnership with the community and key stakeholders.

We believe that geothermal power represents an excellent opportunity to support economic growth in the Pacific Islands through increasing energy availability, decreasing cost, reducing diesel imports while reducing emissions. The Takara Project in Vanuatu and the Savo Island Geothermal Project in the Solomon Islands deliver a portfolio of strong projects capable of generating growth for shareholders and benefits for host countries and communities.

I would also like to welcome Mal Kuper and Tim Hewatt who join Geodynamics as In-Country Company Representatives in Solomon Islands and Vanuatu respectively. The appointment of Mal and Tim reflects our commitment to the progression of the Savo Island and Takara Geothermal projects.

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

Regards

Geoff Ward
Managing Director and Chief Executive Officer



Mr Geoff Ward,
Managing Director and
Chief Executive Officer



Operations Update

Cooper Basin

SALE OF COOPER BASIN OPERATING BASE TO BEACH ENERGY

In March Geodynamics entered into an agreement for the sale of the Habanero logistics and operational support base located near Innamincka, South Australia, to Beach Energy Limited, for a total consideration of \$1.5 million.

The Habanero operating base is an excellent remote site facility which will fit well with Beach Energy's shale and tight gas exploration program in the Nappamerri. As Geodynamics continues to work on the ongoing development of our Habanero geothermal resource we will be working closely with Beach Energy on operational support for monitoring and maintenance at the Habanero site as well as engaging on the future supply of energy to their operations from Habanero.

Under the sales agreement Beach Energy will acquire camp accommodation, operating support facilities for drilling and associated equipment suited to its current field activities. Geodynamics retains ownership and responsibility for all geothermal permits associated with our Habanero resource and as well as responsibility for geothermal wells, brine pipelines and geothermal facilities including the 1 MWe Habanero Pilot Plant facility.

The sale is conditional upon Geodynamics completing its current plug and abandon program of the Celsius 1, Habanero 2 and Habanero 3 wells and to Beach Energy securing its facilities licence from the South Australian regulator, DMITRE (Department for Manufacturing, Innovation, Trade, Resource and Energy).

REMEDIATION AND ABANDONING OF WELLS

During the quarter Geodynamics commenced work on the plug and abandonment (P&A) and remediation program covering wells no longer required as part of our ongoing operations being the Celsius 1, Habanero 2 and Habanero 3 wells. Completion of this program will reduce our operational footprint and future liabilities while decreasing environmental risks and exposures. The two Habanero wells have both been assessed and are not suitable for future use within a development program.

At the time of writing the P&A program on Celsius 1 had successfully been completed with the coiled tubing unit currently being moved to the Habanero 2 site.

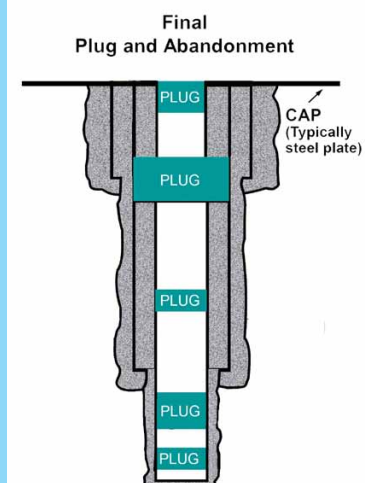
CASE STUDY

Plug and Abandonment of wells



The P&A program involves the isolation of aquifers through the placement of cement plugs within the well, the sealing of the well and subsequent removal of all above ground equipment, such as well heads and cellars. Following the P&A, an environmental remediation program will commence to ensure that the well site is progressively returned to its natural state.

(Top Left) The lease and well head at Celsius 1 in 2011 following completion
(Bottom Left) The Celsius 1 lease remediated with circle indicating former location of well head.
(Right) Diagram of a plugged and abandoned well using cement plugs to isolate aquifers.





Exploration Projects

Savo Island Geothermal Power Project

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT COMPLETED AND SUBMITTED

In late March, the Environmental and Social Impact Assessment (ESIA) conducted by SKM Consulting was completed and submitted to the Department of Environment for review and approval.

The completion of the ESIA is an essential and necessary step in the approvals and permitting process prior to commencement of exploration drilling on Savo Island. The ESIA highlighted several positive impacts stemming from the Project including lower energy prices, direct and indirect employment and training opportunities, and increased business and industry opportunities in Honiara from greater demand for goods and services to support exploration activities.

Importantly, the study also found the development would have a minimal adverse impact on the local environment, which can be managed with good industry practices.

Throughout this process, engagement with the community, customary landowners, Savo Island House of Chiefs and the Solomon Islands government ministries has been vital to the successful completion of the work. Geodynamics is encouraged by the continued support and interest from all stakeholders as the Project progresses to the exploration drilling phase.

The ESIA and technical reports can be accessed from the link on our home page or via the following URL:
http://www.geodynamics.com.au/Savo_ESIA.aspx



(Left) Department of Environment representative conducting a public hearing on the ESIA outcomes with the community. (Above) Posters illustrating the possible visual impact, and proposed land use areas for the project.

STAKEHOLDER ENGAGEMENT

During the course of the ESIA study, Geodynamics and SKM held several rounds of community consultations. The most recent series of community engagements occurred from 20-25 March and focused on the presentation of the draft ESIA which was submitted to the Department of Environment that week.

Public hearings and meetings were held with community members at the villages of Koela, Kaogele/ Sesepe, Panueli, Managho on Savo Island as well as a meeting in Honiara. Geodynamics representatives also met with the Savo House of Chiefs, the Land Owners Trust and key Governmental stakeholders and officials.

These meetings were an important opportunity for the community members and stakeholders to respond to the draft ESIA finding and ask any further questions. Translations of the executive summary and key ESIA findings factsheet were distributed at these meetings enabling a more inclusive discussion with all parties. Geodynamics was encouraged by the attendance and level of interest shown at the meetings by the local community and the broad based support for the Project.

The Company also continued its engagement with the Solomon Islands Electricity Authority as we progress negotiations on a commercial Power Purchase Agreement (PPA) to enable the commencement of exploration drilling.



Exploration Projects

Surveying to support civil engineering



A Honiara local land surveying company, Mosese & Associates was contracted during the quarter to carry out a topographic survey of the proposed drill site locations, laydown yard and access tracks. The topographic maps and data produced from the survey will be used to complete the civil engineering design work for earth works.



(Above) Mosese & Associates surveyors at work on Savo Island.
(Right) One of the proposed laydown yard areas which have been surveyed.

MAL KUPER APPOINTED AS IN-COUNTRY COMPANY REPRESENTATIVE IN SOLOMON ISLANDS

Mal Kuper has joined Geodynamics as its Solomon Islands Country Representative, based in Honiara. Mr Kuper will be responsible for liaising with the local government, community stakeholders and suppliers, and managing local logistics for the exploration drilling program scheduled for late 2014.

Mr Kuper will also oversee various community consultation initiatives, and assist with the negotiation of land access and Power Purchase Agreements with the Solomon Islands Electricity Authority, alongside Geodynamics and CEO, Geoff Ward and Project Director, Greg Wong.

RECENT NATURAL DISASTER IN SOLOMON ISLANDS

In early April, the Solomon Islands experienced devastating floods, landslides and strong winds claiming the lives of 29 people and making over 9,000 homeless. Major infrastructure including the sewerage system and water supplies were also badly damaged or destroyed. We are glad to report that our contractors and local suppliers were not severely impacted by these events. Similarly, the communities in Savo Island did not experience any of the severe flooding that was seen in Honiara and other parts of the Solomon Islands. The additional Government work that has arisen due to the emergency has however meant that there will likely be a delay in receipt of environmental approvals following submission of the ESIA.

Despite this event Geodynamics continues to progress with drilling preparations and remains in a state of preparedness with long lead items and the track mounted drilling rig ready for deployment once the ESIA is approved and Power Purchase Agreement have been finalised.



Exploration Projects

Takara Geothermal Power Project

AGREEMENT TO COMMENCE FIRST STAGE OF PROJECT SIGNED

In February, Geodynamics reported the signing of an agreement between the Takara Community and the Company enabling the first stages of the exploration phase of the Takara Geothermal Power Project to commence. Takara Geothermal Power Project, located in Vanuatu, was taken over by Geodynamics following the acquisition of KUTH Energy Limited in December 2013.

At a signing ceremony attended by the Vanuatu Prime Minister Moana Carcasses, the High Commissioners of Australia and New Zealand, the CEO of the Utilities Regulatory Authority, the Reserve Bank Governor, as well as Geodynamics' CEO Geoff Ward, it was agreed that Geodynamics would commence an independent Environmental and Social Impact Assessment (ESIA), community mapping and land valuation works.

At the ceremony, Prime Minister Carcasses highlighted the importance of the agreement commenting that, "The development of Vanuatu's geothermal resource is a Government policy priority and central to the National Energy Road Map recommendations. This is a project of national importance and key to our economic development."

The Prime Minister also praised and thanked community members stating that, "The future development of Vanuatu depends on the close partnership of kastom (traditional) owners, government and private industry. This agreement shows how that development can be done".



Image above: Prime Minister Carcasses, Geodynamics CEO Geoff Ward and key government and community stakeholder, present at the signing ceremony.

COMMENCEMENT OF ESIA

Post the period in review, Geodynamics commenced work on the Environmental and Social Impact Assessment (ESIA) covering the Takara Geothermal Project area. Geodynamics staff and SLR Consulting, who have been contracted to conduct the ESIA, have started field work for baseline studies as well as surveys for cultural and social studies. The ESIA is an important part of exploration planning, demonstrating the Company's commitment to the application of best practices in exploration and maintaining the highest standards of environmental and safety management. Potential environmental and social impacts of the Project's proposed exploration activities at Takara will be assessed as part of the ESIA. The key elements of the ESIA are:

- | | | |
|---------------------------------------|-----------------------------------|-------------------|
| 1. Socio-economic / Cultural Heritage | 2. Land (Soils and Land-use) | |
| 3. Water (Surface and Groundwater) | 4. Ecology (Terrestrial) | |
| 5. Noise and Acoustics | 6. Air / Greenhouse Gas Emissions | |
| 7. Waste and Hazardous Substances | 8. Visual Impact Assessment | 9. Marine Ecology |

During the ESIA process, it is Geodynamics' intention to continue community meetings on a regular basis to ensure all questions about the project are addressed. Community meetings are vital to ensuring that all residents of Takara and the surrounding areas have their say. Upon completion of the baseline studies, results will be discussed with the community, with the final finding to be presented to the community and kastom owners at the end of July.



Exploration Projects

TIM HEWATT APPOINTED AS COUNTRY REPRESENTATIVE IN VANUATU

The company has engaged Tim Hewatt as its Vanuatu representative. Mr Hewatt has worked on the project for the last 2 years with KUTh Energy.

Tim has lived in Port Vila for the last 6 years and has gained good project and local knowledge through his work with KUTh Energy over the last 2 years. His previous exposure to the electricity sector in Vanuatu in roles for the World Bank and Utilities Regulator, make him a valuable on ground asset for the project. Tim will provide a greater presence in Port Vila to finalise regulatory, land and infrastructure issues in preparation for the exploration drilling program.

Australian Exploration Interest

RELINQUISHMENT OF QUEENSLAND AND NSW TENEMENTS

In line with Geodynamics' increased focus on the Pacific Islands region and development of resources that are designed to deliver nearer term value to shareholders, the Company has reviewed its tenement portfolio. The following tenements have been / will be relinquished once remediation work in accordance with permit obligations has been completed.

Queensland

- Nappa Merrie and Tennaperra in south west Queensland have both been relinquished. Gravity surveys conducted in 2011, confirmed that the high heat producing granite does not extend into these tenements, making them unsuitable for EGS exploration.
- Pending KUTh tenement applications for Weipa on Cape York Peninsula and Epsilon Bore in south west Queensland have both been withdrawn.

NSW – Hunter Valley

- Planning work for the remediation prior to relinquishment of the tenements in the Hunter Valley has commenced. Shallow temperature gradient holes located on the Muswellbrook tenement, and geothermal temperature wells located in the Bulga tenement will be remediated.

Investor and Public Relations

CHANGES TO THE BOARD

Geodynamics is pleased to welcome George Miltenyi to the Board as Non-executive director, following the successful acquisition of KUTh Energy.

With seven years past experience on the KUTh Board, owner, investor and director in a range of commercial ventures and the author of four management publications, Mr Miltenyi brings a wealth of experience, and a passion for commercialising renewable energy.

Geodynamics Chairman Keith Spence said "Mr Miltenyi brought an invaluable set of skills to the Company. His corporate knowledge of KUTh's projects, renewable energy venture skills, involvement in tri-generation and background in multicultural marketing and management will be a good complement for our existing Director skill set, and we look forward to his contribution."

Corporate Directory

BOARD OF DIRECTORS

Mr Keith Spence
(Non-executive Chairman)

Mr Geoff Ward
(Managing Director and CEO)

Mr Bob Davies
(Non-executive Director)

Dr Jack Hamilton
(Non-executive Director)

Mr Michel Marier
(Non-executive Director)

Mr Andrew Stock
(Non-executive Director)

Mr George Miltenyi
(Non-executive Director) Appointed 1 March 2014

COMPANY SECRETARY

Mr Tim Pritchard CPA CSA (CERT)

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SECURITIES EXCHANGE LISTING

Geodynamics Limited shares are listed on the
Australian Securities Exchange,

Ticker: GDY

COMPETENT PERSONS STATEMENT

The information in this report to which this statement is attached that relates to Exploration Results, Geothermal Resources or Geothermal Reserves is based on information compiled by Dr Graeme Wheller and Mr Robert Hogarth, who appear on the Register of Practicing Geothermal Professionals maintained by the Australian Geothermal Energy Group Incorporated at the time of the publication of this announcement.

Dr Graeme Wheller is employed by Volcanex International. Robert Hogarth is a full-time employee of the Company. Dr Wheller and Mr Hogarth have sufficient experience which is relevant to the style and type of geothermal play under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the Second Edition (2010) of the 'Australian Code for Reporting Exploration Results, Geothermal Resources and Geothermal Reserves'. Dr Wheller and Mr Hogarth have consented in writing to the inclusion in the report of the matters based on their information in the form and context in which it appears.