



GEODYNAMICS
LIMITED

QUARTERLY REPORT
PERIOD ENDING 31 DECEMBER 2013



power from the earth



Review of the Quarter

HIGHLIGHTS

A key highlight was the successful completion of the 1 MWe Habanero Pilot Plant trial, a major operational milestone, as well as the finalisation of the acquisition of KUTh Energy Limited, expanding Geodynamics' portfolio of conventional geothermal projects.

FOLLOWING IS A SUMMARY OF HIGHLIGHTS FROM THE QUARTER:

- The 1 MWe Habanero Pilot Plant Trial concluded 7 October 2013 with no safety or environmental incidents throughout the campaign. The Field Development Plan incorporating data from the trial was also completed, identifying future development options for this resource.
- Exploration drilling planning for the Savo Island Geothermal Power Project included procurement of long lead items and materials and the Company also took possession of a track mounted drilling rig for the campaign.
- Preparation of the comprehensive Environmental and Social Impact Assessment continued. Initial findings of baseline studies undertaken as part of the assessment were presented to government ministries and the Savo Island community.
- Geodynamics continued its engagement with the Solomon Islands Electricity Authority to progress electricity supply and power purchase agreements.
- KUTh shareholder acceptances of Geodynamics' Takeover Offer passed the 90% level. Post the quarter, Geodynamics successfully completed the compulsory acquisition of all outstanding shares to hold 100% of KUTh Energy Limited. The acquisition of KUTh aligns with Geodynamics' strategy to develop a portfolio of high quality, small-medium scale, conventional ("volcanic-hosted") geothermal projects initially targeting the Pacific Islands region, capable of providing nearer term revenues to shareholders.

The Company's cash position at the end of the quarter stood at \$ 33.8 million.

Cover: Savo Island children gather to look at the posters for the community consultation.



Letter to Shareholders

Dear Shareholders,

The December quarter caps off what has been a significant year for Geodynamics during which we have achieved a number of material technical, operational and corporate milestones. In particular I would like to welcome all the shareholders of KUTH Energy Limited who, following the successful completion of the proposed all scrip acquisition of KUTH by Geodynamics, have now joined our Company as shareholders. As of 17 January we have completed the compulsory acquisition process for all remaining KUTH shares and Geodynamics now holds 100% interest in KUTH Energy Limited.

The acquisition of the KUTH project portfolio significantly strengthens our portfolio of smaller scale conventional geothermal projects providing a sound base of strong income earning projects. I look forward to being able to accelerate the development of the Takara Geothermal Project in Vanuatu in particular. Together with KUTH Managing Director, David McDonald, I have recently met with the Prime Minister and other senior officials from Vanuatu to commence this work and I look forward to its rapid progress this year alongside the Savo Island Project in the Solomon Islands.

The December quarter also saw the conclusion of the 1MWe Habanero Pilot Plant trial, completing a successful and important demonstration of EGS power generation not only for Australia but also of global interest.

The data gathered during the 1 MWe Habanero Pilot Plant trial has been evaluated and incorporated in the Habanero Field Development Plan (FDP). This FDP identifies a number of potential paths to continue the development of our Habanero resource. The prospects for continued development of the Habanero resource have strengthened with the expansion of unconventional gas exploration and appraisal in the Nappa Merrie area of the northern Cooper Basin. The Habanero Pilot Plant Trial and FDP have identified significant potential for the supply of process heat to emergent shale gas producers as an economically viable long term business of significant scale. As we have stressed a number of times, our ability to continue the development of the Habanero resource is dependent on securing a viable customer for the project. With the completion of the trial and FDP we will seek to bring these discussions to a positive agreement.

Progress on the Savo Island Geothermal Power Project has continued well, with the Environmental and Social Impact Assessment now complete. In November I attended number of meetings on Savo with the House of Chiefs and Land Owner Representatives and I am happy to be able to report that local support for and engagement with the project is strong. It was also encouraging to receive the news from the Solomon Islands Government, that the Project had been recognised as an "Infrastructure Project of National Importance". This emphasises the vital role our project can play in providing the Solomon Islands sustainable, reliable power at reduced end user prices, and lays good foundations for our ongoing engagement with the Solomon Islands Electricity Authority on a customer agreement. We look forward to progressing commercial discussions with the Government of Solomon Islands and the Solomon Islands Electrical Authority to secure the customer contracts necessary to commence our exploration drilling in the coming months.

Finally, I would like to thank those shareholders who joined us for the Annual General Meeting held in Brisbane on 28 November 2013, and those who listened online. If you were unable to attend, I invite you to listen to the archived audiocast and presentation through the BRR Media page within our Investor Centre at www.geodynamics.com.au.

Regards

Geoff Ward
Managing Director and Chief Executive Officer



Mr Geoff Ward,
Managing Director and
Chief Executive Officer



Company Update

GEODYNAMICS COMPLETES ACQUISITION OF KUTH ENERGY LIMITED

In January, following the successful off-market takeover offer, Geodynamics completed the compulsory acquisition process for all of the outstanding shares in KUTH Energy Limited, with the Company now owning 100% of the KUTH shares on issue. This acquisition is a further step in the Company's Pacific Island strategy, increasing our portfolio of high quality small-medium scale conventional ("volcanic-hosted") geothermal projects.

KUTH's primary project is the Takara Geothermal Project in Vanuatu, where it holds a Production Licence providing exclusive rights over a prospective geothermal area located on the north of the main island of Efate.

With the takeover now complete, Geodynamics is progressing the exploration program with a first priority being the completion of environmental and social impact assessments. The synergies between the Solomon Islands Geothermal Power Project and the Takara geothermal project will provide greater efficiencies of personnel and equipment and should help to advance the development of both projects.

Additionally KUTH has submitted applications for licences in Papua New Guinea and Fiji. It is the intention of Geodynamics to continue with the tenement application processes in Papua New Guinea and Fiji and seek to accelerate the assessment of these opportunities consistent with the strategy to build a diversified portfolio of high quality geothermal projects in growing energy markets that are currently not well serviced by existing energy supply options.

KEY ACQUISITION ANNOUNCEMENTS:

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|-------------------------|--|
| <i>10 October 2013</i> | GDY announced that it had lodged the Bidders Statement to ASIC and served the Bidder Statement on KUTH. |
| <i>10 October 2013</i> | KEN lodged the Target Statement. |
| <i>4 December 2013</i> | GDY declared the Takeover Offer to be unconditional. |
| <i>12 December 2013</i> | GDY announced that it had received 90.45% acceptances from KEN shareholders and that having exceeded the 90% threshold it would proceed with compulsory acquisition of the shares for which acceptances had not been received. |
| <i>16 December 2013</i> | GDY announced it had lodged the Compulsory Acquisition Notice with the Australian Securities and Investments Commission. |
| <i>24 December 2013</i> | Australian Securities Exchange (ASX) announced that the KEN shares would be suspended from quotation on the ASX from the close of trading on 24 December 2013. |

Geodynamics welcomes all former KUTH shareholders

LEARN MORE ABOUT THE ACQUISITION:

Visit our dedicated website page on the KUTH acquisition where you may access and review key announcements, webcasts and FAQ >>

ASK YOUR QUESTIONS OR SEND FEEDBACK

We welcome shareholder inquiries at info@geodynamics.com.au



Operations Update

Habanero Project Update

COMPLETION OF THE 1 MWE HABANERO PILOT PLANT TRIAL

The 1 MWe Habanero Pilot Plant trial was concluded 7 October 2013. The trial ran for 160 days during which time the Company undertook a comprehensive evaluation of plant brine loop reliability and performance, conducted extensive materials and chemistry testing, and assessed key technologies for possible future plant designs. Key results of the trial were reported last quarter. Notably, prior to completion of the trial, the plant was operating at 19 kg/s and 215°C production well-head temperature; the highest results ever achieved at the plant.

The trial demonstrated excellent safety and environmental performance with zero incidents recorded during the commissioning and trial period. Geodynamics is delighted to have conducted the trial in such a successful manner.

The completion of the 1 MWe Habanero Pilot Plant trial is a significant Company milestone and an important demonstration of EGS technology globally. Since the completion of the trial, the 1 MWe Habanero Pilot Plant has been decommissioned and placed in care and maintenance mode for possible future use as part of an ongoing initial commercial development.

Final collection of test data and the commencement of laboratory analysis work on corrosion and scaling has been undertaken as part of the knowledge capture process for the project. The quarter also saw finalisation of the Field Development Plan for the Habanero Geothermal Project. This very comprehensive engineering study addressed the feasibility and economics of a number of heat and power project options, based on up to six EGS wells, with energy supplied to a Cooper Basin customer. Based on this work Geodynamics has commenced engagement with identified customers in the region.

CASE STUDY

Habanero Reservoir Model informs future development options

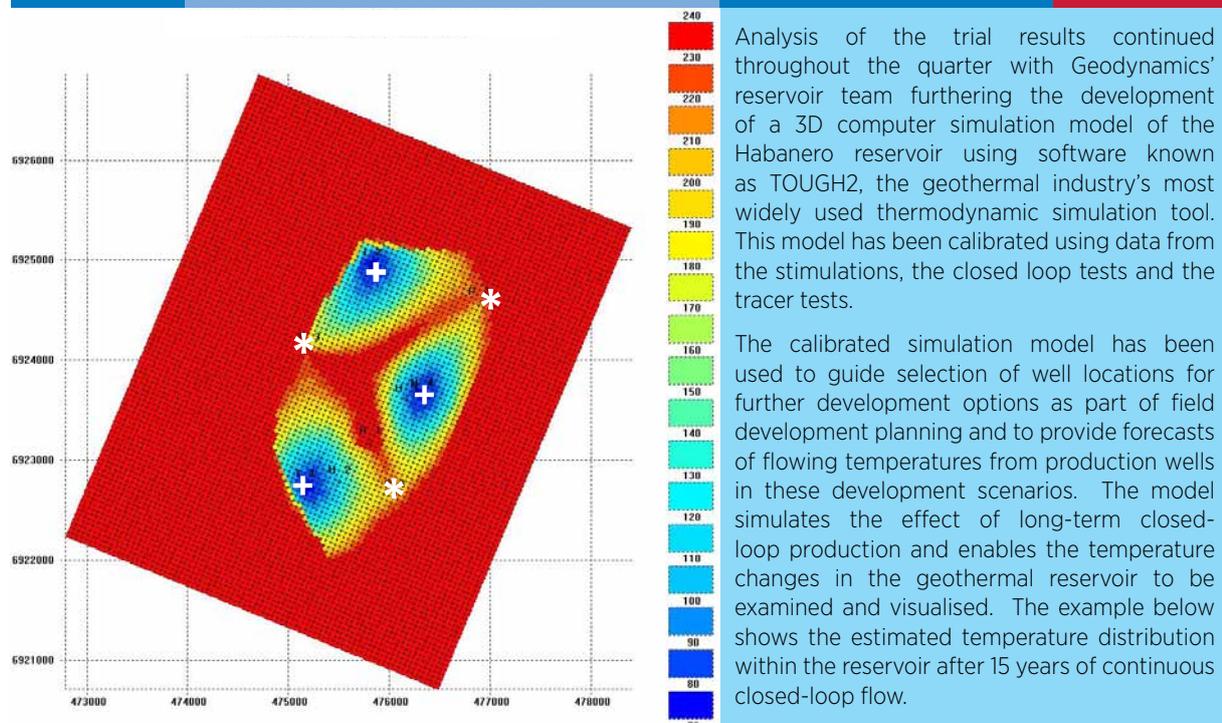


Image: Plan view of the thermodynamic model of the Habanero reservoir, showing the locations of injection wells (+) and production wells (*) and, in colour, the distribution of temperatures within the reservoir after 15 years of closed-loop circulation. The legend shows the temperature scale in °C. The figure shows that the reservoir has been cooled around the injection wells, but remains hot around the production wells and outside the area of development.

Analysis of the trial results continued throughout the quarter with Geodynamics' reservoir team furthering the development of a 3D computer simulation model of the Habanero reservoir using software known as TOUGH2, the geothermal industry's most widely used thermodynamic simulation tool. This model has been calibrated using data from the stimulations, the closed loop tests and the tracer tests.

The calibrated simulation model has been used to guide selection of well locations for further development options as part of field development planning and to provide forecasts of flowing temperatures from production wells in these development scenarios. The model simulates the effect of long-term closed-loop production and enables the temperature changes in the geothermal reservoir to be examined and visualised. The example below shows the estimated temperature distribution within the reservoir after 15 years of continuous closed-loop flow.



Exploration Projects

Savo Island Geothermal Power Project

EXPLORATION DRILLING PLANNING

During the quarter, technical planning for drilling operations on Savo Island proceeded steadily. As previously reported, four well locations have been selected based upon geothermal modelling and site access constraints in the steep terrain. The well design for the exploration wells has been completed with associated long lead items on order. Geodynamics has also taken possession of a highly mobile, track mounted, mineral style rig that will be used to drill the exploration wells. The Hanjin DB35 rig is currently being stored in Brisbane ready for transportation to Honiara once a start date for exploration drilling is confirmed. The specifications of the rig are such that it is also well suited for exploration drilling in Vanuatu and possible future Pacific Island projects.



Image above: A track mounted drilling rig that is well suited for the tropical vegetation and steep terrain

Further land owner mapping was undertaken by the Department of Mines and the Department of Lands. Only a small section of land, in the south east quadrant of interest, now remains to be mapped. The completion of a Landowner Map and the correct identification of landowners is a critical step towards negotiating land access for exploration drilling and the development of the project.

In addition, preliminary information for designing civil works has been collected and logistics planning for the program has commenced, with assessment of local skills, labour and construction resources as well as consideration of options for an exploration camp. Well pad conceptual design and preliminary alignment of access tracks has commenced, with a site visit in early 2014 planned to validate design assumptions, followed by topographic survey and detailed design work.

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

A key undertaking for Geodynamics has been the independent Environmental and Social Impact Assessment (ESIA) for the Savo Island Geothermal Power Project. Geodynamics engaged Sinclair Knight Merz to conduct a comprehensive evaluation covering various aspects including:

- Baseline flora and fauna studies
- Soil and water studies
- Acoustic modelling
- Household surveys
- Community health
- Existing land use mapping
- Solomon Islands economic benefits of the project

The ESIA will be submitted to the Department of Environment for approval and placed on public display for consultation and comment during first quarter of 2014.



Exploration Projects

STAKEHOLDER ENGAGEMENT

Throughout the quarter, Geodynamics has continued to engage with key stakeholder groups on land access arrangements and the preliminary results of the independent Environmental and Social Impact Assessment. This has included meeting with identified landowners to agree access for the construction and installation of two weather stations, attendance at a Landowners' Trust Meeting to meet with the newly appointed trust board members and briefing the Savo House of Chiefs on project progress.

Community consultations were conducted late November through to early December to present and brief on the initial results from baseline studies as part of the Environmental and Social Impact Assessment.

Geodynamics has also continued to engage and undertake negotiations with the Solomon Islands Electricity Authority to secure a power purchase agreement to underpin the planned exploration campaign prior to the commencement of exploration drilling.

Weather stations installed on Savo Island



Local construction contractors were engaged for the construction and installation of the weather stations which was completed in early December 2013. The purpose of the weather stations is to collect temperature, humidity, wind and air quality data that will be required for the project.



(Above) Local contractors assembling the weather station and erecting perimeter fencing. (Right) Locals look on as GDY staff calibrate the weather station.



Investor and Public Relations

2013 ANNUAL GENERAL MEETING REVIEW

The 2013 Annual General Meeting (AGM) was held at the Queensland University of Technology's Room Three Sixty in Brisbane on 28 November. The meeting was well attended by shareholders, with many choosing to participate online via live webcast.

AGM RESOLUTIONS

All resolutions for consideration were carried on a poll at the meeting. Results of the voting at the AGM were lodged on 28 November 2013 and are available from the ASX Announcements section under Investor Centre on the Company website www.geodynamics.com.au

An archived copy of the Chairman's address and Managing Director's presentation from the AGM can be viewed at <http://www.brrmedia.com/event/104577>

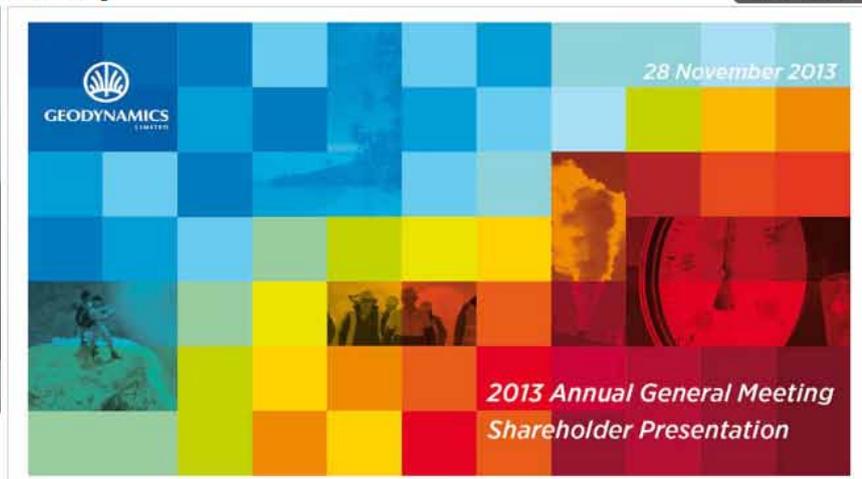


Geodynamics 2013 Annual General Meeting

Download Slides



Keith Spence, Chairman
Geoff Ward, CEO & Managing Director



Chapters

- Geoff Ward, CEO & Managing Director Presentation
- Agenda
- 2013: a year of achievement
- Habanero Project achievements
- 1 MWe Habanero Pilot Plant Trial



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)

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 Practising 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.