



GEODYNAMICS
LIMITED

ANNUAL REPORT
2012-2013

POWER FROM
THE EARTH



OUR VISION

We are working to make Geodynamics a world-class geothermal energy company that supplies competitive zero-carbon energy and base-load power.



*(Left) Savo Island, Solomon Islands
(Right) Drilling Habanero 4*

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Geodynamics Limited is a public company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange in September 2002.

*We are **Australia's most advanced** geothermal exploration and development company and a **world leader** in the emerging field of Enhanced Geothermal Systems (EGS), achieving a major milestone this year with the successful demonstration of the **1 MWe Habanero Pilot Plant** near Innamincka, South Australia – one of only three operating EGS plants globally.*

*Geodynamics is also actively pursuing conventional volcanic-hosted geothermal projects that have the **potential to provide shorter term returns** utilising existing technology in growth markets, while maintaining a long term focus on the EGS project development at Habanero.*

*In November 2012, the Company entered into a two stage earn-in agreement with Kentor Energy to acquire up to 70% interest in the Savo Island Geothermal Power Project in the Solomon Islands. This joint venture project presents a **compelling new opportunity** that with successful development could replace expensive diesel generated power to the city of Honiara and Gold Ridge Mine. Early exploration drilling is targeted for the dry season 2014.*

Geodynamics has further exploration interests in the Northern Territory, Queensland and New South Wales.



2013 HIGHLIGHTS



1

Generation of Australia's first EGS derived power, through the commissioning and operation of the 1 MWe Habanero Pilot Plant, achieving higher than predicted modelled plant performance results. The successful pilot plant demonstration followed the safe drilling and completion of Geodynamics' sixth EGS geothermal well, Habanero 4, one of the most technically challenging wells to be drilled in Australia.

Excellent safety record during a period of intense field activity including the drilling, testing and stimulation program for Habanero 4 and throughout the commissioning and operation of the 1 MWe Habanero Pilot Plant.

2



Habanero 4 and Habanero 1 operated in closed-loop mode to power the 1 MWe Habanero Pilot Plant, with Habanero 4 as the producer and Habanero 1 as the injector. Closed loop flow rates of up to 19 kilograms per second at 215°C achieved, with flows and temperatures continuing to trend upwards.

5



3

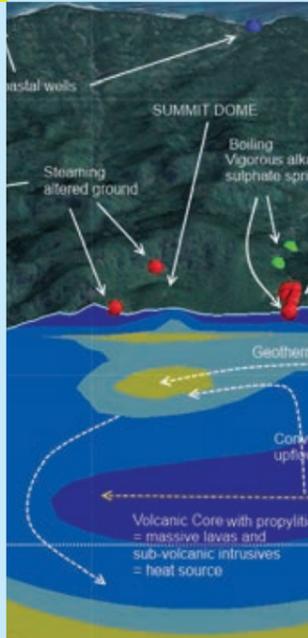


Successful productivity and injectivity testing of the Habanero 4 well. Geodynamics recorded one of the highest reservoir productivity results globally for an EGS well with a flow rate of 39 kilograms per second.

4



Acquisition of Savo Island Geothermal Power Project in the Solomon Islands through a two stage earn-in agreement with Kentor Energy to acquire up to 70% interest in the Project.



6

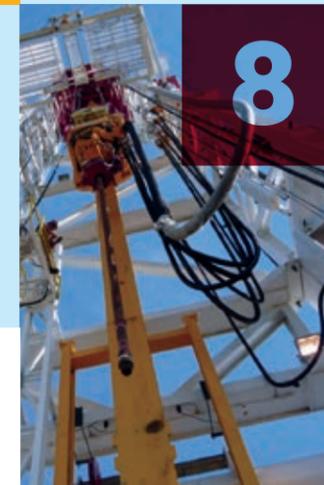
Completed initial exploration activities at Savo Island including maiden inferred resource assessment, indicating potential capacity to generate in excess of 30 MWe.

7



Completed stage one of the earn-in joint venture with Kentor Energy to take 25% interest and operatorship of the Savo Island Geothermal Power Project.

8



Strengthened balance sheet through sale of Rig 200 for a total cash consideration of \$21 million (GDY interest: 70%) and securing R&D tax incentive refund of \$22.2 million leaving the company securely funded with \$41.4 million in cash at 30 June 2013.



*Keith Spence, Chairman (left)
and Geoff Ward, Managing Director
and CEO (right)*

2013 MILESTONES

2013 has been an important year for Geodynamics with two major achievements that mark significant milestones in the Company's development.

The first milestone was the successful completion of the Habanero 4 well and commissioning of the 1 MWe Habanero Pilot Plant in April 2013. Realising this long held goal is a significant achievement and an important demonstration of EGS technology. As one of only three EGS plants operating globally and the first new EGS plant to be commissioned for a significant period of time, there has been a great deal of interest in our results around the world, particularly in the unique reservoir behaviour of the Innamincka granite resource. Having pushed the boundaries of conventional drilling and engineering, we are pleased to have achieved this difficult milestone with an excellent safety and environmental record.

Further details of the technical milestones achieved at Habanero are set out in the operations review following this section. Our sincere thanks to all our shareholders who have supported the Company to achieve this result.

The second milestone was the acquisition of our first international project with the agreement to acquire up to 70% of the Savo Island Geothermal Power Project in the Solomon Islands announced in November 2012. Savo Island is a high quality conventional geothermal project well positioned to supply the growing demand for power in the city of Honiara. The initial feasibility study and inferred resource statement released in April 2013 showed the potential to develop a 10 - 20 MW project based on a high quality shallow geothermal resource delivering power to customers by the end of 2017. Our progress at Savo Island since the acquisition has been encouraging and we believe it offers Geodynamics a clear path to making the transition to become a geothermal producer earning positive returns for shareholders.

STRATEGIC CHANGE

The acquisition of the Savo Island Geothermal Power Project marks a significant broadening of Geodynamics' project portfolio and is an important strategic development for our Company.

Over the last two years the Board and management have closely tracked trends in the Australian energy markets that make the development of new large scale renewable power projects in Australia very challenging. The reduction in electricity demand caused by structural changes in the Australian economy, increased focus on energy efficiency, changed customer behaviour in response to significant price increases and the rapid

2013 has been an important year for Geodynamics with two major achievements that mark significant milestones in the Company's development, through the commissioning of the 1 MWe Habanero Pilot Plant and the acquisition of our first international project.

and substantial deployment of distributed generation via solar PV systems has fundamentally changed the Australian electricity market. Data and analysis released by the Australian Energy Market Operator (AEMO) in 2013 indicated a fourth consecutive year in which aggregate electricity demand has decreased in Australia after over 50 years of annual consecutive increases.

This major disruption is challenging the business models of incumbent utilities and raises questions regarding how Australia's energy system will evolve. AGL Energy, Australia's largest utility, estimates that Australia now has 9,000 MW of excess generation capacity which would continue to depress wholesale electricity pool prices in the National Electricity Market (NEM) and will have to be removed from the system before new projects could be justified. The major electricity retailers share a consistent view that Australia will not require additional new baseload generation capacity until at least after 2022. This is in stark contrast to estimates by AEMO that Australia would require between 3,000 – 5,000 MW of new generation capacity by 2017 made only 4 years ago. While we are confident that we have a world class EGS resource in the Cooper Basin, this surplus baseload capacity and depressed wholesale electricity price outlook means that the window of opportunity for the introduction into the NEM of EGS generated baseload power moves further into the future.

In response to these material changes the Board has adopted the following key strategic positions:

Strategic Theme 1 - For our flagship Cooper Basin development, we will complete the planned 1 MWe Habanero Pilot Plant trial to demonstrate the capability of the Innamincka Granite resource and then focus on securing local customers (who are not connected to the NEM and who burn gas, not coal, to generate electricity) capable of supporting initial small scale commercial development. This strategy maximises the future value of the assets by securing the intellectual property and know-how developed over the past ten years while maintaining the option for our Innamincka granite resources to be a major supplier to the NEM should market conditions change in the future.

Strategic Theme 2 - Diversify our portfolio through the acquisition of high quality, small to medium sized geothermal projects that can be quickly and profitably developed using the strong geothermal skills and capabilities developed through our work at Habanero. This will provide a clear path to generating positive returns to shareholders while still maintaining the knowledge and skills necessary to develop our Cooper Basin project in the future.

Strategic Theme 3 - Make the Company as financially strong and self-sufficient as possible to ensure that we are not reliant on repeated capital raisings to meet our commitments. With the successful completion of the sale of Rig 200, the receipt of \$22.2 million through the Research & Development Tax Rebate and through an ongoing focus on cost reduction, Geodynamics is well positioned financially with \$41.4 million of cash reserves as at 30 June 2013 and with the major spending commitments related to deep drilling in the Cooper Basin completed.

In growing our portfolio, we have sought opportunities to use the skills and capabilities developed through our program at Habanero and deliver profitable geothermal projects in markets where geothermal has a natural advantage as the potential lowest cost supplier. Through evaluation of prospective projects, we have identified that using geothermal power to replace expensive imported liquid fuels, particularly in markets with a growing demand for power, offers the opportunity for attractive commercial returns while still meeting the needs of energy utilities, customers and national governments.

Growing economies in the Pacific Islands which are still primarily using diesel fired power but have an excellent natural endowment of high quality, high temperature, shallow geothermal resources are an excellent fit with this strategy. With the acquisition of the Savo Island Geothermal Power Project and proposed acquisition of KUTh Energy Limited, announced in September, adding the Takara Geothermal Project in Vanuatu as well as exploration permit applications in PNG and Fiji, we have created a strong pipeline of opportunities that offer excellent revenue and profit growth potential over the short to medium term that can be progressed within our financial capability.

2013 CHALLENGES

2013 has been a very challenging year for renewable energy companies in Australia. The continued uncertainty with regard to the future of carbon pricing and other aspects of energy policy has materially affected investor sentiment and the availability of financing to support development of emerging technologies. The high likelihood of a change in government (now realised in the election of September 7) has exacerbated this fear of policy change thereby deterring investment. As we head into 2014 there remains enormous uncertainty about the future of the Australian Renewable Energy Agency (ARENA), our key funding partner, and the Clean Energy Finance Corporation, a potential future funder, which the incoming Coalition government has promised to close. This uncertainty is likely to be prolonged as the changes to the Senate necessary to pass parts of this legislative agenda will not occur until June 2014.

On 30 March 2013, Origin Energy announced that it would withdraw from the Innamincka Deeps Joint Venture as of 30 June 2013. This decision was driven by Origin's need to focus all available resources on the completion of their APLNG Project and Origin's changed view on the likely timing of further investments in the Australian generation fleet. We understand their decision and would like to thank them for their support over the past six years; in particular noting their support was instrumental in allowing us to drill the Habanero 4 well.

In our FY2013 financial report the Board took the decision to write down the carrying value of our Cooper Basin assets by \$88.8 million. It is regrettable that this decision had to be taken but having completed our current investment program at Habanero, combined with the material market changes identified above, the write-down was necessary to comply with Australian Accounting Standards.

The write-down is an accounting charge only and does not reflect any change to our cash position, nor does it change our view that Cooper Basin EGS geothermal resource will play a material role in Australia's long term energy economy.

FUTURE DEVELOPMENTS

Despite these challenges, Geodynamics has an exciting program and clear goals in 2014.

In the Cooper Basin the enormous growth in exploration for unconventional (shale) gas has greatly improved the outlook for local energy demand. Driven by the expansion of gas facilities we see a very real prospect for commercial demand for both electricity and heat to eventuate in the area around our operations at Innamincka. Through 2014 we will put forward proposals to key customers to supply both power and heat to the operators of gas and oil ventures in the basin to secure the customer contracts necessary to allow us to continue the development of the Habanero resource. Based on the successful results of the Habanero trial we believe we can put forward a strong technical proposal for the supply of 5 - 10 MW of electrical power or 30 - 50 MW of geothermal heat.

Downloading data at Geodynamics' seismic monitoring station



We have created a strong pipeline of opportunities that offer excellent revenue and profit growth potential over the short to medium term that can be progressed within our financial capability.

In our conventional geothermal portfolio we anticipate progressing the Savo Island Geothermal Power Project through the completion of an environmental and social impact assessment, securing the next stage of land access agreements and agreeing a power purchase agreement with the Solomon Islands Electrical Authority (SIEA). Achieving these milestones would position us to commence exploration drilling in mid 2014. Additionally should we be successful with our proposal to acquire KUTH Energy Limited, we would seek to accelerate exploration drilling at the Takara Project and combine it with our program on Savo Island. This would create cost efficiencies through the sharing of equipment, knowledge and human resources between the two campaigns.

COMPANY OUTLOOK

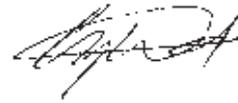
As we enter 2014 Geodynamics is well funded with an exciting portfolio of near term opportunities both in the Pacific Islands and Cooper Basin and a strong team of committed staff with world leading skills. The Company has weathered significant uncertainty and adverse market conditions to deliver excellent operational results, acquire new opportunities and define a clear path to positive returns for shareholders.

We would like to thank all the Geodynamics team for the immense efforts they have made to deliver this excellent outcome in very challenging circumstances. With the outlook for world energy markets and policy action on climate change remaining very uncertain we will continue to face many challenges but we are well equipped to address them and believe this period of unprecedented change in technology and markets will also deliver many opportunities for Geodynamics.

Yours sincerely,



Keith Spence
Non-Executive Chairman



Geoff Ward
Managing Director and CEO





Loading casing at the V-door at Habanero 4

OPERATIONAL ACHIEVEMENT AT HABANERO

Over the past twelve months Geodynamics has successfully executed its field program at Habanero delivering key operational milestones. The program culminated in the commissioning and operation of the 1 MWe Habanero Pilot Plant with the first demonstration of EGS power in Australia in May 2013.

The safe and successful completion of the Habanero 4 well, the improved drilling performance in key sections of the well, the excellent open flow and closed loop test results and the high system reliability demonstrated in the pilot plant trial support Geodynamics' vision that EGS sourced geothermal power can play a material role in Australia's long term energy economy.

DRILLING HABANERO 4

In the period under review, Geodynamics successfully completed Habanero 4, one of the most technically challenging wells to be drilled in Australia. Located approximately 120 m east of the Habanero 3 well, Habanero 4 was designed as a production well to intersect the main fracture zone identified and stimulated by earlier Habanero wells.

The well was spudded on 9 March 2012 and took 179 days to drill to a total depth of 4,024 m, achieving some notable drilling firsts in Australia for both the geothermal sector and broader oil and gas industry. The well included the first reverse cementing procedure undertaken in Australasia. Improvements were also made in our time to drill each section through improved drill bit selection and through better operating procedures and management of the drilling fluids used to circulate the well.

MAJOR PROJECT MILESTONES:

2012								
MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER
Spudding of Habanero 4					Successfully undertook Australian first reverse cementing operation at Habanero 4	Habanero 4 well completed		First open flow test achieved 34 kg/s prior to stimulation Highest recorded flow rate of 39 kg/s post local stimulation

The commissioning of the 1 MWe Habanero Pilot Plant was a significant event for base-load renewable energy generation in Australia, and holds importance on a global scale as it is one of only three EGS plants in operation worldwide.



Throughout the drilling campaign there were no reportable incidents. This is an outstanding health and safety achievement particularly given the difficult high-pressure high-temperature conditions in the well at depth.

TESTING HABANERO 4

Following the drilling and completion of Habanero 4, a rigorous testing program was undertaken to establish key reservoir performance parameters and to secure static and dynamic reservoir data necessary for long-term production modelling. Results from the test program have established Habanero 4 is one of the most productive EGS wells in the world.

Key operational activities in the test program included:

First open-flow test: An initial open-flow test was conducted prior to stimulation of the reservoir achieving a maximum brine flow rate of 34 kg/s (kilograms per second) - better than the result achieved at Habanero 3 which recorded a maximum stabilised flow rate of 27 kg/s.

Enhancing well performance: A local (or small) stimulation was then conducted to improve the connection between the Habanero 4 well and the reservoir. The stimulation caused shearing of the fractures in the granite and produced ~1,900 micro-seismic events which were recorded on surface with Geodynamics' network of seismometers.

	2013								
DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER
Major stimulation program of the reservoir				Refurbishment of Habanero 1 and recommissioning as an injection well Hot commissioning of the closed loop (Habanero 4 and 1) and brine system	1 MWe Habanero Pilot Plant commissioning and production of first EGS derived power				Extended production testing and plant trial



*Reservoir Development Manager,
Robert Hogarth, at open-flow test
at Habanero 4*

Second open-flow test: Open loop testing post stimulation produced equally pleasing results with Habanero 4 recording a maximum flow rate of 39 kg/s. This represents the highest flow rate achieved at Habanero and is testament to the preparation and care taken during drilling to achieve a high quality well.

Extending the Habanero reservoir: The major stimulation of the Habanero reservoir progressed without incident. The objectives of this stimulation were to assess the extent to which the area of the enhanced fracture zone could be increased from the current -3.6 km² and to look for indications of multiple fracture zones as the fracture zone was extended. By the end of the extended stimulation, the area of the previously enhanced fracture zone had been increased to -4.0 km², with the extension being mostly to the north. The seismic data from this stimulation and earlier stimulations at Habanero 1 and Habanero 3 indicates that all shearing is occurring in one fracture zone, which dips to the west at -10° from horizontal.

The open flow tests demonstrate a higher productivity from the Habanero fracture system than had been previously measured. This positive result provides important data to allow Geodynamics to optimise the heat recovery scheme at Habanero and so improve future projected energy generation performance.

TECHNOLOGY AT WORK DURING HABANERO TEST PROGRAM

During the open flow testing program, brine samples were captured in the well using a new down-hole fluid sampler tool constructed from a specially selected Titanium alloy highly

resistant to H₂S (hydrogen sulphide gas). This tool enabled capture of uncontaminated brine samples from close to the fracture zone so that these could be analysed to determine their chemistry, particularly their H₂S content. The samples obtained have confirmed that the H₂S content of Habanero brine is low. This is an

important technical finding adding to our understanding of the unique process conditions of the Habanero reservoir and will allow Geodynamics to continue to optimise well design and materials selection for the completion of future wells.

Geodynamics recorded one of the highest reservoir productivity results globally for an EGS well with a maximum flow rate of 39 kilograms per second.

CASE STUDY

DRILLING IMPROVEMENTS AT HABANERO 4

Drilling deep, high-pressure, high-temperature EGS wells is a challenging exercise, particularly in the Cooper Basin

where the unique process conditions of -240°C and -700 bar in the reservoir are at the technical limits of conventional drilling technologies.

Geodynamics made significant progress towards solving these challenges during the latest campaign at Habanero by successfully implementing a number of Australian first processes and techniques such as the reverse cementing procedure to secure the well and the use of high-pressure, high-temperature “fingerprinting” to optimise management of the main fracture zone.

In drilling Habanero 4, Geodynamics made operational improvements in bit selection and bottom hole assembly design increasing penetration rates and bit longevity. Research and development in drilling mud composition also led to improved drilling performance by preventing temperature-induced breakdown of fluids, increasing well bore stability and contributing to increased penetration rates and decreased downtime.

These operational improvements will allow Geodynamics to further enhance well designs and deliver cost efficiencies in future drilling campaigns.



(Left) Geoff Ward, Managing Director and CEO, inspects drill bit
(Right) Tri-cone drill bit





1 MWe Habanero Pilot Plant turbine and generator

HABANERO 1 RE-ACCESSED FOR CLOSED LOOP PRODUCTION TESTING

To undertake closed loop production testing, the existing Habanero 1 well was successfully prepared for re-use as an injection well. This well would form one half of a “doublet pair” with Habanero 4 as the production well. To recommission the well for service the “Christmas Tree” valve assembly was replaced and the temporary plug, which had been installed in the tubing as a safety mechanism while the well was suspended, was removed.

With Habanero 4 and 1 connected, closed loop flow rates of up to 19 kg/s at 215°C had been achieved at the time of writing, with flows and temperatures both continuing to trend upwards.

1 MWe HABANERO PILOT PLANT OPERATIONS

Commissioning activities on the 1 MWe Habanero Pilot Plant commenced in March 2013, following completion of the plant refurbishment and modifications to the high pressure brine line from Habanero 4 to the plant.

Key activities for the commissioning period, involved:

- Spinning the turbine shaft using open flows from Habanero 4 (late March)
- Start-up of the brine circulation loop between the two wells (Habanero 4 and Habanero 1) using diesel power (mid April)
- Synchronisation of the 1 MWe turbine to produce net electrical power without diesel support (late April)

Throughout commissioning, the distributed control system, which plays a key role in the control and protection of the brine circulation loop, was closely monitored and refined.

Geodynamics announced it had successfully commissioned the 1 MWe Habanero Pilot Plant and produced Australia’s first EGS-generated power on 2 May 2013. Following this, the Company commenced a demonstration trial and testing program over a period of approximately five months to evaluate plant performance, assess brine loop reliability and performance, carry out extensive materials and chemistry testing, and prove key technologies for future plants.

A significant milestone was achieved during the operating test phase in June 2013, when the pilot plant was operated in stand-alone mode, generating net power without assistance for the diesel generator, and without needing to release open flow of brine.

CASE STUDY

(Image) Geodynamics' seismic stations ready for deployment to monitor seismic activity.



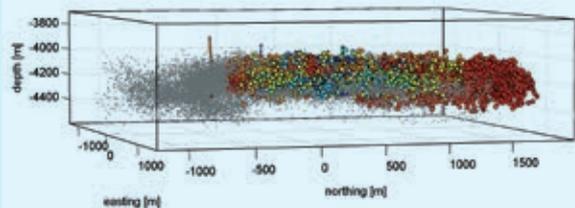
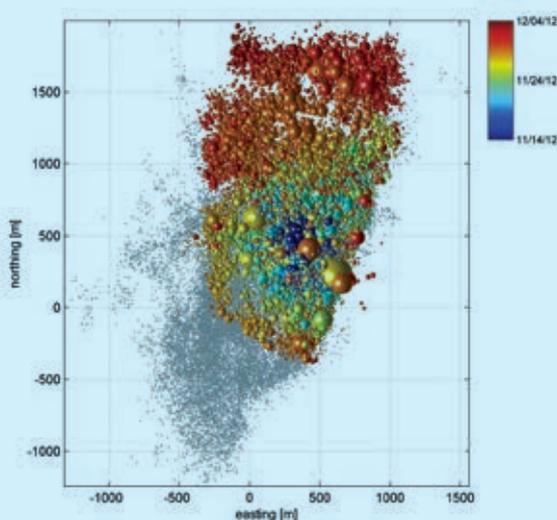
MAJOR STIMULATION AT HABANERO 4 ENHANCES RESERVOIR UNDERSTANDING

In November 2012, a major hydraulic stimulation was carried out in the Habanero field. The intent of the stimulation was to expand the existing EGS geothermal reservoir and to gain a better understanding of the geothermal system, through the seismic response caused by the stimulation.

During stimulation, seven seismic stations were used to transfer data in real time to the central processing office with an additional 17 stations recording in an offline mode and incorporated into the workflow in post-processing. In this three week stimulation period, over 27,000 events were recorded, of which over 20,700 events could be triangulated to determine the hypocenter (origin). Event magnitudes were also calibrated using the permanent network of Geoscience Australia which recorded comparable events with magnitudes (M_L) in the range of M_L -1.6 and 3.

The progression and nature of events observed as the seismic cloud grew was consistent with the previous stimulations performed at the Habanero 1 well in 2003 and 2005 and has revealed important information about the size and orientation of the reservoir, as well as the stimulation process.

(Left) Hypocenter locations of the induced seismicity from the 2012 stimulation in Habanero 4. Each seismic event is displayed by a globe scaled to the event magnitude. Colour encoding denotes occurrence time according to legend. Previous seismic activity is indicated by grey dots.



(Above) Hypocenter locations in side-view looking from east south east.



(Left) Sunrise on the process deck of the 1 MWe Habanero Pilot Plant

(Right) Mechanical Engineer, Ben Humphreys, inspecting brine samples for chemical cleaning test

Key operational trial aspects have included:

• **Brine reinjection loop reliability and performance testing:**

Overall the closed loop system has performed above modelled expectations, with injectivity in our Habanero 1 well improving during the duration of the trial, increasing the overall efficiency of the Habanero 1-4 well doublet. The reliability of the brine reinjection pump and seal system has improved relative to the previous closed loop performance test in 2009 with the brine loop having operated for ~2,200 hours at the time of writing. There remain some ongoing challenges associated with the integrity and performance of the pump seal but the overall reliability of the steam plant has exceeded expectations.

• **Testing of Chemical Cleaning Systems for removal of Stibnite:**

The Habanero system is unusual but not unique in that along with normal geothermal minerals it also contains antimony, which precipitates as crystalline antimony sulphide, more commonly known as “stibnite”. The deposits of stibnite in heat exchangers and brine coolers will decrease plant efficiency over time if not appropriately controlled. A dedicated cleaning system was designed to manage the stibnite deposits consisting of periodic hot flushing, using a caustic soda solution to dissolve the stibnite build-up. The performance of this system has been very good demonstrating the ability to manage this operational risk.

• **Reservoir productivity and performance testing:**

During the extended pilot plant trial a number of different tests were performed to analyse reservoir performance and behaviour including:

- A tracer test was initiated in June 2013 to assess reservoir size and analyse the mixing between re-injected geothermal brine and “fresh” reservoir fluid. This test involves measuring the time taken for trace elements to travel from injection to production well via the reservoir before returning to surface.
- Step rate performance testing involving the operation of the plant at different flow rates was undertaken to provide data on the characteristics of the system’s performance at varying rates and pressures to allow the compilation of performance curves.

Our focus for the year ahead is demonstrating the feasibility of a viable small scale commercial plant to supply customers in the Cooper Basin.



Aerial view of Habanero site

Overall, there has been very strong and stable production from Habanero 4 with well head temperatures increasing in line with our models and estimates, which at the time of reporting was at 215°C and on trend to achieve our long-range temperature estimate of approximately 220°C flowing well head temperature at projected operational rates.

A significant milestone was achieved during the operating test phase in June 2013, when the pilot plant was operated in stand-alone mode, generating net power without assistance from the diesel generator, and without needing to release open flows of brine. The turbine output continued to improve throughout the trial and has allowed all available electrical load at the Habanero site and camp to be EGS-powered and the pilot trial to be operated without diesel support.

The pilot plant trial was originally scheduled for completion in August. However given the excellent quality of the reservoir data being obtained, and the lower than projected costs of operating the trial as a result of lower than expected diesel consumption, the trial was extended. This has provided the opportunity to complete further testing. A comprehensive analysis of the testing data and performance results has commenced and will be completed as part of finalising the trial.

YEAR AHEAD FOR THE COOPER BASIN DEVELOPMENT

Our focus for the year ahead is demonstrating the feasibility of a viable small scale commercial plant to supply customers in the Cooper Basin.

The first key objectives are the completion of a field development plan for a 5 – 10 MWe commercial scale plant, based on a six well scheme exploiting the high permeability reservoir created at Habanero. The feasibility of supplying process heat as an alternative to supplying power will also be investigated as part of this study.

With the continued exploration for unconventional gas and oil in the Cooper Basin by companies such as Santos, Beach Energy, Chevron and Senex, the potential market for energy, both power and industrial heat, in the Cooper Basin has substantial potential for growth and the Habanero resource is well positioned to supply this market as these projects are developed. In particular geothermal heat may become a material supply opportunity to these customers either in combination with the supply of power or as a standalone opportunity.

Geodynamics has initiated discussions with identified cornerstone customers and funders and is targeting securing a power purchase agreement in financial year 2014 to support further development.



Field trip to review surface manifestations at Savo Island

CONVENTIONAL GEOTHERMAL PROJECTS – ISLAND MARKETS

Through the course of the year, Geodynamics has made good progress with its strategy to diversify its project portfolio through acquiring high quality small-medium scale conventional geothermal projects. These projects will allow Geodynamics to use the technical capability developed and demonstrated in the Cooper Basin in markets with a growing demand for power where geothermal is a proven lowest cost supplier. This provides the Company with a short term path to revenue and profitability.

SAVO ISLAND GEOTHERMAL POWER PROJECT

The 2013 financial year saw Geodynamics acquire its first international project. The Company announced that it had entered into a two stage earn-in agreement with Kentor Energy Ltd, a wholly owned subsidiary of KGL Resources (previously Kentor Gold Limited), to acquire up to 70% interest in a conventional geothermal power project in the Solomon Islands.

Located on the island of Savo, 14 km off the north coast of Guadalcanal the project will investigate an identified volcanic geothermal resource that could host a substantial geothermal reservoir at temperatures in excess of 260°C and at shallow depths of 500 - 1,500 m.

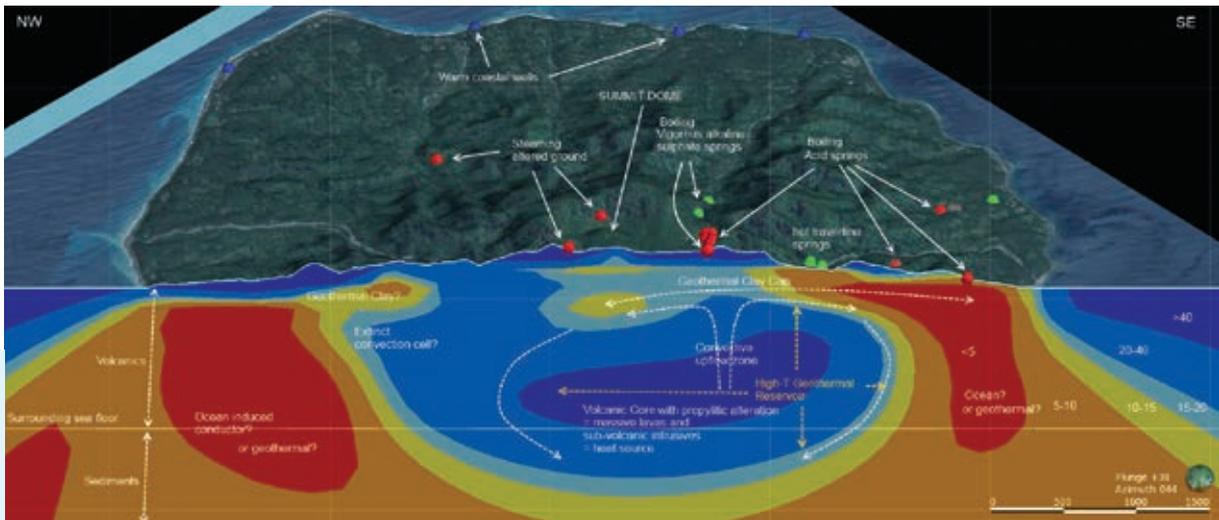
The project is an exciting development for Geodynamics that offers a near term, smaller scale development opportunity with a strong business case for rapid commercialisation. Honiara, capital city of the Solomon Islands, is currently a high cost diesel market with generated power costing around -A\$0.90 per kWh! With an average demand of -8.5 MW that is rapidly growing, there is strong local support in Honiara from the government, electricity authority and consumers for development of alternative energy supply to replace imported diesel fuel. Further customer demand for the geothermal project is possible through supply to the Gold Ridge Mine operation located 25 km south east of Honiara that uses an additional -12 MW of power, also currently diesel supplied.

Field progress at Savo has advanced well since the joint venture agreement was first signed, with Geodynamics fulfilling its commitments under stage one of the agreement in March 2013, to earn a 25% interest in and operatorship of the project. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the project (stage two).

Geodynamics is actively engaging with customary landowners, progressing discussions with the relevant government ministries to secure further exploration approvals and consulting with the Solomon Islands Electricity Authority on electricity supply and power purchase agreements, ahead of targeting an initial exploration drilling campaign during the 2014 dry season.

1. Solomon Islands Electricity Authority Tariff, 2nd Quarter 2013 (converted to AUD as at September 2013)

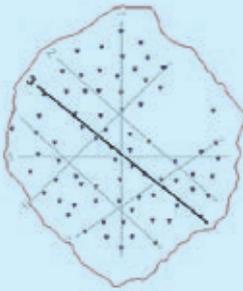
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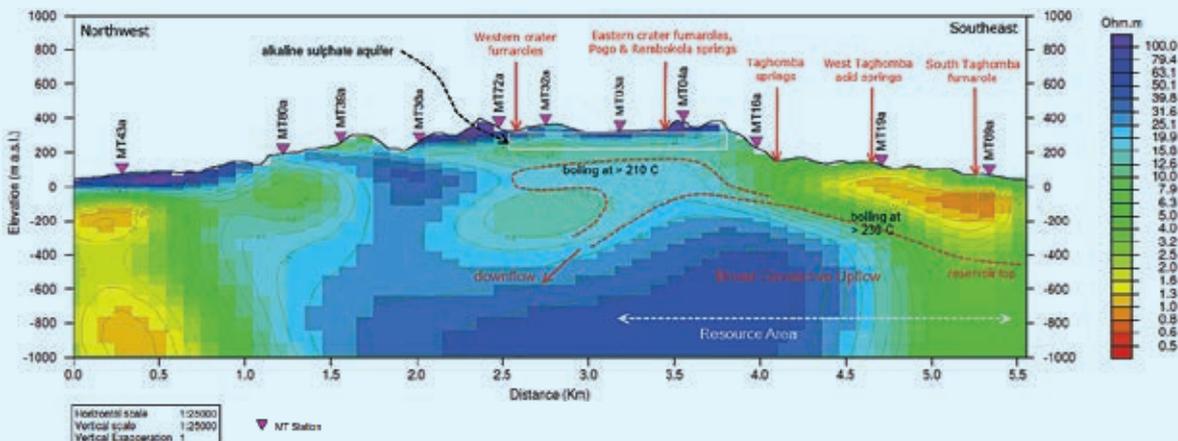
WHAT IS A MAGNETOTELLURIC SURVEY?

(Above) The conceptual model based on the MT survey data and surface manifestations has identified potential low resistivity clay caps overlying a higher resistivity geothermal system.

(Below) The resistivity model illustrated below together with the surface manifestations, discovered during field work undertaken at Savo Island, gives a strong indication of the presence of a high quality geothermal resource.



A magnetotelluric (MT) survey refers to an electromagnetic geophysical exploration technique that images the earth's subsurface by measuring variations in the electrical and magnetic fields at the earth's surface. By measuring and recording the natural variations of the earth electrical and magnetic fields, a three dimensional resistivity model of the sub-surface rock volume can be created.



EXPLORATION PROJECTS (CONTINUED)

INITIAL EXPLORATION STUDIES AND RESOURCE ASSESSMENT

Initial exploration activities at Savo Island have entailed completion of geological mapping and geophysical surveying. A 3D MT (magnetotelluric) survey covering 76 sites on the island was completed.

The results of this work, together with an evaluation of the location and nature of surface thermal features and geochemical and isotopic analysis of thermal fluids, were used to build a comprehensive geothermal conceptual model as the basis for the initial geothermal resource assessment and to identify exploration drilling targets.

In April 2013, Geodynamics reported an initial inferred geothermal resource estimate and assessment for Savo which indicated the presence of a high quality geothermal exploration prospect with the potential capacity to generate in excess of 30 MWe, or 100% of Honiara and the Gold Ridge Mine's power requirement.

SCOPING STUDY

In addition to completing the initial inferred geothermal resource assessment, a scoping study was undertaken to assess the viability of potential development schemes for the delivery of power to Honiara. The scoping study examined key parameters including power plant design, infrastructure requirements, drill site access and power transmission options.

The study assessed the potential for the development of a 20 MWe power plant, and has identified a commercially viable project scheme that offers significant financial and environmental benefits to consumers, including:

- Displacement of -40 million litres of imported diesel per year, costing -SBD\$360 million (US\$50 million)
- Production of -150,000 MWh electricity per year
- Reduction of end user electricity price
- Reduction of CO₂ emissions of -100,000 tonnes CO₂e

NEXT STEPS AT SAVO

The joint venture is planning to commence an initial exploration drilling campaign of four slim hole wells in the dry season of 2014 and, with successful results, will undertake further production drilling in 2015 with a target of achieving first power generation in 2017.

KEY PROJECT STAGES



Progression to subsequent activity phases is dependent on success in earlier stages.

Key activities for the Savo Island Geothermal Power Project in the 2014 financial year are:

- Completing an independent Environmental and Social Impact Assessment
- Securing a customer offtake agreement with the Solomon Islands Electricity Authority to supply Honiara
- Community consultation and negotiation of land accesses agreements, including development of a community benefits package in preparation for the transition from exploration to mining lease
- Drilling of four slim hole exploration wells of 97 mm (3.8") diameter to approximately -1,200 m depth using a track mounted drilling rig

GOVE PENINSULA DIRECT HEAT GEOTHERMAL PROJECT

In September 2012, Geodynamics signed a Heads of Agreement with Gulkula Mining Company to form a 50 / 50 joint venture, with Geodynamics as operator, to investigate the potential for a direct heat geothermal project within Geothermal Exploration Permit (GEP) 28310 on the Gove Peninsula, Northern Territory.

The ongoing uncertainty surrounding the future of the Pacific Aluminium alumina refinery, the single potential customer for this project, has meant that the joint venture has taken the decision to defer preliminary exploration works and does not envisage undertaking any capital expenditure until the long term future of the refinery is confirmed.

Geodynamics together with Gulkula Mining will continue to engage with Pacific Aluminium as commercial arrangements for gas delivery to the refinery progress.

CONTINUING EXPLORATION IN SOUTH AUSTRALIA, QUEENSLAND AND NEW SOUTH WALES

In South Australia, exploration licence GEL 268, located between Innamincka and the South Australian-Queensland border, was renewed for a period of five years. The renewed licence area is approximately 313 km² after relinquishment (in accordance with regulations) of approximately one third of the original licence.

There has been no further exploration activity in Queensland and New South Wales, though Geodynamics continues to monitor petroleum exploration activities in overlapping and neighbouring permits and will seek to obtain data from any relevant drilling.

Speaking about the 1 MWe Habanero Pilot Plant, Minister Gary Gray, said, "This particular development is impressive because of its technical excellence; it's impressive because of its remote location; it's impressive because it's allowed the exploitation of a deep, hot resource that otherwise would simply have been unknown and unremarkable."

A year of recognition

Geodynamics receives Clean Energy Council award for innovation

Geodynamics' work at Habanero was recognised at the 2013 Clean Energy Week with the Company receiving the Clean Energy Council Innovation Award.

The award recognised the pioneering role played by Geodynamics in the development of EGS technology over a number of years leading to the successful commissioning of the 1 MWe Habanero Pilot Plant and generation of first Australian EGS power this year.

2013 Geothermal Resources Council Special Achievement Award

Founding member of Geodynamics and former Chief Scientist Dr Doone Wyborn (pictured below) was awarded the Geothermal Resource Council Special Achievement Award, recognising outstanding achievement in the area of geothermal energy development and related areas. Dr Wyborn has been championing the development potential of EGS geothermal energy for over 15 years and is recognised as a leading Australian expert authority.

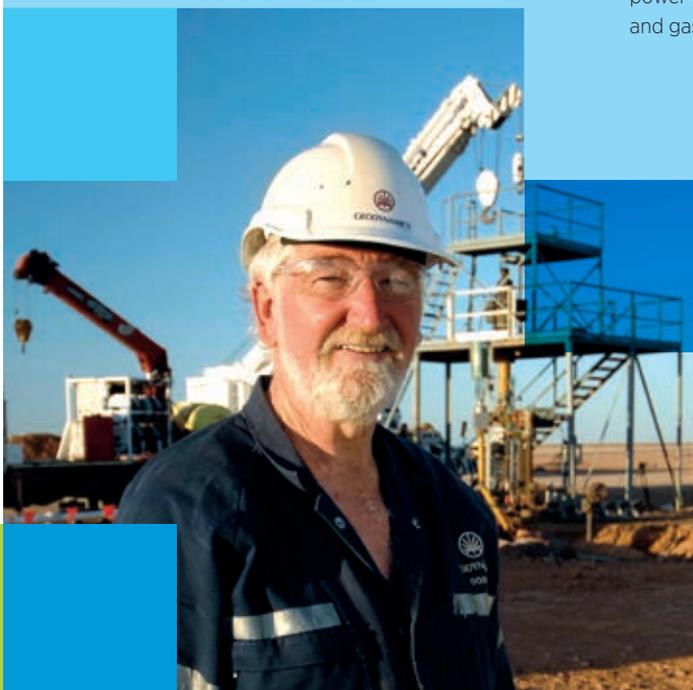
The Company congratulates Dr Wyborn on the receipt of the award, and thanks him for the important industry contribution he has made to the development and promotion of renewable energy in particular EGS technology in Australia.

1 MWe Habanero Pilot Plant Ministerial Visit

On 22 July 2013, Geodynamics hosted The Honourable Gary Gray AO MP, Federal Minister for Resources and Energy at site to tour the 1 MWe Habanero Pilot Plant in full operation. Operation of the pilot plant represents the culmination of over ten years of field-based research and development in the Cooper Basin and has attracted significant interest in Australia and overseas. Further guests on the day included, representatives from Commonwealth authorities; the Australian Renewable Energy Agency (ARENA); Clean Energy Finance Corporation (CEFC); the Department of Resources Energy and Tourism (DRET), and the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE).

Speaking about the 1 MWe Habanero Pilot Plant, Minister Gary Gray, said, "This particular development is impressive because of its technical excellence; it's impressive because of its remote location; it's impressive because it's allowed the exploitation of a deep, hot resource that otherwise would simply have been unknown and unremarkable."

Also in attendance were representatives from companies exploring unconventional oil and gas in the Cooper Basin. Geodynamics is in preliminary discussions with these companies around the possibility of supplying heat and/or power to their operations, as exploration and production of oil and gas in the Cooper Basin gains momentum.



*Sesepi Village,
Savo Island*



ENGAGING WITH THE COMMUNITY

Geodynamics understands that our licence to operate comes from our performance in working together within the communities in which we operate. As we progress our projects, we aim to ensure our communities remain informed and are consulted about our ongoing activities.

We recognise the importance of involving the local community in the decisions that affect them. Listening to the feedback and recommendations of community members as well as providing opportunities to raise questions and voice any concerns, will help us develop a project that brings benefits to all.

COMMUNITY CONSULTATION AT INNAMINCKA

Geodynamics' community consultation and stakeholder management plan has continued to provide the overarching framework of objectives and principles for our community engagement initiatives at Innamincka.

During a year of intense field activity in the Cooper Basin, Geodynamics engaged regularly with the local community to report on operational progress in line with key project deliverables. This included both formal and informal consultation.

An information session held for community members in July 2012 to explain the main fracture stimulation stage of the Habanero project. In addition to briefing the community, Innamincka residents were also invited to subscribe to a daily email report from Geodynamics for updates on the results of the micro-seismic activity captured throughout the stimulation program.

Following the commissioning of the 1 MWe Habanero Pilot Plant, Geodynamics was pleased to host a local community event at Habanero for residents to tour the site and view the plant in full operation. The event also provided an opportunity for CEO, Geoff Ward, to thank community members in person for their ongoing support and engagement in this project.

SAVO ISLAND STAKEHOLDER ENGAGEMENT

Local support for our new exploration project at Savo is encouraging and we look forward to continued positive engagement as the project progresses. A number of stakeholder engagement activities were undertaken during financial year 2013, including:

Community consultation

Five community consultation sessions were held on Savo Island and in Honiara in April. The meetings, which were well attended by over 800 residents, were aimed at providing an initial introduction and overview of the proposed Savo Island Geothermal Power Project. The sessions also provided an opportunity to address questions and concerns from the local community and for the Company to gain a better understanding of local values and priorities.

Through the course of the 2013 financial year, Geodynamics has worked in close cooperation with the Solomon Island Department of Mines, Department of Lands and with the Savo House of Chiefs to ensure our community engagement approach addresses community concerns.

We recognize that the long-term success of our projects will depend on our ability to build mutually beneficial relationships and to work collaboratively and transparently with our key stakeholders.



Community development

Through the Surface Access Agreement in place with customary land owners the joint venture has committed to fund thirty community projects on the island (ten per year for the duration of the three year prospecting licence). These projects, proposed by members of the community to the Savo House of Chiefs, are designed to support local infrastructure improvements particularly the upgrade of health and education facilities. The projects are identified, scoped and carried out by the local community using funds provided by the joint venture to secure materials and equipment.

The first ten projects for Year 1 of the prospecting licence have been successfully completed. Of the Year 2 projects, four were underway at the time of writing with three additional projects being in the planning stage. The community projects program is coordinated through the representative of the Department of Mines, Energy and Rural Electrification and we gratefully acknowledge the support of Thomas Toba in ensuring the successful completion of these projects.

Employment

Through the course of the MT survey undertaken in October 2012, Kentor Energy and Geodynamics sought to maximise the use of local skills and labour in carrying out the survey. Over 100 members of the local community were engaged to support the survey teams in taking field measurements, providing guiding, security and logistics support. A key initiative was the use of local womens' groups to provide catering support to the teams in difficult to access field locations. Geodynamics would like to acknowledge the work of Dr Graeme Wheller in putting this program in place for the initial exploration survey.

Environmental and Social Impact Study

A key undertaking by Geodynamics in the current financial year is the development of a comprehensive Environmental and Social Impact Study to address the potential impacts of our operations on the community. Topics that will be addressed in the study include:

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

Throughout this process, stakeholder engagement will form an integral component in the development of this impact study and we will continue to meet regularly with the community and the House of Chiefs.

THE YEAR AHEAD

We recognize that the long-term success of our projects will depend on our ability to build mutually beneficial relationships and to work collaboratively and transparently with our key stakeholders.

We will continue to strengthen our community performance during the coming year by:

- Maintaining effective community consultation across our projects to provide a forum for ongoing feedback and to ensure local stakeholders are informed of key developments
- Completing an Environmental and Social Impact Study for the Savo Island Geothermal Power Project
- Undertaking consultation and negotiations of land accesses agreements, in preparation for the transition from exploration to mining lease
- Expanding on the existing community projects program as part of the land access agreement as the Savo Island Geothermal Power Project transitions to exploration drilling



*Inspection
of wellhead
injection valve*

APPROACH TO HEALTH AND SAFETY

Health and safety is central to our corporate value system and we strive to maintain an incident-free workplace. Geodynamics recognises that this goal is best achieved by developing a risk aware workforce and building a strong safety culture across the business through regular training, the implementation of strong governance measures, and careful monitoring of our health and safety performance.

SAFETY PERFORMANCE REVIEW

The Total Recordable Injury Frequency Rate (TRIFR) is the primary industry standard measure for safety performance, representing the number of medical, restricted work and lost time injuries recorded for every million hours worked.

The Company achieved an enviable TRIFR of 0.0 for financial year 2012 during a period of intense operational activity at Habanero. Three recordable injuries during 2013 compromised our excellent safety record.

Each incident was fully investigated and the business has since put in place barriers to prevent reoccurrence. The knowledge from these incident investigations together with our ingrained safety management system has enabled the Company to again target zero incidents in financial year 2014.

The Company maintained key targets put in place to improve the completion of actions arising from audits and incident investigations. An improved tracking and auditing system significantly reduced the numbers of open and overdue corrective actions during the reporting period.

A FRAMEWORK FOR SAFE OPERATIONS

Following the full implementation of our health and safety management system in 2012, work was undertaken in 2013 to tailor Safety Management Plans for key operational activities, and the Habanero operational site plan was revised to meet health and safety requirements during the 1 MWe Habanero Pilot Plant trial period. The new plans form a vital component of the health and safety management system which delivers an essential framework of safety processes, systems and governance measures to manage and record company-wide performance and alignment with operational activities.

*Geodynamics operates on the basis that
“nothing is so important, it cannot be done safely”.*



(Above) Safety gear issued to visitors during the 1 MWe Habanero Pilot Plant site tour

(Left) Habanero paramedics conducting training with SA ambulance service

FOCUS ON TRAINING

Training continues to receive high priority within Geodynamics. Training modules are designed to provide employees with the information, leadership, self-management skills and competency levels needed to carry out their work safely. Field personnel receive targeted training and are regularly required to perform operational exercises that train and test systems, individuals and the team's overall safety performance.

Competency levels are tracked and maintained using a training matrix and a variety of training delivery processes and mechanisms.

The Geodynamics Emergency Response Team has continued to conduct regular training exercises that have concentrated on first aid, casualty evacuation, industrial rescue and fire fighting. This program has allowed the field operations team to maintain a high state of readiness while running the 1 MWe Habanero Pilot Plant trial.

YEAR AHEAD

Our overall objective is to ensure the health and safety of our staff and contractors comes first. Our strategies for the year ahead are to:

- Target zero incidents in the workplace
- Detail project specific Safety Management Plans for new and emerging projects
- Ensure competence levels of employees and contractors are maintained and enhanced in their occupation area promoting safe work behaviours
- Continue to improve our health and safety culture through targeted initiatives



*Creek flowing
at Savo Island*

OUR ENVIRONMENTAL APPROACH

Geodynamics is committed to the effective environmental management of all its exploration, development and operating activities to minimise the impact on local communities, the natural landscape, waterways, flora and fauna.

To support this goal, Geodynamics has implemented an Environmental Management System (EMS) that sets out clear policies, procedures and processes to reduce and mitigate the impact of our activities in the Cooper Basin. Our EMS reflects our commitment to raising environmental awareness and ensuring all Geodynamics' employees and contractors operate to a high level of environmental performance through regular training.

ENVIRONMENTAL PRINCIPLES

Geodynamics adheres to the following principles and standards:

- Maintain and continually improve our EMS.
- Comply with all relevant laws, regulations and standards and aspire to delivering higher standards.
- Ensure that all employees and contractors receive appropriate training to fulfil their individual environmental responsibilities.
- Ensure that we have the necessary resources and skills to achieve our environmental commitments.
- Develop and implement strategies to minimise pollution, manage waste effectively; use water and energy efficiently while addressing all relevant cultural heritage and biodiversity issues.
- Formally monitor and report annually on our environmental performance against defined objectives.
- Require that companies providing contract services to Geodynamics manage their environmental performance in line with our Environment Policy.
- Work towards the achievement of a high level of external recognition for the quality of our on-site environmental management.

Sustainable development is at the heart of what we do and its principles guide our actions and activities. Our projects are located within sensitive environments making environmental management and performance an essential component of our overall work programs.

EMS AUDIT

During the year, environmental compliance audits of our operations were undertaken both internally and externally to ensure the active implementation of the EMS across the business.

Following an independent surveillance audit by SAI Global in July 2013, Geodynamics' EMS was re-certified in October 2012 as compliant with the requirements of the International Standard for Environmental Management Systems ISO14001:2004.

INTERNAL PROGRESS

Cooper Basin operations

Over the past twelve months, progressive rehabilitation of identified Cooper Basin sites that are no longer being actively used for geothermal exploration and development has been undertaken, to ensure each location is restored to a level that meets or exceeds relevant legislative requirements. Work has included cordoning off site locations to encourage natural regrowth and implementing erosion controls.

Site monitoring conducted post the reporting period has indicated that rehabilitation is progressing well with the condition of the Savina 1 site exceeding legislative requirements,

Celsius 1 meeting the requirements and Jolokia 1 steadily progressing towards meeting the requirements. The legislative requirements do not formally apply until each site has been plugged and abandoned, yet to occur. An upcoming area of focus is the rehabilitation of the areas surrounding the Habanero 2 and 3 wells. The Company also plans to commence a plug and abandon program for Celsius 1, Habanero 2 and 3 wells.

Geodynamics also renewed the Statement of Environmental Objectives (SEO) for the 1 MWe Habanero Pilot Plant. As part of the review process a new Environmental Impact Report (EIR) was prepared to include environmental mitigation measures and procedures relevant to the pilot plant and associated infrastructure that has been developed over the last five years. The revised SEO and EIR were submitted to the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE), the South Australian regulator, for approval in July 2013.

A further development impacting the environmental management of our Cooper Basin operations has been the introduction of new drinking water regulations in South Australia. The legislation requires remote camps which provide their own potable water supplies, such as Geodynamics' Cooper Basin operations, to develop a Drinking Water Risk Management plan by 1 March 2014. In preparation, Geodynamics has developed a plan for implementation when the new regulations take effect.



*Dingo crossing Dillon's Highway,
Cooper Basin*

Savo Island Geothermal Power Project

Post the reporting period, the Company engaged Sinclair Knight Merz to conduct an Environmental and Social Impact Study for the recently acquired Savo Island project. Topics that will be addressed in the study include:

- 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 results of the study and an Environmental Management Plan are expected early 2014 at which point Geodynamics will review its EMS to ensure it sufficiently covers environmental management for the project.

RAISING ENVIRONMENTAL AWARENESS

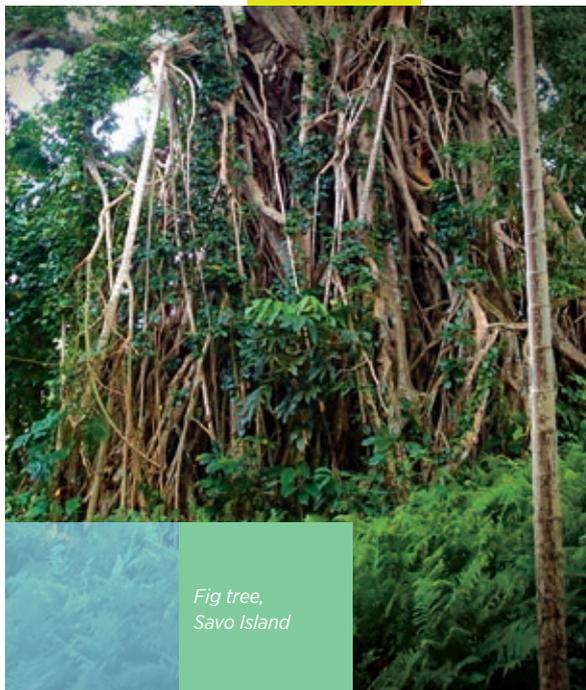
The Company recognises that training staff is integral to achieving ongoing improvements in our environmental performance. Environmental awareness programs are provided to all Geodynamics' employees and contractors, with specific training provided to those working within the field. Training is undertaken at regular intervals to maintain awareness of the Company's overall environmental responsibilities to issues across the organisation.

Third party contractors must also ensure that all employees and contractors working under their supervision are provided with an induction to Geodynamics' EMS, including thorough familiarisation with our Environmental Policy and Management Plan.

ENVIRONMENTAL INCIDENTS

The transparent reporting of all incidents is encouraged by the Company to reinforce a risk-aware culture and ensure all issues are investigated and appropriately addressed.

Geodynamics is pleased to report the Company experienced no 'serious' environmental incidents as defined in the Petroleum and Geothermal Energy Act 2000 (SA). Three minor environmental incidents were recorded during the past year which were addressed and closed out with negligible environmental impact.



*Fig tree,
Savo Island*

YEAR AHEAD

Geodynamics will continue to focus on improved environmental performance as we work hard to achieve our strategic goal of recording zero environmental incidents.

Our targets for the year ahead are to:

- Further develop and refine the EMS, including:
 - addressing the findings made in the recent surveillance audit by SAI Global such as refining our objectives and targets to incorporate the usage of alternative/renewable energy within the Cooper Basin operations where reasonable and feasible
 - reviewing the EMS for its potential application to the Solomon Islands Geothermal Power Project
 - ensuring our site wastewater treatment procedures comply with the new SA Health guidelines for such systems
- Developing a rehabilitation benchmarking process to provide objective evidence of progress by comparison of sites being rehabilitated against comparable undisturbed sites
- Implementing a Drinking Water Risk Management Plan to be in compliance with South Australia's Drinking Water Risk Management guidelines by 1 March 2014
- Remediation of several Cooper Basin sites following the successful plug and abandon program for identified geothermal well locations



2013 FINANCIAL REPORT

GEODYNAMICS LIMITED ABN 55 095 006 090

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DIRECTOR PROFILES

Your Directors submit their report for the period ended 30 June 2013. The names and details of the Directors of Geodynamics Limited in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



KEITH SPENCE

B.Sc. (Hons), FAIM

Non-executive Chairman

Mr Spence is an experienced leader in the oil, gas, and energy sectors. Originally trained as a geophysicist, Mr Spence has over 30 years experience in senior executive roles with Shell both in Australia and internationally, and with Woodside Energy Limited, including acting as Interim CEO and Chief Operating Officer. Mr Spence has a long record of successfully leading exploration and development organisations, building skilled and technologically advanced workforces and representing the company and sector with government and the public.

Mr Spence is the Chairman of Clough Limited and a non-executive director of Oil Search Limited, Verve Energy and Synergy. Keith also serves on a number of government bodies, including being the current Chair of NOPSEMA, the National Offshore Petroleum Safety and Environment Management Authority, and as a Director of Skills Australia.



GEOFF WARD

B.E.(Chem) (Hons) MBA

Managing Director & CEO

Mr Ward is Managing Director and Chief Executive Officer of Geodynamics. Prior to his appointment in January 2011, he held the role of Director at Azure Capital, a Perth-based independent advisory firm, offering corporate advisory services to leading firms in the resources and engineering industries where he had worked since 2007.

Mr Ward has over 20 years experience in the energy and finance industries in senior roles covering business development, mergers and acquisitions, operations, oil and product trading, strategic and organisational development, planning and economics, investor relations and new project development.

Mr Ward holds an honours degree in Chemical Engineering from the University of Melbourne and a Masters of Business Administration from the University of Western Australia Business School, receiving the Director's Letter of Commendation.



ANDREW STOCK

B.Eng. (Chem) (Hons), FIE Aust

Non-executive Director

Mr Andrew Stock was formerly Director, Executive Projects for Origin Energy and in previous roles, he was responsible for Origin's major capital investments in upstream petroleum, power generation, and low emissions technology businesses.

With over 35 years of experience, he previously held senior management positions in energy industries in Australia and overseas. He is a Non-executive Director of the listed Company Horizon Oil Limited (since February 2011) and Silex Systems Limited (since August 2013), a Board Member of the Clean Energy Finance Corporation, a member of the Advisory Board of the Faculty of Engineering, Computer and Mathematical Sciences, Institute for Mineral and Energy Resources and Centre for Energy Technology at the University of Adelaide, and Melbourne University's Energy Institute. He has a Chemical Engineering degree (Honours) from the University of Adelaide, is a Fellow of the Institution of Engineers Australia, and a Graduate member of the Australian Institute of Company Directors.



ROBERT DAVIES

CMA (Canada)

Non-executive Director

Mr Robert Davies is a Certified Management Accountant (Canada) and has extensive senior finance experience with global mining and resource companies. He was formerly the Chief Executive Officer and a Director of Australian Energy Company Limited, an unlisted public company. Prior to that he was Executive Vice President and Chief Financial Officer for Inco Ltd, the western world's largest nickel producer. Prior to that, he was Chief Financial Officer for Alumina Ltd., and General Manager Treasury Tax and Investor Relations for WMC Ltd. He has previously held senior finance positions with BHP in Canada, the US, Chile and Australia, acquiring significant operational and corporate finance experience. He was also previously a director of PT Inco and Alcoa of Australia.



JACK HAMILTON

B.Eng. (Chem), Ph.D, FAICD

Non-executive Director

Dr Jack Hamilton was formerly CEO of Exergen Pty Ltd, a low emission coal resource development Company and prior Director of NWS Ventures with Woodside Energy. Dr. Hamilton is also a non-executive director of Southern Cross Electrical Engineering Ltd and Calix Ltd. Dr Hamilton graduated from Melbourne University with a Bachelor of Chemical Engineering and Doctorate of Philosophy in 1981. He has over 28 years' experience both locally and internationally in operations management, in refining, petrochemicals and gas production, marketing, strategy and LNG project management.



MICHEL MARIER

BBA (Int'l Mgt), M.Sc. (Finance), CFA, FRM

Non-executive Director

Mr Michel Marier joined The Sentient Group in 2009 and he is based at their office in Sydney. Before joining the Sentient Group, Mr Marier worked 8 years at the Private Equity division of la Caisse de dépôt et placement du Québec (CDPQ). While at CDPQ, his responsibilities ranged from currency hedging, risk and return analysis to investments. In 2006, he participated in the establishment of a new sector in the Private Equity division - distressed debt. In less than two years, the portfolio grew to billions through co-investments and private equity funds. After this accomplishment, Mr Marier concentrated his efforts on restoring the natural resources sector within the Private Equity division.

Michel Marier holds a Master's degree in finance from HEC Montreal. He is a CFA charter holder. He is a former Director of Natural Resources USA Corp, and a Director of Samco Gold, a company listed on the TSX.V exchange.



PRAME CHOPRA

B.Sc. (Hons), Ph.D, FAICD, MAGU, MASEG, MIGA, MASC

Alternate Director to Minesh Dave

(Retired 29 November 2012)

Dr Prame Chopra was a Reader in Geophysics at The Australian National University (ANU) in Canberra from 1996 - 2006. He obtained his Ph.D in rock physics at the ANU in 1980 and has held research appointments at ANU, Cornell University in New York and at the Bureau of Mineral Resources, Geology & Geophysics and the Australian Geological Survey Organisation. He is an internationally recognised researcher of more than 21 years standing with strong collaborative links with key overseas Hot Fractured Rocks (HFR) geothermal energy research groups.

He was a Principal Investigator of the Energy Research & Development Corporation funded project into HFR and Tight Gas in the Cooper Basin, SA and the ANU - Pacific Power geothermal research project in the Hunter Valley, NSW. In 2000, he was an invited guest of the Japanese New Energy Development Organisation and lectured on HFR geothermal resources in a number of Japanese cities. He is a member of the Australian Science Communicators and was an ABC Science Media Fellow in 2000.



MINESH DAVE

Non-executive Director

(Retired 29 November 2012)

Mr Dave has over 29 years professional experience in the power sector covering engineering, fuels, environment, project feasibility, project development, project construction, policy and regulatory, strategy & business development and corporate functions. He has a Bachelor of Engineering (Mech.) and a Master of Technology (Heat, Power & Refrigeration).

He has been an employee of The Tata Power Company Ltd since 1983 and is currently its Chief Representative - Indonesia and Head Business Development - APEC. His key responsibilities for Tata Power include managing the development of geothermal projects in Indonesia and the development of Power Projects in the Association of South East Asian Nations (ASEAN) and overseeing Tata Power's investments in the region. He is a Non-executive Director on the Boards of several subsidiaries and investments of Tata Power in the region.

All of the above named Directors acted as Directors of the Company for the whole of the year under review and up to the date of this report except where indicated.

COMPANY SECRETARY



TIM PRITCHARD

MCom, MIT, CPA, CSA (Cert)

Mr Tim Pritchard joined Geodynamics in 2010 as Financial Controller and became Chief Financial Officer in May 2011 responsible for managing all financial activities of the Company as well as leading the information technology team. He was appointed Company Secretary in March 2012.

Mr Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems.

Before joining Geodynamics, Mr Pritchard was most recently engaged by leading institutional investment company, QIC as Head of Management Information.

CORPORATE STRUCTURE

Geodynamics Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on September 2002 under code GDY. Its registered office and principal place of business is Level 3, 19 Lang Parade, Milton QLD 4064.

PRINCIPAL ACTIVITIES

The principal activity of Geodynamics Limited during the financial year was to explore and develop areas suitable for geothermal power production.

Geodynamics has established a leading capability in the exploration and development of Enhanced Geothermal Systems (EGS). Through our Cooper Basin tenement position covering the Innamincka Deep granite resource the Company has identified a substantial heat resource with the potential to play a material role in Australia's long term energy system as a reliable source of large scale continuous and controllable energy. In exploring and demonstrating the capability of supplying EGS derived power from the Innamincka Deeps granite, Geodynamics has capacity to manage sub-surface investigation of geothermal resources, management of technically demanding and high risk drilling activities, development of power conversion facilities and securing commercial and funding agreements necessary to develop major geothermal power projects. The Company is pursuing the further development of the identified Innamincka Deeps resources through a proposal to develop an initial small scale commercial plant (estimated capacity 5-10 MWe) at the Habanero location, approximately 10 km south of Innamincka, South Australia. The long term aspiration of Geodynamics is to supply large scale utility power to Australian energy customers through the large scale development of the Innamincka Deeps resource and securing a connection to the National Electricity Market, (NEM).

In parallel with our activities in our Australian permits and utilising the skill base and experience developed through our operation of the Habanero Project, Geodynamics is seeking to acquire and develop smaller scale geothermal projects based on conventional hydrothermal (volcanic-hosted) geothermal resources. The Company has identified that there is a good opportunity to utilise our geothermal development capacity to supply power to isolated or island markets that have access to good high temperature geothermal resources and are currently supplied though high cost imported liquid fuels such as diesel or fuel oil. Projects of this type represent lower cost, lower risk opportunities that can be developed in a shorter timeframe than the Company's Australian assets and within existing market conditions and costs. This provides a significant risk diversification for the Company and an alternative path to generating sustainable revenues. The first project of this type is the Savo Island Geothermal Power Project, located in the Solomon Islands, approximately 35 km from the capital of Honiara. The Company acquired its interest in the Project in November 2012 and is targeting initial exploration drilling to be undertaken in 2014 with a target of first power production in 2017. The Company will seek to add further projects similar to the Savo Island Geothermal Power Project to its project portfolio based on a strict selection criteria.

While principally focused on geothermal exploration and development, Geodynamics continues to monitor developments in clean energy markets and technologies and will assess opportunities to acquire interests in projects or technologies where it is able to utilise its skills and capacity to develop further clean energy projects that provide an acceptable return for shareholders.

REVIEW AND RESULTS OF OPERATIONS

The Company realised a loss before tax for the financial period as set out below:

	2013 \$	2012 \$
Loss before income tax expense	(105,092,252)	(11,771,616)
Net loss attributable to members of Geodynamics Limited	(105,092,252)	(11,771,616)
Earnings per Share	(CENTS)	(CENTS)
Basic and diluted loss per share	(25.86)	(3.06)

REVIEW AND RESULTS OF OPERATIONS (continued)

In the 12 months to 30 June 2013, Geodynamics has made further progress in its development of zero-emissions, renewable energy generation. The key achievements and highlights for the 12 months to June 2013 were as follows:

- Habanero 4 was completed to a target depth of 4,204 m, one of the most technically challenging wells to be drilled in Australia this year. The completion of Habanero 4 also saw the first reverse cementing operation in Australia, a technique adopted to ensure the overall safety and integrity of the well.
- A major stimulation at Habanero 4 was completed. Over a period of 14 days commencing 17 November 2012 over 24,000 micro seismic events were detected by Geodynamics' seismic network.
- The surface works construction for the Habanero 4 – Habanero 1 closed loop and the 1 MWe Habanero Pilot Plant refurbishments were completed. The 1 MWe Habanero Pilot Plant was successfully commissioned on 30 April 2013 with first EGS power being generated in Australia.
- The power plant trial operations progressed successfully including turbine test runs, brine reinjection loop reliability, step rate tests to assess reservoir performance parameters, and a tracer test was initiated to measure reservoir size and characteristics. A significant milestone was achieved on 24 June 2013 with the power plant operating in stand-alone mode generating net power without assistance from the site diesel generator.
- A two stage earn-in and joint operating agreement was entered into with Kentor Energy Pty Ltd, a subsidiary of Kentor Gold Ltd, to acquire up to a 70% interest in a conventional geothermal project on the island of Savo in the Solomon Islands. In April 2013 Geodynamics released an Inferred Resource Assessment for Savo indicating the presence of a high quality geothermal exploration prospect with the potential capacity to generate in excess of 30MWe, or 100% of Honiara and the Gold Ridge Mine's power requirement.
- A Heads of Agreement for a new joint venture project opportunity in Gove Peninsula, East Arnhem Land, Northern Territory, was signed with Gulkula Mining Pty Ltd. The joint venture plans to investigate the potential to deliver heat to the Rio Tinto owned Pacific Aluminium alumina refinery, focusing on Gumatj land that is adjacent to the refinery.
- The sale of Rig 200 was successfully completed for a total cash consideration of \$21 million to Pangaea Resources. Net proceeds to Geodynamics for its 70% interest in the rig asset totalled \$14.7 million.
- Geodynamics received \$22.2 million under the Federal Government's R&D Tax Incentive Scheme.

EMPLOYEES

The Company had 30 equivalent full time employees as at 30 June 2013 (2012: 37 employees).

DIVIDEND

The Directors do not propose to recommend the payment of a dividend in respect of the period ended 30 June 2013.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of Geodynamics Limited were:

DIRECTOR	FULLY PAID ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
K. Spence	212,413	-
G. Ward	730,319	2,700,000
R. Davies	120,775	-
J. Hamilton	371,208	-
M. Marier	-	-
A. Stock	62,315	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were as follows:

- On 27 March Origin Energy provided Geodynamics with a notice of withdrawal from both the Deeps and Shallows joint ventures. The withdrawal from the joint ventures became effective on 30 June 2013. Geodynamics is actively seeking alternate partners to take a share in the Deeps joint venture.
- Deferred Exploration and Evaluation costs decreased from \$106.9 million to \$1.2 million, a decrease of \$105.7 million. The movement was largely the result of an impairment of Geodynamics' deferred exploration and evaluation costs in respect of the Deeps and Shallows joint ventures, partially offset by government grants and R&D tax incentives received or receivable, of \$78.5 million.
- Property, Plant and Equipment reduced from \$19.8 million to \$4.0 million primarily as a result of the impairment of the 1 MWe Power Plant and the offset from government grants.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both the Deeps and Shallows joint ventures effective 30 June 2013. Origin Energy continues to be liable for their share of site rehabilitation costs for both joint ventures for a period of five years from withdrawal. As at 1 July 2013 the company has a 100% interest in both the Deeps and Shallows joint ventures.

On 22 July 2013 the Company advised that the 1MWe Habanero Pilot Plant, which was commissioned on 30 April 2013, had produced Australia's first Enhanced Geothermal Systems (EGS) generated power and was a leading global demonstration of EGS technology.

On 25 July 2013 the Company was honoured to receive the Clean Energy Council (CEC) Innovation Award at the CEC Clean Energy Week Gala Event. The award recognised the leading edge technology developed and deployed in producing Australia's first EGS power with the commissioning of the 1 MWe Habanero Pilot Plant.

Other than the above, there has not arisen between 30 June 2013 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The proposed 2013/14 financial year work program will continue to progress activities at the Habanero site to complete the final stages of the 1 MWe Habanero Pilot Plant demonstration trial and develop a proposal for an initial small scale commercial plant utilising the demonstrated Habanero resource. Additional field works to undertake plug and abandonment and site remediation works associated with the earlier Habanero 3, Habanero 2 and Celsius 1 well sites will also be completed in line with our permit obligations.

The completion of the 1 MWe Habanero Pilot Plant demonstration trial is the final activity in this phase of investigation and assessment of the viability of development of the Innamincka Deeps resource. This phase has focussed on the successful drilling and testing of the Habanero 4 well, successful demonstration of EGS derived power and the acquisition of reservoir and plant performance data necessary to be able to develop the engineering, performance and cost parameters of a commercial scale development to demonstrate the viability of an EGS geothermal development consistent with the objectives defined under the terms of our Renewable Energy Demonstration Program grant.

With the completion of the pilot plant demonstration trial, Geodynamics will now confirm the key parameters (plant capacity, plant scope, cost etc.) for the next development stage and seek to secure customer off-take agreements and funding to support this development. The Company has identified and has commenced discussions with potential customers for energy, both power and heat, located in the Cooper Basin area associated with the development of conventional and unconventional oil and gas resources. These customers vary from existing operations with a current demand for power, to prospective future operations reliant on the further development of unconventional gas or oil resources in the area that may have a requirement for both power and heat. Geodynamics will look to work with both existing and potential new operations to identify a customer base capable of supporting an initial commercial project.

With the continued exploration for unconventional gas and oil in the Cooper Basin we believe there is strong potential for the market for energy, both power and industrial heat, to grow and which our Innamincka Deeps resource is well positioned to supply. Securing such a customer capable of supporting further capital expenditure will be a pre-requisite to any further material spending at Habanero after the current trial activities are completed. Geodynamics is targeting securing a customer agreement in FY2014; however if further exploration and development activities are required to allow potential customers to enter into a contract this may be delayed.

The proposed 2013/14 financial year work program for the Savo Island Geothermal Power Project is focussed on stakeholder management, commercial negotiations and studies necessary to progress key commercial milestones. Further to this plans are being developed for initial exploration drilling to commence towards the end of the financial year. The drilling program will continue into FY14/15 culminating in Geodynamics having completed stage 2 of the earn-in and being entitled to an additional 45% interest. The results of the exploration drilling will allow for the completion of a feasibility study for the project allowing for the detailed design and planning, and project financing stages to progress.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Geodynamics Limited is strongly committed to the effective environmental management of our exploration, development and operating activities. Our Environmental Policy is the driver for maintaining our Environment Management System (EMS). This in turn provides the framework to support and guide activities, both in our offices and on our sites, in relation to environmental performance.

Our EMS was re-certified in October 2012 by SAI Global Limited as compliant with the requirements of the International Standard for Environmental Management Systems ISO14001:2004 and this indicates Geodynamics is meeting the global benchmark for environmental practice.

A summary of the Company's environmental performance over the year is as follows:

- Generally, compliance has been achieved with environmental regulatory requirements with the exception of the following occurrences:
 - A notice of non-compliance was issued to Geodynamics by the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in March 2013 in relation to a breach of the 1 MWe Geothermal Plant SEO. The breach related to a weed being introduced at the site in the form of a small landscaped area of couch grass adjacent to the amenities area at the Habanero base camp. Geodynamics responded by removing the landscaped area. No impact on the surrounding environment occurred; and
 - A non-compliance with the Stimulation and Evaluation SEO was detected in an internal environmental compliance audit (October 2012) relating to minor surficial salinisation of soil on the Habanero 4 drill pad by geofluid condensate drift (generated during the clean-up open flow). Geodynamics responded by constructing a cover for the open flow outlet to minimise condensate drift and recent sampling of soil indicates a normal level of salt in the soil.
- No serious environmental incidents occurred and only one reportable (to DMITRE) incident occurred. Three minor environmental incidents occurred during the past year which were addressed and closed out with negligible environmental impact.
- All scheduled environmental audits have been completed on time, with the majority of the findings closed out or in progress.
- Consultation has been undertaken with all relevant stakeholders prior to commencement of activities, including traditional owners and pastoralists, with no complaints received.
- An environmental best practice reference guide ('The Green Book') has been developed and is provided to site personnel and contractors once inducted. It provides a best practice reference guide specific to Geodynamics' activities in the Cooper Basin.

We continue to build on our environmental achievements by seeking ways to reduce the day-to-day impact of our activities on the environment, while at the same time maintaining a framework for continued environmental performance focussing on mitigating our environment impacts.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE *(continued)*

In particular, Geodynamics is focussing on rehabilitating those areas that are no longer being actively used for geothermal exploration and development. Monitoring and evaluation of these areas indicates that Geodynamics' rehabilitation work at the Savina 1 and Celsius 1 & 2 well sites has resulted in good vegetation cover that either meets or exceeds the revegetation requirements for such well sites.

Even within active sites such as the main Habanero camp, Geodynamics is minimising its footprint by cordoning off areas not required for operations so that they can recover and revegetate naturally.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the entity paid premiums in respect of contracts insuring directors, secretaries, and executive officers of the Group and related entities against liabilities incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001, subject to the terms, conditions, limitations and exclusions of the policy.

The total amount of insurance contract premiums paid was \$35,500.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

DIRECTORS' MEETINGS

During the period there were seven directors' meetings held of which three were by telephone conference. The number of directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial period are as follows:

	DIRECTORS' MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION & NOMINATIONS COMMITTEE MEETINGS		TECHNICAL COMMITTEE MEETINGS		HEALTH, SAFETY & ENVIRONMENT COMMITTEE MEETINGS	
	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED	NUMBER HELD WHILST IN OFFICE	NUMBER ATTENDED
K. Spence	7	7	-	-	2	2	2	2	1	1
G. Ward	7	7	-	-	-	-	-	-	-	-
P. Chopra	3	3	-	-	-	-	1	1	-	-
B. Davies	7	7	3	3	2	2	-	-	-	-
J. Hamilton	7	7	1	1	-	-	2	2	1	1
M. Marier	7	5	3	2	-	-	-	-	-	-
A. Stock	7	7	-	-	2	2	1	1	1	1
M. Dave	3	0	-	-	-	-	-	-	-	-

SHARE OPTIONS

Unissued shares – employee options

As at the date of this report, there were 6,828,319 unissued ordinary shares under employee options (2012 – 10,729,530). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. The options are unlisted, issued for nil consideration and have a term of three years. There were no employee options granted during the financial year ended 30 June 2013 (2012 – 4,142,765). Refer to Note 16 of the financial statements for further details of the options outstanding.

Shares issued as a result of the exercise of employee options

There were no employee options exercised during the financial year (2012 – Nil) or since the end of the financial year.

Unissued shares – shareholder options

As at the date of this report, there were no unissued ordinary shares under shareholder options (2012 – Nil). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. There were no shareholder options granted during the financial year ended 30 June 2013 (2012 – Nil).

Shares issued as a result of the exercise of shareholder options

There were no shareholder options exercised during the financial year (2012 – Nil) or since the end of the financial year.

DIRECTORS' MEETINGS (continued)

The Company had four committees during the year with the following membership:

Audit & Risk Management Committee – Membership comprises three Non-executive Directors being Messrs Davies (Chair), Marier and Hamilton.

Remuneration & Nominations Committee – Membership comprises three Non-executive Directors being Messrs Stock (Chair), Spence and Davies.

Technical Committee – Membership comprises three Directors being Messrs Hamilton (Chair), Spence and Chopra. The Company's Well Engineer and Technology Manager, Amy Hodson, is an ex-officio member. A. Stock attended one of the Technical Committee meetings as a proxy for P. Chopra. At a meeting of Directors on 23 April 2013 the Board resolved to formally dissolve the technical committee due to the original basis for the formation of the committee no longer being applicable.

Health, Safety & Environment (HSE) Committee – Membership comprises four Non-executive Directors being Messrs Hamilton (Chair), Spence, and Stock with G. Ward as an ex-officio member. The Company's Health and Safety Manager (K. Coates) is also an ex-officio member of this Committee.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Geodynamics Limited which is listed immediately after this report and forms part of this Directors' report.

During the 2013 financial year, no non-audit services were provided by the entity's auditor, Ernst & Young (2012: \$nil). Other assurance services provided by Ernst & Young represent audits of government grants.

CORPORATE GOVERNANCE

The Directors recognise the need for the highest standards of corporate behaviour and accountability and therefore support and have adhered to the principles of Corporate Governance. The Company's Corporate Governance Statement is printed immediately following this Directors' Report.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements in place for Directors and Executives of Geodynamics Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
 - A. Remuneration principles and strategy
 - B. Approach to setting remuneration
 - C. Detail of Incentive Plans
4. Executive remuneration outcomes for 2012/13 (including link to performance)
5. Executive contracts
6. Non-executive Director remuneration (including statutory remuneration disclosures)
7. Additional statutory disclosures

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly including any Director.

For the purposes of this report, the term 'executive' encompasses the Managing Director and the executive management team of the Company.

Non-executive Directors (NEDs)

K. Spence	Chairman
P. Chopra	Alternate Director – retired 29 November 2012
R. Davies	Director
J. Hamilton	Director
M. Marier	Director
A. Stock	Director
M. Dave	Director – retired 29 November 2012

Executive Directors

G. Ward	Managing Director and CEO
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Other Executives

K. Coates	Operations Manager
R. Hogarth	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer & Company Secretary
A. Hodson	Well Engineering and Technology Manager
A. Mills	Project Engineering Team Leader – appointed 5 September 2011

2. Remuneration governance

Remuneration Committee

The Remuneration & Nominations Committee comprises three Non-executive Directors. The Remuneration and Nominations Committee has the primary objective of assisting the Board in developing and assessing the remuneration policy and practices of the Directors, Chief Executive Officer (CEO) and Senior Executives who report directly to the CEO.

Specifically, the Board approves the remuneration arrangements of the CEO, the aggregate annual fixed remuneration salary review, the level of the short-term incentive (STI) pool and the methodology for awards made under the long-term incentive (LTI) plan, following recommendations from the Remuneration & Nominations Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

Committee assessments incorporate the development of remuneration policies and practices which will enable the Company to attract and retain executives who will create value for shareholders.

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration governance (continued)

Executives will be fairly and responsibly rewarded having regard to the performance of the Company, the performance of the executive and the general market environment. The Committee also assists the Board in its own self evaluation by annually reviewing the process for self evaluation. This considers attributes such as the qualitative and quantitative nature of the review, and the mix between total Board review and individual Director review.

The Remuneration & Nominations Committee meets regularly through the year. The CEO attends remuneration committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration & Nomination Committee's role, responsibilities and membership can be found on the Company's web site at www.geodynamics.com.au.

Use of Remuneration Consultants

In keeping with the legislation relating to the appointment of remuneration consultants for organisations, Hay Group was appointed by the Chair of the Board of Directors to provide advice on salary movements within the energy and resources sectors of the market and in particular the Brisbane market for general salaried employees and KMP.

During FY12/13 year, the Hay Group provided the Company with reports on market movements and remuneration for senior executives and selected other staff. These were used by the Board in considering remuneration for the coming year.

The fees paid to the Hay Group for the remuneration recommendations were \$13,500.

The Company is satisfied the advice received from the Hay Group is free from undue influence from the KMP to whom the remuneration recommendations apply as the reports received from the Hay Group were presented to the Remuneration and Nominations Committee and were used in consideration of salary changes for FY13/14.

Remuneration Report approval at FY11/12 AGM

The FY11/12 remuneration report received positive shareholder support at the FY11/12 AGM with a vote of 93.8% in favour.

3. Executive Remuneration Arrangements

3A. Remuneration principles and strategy

Geodynamics' executive remuneration strategy is designed to attract, motivate and retain highly skilled executives and align the interests of executives and shareholders.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive salaries to attract high calibre executives;
- Link executive performance rewards to medium and longer term shareholder value creation through the KPI linked Short Term Incentive plan and periodic grants of shares and share options;
- Establish appropriate share price performance hurdles under its long term incentive plan to align executive reward with shareholder value creation, the achievement of which will depend on the Company achieving key corporate milestones that are integral to the Company's successful completion of its business plan.

The Company aims to reward its executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for company, business division and individual performance against targets set by reference to appropriate benchmarks;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

3B. Approach to setting remuneration

The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary, a short term annual cash-based performance related component together with longer term performance incentives through periodic grants of shares and share options which allow executives to align with the success of Geodynamics Limited.

Remuneration consists of the following key elements:

- Fixed Remuneration – Base salary and superannuation;
- Variable Remuneration under the Geodynamics Short Term Incentive Plan (STIP) – payable in cash at the end of the financial year;
- Variable Remuneration under the Geodynamics Long Term Incentive Plan (LTIP) – payable in Shares and Share Options. Due to the Company's low share price and the dilution involved under the LTIP from issuing securities at such a share price, the Board Resolved to suspend the LTIP with effect from 1 October 2011 and no issues have been made under the LTIP since that date other than where there is a contractual obligation.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration of the Managing Director is reviewed annually by the Remuneration and Nominations Committee and approved by the Board. Factors considered include Company and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice. The Remuneration and Nominations Committee has access to external advice independent of management.

Senior executives receive their fixed (primary) remuneration in cash. The fixed remuneration component of KMP is detailed in Table 1 of this report.

REMUNERATION REPORT (AUDITED) (continued)

3. Executive Remuneration Arrangements (continued)

3C. Details of Incentive Plans

Short Term Incentive Plan (STIP)

The objectives of the Geodynamics STIP are to:

- Reward employees for their contribution in ensuring that Geodynamics achieves the corporate key deliverables;
- Encourage team work;
- Enhance Geodynamics attracting and retaining high calibre and high performing employees; and
- Link remuneration directly to the achievement of key annual organisational objectives.

The Company has in place an annual STIP that establishes a pool of funds up to a maximum of 30% of annualised fixed remuneration, adjusted in size according to the achievement of key Company Business Plan milestones in a year.

The distribution of the pool is to be determined by team achievement in delivering the team business plan milestones. Specifically, base targets are outlined that if achieved would result in an award of 20% of annualised fixed remuneration. First stretch targets are outlined that if achieved would result in an award of up to 25% of fixed annual remuneration and second stretch targets are outlined that if achieved would result in an award of up to the maximum of 30% of fixed annual remuneration.

To participate in the Plan, eligible staff must be employed for at least six months for the financial year in question meaning that for the FY12/13 year, eligible staff must have started by 1 January 2013.

On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid from the pool of funds.

Long Term Incentive Plan (LTIP)

The objective of the Geodynamics LTIP is to retain, motivate and reward senior executives and staff in a manner which aligns this element of remuneration with the creation of long term shareholder value. Due to the Company's low share price and the dilution involved under the LTIP from issuing securities at such a share price, the Board resolved to suspend the LTIP with effect from 1 October 2011 and no issues have been made under the LTIP since that date other than where there is a contractual obligation.

The LTIP comprises two components: Geodynamics Limited shares, and options to purchase Geodynamics Limited shares at the current price, at a time in the future. The LTIP is designed to provide rewards over a three year term. An allocation of Geodynamics shares representing a deemed value of 15% of annualised fixed remuneration is made each 12 month period. An allocation of Geodynamics options to purchase shares representing a deemed value of 45% of annualised fixed remuneration is made each 36 month period meaning that the option incentive is also deemed to represent 15% of the annualised fixed remuneration for each 12 month period.

The Geodynamics LTIP offers eligible employees and the Managing Director of Geodynamics the opportunity to participate in the growth of Geodynamics through participation in the:

- Geodynamics Limited Deferred Employee Share Plan (DESP); and
- Geodynamics Limited Employee Option Plan (EOP).

Shares and Options issued under the DESP and EOP respectively are allocated and issued to participants for no consideration. The issue of options and allocations of shares within the LTIP is also subject to the participants' satisfactory performance as judged by their line manager with final payments approved by the Managing Director.

To become entitled to the shares and options, participants are required to satisfy certain performance requirements. On satisfying the performance requirements for options, the options can be converted into shares by payment of the exercise price.

Performance measure to determine vesting

The service requirements for shares issued under the DESP require that for each annual allocation of shares made to participants under the DESP, the participant will be required to remain employed by Geodynamics or a Related Body Corporate for 36 months from the date of allocation of the shares for the shares to vest.

The performance requirements for options issued under the EOP requires that options will only vest should the compound growth in the Geodynamics share price increase by 15% per annum and the participant remains employed by Geodynamics or a Related Body Corporate for:

- 12 months from the date of allocation for 30% vesting of the total option grant; and
- 24 months from the date of allocation for 30% vesting of the total option grant; and
- 35 months from the date of allocation for 40% vesting of the total option grant.

The Company uses a Total Shareholder Return (TSR) measure as the performance hurdle for the Geodynamics EOP as outlined below. A TSR based hurdle ensures an alignment between medium term shareholder return and reward for executives. The Board considers at this development stage of the Company's growth, share price increase itself is an adequate measure of TSR.

Hedging of shares and options risk

Currently no Director or officer uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.

REMUNERATION REPORT (AUDITED) (continued)

4. Executive Remuneration outcomes for FY12/13

Company performance and its link to short-term incentives

The key business plan milestones driving STI payment outcomes for FY12/13 with relevant performance against targets are outlined in the table below:

MILESTONE	FY12/13 PERFORMANCE VERSUS TARGETS
Health Safety & Environment – delivering the business plan safely with low environmental impact	Three of five base targets and first stretch target met
Delivery of operational results on schedule, quality and budget with a weighting of time 20%, cost 40% and quality 40%	Five of six base targets met
Management of Finances – the Company remains securely funded through management of income and costs, and uses financial resources to develop new opportunities.	Two of three base targets first stretch target met

For FY12/13, the Company's performance against the above key Business Plan milestones resulted in a payment under the STI Plan of a maximum of 10% of annualised fixed remuneration or one third of the maximum bonus pool. The aggregate of annual STI payments available for staff was approved by the Remuneration and Nominations Committee. The payments made are recognised as remuneration in the year in which STI was earned and therefore the STI payments for FY12/13 which were paid in August 2013 are reflected in the remuneration tables for FY12/13.

The following table outlines the proportion of maximum STI that was earned and forfeited in relation to FY2013

NAME	PROPORTION OF MAXIMUM STI EARNED IN FY13	PROPORTION OF MAXIMUM STI FORFEITED IN FY13
G. Ward		
K. Coates	32%	68%
R. Hogarth	26%	74%
T. Pritchard	39%	61%
A. Hodson	32%	68%
A. Mills	48%	52%

Company performance and its link to long-term incentives

The graph below shows the performance of the Company as measured by its share price and therefore by definition its Total Shareholder Return. The loss per share from continuing operations for the last five years was as follows: 2008/09 - \$0.054, 2009/10 - \$0.051, 2010/11 - \$0.43, 2011/12 - \$0.031, 2012/13 - \$0.26.

Geodynamics Limited Share Price 2008 – 2013



REMUNERATION REPORT (AUDITED) (continued)

Company performance and its link to long-term incentives (continued)

No options vested during the year under the Employee Option Plan as share price vesting performance hurdles were not met.

596,753 shares vested during the year for seventeen employees who met the vesting hurdle of three years of continuous service.

471,698 shares were issued to the Deferred Employee Share Plan on behalf of Geoff Ward. These shares were issued under the Long Term Incentive provision of his contract and have a vesting period of 36 months.

Table 1 – Remuneration of KMP of the Company for the year ended 30 June 2013

	SHORT-TERM		POST EMPLOYMENT	SHARE BASED PAYMENT		TOTAL	PERFORMANCE RELATED
	SALARY	CASH BONUS – SHORT TERM INCENTIVE	SUPERANNUATION	SHARES (AMORTISED COST)	OPTIONS (AMORTISED COST)		
G. Ward	475,000	194,508	42,992	39,286	104,265	856,051	39.49%
K. Coates	288,546	27,345	21,760	29,573	2,297	369,521	16.02%
R. Hogarth	366,992	26,819	22,441	36,960	3,418	456,630	14.72%
T. Pritchard	244,220	29,808	24,737	19,086	9,327	327,178	17.79%
A. Hodson	257,562	16,519	16,071	28,880	2,671	321,703	14.94%
A. Mills	264,962	38,142	24,712	12,500	34,190	374,506	22.65%
Totals	1,897,282	333,141	152,713	166,285	156,168	2,705,589	

Table 2 – Remuneration of KMP of the Company for the year ended 30 June 2012

	SHORT-TERM		POST EMPLOYMENT	SHARE BASED PAYMENT		TOTAL	PERFORMANCE RELATED
	SALARY	CASH BONUS – SHORT TERM INCENTIVE	SUPERANNUATION	SHARES (AMORTISED COST)	OPTIONS (AMORTISED COST)		
G. Ward	476,479	-	19,917	25,000	112,145	633,541	21.65%
K. Coates	268,850	64,100	29,966	34,274	20,596	417,786	28.48%
R. Hogarth	320,726	56,000	33,905	44,840	30,654	486,125	27.05%
T. Pritchard	244,340	58,200	27,218	19,711	20,540	370,009	26.61%
A. Hodson ¹	284,444	74,100	30,816	35,004	23,949	448,313	29.68%
A. Mills ²	206,439	42,400	22,396	9,375	34,284	314,894	27.33%
Totals	1,801,278	294,800	164,218	168,204	242,168	2,670,668	

1 Deemed to be a KMP from 1 July 2011, full annual remuneration included
2 Appointed 5 September 2011

5. Summary of Executive Contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

The contracts below include arrangements entered into prior to the amendments to the Corporations Act 2001 regarding termination payments which came into effect on 24 November 2009. No contracts of the Company however exceed the revised limits on termination payments.

Managing Director and Chief Executive Officer

Mr Geoff Ward was appointed Managing Director on 31 January 2011. Mr Ward's remuneration package is formalised in a four year service agreement, the details of which were announced to the ASX on 29 November 2010. The key terms of Mr Ward's contract are as follows:

- He receives a base remuneration including superannuation of \$500,000 per annum;
- Short Term Incentive – Up to \$250,000 per annum which is only payable on the achievement of certain performance milestones. The members of the Remuneration and Nominations Committee have assessed that Mr Ward is eligible for a payment under the Short Term Incentive Scheme of 85% of the maximum payable or \$212,500 including superannuation, having achieved key financial and operational milestones identified for FY2013.. The key performance milestones set for Mr Ward for FY12/13 were delivering results to achieve agreed strategy, including achievement of planned milestones at the Habanero Project and identification of and successful acquisition of the Savo Island Geothermal Power Project, securing funding to deliver strategy, strengthening alignment with key stakeholders and partners necessary to support project development, building the right organisational capacity to deliver projects while adapting to a high level of environmental uncertainty and increasing Geodynamics' influence as the energy market in Australia transforms.

REMUNERATION REPORT (AUDITED) (continued)

5. Summary of Executive Contractual arrangements (continued)

- Long term incentive (Shares) – an annual grant equivalent in the number of shares in value to 15% of annual base remuneration as set out under the rules associated with the Company's Deferred Employee Share Plan. The first grant will occur three months after the commencement of employment and then annually on the anniversary of the commencement of employment. The issue price will be the volume weighted average share price for the five trading days prior to the date of issue of the shares. Each grant of shares will have a vesting period of 36 months but all shares will vest if the full term of 48 months is served under the employment agreement;
- Long term incentive (Options) – A grant of a total of 2,700,000 options subject to the rules of the Company's Employee Option Plan and exercisable in four tranches as follows:
 - 400,000 options will vest on the commencement of employment and will be exercisable from the first date that the volume weighted average share price in a period of 20 consecutive trading days is 150% higher than the exercise price of 48 cents;
 - 500,000 options will vest 31 January 2012 and will be exercisable from the first date that the volume weighted average share price in a period of 20 consecutive trading days is 200% higher than the exercise price of 48 cents;
 - 900,000 options will vest 31 January 2013 and will be exercisable from the first date that the volume weighted average share price in a period of 20 consecutive trading days is 250% higher than the exercise price of 48 cents;
 - 900,000 options will vest 31 January 2014 and will be exercisable from the first date that the volume weighted average share price in a period of 20 consecutive trading days is 250% higher than the exercise price of 48 cents.
- The last exercise date of all tranches of options is 31 January 2014. The exercise price applying is the 10 day volume weighted average price of the Company's shares traded on the ASX leading up to the date of the appointment being 25 November 2010 which was 48 cents.
- The allotment of shares to Mr Ward during the 2013 financial year was made pursuant to his contract of employment. The allotment of shares and options included was set out in the contract as approved by shareholders at the November 2011 Annual General Meeting.

The CEO's termination provisions are as follows:

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE*	TREATMENT OF STI ON TERMINATION	TREATMENT OF LTI ON TERMINATION
Resignation	6 months	6 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	14 days	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of long term illness, disablement, or notice without cause	6 months	6 months	Maybe prorated for time and performance subject to Board discretion	Maybe prorated for time and performance subject to Board discretion
Change of control	14 days	12 months	Prorated for time and performance	Prorated for time and performance

*If the time remaining under the 4 year contract is less than 6 months then that lesser amount.

Other KMP

All other KMP have rolling contracts.

Other standard KMP provisions are as follows:

	NOTICE PERIOD	PAYMENT IN LIEU OF NOTICE	TREATMENT OF STI ON TERMINATION	TREATMENT OF LTI ON TERMINATION
Resignation	3 months	3 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, or notice without cause	3 months	3 months	Maybe prorated for time and performance subject to board discretion	Maybe prorated for time and performance subject to board discretion
Change of control	1 month	1 month	Prorated for time and performance	Prorated for time and performance

REMUNERATION REPORT (AUDITED) (continued)

6. Non-executive Director remuneration arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. The amounts are set at a level that compensates the Directors for their significant time commitment in overseeing the progression of the Company's business plan.

The Constitution of Geodynamics and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2007 when shareholders approved an aggregate remuneration of \$700,000 per year.

The Board will not seek any increase for the NED pool at the 2013 AGM.

Structure

Each Non-executive Director receives a fee for being a Director of the Company. The current fee structure is to pay Non-executive Directors a base annual remuneration of \$64,500 p.a. with the Chairman paid \$118,250 p.a. The Chairman of each committee receives an additional fee of \$16,125 p.a. These fee structures have remained the same with no increase in the past four years. There are no retirement benefits offered to Non-executive Directors other than statutory superannuation which is in addition to these amounts. In accordance with good corporate governance practice, the Non-executive Directors do not participate in share and share option based remuneration plans of the Company.

The Company notes that Origin Energy Limited and collectively Sunsuper Pty Ltd & The Sentient Group, as major investors, each have a right to appoint a Non-executive Director to the Company and as such those Directors (where appointed) are not considered by the ASX Corporate Governance Principles to be independent. Origin Energy formally waived their right to appoint a nominee director on 15 August 2012. As Mr A. Stock retired from Origin on 30 June 2012 he is now considered to be independent.

The remuneration of Non-executive Directors for the year ending 30 June 2013 is detailed in Table 3 of this report and the remuneration for the comparative year ending 30 June 2012 is detailed in Table 4 of this report.

Table 3 – Non-executive Directors' Remuneration for the year ended 30 June 2013

	SALARY & CONSULTING FEES	DIRECTORS FEES	SUPERANNUATION	OTHER	TOTAL
K. Spence	-	118,250	10,643	-	128,893
P. Chopra ¹	-	35,875	2,419	-	38,294
R. Davies	-	80,625	7,256	-	87,881
J. Hamilton	-	87,881	-	-	87,881
M. Marier	-	64,500	5,805	-	70,305
A. Stock	-	80,625	7,256	-	87,881
M. Dave ¹	-	-	-	-	-
Totals	-	467,756	33,379	-	501,135

¹ Retired 29 November 2012

Table 4 – Non-Executive Directors' Remuneration for the year ended 30 June 2012

	SALARY & CONSULTING FEES	DIRECTORS FEES	SUPERANNUATION	SHARES (AMORTISED COST)	TOTAL
K. Spence	-	118,250	10,642	-	128,892
B. Agrawala ¹	-	-	-	-	-
P. Chopra	-	56,250	5,063	-	61,313
R. Davies	-	80,625	7,256	-	87,881
J. Hamilton	-	87,881	-	-	87,881
M. Marier	-	64,500	-	-	64,500
A. Stock	-	80,625	7,256	-	87,881
M. Dave ²	-	-	-	-	-
Totals	-	488,131	30,217	-	518,348

¹ Retired 24 November 2011

² Appointed 23 February 2012. Fees are paid to the Alternate Director, Prame Chopra.

REMUNERATION REPORT (AUDITED) (continued)**7. Additional statutory disclosures****Table 5 – Shares granted to executives as part of remuneration for the year ended 30 June 2013**

During the financial year, no shares were granted or were proposed to be granted under the Long Term Incentive Plan other than those granted on behalf of Geoff Ward in accordance with his contract.

	GRANT DATE	GRANTED NUMBER	VALUE OF SHARES GRANTED DURING THE YEAR	% OF REMUNERATION #	VALUE OF SHARES VESTED DURING THE YEAR	VALUE OF SHARES FORFEITED DURING THE YEAR	VALUE PER SHARE AT GRANT DATE
R. Hogarth					6,261	-	0.92
K. Coates					4,206	-	0.92
A. Hodson					4,891	-	0.92
T. Pritchard					4,600	-	0.45
G. Ward	22/2/13	471,698	\$75,000	15%	-	-	0.16

Table 6 – Options granted to executives as part of remuneration for the year ended 30 June 2013

During the financial year, no options were granted or were proposed to be granted under the Long Term Incentive Plan.

	GRANT DATE	GRANTED NUMBER	VALUE OF OPTIONS GRANTED DURING THE YEAR	% OF REMUNERATION	VALUE OF OPTIONS EXERCISED DURING THE YEAR	VALUE OF OPTIONS LAPSED DURING THE YEAR	VALUE PER OPTION AT GRANT DATE	WEIGHTED AVERAGE EXERCISE PRICE
R. Hogarth						36,060	0.48	0.92
K. Coates						24,228	0.48	0.92
A. Hodson						28,172	0.48	0.92
T. Pritchard						26,494	0.23	0.45

Signed in accordance with a resolution of the Directors.


K. Spence

Chairman
Brisbane, 30 August 2013

**AUDITOR'S INDEPENDENCE
DECLARATION TO THE DIRECTORS
OF GEODYNAMICS LIMITED**



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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GEODYNAMICS LIMITED

In relation to our audit of the financial report of Geodynamics Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Andrew Carrick
Partner
30 August 2013

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The Board of Directors of Geodynamics Limited is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

The Geodynamics Limited Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" as revised in June 2010 the Principles of which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

Geodynamics Limited's corporate governance practices were in place throughout the year ended 30 June 2013 and were fully compliant with the Council's recommendations except for the following:

Recommendation 3.3 - Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to set specific numeric targets as these could be inappropriately skewed by the small sample size. Geodynamics currently has participation from a diverse workforce, with gender diversity being in advance of industry averages for our sector.

Recommendation 3.4 - Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to publish specific employment numbers as Company does not believe this information adds any meaningful value due to its small workforce.

For further information on corporate policies adopted by Geodynamics Limited, please refer to "Governance" under the Our Company Tab on our website located at www.geodynamics.com.au.

For 2013, the Company's reporting against the Principles is as follows:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The Board operates in accordance with the following principles and guidelines.

- The Board does comprise a majority of Non-executive Directors.
- The Chairperson is an independent Director.
- The Board does comprise Directors with an appropriate range of qualifications and expertise.
- The terms and conditions of the appointment of Non-executive Directors are set out in a letter of appointment. The appointment letter covers the following matters:
 - the level of remuneration;
 - the tenure of appointment;
 - the expectation of the Board in relation to attendance and preparation for all Board meetings;
 - the Directors code of conduct;
 - the procedures dealing with conflicts of interest; and
 - the availability of independent advice - The Board has agreed a procedure for Directors to take independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.
- The Board meets as often as required to attend to the affairs of the Company and follow meeting guidelines set down to ensure all Directors are made aware of, and have available to them all necessary information enabling them to participate in an informed discussion of all agenda items.
- The Chairman of the Board meets regularly with the Managing Director.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT *(continued)*

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- Approving objectives, goals and strategic direction for management;
- Monitoring financial performance including adopting annual budgets and approving the Company's financial statements;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting, appointing and reviewing the performance of the Managing Director and Chief Executive Officer and reviewing the performance of senior operational management;

- Ensuring significant business risks are identified and appropriately managed; and
- Reporting to shareholders on performance.

The Company's Managing Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which executives are assessed is aligned with the financial and non-financial objectives of Geodynamics Limited. Further details of the process for evaluating performance are set out in the Remuneration Report.

The Board may determine from time to time to establish specific purpose sub-committees to deal with specific issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision. Minutes of committee meetings are tabled at the immediate subsequent Board meeting.

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

SKILLS, EXPERIENCE AND EXPERTISE OF DIRECTORS

The Directors in office at the date of this statement are:

NAME	POSITION	INDEPENDENT	TERM IN OFFICE	EXPERTISE
Keith Spence	Non-executive Chairman	Yes	5.1 years	Energy, Engineering and Management
Geoff Ward	Managing Director	No	2.6 years	Energy, Engineering, Corporate Finance and Management
Robert Davies	Non-executive Director	Yes	4.8 years	Finance, Governance and Management
Jack Hamilton	Non-executive Director	Yes	6.9 years	Energy, Engineering and Management
Michel Marier	Non-executive Director	No	2.5 years	Finance and Management
Andrew Stock	Non-executive Director	Yes	9.8 years	Energy, Engineering and Management

INDEPENDENT DIRECTORS

Directors of Geodynamics Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent. Therefore there are six Non-executive Directors, four of whom are deemed independent, and one Executive Director. One Non-executive Director who is not deemed independent is an Officer of one of the Company's three largest shareholders which has a right to appoint a Director to the Board under their Investment Deed. (The Sentient Group and Sunsuper Pty Ltd are jointly treated as a cornerstone investor in so far as they have a collective right to appoint a Director).

Further details of the members of the Board including their experience and expertise are set out in the Directors' Report.

2. STRUCTURE THE BOARD TO ADD VALUE (continued)

NON-EXECUTIVE DIRECTORS

The six Non-executive Directors periodically meet for a period of time, without the presence of management, to discuss the operation of the Board and a range of other matters including those relating to Remuneration and Directors' Nominations. Relevant matters arising from these meetings are shared with the full Board.

TERM OF OFFICE

The Company's constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

NOMINATIONS

The Company has established a combined Remuneration and Nominations Committee. Membership and composition of this Committee is discussed at the end of this Corporate Governance Statement. With regard to the Nominations charter of the Committee, the main functions of the Committee are to:

- Devise criteria (necessary and desirable competencies) for Board membership for approval by the full Board.
- Identify specific individuals for nomination.
- Make recommendations to the Board for new Directors and membership of committees being always mindful that any recommendation should ensure there is a complementary mix of necessary skills.
- Annually, assist the Chairman of the Company in advising Directors about their performance and tenure.
- Oversee management succession plans, including the Managing Director and Chief Executive Officer and first line managers;
- Review of the Board succession plan.
- Critically examine the Committee's performance and recommend any changes to the responsibilities to the Board.

In devising criteria for Board membership, the Company uses a Board skills matrix to identify any gaps in the skills and experience of the Directors on the Board. In addition, the Company uses a combination of professional intermediaries to identify and assess candidates as well as the network of contacts within the Board itself.

PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Non-executive Directors is reviewed annually by the Chairman. In addition during the year, all Directors completed a structured self evaluation questionnaire that aimed to evaluate the performance of the Board as a whole. These responses are collated and subsequently discussed by the Board to improve the functional operations of the Board. The Chairman meets privately with each Director as appropriate to discuss their individual performance. The Chairman's performance is reviewed by the Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The Company has established a policy regarding Diversity that is underpinned by four key principles:

- Fairness: Every person will have the opportunity to work and succeed at Geodynamics - regardless of their gender, nationality, background, age, physical ability or sexual orientation.
- Support: The Company will support the varying needs of its diverse workforce by providing flexible working conditions and ensuring programs are in place to enable every Geodynamics employee to reach their career potential.
- Respect: Every Geodynamics employee will be treated with dignity and respect, recognising that success depends upon the commitment, capabilities and diversity of the Company's employees.
- Leadership: The Board and senior leaders will be ultimately responsible for instilling a culture that embraces and values diversity amongst the workforce.

At least once every 12 months, the Remuneration and Nominations Committee will review the Diversity Policy including a review of the diversity objectives and initiatives to ensure they remain current and appropriate and a review of progress on the achievement of diversity objectives over the preceding year.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Board has adopted an Audit & Risk Committee Charter to ensure the truthful and factual presentation of the Company's financial position and to review and advise on the company's risk management processes. Audit & Risk Committee meetings will be held periodically throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The Audit & Risk Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The Chief Executive Officer and Chief Financial Officer may attend the committee meetings by invitation.

The main functions of the committee will be to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures;
- Ensure effective deployment of risk management processes;
- Nominate the external auditors and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

The Chairman of the Audit & Risk Management Committee reviews the performance of the Committee with members and reports annually to the Board.

The members of the Audit & Risk Committee during the year were:

Robert Davies (Chairman)
Michel Marier
Prame Chopra
Jack Hamilton.

Qualifications of audit & risk committee members

Robert Davies CMA has extensive senior finance experience with global mining and resource companies. He has held a number of senior management responsibilities including Executive Vice President and Chief Financial Officer for Inco Ltd, Chief Financial Officer for Alumina Ltd and General Manager Treasury Tax and Investor Relations for WMC Ltd. He has previously held senior finance positions with BHP in Canada, the US, Chile and Australia, acquiring significant operational and corporate finance experience.

Prame Chopra B.Sc. (Hons), Ph.D, FAICD, MAGU, MASEG, MIGA, MASC was a Reader in Geophysics at The Australian National University in Canberra from 1996 - 2006. He obtained his Ph.D in rock physics at the ANU in 1980 and has held research appointments at ANU, Cornell University in New York and at the Bureau of Mineral Resources, Geology & Geophysics and the Australian Geological Survey Organisation. Mr Chopra retired from the Board on 29 November 2012.

Michel Marier joined The Sentient Group in 2009. Before joining the Sentient Group, Mr Marier worked 8 years at the Private Equity division of la Caisse de dépôt et placement du Québec (CDPQ). While at CDPQ, his responsibilities ranged from currency hedging, risk and return analysis to investments. In 2006, he participated in the establishment of a new sector in the Private Equity division – distressed debt. Michel Marier holds a Master's degree in finance from HEC Montreal. He is a CFA charter holder. He is a former director of Natural Resources USA Corp.

Dr Jack Hamilton was formerly CEO of Exergen Pty Ltd, a low emission coal resource development Company and prior Director of NWS Ventures with Woodside Energy. Dr. Hamilton is also a non-executive director of Southern Cross Electrical Engineering Ltd and Calix Ltd. Dr Hamilton graduated from Melbourne University with a Bachelor of Chemical Engineering and Doctorate of Philosophy in 1981. He has over 28 years' experience both locally and internationally in operations management, in refining, petrochemicals and gas production, marketing, strategy and LNG project management.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Board has adopted a Listing Rule 3.1 Compliance Policy, which has been designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times. The Company's Continuous Disclosure Policy is available on the Company's website.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- Quarterly Reports to all shareholders;
- The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
- The Company's Corporate Internet site at www.geodynamics.com.au. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

Shareholders are actively encouraged to become 'online shareholders' by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight, management and internal control.

The Company is committed to having a culture of risk management and has established a risk management system that supports a pro-active approach to managing risk and to exploiting opportunity at all levels.

A series of extensive workshop reviews have been held for each component phase of the Company's business plan and these will continue to be held for subsequent stages to highlight major risk areas and plan the treatment to manage those risks. In addition, a formal risk management plan is included as part of every major capital acquisition or procurement decision and key risk/opportunity areas and their drivers are included in the Management/Board reporting system. The Board has also established a Health Safety and Environment Committee which operates under a charter approved by the Board.

Management, through the Managing Director and Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis or more frequently as required by the Board or Committee.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic, operational and technical risks in conjunction with, and as a key input to an annual corporate strategy workshop attended by the Board and senior management. This workshop reviews the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives. Management are required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks are reviewed on an ongoing basis and independently audited from time to time. The Audit and Risk Committee oversees the adequacy and comprehensiveness of risk reporting from management.

7. RECOGNISE AND MANAGE RISK *(continued)*

The Board receives a written assurance from the Chief Executive Officer and the Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

TECHNICAL COMMITTEE

Technical Committee meetings are held on an as required basis but generally there will be at least two meetings throughout the year. The Committee is comprised of a Chair drawn from the Non-Executive Directors of the Geodynamics Board, the Well Engineering and Technology Manager and Chief Scientific Officer are ex-officio members. The Technical Committee has been given the following Terms of Reference:

- Advise the Board on issues related to the technical risks, mitigations and opportunities associated with the key technical domain areas the Company related to the Company's development plans;
- Provide guidance and challenge to management on technical issues;
- Review and advise the Audit and Risk Committee of the Board on the Technical Risks and their potential impact on the broader Company objectives;
- Each member shall have the responsibility to initiate issues that should be brought to the attention of the committee or Board.

The members of the Technical Committee during the year were:

Jack Hamilton (Chairman)
Keith Spence
Prame Chopra

At a meeting of Directors on 23 April 2013 the Board resolved to formally dissolve the technical committee due to the original basis for the formation of the committee no longer being applicable.

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Health, Safety & Environment (HSE) meetings are held on an as required basis. The Committee is comprised of a Chair drawn from the Non-executives of the Geodynamics Board. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The HSE Committee has been given the following Terms of Reference:

- Its primary objective is to assist the Board of Directors in its responsibilities relating to establishing and maintaining the highest standards of HSE performance by Geodynamics, and compliance with all relevant legislation. In addition the Committee will ensure that Management reports to the Board on:-
 - Compliance with statutory requirements, codes, standards, and guidelines;
 - Establishment of measurable objectives and targets aimed at elimination of work related incidents or environmental impacts from Geodynamics' activities;
 - The defining of roles, responsibilities and levels of accountability for HSE within Geodynamics.
- Act as an independent and objective party to review the safety and environmental performance reports presented by management for the use of all stakeholders.
- Review HSE risk assessment processes and monitor their effectiveness.
- Review all significant Geodynamics incident reports along with the results of the subsequent investigations and the implementation of the identified corrective actions.
- Oversee and appraise the quality of the health & safety and the environmental audits conducted by the HSE auditors.
- Ensure through regular meetings that open lines of communication exist among the Board, Management and HSE Auditors.

The members of the HSE Committee during the year were:

Jack Hamilton (Chairman)
Keith Spence
Prame Chopra
Andrew Stock

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with short and long term performance incentives through cash, shares and options which allow executives to share in the success of Geodynamics Limited. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

The Company currently has five Non-executive Directors and a Managing Director. The Company's Managing Director does not receive Directors' fees and his remuneration package is formalised in a service agreement. The Non-executive Directors' maximum aggregate remuneration as approved by shareholders is currently \$700,000 and is set at a level that compensates the directors for their significant time commitment in overseeing the progression of the Company's business plan.

There are no retirement benefits offered to Non-executive Directors other than statutory superannuation. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report which is contained within the Directors' Report.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee operates under a charter approved by the Board. Remuneration and Nomination Committee meetings are held at least semi-annually and otherwise as required throughout the year. It is the policy of the Board that the members of the Committee shall be a minimum of three Non-executive Directors and a majority of independent directors. The Remuneration and Nominations Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

With regard to the Remuneration charter of the Committee, the main functions of the Committee are to:

- Set the terms and conditions of employment for the Chief Executive Officer.
- Set policies for Senior executive remuneration including the Chief Executive Officer and other Executive Directors (if any) and review from time to time as appropriate.
- Set policies for Non-executive Director remuneration and review and recommend the level of remuneration with the assistance of external consultants as appropriate.
- Make recommendations to the Board on remuneration for the Chief Executive Officer and Executive Director(s).
- Review and approve the recommendations of the Chief Executive Officer on the remuneration of Senior executives.
- Review all equity based plans and make recommendations to the Board for approval.
- Review and approve the design of executive Incentive Plans ensuring appropriate performance hurdles are in place.
- Review transactions between the group and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.
- Review and approve the annual Remuneration Report contained within the Directors' Report.

The members of the Remuneration and Nominations Committee during the year were:

Andrew Stock (Chairman)
Keith Spence
Robert Davies

For details on the number of meetings of the Remuneration and Nominations Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED 30 JUNE 2013	NOTE	2013 \$'000	2012 \$'000
Continuing Operations			
Interest Income		1,166	1,418
Total Revenue		1,166	1,418
Impairment of Property, Plant & Equipment	7	(10,300)	(728)
Impairment of Deferred Exploration & Evaluation Costs	8	(78,510)	-
General & Administrative Expenses	3	(17,817)	(15,860)
Corporate Expenses Recovered		369	3,398
Total Expenses		(106,258)	(13,190)
Income/(Loss) before Income Tax Expense		(105,092)	(11,772)
Income Tax Benefit	4	-	-
Income/(Loss) after Income Tax Expense		(105,092)	(11,772)
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss			
Net Gain/(Loss) On Cashflow Hedge Taken To Equity		-	65
Other Comprehensive Income for the period		-	65
Total Comprehensive Income/(Loss) for the period attributable to the Owners		(105,092)	(11,707)
Basic and Diluted Earnings/(Loss) per share (cents per share)	17	(25.86)	(3.06)
Basic and Diluted Earnings/(Loss) per share attributable to the equity holders of the entity (cents per share)	17	(25.86)	(3.06)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013	NOTE	2013 \$'000	2012 \$'000
Current Assets			
Cash Assets	22(A)	41,390	35,146
Inventories – Rig Parts and Well Materials		188	189
Receivables	5	14,239	3,126
Non-Current Assets Held for Sale	6	-	14,700
Total Current Assets		55,817	53,161
Non Current Assets			
Property, Plant and Equipment	7	3,962	19,771
Deferred Exploration, Evaluation & Development phase costs	8	1,177	106,923
Total Non Current Assets		5,139	126,694
Total Assets		60,956	179,855
Current Liabilities			
Payables	9	4,301	13,773
Provisions	10	2,201	660
Deferred Income	11	-	5,700
Derivative Liability	12	-	-
Total Current Liabilities		6,502	20,133
Non Current Liabilities			
Provisions	10	4,003	5,299
Total Non Current Liabilities		4,003	5,299
Total Liabilities		10,505	25,432
Net Assets		50,451	154,423
Equity			
Contributed Equity	13	346,083	346,083
Other Reserves	14	10,456	9,336
Accumulated Losses		(306,088)	(200,996)
Total Equity		50,451	154,423

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

FINANCIAL YEAR ENDED 30 JUNE 2013	NOTE	2013 \$'000	2012 \$'000
Cash Flows from/(used in) Operating Activities			
Net Goods and Services Tax received		2,096	463
Payments to suppliers and employees		(10,020)	(10,513)
Net Interest Received		1,082	1,317
Net cash flows from/(used in) Operating Activities	22(B)	(6,842)	(8,733)
Cash Flows from/(used in) Investing Activities			
Proceeds from Government Grants		14,000	8,050
Proceeds from R&D Tax Incentive		22,115	-
Purchase of Property, Plant & Equipment		(3)	(276)
Payments for Exploration and Evaluation expenditure		(38,657)	(32,830)
Proceeds from Farmin Cash Calls		1,551	10,406
Proceeds from Insurance claim		-	8,215
Proceeds from sale of property, plant & equipment		14,080	11,478
Net cash flow used in investing activities		13,086	5,043
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	9,658
Net cash flow provided by financing activities		-	9,658
Net increase / (decrease) in cash held		6,244	5,968
Add: Opening cash carried forward		35,146	29,178
Closing cash carried forward	22(A)	41,390	35,146

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 30 JUNE 2013	ISSUED CAPITAL \$'000	EMPLOYEE EQUITY BENEFITS RESERVE \$'000	FOREIGN EXCHANGE HEDGE RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
At 1 July 2012	346,083	9,336	-	(200,996)	154,423
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(105,092)	(105,092)
Total loss for the period	-	-	-	(105,092)	(105,092)
Equity Transactions:					
Share based payment on Employee Share Plan	-	582	-	-	582
Cost of share-based payment - recognition of share option expense	-	538	-	-	538
At 30 June 2013	346,083	10,456	-	(306,088)	50,451

FINANCIAL YEAR ENDED
30 JUNE 2012

FINANCIAL YEAR ENDED 30 JUNE 2012	ISSUED CAPITAL \$'000	EMPLOYEE EQUITY BENEFITS RESERVE \$'000	FOREIGN EXCHANGE HEDGE RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
At 1 July 2011	336,405	7,502	(65)	(189,224)	154,618
Recognition of foreign exchange hedge reserve	-	-	65	-	65
Total expense for period recognised directly in equity	-	-	65	-	65
Loss for the period	-	-	-	(11,772)	(11,772)
Total loss for the period	-	-	65	(11,772)	(11,707)
Equity Transactions:					
Issue of Share Capital in consideration of services	19	-	-	-	19
Refund for overpayment of option exercise	(6)	-	-	-	(6)
Issue of Share Capital pursuant to capital placement	3,823	-	-	-	3,823
Share Capital raising expenses	(142)	-	-	-	(142)
Issue of Share Capital via Share Purchase Plan	6,201	-	-	-	6,201
Transaction costs of Share Purchase Plan	(217)	-	-	-	(217)
Ordinary shares issued for the deferred employee share plan	-	657	-	-	657
Cost of share-based payment - recognition of share option expense	-	1,177	-	-	1,177
At 30 June 2012	346,083	9,336	-	(200,996)	154,423

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The financial report of Geodynamics Limited (the Company) for the year ended 30 June 2013 was authorised in accordance with a resolution of the Directors on 29 August 2013.

Geodynamics Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for the valuation of available for sale financial assets which are carried at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. The Directors have adopted the going concern assumption in preparing the financial report.

(B) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(C) New Accounting standards and interpretations

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2013. The Directors have assessed the impact of all new or amended standards (to the extent relevant to the Company) and have concluded that these Standards and interpretations will not have any financial impact on the amounts recognised in the financial statements.

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as at 1 January 2013:

- AASB 2011-09 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12).

The following standards were assessed.

- AASB 9 – Financial Instruments (effective 1 July 2013).
- AASB 10 – Consolidated Financial Statements (effective 1 July 2013).
- AASB 11 – Joint Arrangements (effective 1 July 2013).
- AASB 12 – Disclosure if Interests in Other Entities (effective 1 July 2013).
- AASB 13 – Fair Value Measurement (effective 1 July 2013).

- AASB 119 – Employee Benefits (effective 1 July 2013).
- AASB 2011-4 – Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124) (effective 1 July 2013).
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements (effective 1 July 2013).

(D) Basis of Consolidation

The financial statements comprise the financial statements of Geodynamics Limited and its subsidiaries.

The Company has three wholly owned subsidiaries.

Geodynamics Share Plans Pty Ltd has an issued capital of \$1.00 and its purpose is to act as trustee for the Geodynamics Deferred Employee Share Plan which holds shares on trust for employees. Consolidation was not considered material for the purposes of this subsidiary.

Geodynamics Savo Island Pty Ltd has an issued capital of \$1.00 and its purpose is to act as the controlling entity for the Savo Island Geothermal Project Joint Venture.

Geodynamics NT Pty Ltd has an issued capital of \$1.00 and its purpose is to act as the controlling entity for the Gove Direct Heat Geothermal Project Joint Venture.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(E) Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgement, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

Provision for site rehabilitation

The Company reviews rehabilitation requirements for its geothermal exploration tenements on a six-monthly basis by undertaking an in-house analysis of the costs to rehabilitate the sites including the plugging and abandoning of wells as appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) Significant Accounting Judgements, Estimates and Assumptions (continued)

Capitalisation of Deferred Exploration and Evaluation Expenditure & Impairment

The Company determines whether Deferred Exploration and Evaluation Costs are impaired as described by AASB 6 at least on an annual basis. The Company considers whether an area of interest will be subject to further activity in the foreseeable future. Where substantive expenditure on further exploration and evaluation is neither budgeted or planned consideration is given as to whether an impairment cost should be recognised relating specifically to that area of interest.

Classification and valuation of investments

The Company classifies investments in listed and unlisted securities as 'available for sale' investments and movements in fair value are recognised directly in equity unless impairment has occurred in which case impairment is expensed. The fair value of unlisted securities not traded in an active market is determined by the pricing of those securities when share allotments of those securities are made on or around balance date to independent third parties.

(F) Foreign Currency Translation

Both the functional and presentation currency of Geodynamics is Australian dollars (\$A). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the financial report are taken to net income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(G) Property, Plant & Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The costs include obligations relating to reclamation, plant closure and other costs associated with the restoration of the site. Depreciation is provided on a straight line basis on all property, plant and equipment. All classes are depreciated over periods ranging from 3 to 15 years (comparable to prior year). The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment exists when the carrying value exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income in the year the loss is recognised.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(H) Exploration, Evaluation, Development and Restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Grants and subsidies are treated as revenue and an equivalent amount of eligible exploration and evaluation expenditure is written off to offset this revenue. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Impairment

The carrying values of exploration, evaluation, development and restoration costs are reviewed for impairment in accordance with AASB 6 Exploration and Evaluation of Mineral Resources when facts and circumstances suggest that the carrying amount of such an asset may exceed its recoverable amount. Any impairment loss identified is recognised as an expense in accordance with AASB 136 Impairment of Assets.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on the production output basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) Exploration, Evaluation, Development and Restoration costs (continued)

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, plant closure and other costs associated with the restoration of the site.

(I) Intangibles

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(J) Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(K) Cash and Cash Equivalents

Cash assets on the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

(L) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(M) Inventories

Inventories include spare parts and consumable items used in drilling operations and are valued at the lower of cost and net realisable value.

(N) Contributed Equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(O) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(P) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(Q) Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(R) Share-based Payment Transactions

The Company provides benefits to employees (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The current plans in place to provide these benefits are the Geodynamics Employee Option Plan and the Geodynamics Deferred Employee Share Plan, which both provide benefits to executive directors and employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the use of a Black-Scholes model which is prepared by the Company and independently reviewed. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Geodynamics Limited ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest and (iii) the expired portion of the vesting period. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(S) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. In the case of interest, revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(T) Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account until such time as all conditions associated with the grant are met. Once these conditions are achieved the credit is allocated to the

relevant asset. The amount of the grant is then released to net income over the expected useful life (by way of reduced depreciation or amortisation) of the relevant asset.

(U) Earnings per Share

Basic earnings per share is determined by dividing the profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is determined by dividing the profit/(loss) after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial period.

(V) Income Tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

For Geodynamics Limited, no deferred income tax asset is being recognised in the accounts as the benefit is not considered to be probable of being realised at this stage of the Company's development. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in net income.

Deferred income tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

(W) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow Statement on a net basis and the GST component arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(X) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of that entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(Y) Available for sale securities

Available for sale investments are those non-derivative financial assets, principally equity securities that are designated as available for sale. After initial recognition available for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(Z) Joint Venture Arrangement

The Company is a party to two joint venture arrangements with Origin Energy Geothermal Pty Ltd (Origin). The joint venture assets comprise the South Australian geothermal tenements and all property plant and equipment for use in

the Cooper Basin. The two joint ventures are respectively named the Innamincka 'Deeps' Joint Venture and the Innamincka 'Shallows' Joint Venture.

Participants in the Innamincka 'Deeps' Joint Venture which focuses on higher temperature Enhanced Geothermal Systems (EGS) greater than 3,500 m depth are:

Geodynamics (Operator) – 70%
Origin Energy Geothermal Pty Ltd* – 30%

Participants in the Innamincka 'Shallows' Joint Venture which focuses on exploration of shallow Hot Sedimentary Aquifers (HSA) above approximately 3,500 m depth are:

Origin Energy Geothermal Pty Ltd* (Operator) – 50%
Geodynamics Limited – 50%

* A wholly owned subsidiary of Origin Energy Limited (ASX:ORG)

Refer to Note 21 for a status of the payments made to date under this Joint Venture arrangement.

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint ventures effective 30 June 2013. As at 1 July 2013 the Company has a 100% interest in both the Deeps and Shallows joint ventures.

The Company is also a party to a joint venture arrangements with Kentor Energy Pty Ltd (Kentor). The joint venture assets comprise the Savo Island prospecting license and all property plant and equipment for use on Savo Island. The joint venture is named the Savo Island Geothermal Joint Venture.

Under the terms of the agreement, Geodynamics (Savo Island) Pty Ltd is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project. At 30 June Geodynamics had met all requirements for the initial 25% interest.

(AA) Going Concern

As the Company's assets are in the exploration and development phase, Geodynamics is currently non-revenue generating. As such a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Company always has sufficient funds to cover its planned activities and any ongoing obligations. Management has identified a number of sources of cash inflows which are expected to progressively be achieved throughout the year that will provide sufficient coverage to fund the proposed work program. Should the timing of these cash inflows not occur within expected timeframes, alternative funding options including equity funding options continue to be maintained such that operations can be continued. In addition to the close management of cash inflows, the Company has significant ability to slow or defer spending on its major activities to ensure that it is always able to meet its obligations when they fall due, including deferring expenditure on our drilling program as the company's permit expenditures are well in advance of the minimum permit conditions.

	2013 \$'000	2012 \$'000
NOTE 3 - EXPENSES AND LOSSES/(GAINS)		
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment and Amortisation of leasehold improvements	7,431	1,320
Share Plan Expense	582	657
Share Option Expense	538	1,177
Employee Expenses	5,987	7,327
Interest expense	32	6
Operating lease rentals paid	856	816
Foreign exchange loss/(gain)	(27)	130
(Profit)/loss on disposal of property, plant & equipment	(79)	877

NOTE 4 - INCOME TAX

Income tax expense

The prima facie tax benefit on loss of 30% (2011 - 30%) differs from the income tax provided in the financial statements as follows:

Prima facie tax on loss	(31,528)	(3,531)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Grant Income	4,200	2,415
Impairment of Property, Plant & Equipment	-	218
Other income/(expenses)	340	(3,215)
Income tax benefit attributable to current year losses	(26,988)	(4,113)
Deferred tax asset not brought to account as realisation of the asset is not regarded as probable	26,988	4,113
Income tax benefit attributable to operating loss	-	-

Deferred income tax

Deferred income tax at 30 June relates to the following:

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred tax liabilities				
Deferred exploration phase expenditure	(10)	(762)	-	-
Deferred evaluation phase expenditure	(343)	(21,561)	-	-
Other deferred tax liability	(1,064)	(1,857)	-	-
Deferred tax assets				
Losses available for offset against future taxable income	90,375	87,852	-	-
Other deferred tax asset	253	6,184	-	-
Net deferred tax assets	89,211	69,856		
Deferred tax asset for tax losses not recognised	(89,211)	(69,856)		
Gross deferred income tax assets	-	-		
Deferred tax income/(expense)	-	-	-	-

The deferred tax asset arising from estimated tax losses is only brought to account to the extent that it offsets the Company's deferred tax liabilities arising from temporary differences. To the extent surplus tax losses are available, the deferred tax asset associated with these tax losses is not brought to account at balance date as the benefit is not yet regarded as probable.

The deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 5 - RECEIVABLES (CURRENT)	2013 \$'000	2012 \$'000
Accounts Receivable	-	1,602
GST Receivable	109	688
Interest Receivable	315	264
Other Receivables	13,815	572
	14,239	3,126

Accounts receivable, GST receivable, interest receivable and sundry receivables are non-interest bearing.

The other receivables balance represents an amount receivable in relation to a claim made under the REDP grant deed as well as an estimate of the amount due under the R&D Tax Incentive Scheme relating to expenditure incurred during the year ended 30 June 2013.

Allowance for Impairment loss

No allowance has been made for impairment loss. A provision for impairment loss is only recognised when there is objective evidence that an individual receivable is impaired. None of the balances within receivables and prepayments contain impaired assets.

NOTE 6 - NON-CURRENT ASSETS HELD FOR SALE	2013 \$'000	2012 \$'000
Non-Current Assets Held for Sale	-	14,700
Total Non-Current Assets Held for Sale	-	14,700
Reconciliation of Non-Current Assets Held For Sale		
Carrying amount at beginning	14,700	-
Additions	-	26,821
Impairment	-	(728)
Disposals	(14,700)	(11,393)
Carrying amount at the end	-	14,700

Rig 200 was reclassified as non-current assets held for sale as at 30 June 2012 as the Rig was being actively marketed. The sale was successfully completed in September 2012.

NOTE 7 - PROPERTY, PLANT & EQUIPMENT	2013 \$'000	2012 \$'000
Plant and Equipment at cost	25,467	23,577
Less: accumulated depreciation and impairment	(21,505)	(3,806)
Total Property, Plant and Equipment	3,962	19,771
Reconciliation of Plant & Equipment		
Carrying amount at beginning	19,771	49,153
Additions	127	208
Disposals	(156)	(916)
Impairment *	(10,300)	-
Reclassification to Assets Held for Sale	-	(26,821)
Reclassification from Deferred Exploration and Evaluation Costs	9,919	-
Less: Proceeds of Government Grants	(8,000)	-
Depreciation/Amortisation Expense	(7,399)	(1,853)
Carrying amount at the end	3,962	19,771

The reclassification from Deferred Exploration and Evaluation costs relates to the transfer of carrying costs for the 1 MWe Habanero Pilot Plant and reclassification as a depreciable asset as at the time of commissioning.

* Impairment of Property Plant & Equipment

While the technical appraisal of the resource and trial of the 1 MWe Habanero Pilot Plant has been successful and provides proof of concept, the development of EGS geothermal resources in Australia remains a long term challenge requiring significant capital investment and extension of infrastructure.

The 1 MWe Habanero Pilot Plant was designed to provide a platform for proof of concept but is not commercially viable as a long term source of power production. The Board has therefore impaired the carrying amount of the 1 MWe Habanero Pilot Plant to its residual value being an estimate of the fair value less costs to sell at 30 June 2013.

NOTE 8 - DEFERRED EXPLORATION AND EVALUATION COSTS	2013 \$'000	2012 \$'000
Exploration Phase	32	2,539
Evaluation Phase	1,145	104,384
Total	1,177	106,923
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	106,923	85,300
Add: Exploration Expenditure for period	57	50
Add: Evaluation & Development expenditure for period	28,741	35,769
Less: Insurance proceeds received	-	(5,122)
Less: Proceeds of Government Grants	(14,000)	(9,074)
Less: Proceeds from R&D Tax Incentive	(32,115)	-
Reclassification to Property Plant and Equipment	(9,919)	-
Less: Impairment of Evaluation & Development expenditure	(78,510)	-
Carrying amount at the end	1,177	106,923

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective geothermal exploration tenements. The Company completed Stage One of its business plan in March 2009 being 'Proof of Concept'. The Proof of Concept Phase is the demonstration of economic heat extraction from a two well circulation test via a developed underground heat exchanger.

As mentioned under Note 7, while the technical appraisal of the resource has been successful and provides proof of concept, the development of EGS geothermal resources in Australia remains a long term challenge requiring significant capital investment and extension of infrastructure.

In the absence of a small scale commercial project or other plan to commercialise the project in the medium term, the Board has impaired the carrying amount of the Geodynamics deferred exploration, evaluation and development cost in respect of its Cooper Basin project to \$nil. This represents the company's best estimate of the fair value less cost to sell of these assets at 30 June 2013.

The decision to impair does not change Geodynamic's view that EGS geothermal resource will play a material role in Australia's long term energy economy as a reliable supplier of large scale, continuous, predictable and controllable energy.

NOTE 9 - ACCOUNTS PAYABLE	2013 \$'000	2012 \$'000
Current		
Trade Creditors	801	3,881
Accrued Liabilities	3,500	9,892
Trade creditors and accruals	4,301	13,773

Terms and conditions

Accounts payable and accrued liabilities are non-interest bearing. Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. All amounts are normally settled within 30 days, and discounts for early payment are normally taken where it is considered advantageous for the Company to do so. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 10 – PROVISIONS	EMPLOYEE ENTITLEMENTS \$'000	RESTORATION PROVISION \$'000	MAKE GOOD PROVISION \$'000	TOTAL PROVISIONS \$'000
At 1 July 2012	713	5,015	231	5,959
Arising during the year	652	313	11	976
Utilised	(731)	-	-	(731)
At 30 June 2013	634	5,328	242	6,204
Current 2013	504	1,697	-	2,201
Non current 2013	130	3,631	242	4,003
	634	5,328	242	6,204
Current 2012	650	10	-	660
Non current 2012	63	5,005	231	5,299
At 30 June 2012	713	5,015	231	5,959

The restoration provision relates to the ultimate restoration of the Habanero 1, Habanero 2, Habanero 3, Habanero 4, Jolokia 1, Savina 1 and Celsius 1 sites including the wells themselves (permanent plugs), the monitoring wells and water supply pipeline routes.

Bank guarantees totalling \$150,000 and \$80,000 are held respectively by the South Australian and NSW governments to secure tenement rehabilitation obligations.

The make good provision relates to the lease agreement on the Company's corporate office premises in Brisbane. Under this agreement, Geodynamics is required to restore the leased premises to its original condition at the end of the lease. A bank guarantee totalling \$465,820 is held by the landlord of these leased premises.

NOTE 11 – DEFERRED INCOME	2013 \$'000	2012 \$'000
Current		
Government Grant - REDI	-	5,000
Government Grant - RDIF	-	-
Government Grant - REDP	-	-
Non-refundable Deposit	-	700
	-	5,700

Terms and conditions - Renewable Energy Development Initiative

The Company announced on 5 December 2005, that it had been awarded a \$5 million grant under the then Federal Government's Renewable Energy Development Initiative (REDI) Program. The grant was for the demonstration 1 MWe Habanero Pilot Plant to be constructed near Innamincka in the Cooper Basin, South Australia.

The REDI grant was formally executed in late 2007 and at 30 June 2010 the grant had been paid in full. It had been classified as deferred income on the basis that the grant relates to an asset. As at 30 June 2013 the conditions of the grant had been achieved and therefore the deferred income was transferred to the associated asset (being the 1 MWe Habanero Pilot Plant). The 1 MWe Habanero Pilot Plant was subsequently impaired to its residual value (refer Note 7).

Terms and Conditions - Regional Development Infrastructure Fund

The Company announced on 16 April 2009 that it had been successful in its application for a \$560,000 grant in relation to the construction of the power line, from the Regional Development Infrastructure Fund (RDIF), an initiative of the South Australian government. The grant funded 50% of the cost of the transmission line between the 1 MWe Habanero Pilot Plant and the Innamincka township. At 30 June 2012 this grant has been transferred to deferred exploration and evaluation costs as no further activity is required under the terms of the deed.

Terms and Conditions - Renewable Energy Demonstration Program

The Company announced on 14 July 2010 that it had executed a \$90 million funding deed with the Federal Government under the Renewable Energy Demonstration Program (REDP) to establish the Cooper Basin Geothermal Demonstration Plant. At 30 June 2011 the first milestone payment had been made relating to the procurement of long lead items for the drilling of the Habanero 4 well. At 30 June 2012 the proceeds of the grant have been transferred to deferred exploration and evaluation costs as the proceeds relate to recoupment of historic expenditure.

Non-Refundable Deposit

Non-refundable deposit at 30 June 2012 represents the initial payment, received on 19 June 2012, under the terms of the conditional sale agreement for Rig 200. The sale was successfully completed in September 2012.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

	2013 \$'000	2012 \$'000
Current Liabilities	-	-
Forward currency contracts – cash flow hedges	-	-

Forward currency contracts – cash flow hedges

In order to protect against exchange rate movements, the Company enters into forward exchange contracts to hedge certain foreign currency asset purchase commitments. These contracts are timed to mature when payments are scheduled to be made. At balance date, the details of outstanding contracts are:

	2013 \$'000	2012 \$'000	2013 EXCHANGE RATE	2012 EXCHANGE RATE
Buy US\$ / sell Australian \$	-	-	-	-
Buy GBP£ / sell Australian \$	-	-	-	-

The forward currency contracts are considered to be highly effective hedges as they are matched against committed purchase schedules and any gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the related fixed asset is delivered the amount recognised in equity is adjusted to the fixed asset account in the statement of financial position.

Movement in forward currency cash flow hedge reserve

	2013 \$'000	2012 \$'000
Opening balance		65
Transferred to PPE and Exploration and Evaluation	-	(65)
Charged to other comprehensive income	-	-
Closing balance	-	-

NOTE 13 – CONTRIBUTED EQUITY

	2013 \$'000	2012 \$'000
Issued and Fully Paid Capital		
406,452,608 (2012 – 406,452,608) fully paid ordinary shares	346,083	346,083

MOVEMENT IN ORDINARY SHARE CAPITAL:		NUMBER OF SHARES	ISSUE PRICE \$ PER SHARE	\$'000
30/06/11	Balance end of financial year	336,892,832		336,405
Jul 2011	Ordinary shares issued in consideration of services rendered	60,000	0.32	19
Jul 2011	Ordinary shares issued for the deferred employee share plan	131,342	0.31	-
Sep 2011	Refund for overpayment of option exercise	-	-	(6)
Oct 2011	Ordinary shares issued for the deferred employee share plan	858,050	0.20	-
Nov 2011	Performance Incentive for the Managing Director as approved by shareholders	258,621	0.29	-
Dec 2011	Ordinary shares issued pursuant to a share placement	25,489,782	0.15	3,823
Dec 2011	Share Placement expenses	-	-	(142)
Jan 2012	Share Purchase Plan	42,761,981	0.145	6,201
Jan 2012	Share Purchase Plan Costs	-	-	(217)
30/06/12	Balance end of financial year	406,452,608		346,083
	NIL Movement			
30/06/13	Balance end of financial year	406,452,608		346,083

NOTE 13 – CONTRIBUTED EQUITY (continued)

Terms and Conditions of contributed equity

Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available to the entity. As the entity is not in position to be debt funded until it advances its Cooper Basin project to a completed feasibility phase which has the support of financiers, it must rely totally on shareholders and government grants for its funding requirements.

Unissued Shares – Shareholder Options

At 30 June 2013, there were no unissued ordinary shares under shareholder options (2012 – Nil). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. There were no shareholder options granted during the financial year ended 30 June 2013 (2012 – Nil).

NOTE 14 – RESERVES	2013 \$'000	2012 \$'000
Deferred Employee Share Plan Reserve	3,125	2,543
Employee Share Option Reserve	7,331	6,793
	10,456	9,336
Reconciliation of Reserves		
Carrying amount at beginning	9,336	7,437
Recognition of Share Plan Expense – Transfer from Contributed Equity	-	-
Recognition of Share Plan Expense	582	657
Recognition of Share Option Expense	538	1,177
Recognition of Foreign Exchange Hedge Reserve	-	65
	10,456	9,336

Nature and purpose of reserves

Employee share plan reserve

The employee share plan reserve is used to record the value of fully paid ordinary shares granted to employees, including key management personnel, as part of their remuneration. Refer to Note 16 for further details.

Employee share option reserve

The employee share option reserve is used to record the value of share options granted to employees, including key management personnel, as part of their remuneration. Refer to Note 16 for further details.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

NOTE 15 – EXPENDITURE COMMITMENTS

Enhanced Geothermal Systems (EGS) Tenement Commitments

In order to maintain current rights of its EGS tenements, the Company is required to outlay annual rentals and to meet certain expenditure requirements of the New South Wales, South Australian and Queensland Mines Departments. These obligations are subject to renegotiation upon expiry of the EGS tenements. The obligations are not provided for in the financial report and are payable as follows:

	2013 \$'000	2012 \$'000
Payable not later than one year	164	238
Operating Leases (non-cancellable)		
Payable not later than one year	1,071	929
Later than one year but not later than five years	1,109	1,739
	2,180	2,668
Other Commitments (Open Purchase Orders)	3,204	8,925

Included in the other commitments are open purchase orders in relation to the Deeps Joint Venture – refer to Note 27 for details.

The Company has no capital commitments at 30 June 2013.

NOTE 16 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	2013 \$'000	2012 \$'000
Employee Benefits		
The aggregate employee benefit liability is comprised of:		
Provision for Annual Leave (current)	440	548
Provision for Long Service Leave (current)	-	52
Provision for Long Service Leave (non-current)	130	63
	570	663

Superannuation Commitments

The Company contributes to external accumulation funds for its employees which provide benefits for employees and their dependants on retirement, disability or death. These funds provide benefits on a defined contribution basis. Contributions are enforceable to the extent of the contribution required by the Superannuation Guarantee Levy.

Employer contributions paid or payable to the plans	695	825
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Long Term Incentive Plan (LTIP)

In October 2008, the Board resolved to approve a new Long Term Incentive Plan (LTIP) with the key objective being to retain, motivate and reward senior executives and staff in a manner which aligns this element of remuneration with the creation of long term shareholder value.

The LTIP is provided in two components being Geodynamics Limited shares as traded on the ASX and options to purchase Geodynamics Limited shares at the current price, sometime in the future. The LTIP is designed to provide rewards over a three year term.

The Geodynamics LTIP offers eligible employees and Executive Directors of Geodynamics the opportunity to participate in the growth of Geodynamics through participation in:

- the Geodynamics Limited Deferred Employee Share Plan (DESP); and
- the Geodynamics Limited Employee Option Plan (EOP).

Shares and Options issued under the DESP and EOP respectively are allocated and issued to participants for no consideration. The issue of options and allocations of shares within the LTIP is also subject to the participants satisfactory performance as judged by their line manager.

To become entitled to the shares and options, participants are required to satisfy certain performance requirements. On satisfying the performance requirements for options, the options can be converted into shares by payment of the exercise price.

The service requirements for shares issued under the DESP require that for each annual allocation of shares made to participants under the DESP, the participant will be required to remain employed by Geodynamics or a Related Body Corporate for 36 months from the date of allocation of the shares for the shares to vest.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 16 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)

The performance requirements for options issued under the EOP requires that options will only vest should the compound growth in the Geodynamics share price increase by 15% per annum and the participant remains employed by Geodynamics or a Related Body Corporate for:

- 12 months from the date of allocation for 30% vesting of the total option number; and
- 24 months from the date of allocation for 30% vesting of the total option number; and
- 35 months from the date of allocation for 40% vesting of the total option number.

Employee Option Plan (EOP)

The options are issued for a term of three years. The options are valued using the Black-Scholes formula which is a function of the relationship between a number of variables that principally comprise the share price, option exercise price, risk free interest rate and the volatility of the Company's underlying share price. Accordingly, the formula requires a number of inputs, some of which must be assumed.

The LTIP was suspended in October 2011 and remains suspended at 30 June 2013. As such there were no options issued during the 2012/13 financial year.

471,698 shares were issued to the Deferred Employee Share Plan on behalf of Geoff Ward. These shares were issued under the Long Term Incentive provision of his contract and have a vesting period of 36 months.

Information with respect to the number of options granted under the EOP is as follows:

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	10,729,530	\$0.44	10,376,634	\$0.57
Granted during the year	-	-	4,142,765	\$0.38
- lapsed or forfeited	(3,901,211)	\$0.55	(3,789,869)	\$0.73
Balance at end of year	6,828,319	\$0.39	10,729,530	\$0.44
Options that vested during the period	-	-	-	-
Vested & Exercisable at end of year	-	-	-	-

Options exercised

There were no options exercised by employees during the year ended 30 June 2013.

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2013:

GRANT DATE	NUMBER OPTIONS	TYPE	EXPIRY DATE	EXERCISE PRICE
31/12/10	1,256,501	Employee Option Plan	31/12/13	\$0.50
31/03/11	1,630,962	Employee Option Plan	31/03/14	\$0.31
30/06/11	160,942	Employee Option Plan	30/06/14	\$0.31
30/09/11	1,079,914	Employee Option Plan	30/09/14	\$0.20
25/11/11	2,700,000	Employee Option Plan	31/01/15	\$0.48
TOTAL	6,828,319			\$0.39

NOTE 16 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)**Deferred Employee Share Plan (DESP)**

The shares are issued for a term of three years. The shares are valued using fair value at the date of grant which is deemed to be the five day volume weighted average share price at the date of grant.

Information with respect to the number of shares granted under the DESP is as follows:

	2013		2012	
	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE
Balance at beginning of year	4,512,489	\$0.41	4,506,178	\$0.51
- granted	471,698	\$0.16	1,153,034	\$0.22
- transferred to employees or forfeited	(1,864,506)	\$0.54	(1,146,723)	\$0.61
Balance at end of year	3,119,681	\$0.30	4,512,489	\$0.41
Vested & Exercisable at end of year	-	-	-	-

Total Shares held at the end of the reporting period

The following table summarises information about shares held by employees under the DESP as at 30 June 2013:

GRANT DATE	NUMBER SHARES	TYPE	VESTING DATE	ISSUE PRICE
30/09/10	246,188	Deferred Employee Share Plan	30/09/13	\$0.52
31/12/10	414,957	Deferred Employee Share Plan	31/12/13	\$0.50
31/03/11	520,416	Deferred Employee Share Plan	31/03/14	\$0.31
30/06/11	376,388	Deferred Employee Share Plan	30/06/14	\$0.31
30/09/11	831,413	Deferred Employee Share Plan	30/09/14	\$0.20
25/11/11	258,621	Deferred Employee Share Plan	30/04/14	\$0.29
22/02/13	471,698	Deferred Employee Share Plan	31/01/15	\$0.16
TOTAL	3,119,681			\$0.30

NOTE 17 - EARNINGS PER SHARE

	2013	2012
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)	(25.86)	(3.06)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss attributable to equity shareholders (\$'000)	(105,092)	(11,772)
Weighted average number of ordinary shares used in calculation of basic earnings per share	406,452,608	384,280,944

The share options of 6,828,319 (2012: 10,729,530) are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

NOTE 18 - SEGMENT INFORMATION

The Company operates in one segment, being the geothermal energy exploration & development. The Company's areas of operation are currently located in Australia and the Solomon Islands.

EGS geothermal energy development is the Company's primary focus and business activity and it remains committed to commercialising its "Deeps" geothermal project in the Cooper Basin of South Australia. Geodynamics aims to become the largest renewable energy producer in Australia by developing emission-free, baseload electricity generation from known EGS geothermal resources.

The Company's business plan is based on the development of the known EGS geothermal resource in the Cooper Basin. The Company's activities are currently concentrated on its Habanero location along with the development of appropriate drilling and completion techniques to allow the effective extraction of the geothermal power contained within the Innamincka deep granite resource.

Operating segments are identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors (chief operating decision maker) in order to allocate resources to the segment and assess its performance. The financial information presented in the Statements of Comprehensive Income and Financial Position is the same as that presented to the chief operating decision maker.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief operating decision maker are in accordance with the entity's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 19 – REMUNERATION OF AUDITORS	2013	2012
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity	92,500	123,500
Other assurance services	5,000	5,000
	97,500	128,500

NOTE 20 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

DIRECTORS

K. Spence	Chairman (non-executive)
G. Ward	Managing Director & CEO
P. Chopra	Director (alternate for M. Dave) (retired 29 November 2012)
R. Davies	Director (non-executive)
J. Hamilton	Director (non-executive)
M. Marier	Director (non-executive)
A. Stock	Director (non-executive)
M. Dave	Director (non-executive) (retired 29 November 2012)

EXECUTIVES

K. Coates	Operations Manager
R. Hogarth	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer
A. Hodson	Well Engineering & Technology Manager
A. Mills	Project Engineering Team Leader

Compensation of Key Management Personnel

	2013	2012
	\$	\$
Short-term employee benefits	2,698,179	2,584,209
Post Employment benefits	186,092	194,435
Share based payment	322,453	410,372
	3,206,724	3,189,016

Further information on remuneration of Key Management Personnel is shown in the Remuneration Report contained within the Directors' Report.

NOTE 20 – KEY MANAGEMENT PERSONNEL (continued)

Employee Share Plan Option holdings of Key Management Personnel

	BALANCE AT BEGINNING OF PERIOD 01/07/12	GRANTED AS REMUNERATION/ BECAME KEY MANAGEMENT PERSONNEL	OPTIONS EXERCISED	OPTIONS LAPSED/ NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/13	TOTAL VESTED & EXERCISABLE 30/06/13
<i>FY2013</i>						
Directors						
G. Ward	2,700,000	-	-	-	2,700,000	-
J. Hamilton	-	-	-	-	-	-
P. Chopra	-	-	-	-	-	-
M. Dave	-	-	-	-	-	-
R. Davies	-	-	-	-	-	-
M. Marier	-	-	-	-	-	-
K. Spence	-	-	-	-	-	-
A. Stock	-	-	-	-	-	-
Executives						
K. Coates	201,897	-	-	(201,897)	-	-
R. Hogarth	300,498	-	-	(300,498)	-	-
T. Pritchard	287,977	-	-	(287,977)	-	-
A. Hodson	234,764	-	-	(234,764)	-	-
A. Mills	1,079,914	-	-	-	1,079,914	-
Total	4,805,050	-	-	1,025,136	3,779,914	-

Employee Share Plan Option holdings of Key Management Personnel

	BALANCE AT BEGINNING OF PERIOD 01/07/11	GRANTED AS REMUNERATION/ BECAME KEY MANAGEMENT PERSONNEL	OPTIONS EXERCISED	OPTIONS LAPSED/ NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/12	TOTAL VESTED & EXERCISABLE 30/06/12
<i>FY2012</i>						
Directors						
G. Ward	2,700,000	-	-	-	2,700,000	-
J. Hamilton	-	-	-	-	-	-
P. Chopra	-	-	-	-	-	-
M. Dave	-	-	-	-	-	-
R. Davies	-	-	-	-	-	-
M. Marier	-	-	-	-	-	-
K. Spence	-	-	-	-	-	-
A. Stock	-	-	-	-	-	-
Executives						
K. Coates	201,897	-	-	-	201,897	-
R. Hogarth	300,498	-	-	-	300,498	-
T. Pritchard	287,977	-	-	-	287,977	-
A. Hodson	-	234,764	-	-	234,764	-
A. Mills	-	1,079,914	-	-	1,079,914	-
Total	3,490,372	1,314,678	-	-	4,805,050	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 20 – KEY MANAGEMENT PERSONNEL (continued)

Listed Option holdings of Key Management Personnel (quoted options expiring 31 March 2012 and exercisable at \$0.55 per share)

There are no listed options held by KMP at 30 June 2013

FY2012	BALANCE AT BEGINNING OF PERIOD 01/07/11	OPTIONS LAPSED	BALANCE AT END OF PERIOD 30/06/12
Directors			
K. Spence	37,500	(37,500)	-
G. Ward	-	-	-
B. Agrawala	-	-	-
P. Chopra	37,500	(37,500)	-
M. Dave	-	-	-
R. Davies	37,500	(37,500)	-
J. Hamilton	75,000	(75,000)	-
M. Marier	-	-	-
A. Stock	25,000	(25,000)	-
Executives			
K. Coates	-	-	-
R. Hogarth	-	-	-
T. Pritchard	-	-	-
A. Hodson	-	-	-
A. Mills	-	-	-
Total	212,500	(212,500)	-

Shareholdings of Key Management Personnel

FY2013	BALANCE AT BEGINNING OF PERIOD 01/07/12	APPOINTMENTS/ BECAME KEY MANAGEMENT PERSONNEL	GRANTED AS REMUNERATION*	PURCHASED ON MARKET, SHARE PURCHASE PLAN	RESIGNATIONS, DISPOSED OF/ OTHER/NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/13
Directors						
G. Ward	258,621	-	471,698	-	-	730,319
P. Chopra	955,914	-	-	-	-	955,914
M. Dave	-	-	-	-	-	-
R. Davies	120,775	-	-	-	-	120,775
J. Hamilton	481,708	-	-	-	-	481,708
M. Marier	-	-	-	-	-	-
K. Spence	212,413	-	-	-	-	212,413
A. Stock	62,315	-	-	-	-	62,315
Executives						
K. Coates	314,245	-	-	-	(35,054)	279,191
R. Hogarth	394,451	-	-	-	-	394,451
T. Pritchard	168,171	-	-	-	(50,000)	118,171
A. Hodson	309,394	-	-	-	-	309,394
A. Mills	187,500	-	-	-	-	187,500
Total	3,465,507	-	471,698	-	(85,054)	3,852,151

* Shares granted as remuneration were issued under the Geodynamics Deferred Employee Share Plan and are held in escrow on behalf of the Executive. The Executive is required to remain employed by Geodynamics for 36 months from the date of allocation for the shares to vest.

NOTE 20 – KEY MANAGEMENT PERSONNEL (continued)

Shareholdings of Key Management Personnel

<i>FY2012</i>	BALANCE AT BEGINNING OF PERIOD 01/07/11	APPOINTMENTS/ BECAME KEY MANAGEMENT PERSONNEL	GRANTED AS REMUNERATION*	PURCHASED ON MARKET, SHARE PURCHASE PLAN	RESIGNATIONS, DISPOSED OF/ OTHER/NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/12
Directors						
G. Ward	258,621	-	-	-	-	258,621
B. Agrawala	-	-	-	-	-	-
P. Chopra	955,914	-	-	-	-	955,914
M. Dave	-	-	-	-	-	-
R. Davies	57,500	-	-	63,275	-	120,775
J. Hamilton	386,795	-	-	94,913	-	481,708
M. Marier	-	-	-	-	-	-
K. Spence	117,500	-	-	94,913	-	212,413
A. Stock	43,333	-	-	18,982	-	62,315
Executives						
K. Coates	112,607	-	201,638	-	-	314,245
R. Hogarth	147,251	-	247,200	-	-	394,451
T. Pritchard	168,171	-	-	-	-	168,171
A. Hodson	-	114,319	195,075	-	-	309,394
A. Mills	-	-	187,500	-	-	187,500
Total	2,029,247	114,319	831,413	272,083	-	3,465,507

* Shares granted as remuneration were issued under the Geodynamics Deferred Employee Share Plan and are held in escrow on behalf of the Executive. The Executive is required to remain employed by Geodynamics for 36 months from the date of allocation for the shares to vest.

NOTE 21 - RELATED PARTY DISCLOSURES

Services rendered during the year

During the year electricity was provided to the Company by Origin Energy under normal commercial terms and conditions.

The Metasource (Woodside) environmental credits off take rights

In 2002 Metasource committed by an Agreement to subscribe for 10,443,392 fully paid ordinary shares as a pre-IPO investor in the Company's August 2002 Prospectus. Under the terms of that Agreement Metasource has the right to participate pro rata to its then current shareholding in any further issue of equity in Geodynamics at the price payable by other parties at the time and Metasource has a right to nominate a person to be appointed as a director of Geodynamics.

On 31 March 2004 the Company announced that it had executed an Environmental Credits Off take Deed with Metasource which formalises Metasource's rights to Environmental Credits. Metasource or its nominee has the right to procure all of the environmental credits which arise from 50% (capped at 1,300 GWh/year) of the power generated by Geodynamics' power plant(s). 37.5% of the Environmental Credits can be sold to Metasource at full market price with the balance of 12.5% of the Environmental Credits assigned to Metasource without separate consideration. The term for the purchase of Environmental Credits commenced on 8 April 2004 and ends on the earlier of:

- a) 10 years after the commissioning of the first commercial power plant with capacity exceeding 250 megawatts;
- b) 20 years after the Company achieves commissioning of EGS plants with a combined sales capacity exceeding 250 megawatts; or
- c) 80 years after the date of the contract.

The Origin Energy environmental credits and power off take rights

On 5 August 2003, Geodynamics executed an Investment Deed with Origin Energy Limited wherein the parties agreed to enter into a strategic alliance under which Origin would subscribe for 10,000,000 shares in Geodynamics. Under the terms of the Investment Deed, Origin Energy has a right of participation in future share issues pro rata to its then percentage shareholding in Geodynamics and Origin has a right to nominate a person to be appointed as a director of Geodynamics.

On 29 April 2005, Geodynamics executed a Heads of Agreement (HOA) with Origin Energy Electricity Limited (Origin) under which, at the time final contracts are entered into, the parties will enter into a power purchase agreement (PPA) and Renewable Energy Certificate purchase agreement (RPA). Under the terms of the PPA, Origin will have the right to purchase 50% of the power generated by Geodynamics (capped at 1300 GWh/year) from any power plant that is connected to a transmission system at a discount of 5% to the then market price. The term of the PPA will commence on the first generation of power by Geodynamics from any power plant that is connected to a transmission system and end 10 years after the commissioning of Geodynamics first large commercial power plant (being a power plant which has a nominal rated capacity of 200 MW or more);

Under the terms of the RPA, Origin will have the right to purchase any Renewable Energy Certificates (RECs) and/or environmental credits (ECs) arising from 47.5% of all power generated by Geodynamics at market price (up to a maximum of the number of RECs and ECs arising from the generation of 1300 GWh of power which qualify for the issue of RECs or ECs in each year). In addition a further 2.5% of the RECs and/or ECs will be assigned to Origin without separate consideration. The RPA will start on the first generation of power by Geodynamics and will end 10 years after the commissioning date of Geodynamics first large commercial power plant.

The Origin Energy Joint Ventures

In December 2007, shareholders approved a farmin with Origin Energy (Origin) on the Innamincka "Deeps" EGS geothermal resource. In the subsequent 24 month period, Origin contributed \$105.6m to project costs in addition to its own 30% share of project expenditure to satisfy the terms of the farmin. The resulting Joint Venture is known as the Innamincka "Deeps" Joint Venture and sees Geodynamics as Operator with a 70% project interest and Origin with a 30% project interest. The Joint Venture assets comprise the South Australian geothermal tenements and all property plant and equipment in the Cooper Basin including the drilling rigs.

In February 2010, Geodynamics announced that it had agreed to enter into a second joint venture with Origin to explore for shallow geothermal resources on existing Joint Venture licence areas in the Eromanga Basin in South Australia.

NOTE 21 - RELATED PARTY DISCLOSURES (continued)

The Origin Energy Joint Ventures (continued)

The Innamincka "Shallows" Joint Venture focuses on the exploration of shallow hot sedimentary aquifers (HSA) down to approximately 3,000 m depth, as distinct from the existing "Deeps" Joint Venture with Origin, which focuses on higher temperature enhanced geothermal systems (EGS) in the deeper granites generally below 4,000 m. The participating interests in the "Shallows" Joint Venture are Origin as Operator with a 50% interest and Geodynamics with a 50% interest. At 30 June 2013, Origin Energy Limited, held 15,454,119 fully paid ordinary shares in Geodynamics representing 3.8% of its issued capital.

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint ventures effective 30 June 2013. The result being Geodynamics hold a 100% interest in the Deeps and Shallows joint ventures as at 1 July 2013.

The Kentor Energy Joint Venutre

In November 2012, Geodynamics Limited entered into a two stage earn-in and joint operating agreement with Kentor Energy Pty Ltd ("Kentor"), a subsidiary of Kentor Gold Ltd (ASX: KGL), to acquire up to 70% interest in a conventional geothermal power supply project in the Solomon Islands.

Under the terms of the agreement, Geodynamics is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project ("Project") following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project.

In April 2013 Geodynamics fulfilled its commitments under Stage One of the Earn-In by releasing a Savo Island Inferred Geothermal Resource Assessment and became entitled to the initial 25% in the Savo Island Geothermal Power Project.

The Sentient/Sunsuper investment

On 10 April 2008, Geodynamics announced that The Sentient Group (Sentient) and SunsUPER Pty Ltd (SunsUPER) had agreed to become joint cornerstone investors in Geodynamics. It had been agreed that Sentient and SunsUPER would collectively subscribe for 11.8% of the Company's then current issued share capital or 25 million fully paid ordinary shares in Geodynamics at an issue price of \$1.50 per share. In addition, one attaching unquoted placement option exercisable at \$2.00 per share for every two Shares issued (i.e. 12.5 million options) and expiring 28 February 2009 would be issued. An extraordinary general meeting of shareholders was convened on 29 May 2008 and unanimously approved the placement.

As part of the investment, Sentient and SunsUPER have the right to collectively appoint a Non-executive Director to the Board of Geodynamics. Sentient and SunsUPER are collectively required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Pieter Britz was appointed to the Board on 25 June 2008 as the director representative under this condition. He resigned as a Director on 24 February 2011 and Mr Michel Marier was appointed as his replacement on the same date under that condition.

In March 2010, Sentient and SunsUPER purchased a combined total 14,974,385 fully paid ordinary shares in Geodynamics representing 5.2% of its issued capital. This occurred in an off market transaction thereby increasing their respective holdings by 7,784,592 and 7,189,793 shares. The substantial shareholder notices lodged at the time by both Sentient and SunsUPER showed that Sentient held 20,284,592 fully paid ordinary shares in Geodynamics representing 7.0% of its issued capital and SunsUPER held 19,689,793 fully paid ordinary shares in Geodynamics representing 6.8% of its issued capital.

The Tata Power investment

On 4 September 2008, Geodynamics announced that The Tata Power Company Limited (Tata Power) had agreed to become a cornerstone investor in the Company. It had been agreed that Tata Power would subscribe for 11.4% of the Company's then current issued share capital or 29.4 million fully paid ordinary shares in Geodynamics at an issue price of \$1.50 per share. In addition, one attaching unquoted placement option exercisable at \$2.25 per share for every two Shares issued (i.e. 14.7 million options) and expiring 28 February 2009 would be issued. At the Annual General Meeting held on 20 November 2008 shareholders approved the placement and attaching options issue.

As part of the investment, Tata Power has the right to appoint a Non-executive Director to the Board of Geodynamics. Tata Power is required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Minesh Dave was appointed to the Board on 23 February 2012 as the director representative under this condition. At 30 June 2013, Tata Power through its subsidiary Trust Energy Resources, held 29,400,000 fully paid ordinary shares in Geodynamics representing 7.2% of its issued capital. Mr Minesh Dave retired from the Board on 29 November 2012 and, due to the Tata shareholding being below the required level of 10%, was not replaced.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2013 \$'000	2012 \$'000
NOTE 22 - NOTES TO THE CASH FLOW STATEMENT		
(A) Reconciliation of Cash		
Cash is defined in Note 2 to this financial report. Cash balance comprises:		
Cash on Hand	-	-
Cash at Bank	10,590	8,346
Bank Bills and Term Deposits	30,800	26,800
Total Cash	41,390	35,146
(B) Reconciliation of the operating loss after tax with the net cash flows used in operations		
Loss after income tax	(105,092)	(11,772)
Depreciation and amortisation	7,431	1,320
Net (profit)/loss on disposal of property, plant & equipment	(90)	877
Share Option Valuation Expense	538	1,176
Shares issued in lieu of services	-	19
Shares issued under Deferred Employee Share Plan	582	657
Shares issued for the Acquisition of Assets	-	-
Impairment of Property Plant & Equipment	10,300	728
Impairment of Exploration & Evaluation Costs	78,510	-
Changes in Assets & Liabilities		
(Increase)/decrease in receivables and prepayments	(90)	(5,180)
Increase/(decrease) in other creditors and accruals	823	283
(Increase)/decrease in inventories	-	694
Increase/(decrease) in general provisions	325	2,510
Increase/(decrease) in provision for employee benefits	(79)	(45)
Net Cash Flow used in Operating Activities	(6,842)	(8,733)

(C) Non-Cash Financing and Investing Activities. During the year nil (2012 – 60,000) fully paid ordinary shares were issued in consideration of professional services rendered by external consultants to the Company in the ordinary course of business.

NOTE 23 – AVAILABLE FOR SALE FINANCIAL ASSETS

Geysir Green Energy (GGE) is an unlisted public company headquartered in Iceland with an extensive portfolio of assets in the geothermal sector. The Company's investment in GGE is classified as an investment in an Available for sale Financial Asset. The fair value of the unlisted available for sale investment has been estimated using the valuation techniques based on assumptions, which are outlined in Note 2. For the valuation of GGE at 30 June 2013, the Company has kept the investment at nil value based on advice received from GGE that it requires the support of its banks in order to pay its debts as and when they fall due. Management believes this determination is reasonable and the most appropriate at the balance date. The 3% interest held does not allow Geodynamics to exercise significant influence.

	2013 \$'000	2012 \$'000
Unlisted Available for sale		
Shares in Geysir Green Energy – an Icelandic unlisted public company	-	-

NOTE 24 - CONTINGENT LIABILITIES

Geodynamics Limited has been advised that the South Australian Geothermal Exploration Licences No. 211 (GEL) and Geothermal Retention Licences (GRL) No. 3 through to 12 and 20 to 24 have been granted by the Department of Primary Industries and Resources South Australia on the basis that the grant of a GEL or GRL is not an act which creates a 'right to mine' and therefore 'the right to negotiate' process in the relevant native title legislation does not apply and the grant of the GELs and GRLs are valid for native title purposes. The Company's legal advice is that this is a sustainable position although it would be open to a Court to reach a different conclusion. Any substantiated claim may have a financial ramification for the Company.

NOTE 24 - CONTINGENT LIABILITIES (continued)

The Company has also been advised that none of the New South Wales tenements are invalid for native title purposes or attract the relevant right to negotiate provisions in the applicable native title legislation.

Bank guarantees totalling \$150,000 and \$80,000 are held respectively by the South Australian and New South Wales governments to secure tenement rehabilitation obligations. A bank guarantee totalling \$465,820 is held by the landlord for the lease of the Brisbane office premises.

NOTE 25 - SUBSEQUENT EVENTS

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both the Deeps and Shallows joint ventures effective 30 June 2013. Origin Energy continues to be liable for their share of site rehabilitation costs for both joint ventures for a period of five years from withdrawal. As at 1 July 2013 the company has a 100% interest in both the Deeps and Shallows joint ventures.

On 22 July 2013 the Company advised that the 1MWe Habanero Pilot Plant, which was commissioned on 30 April 2013, had produced Australia's first EGS generated power and was a leading global demonstration of EGS technology.

On 25 July 2013 the Company was honoured to receive the Clean Energy Council (CEC) Innovation Award at the CEC Clean Energy Week Gala Event. The award recognised the leading edge technology developed and deployed in producing Australia's first EGS power with the commissioning of the 1 MWe Habanero Pilot Plant.

Other than the above, there has not arisen between 30 June 2013 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to manage the finances for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Primary responsibility for identification and control of financial risks rests with the board of directors, however the day-to-day management of these risks is under the control of the Managing Director and Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections.

(A) Interest rate risk

The Company's exposure to interest rate risks primarily relates to the Company's funds held on term deposit. The Company has no debt obligations. At balance date, the Company had the following mix of financial assets and liabilities exposed to interest rate risk:

	2013 \$'000	2012 \$'000
Cash and cash equivalents	41,390	35,146

The Company's policy is to place funds in interest-bearing deposits that are surplus to immediate requirements. The Company's interest rate exposure is reviewed near the maturity date of term deposits to assess whether more attractive interest rates are available without increasing risk.

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
+1%	414	351	414	351
-0.5%	(207)	(176)	(207)	(176)

The movements in the loss and equity are due to higher/(lower) interest income from cash balances.

(B) Credit Risk

The Company's maximum exposures to credit risk at balance date in relation to financial assets, is the carrying amount of those assets as recognised on the statement of financial position. There are no derivative financial instruments currently being used by the Company to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. It is noted that the company's significant receivable balances at 30 June 2013 are in respect of the REDP grant and R&D tax incentive scheme. As such they are receivable from the Federal Government of Australia.

(C) Foreign Currency Risk

During the course of its business activities, the Company has had some transactional currency exposures, principally to the US dollar. Such exposure arises from purchases in currencies other than the Company's functional currency. The Company has entered into forward currency contracts to hedge some of these exposures due to the length and size of the currency exposure. They generally relate to the purchase of capital assets or major material purchases. Conversely, the purchase of foreign currency operational supplies and services are generally not hedged due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

NOTE 26 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Foreign Currency Risk (continued)

Approved foreign exchange derivatives are limited to foreign exchange forward contracts and foreign exchange swaps (i.e. simultaneous purchase and forward sale) with tenors of less than 12 months except for long lead time capital items where the tenor shall be as specified under the contract.

Contractually agreed or committed (i.e. Board approval received) foreign currency exposures in excess of the equivalent of AUD 500,000 payable within 12 months are to be fully covered. In addition, contracted capital items with a foreign currency exposure in excess of the equivalent of AUD 500,000 payable beyond 12 months are to be fully covered.

Exposures of less than the equivalent of AUD 500,000 will not normally be covered, as the business risk of not covering these is considered negligible (due to the short time between supply and payment).

It is the Company's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2013, the Company had the following exposures to foreign currency that is not designated in cash flow hedges:

	2013 \$'000	2012 \$'000
Financial Assets		
Available for sale financial asset	-	-
Financial Liabilities		
Trade and other payables	41	398
Derivatives	-	-

At 30 June 2013, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
+10%	4	36	4	36
-5%	(2)	(20)	(2)	(20)

The movements in profit and equity in 2013 are less sensitive than in 2012 due to the lower value of the financial liabilities.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last years historical movements.

- The reasonably possible movement of 10% was calculated by taking the relevant foreign currency spot rates as at balance date, moving those spot rates by 10% and then re-converting back into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Company.

(D) Liquidity Risk

The Company's objective is to maintain sufficient funds to finance its current operations with additional funds to ensure its long-term survival in the event of a business downturn. The Company's policy is that it is dependent on shareholder funds until such time as it commences generating revenue from operations. It has no finance facilities in place and no borrowings. The contractual maturity of the Company's financial liabilities are:

	2013 \$'000	2012 \$'000
6 months or less	4,301	13,773

NOTE 27 - INTEREST IN JOINT VENTURE

As advised in Note 21, Geodynamics is party to a joint venture with Origin Energy (Origin) on the EGS geothermal resource in the Cooper Basin. The Joint Venture is known as the Innamincka "Deeps" Joint Venture and sees Geodynamics as Operator with a 70% project interest and Origin with a 30% project interest. The Joint Venture assets comprise the South Australian geothermal tenements and all property plant and equipment in the Cooper Basin.

(A) Commitments relating to the Joint Venture

	2013 \$'000	2012 \$'000
Share of capital commitments	-	-

(B) Interests in Joint Venture

Current Assets	2,696	7,438
Long Term Assets	3,675	95,597
Current Liabilities	2,395	11,618
Long Term Liabilities	-	-
Other Commitments (Open Purchase Orders)	3,003	8,615
Income	40	1,135
Expenses	5,963	7,929

(C) Method used to recognise interest in Joint Venture

The Company accounts for its interest in the Innamincka 'Deeps' Joint Venture as a jointly controlled asset. As such it records its legal and beneficial share in the joint venture's assets, liabilities, revenues and expenses.

As advised in Note 21, Geodynamics is also party to a Joint Venture with Origin Energy to explore for shallow geothermal resources in the Eromanga Basin in South Australia. The Joint Venture is known as the Innamincka 'Shallows' with Geodynamics with 50% project interest and Origin, as the operator, also with a 50% interest.

NOTE 27 – INTEREST IN JOINT VENTURE (continued)

(A) Interests in Joint Venture

	2013 \$'000	2012 \$'000
Investment in Shallows	10,376	10,376

This interest represents the cash contributions made to the joint venture up to 30 June 2013.

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint ventures effective 30 June 2013. Origin Energy continues to be liable for their share of site rehabilitation costs for both joint ventures for a period of five years from withdrawal. As at 1 July 2013 the company has a 100% interest in both the Deeps and Shallows joint ventures.

As advised in Note 21, Geodynamics is also a party to a Joint Venture with Kentor Energy Pty Ltd (Kentor) to explore for geothermal resources on Savo Island in the Solomon Islands. The joint venture assets comprise the Savo Island prospecting license and all property plant and equipment for use on Savo Island. The joint venture is named the Savo Island Geothermal Joint Venture.

(A) Interests in Joint Venture

	2013 \$'000	2012 \$'000
Investment in Savo Joint Venture	1,137	-
Expenses	47	-

This interest represents capitalised exploration costs to 30 June 2013.

NOTE 28 – INFORMATION RELATING TO GEODYNAMICS LIMITED (THE PARENT)

	2013 \$'000	2012 \$'000
Current Assets	55,817	53,161
Total Assets	60,956	179,855
Current Liabilities	6,502	20,133
Total Liabilities	10,505	25,432
Contributed Equity	346,083	346,083
Accumulated Losses	(306,088)	(200,996)
Other Reserves	10,456	9,336
	50,451	154,423
Profit or loss of the Parent entity	(105,092)	(11,707)
Total comprehensive income of the Parent entity	(105,092)	(11,707)

The Parent has not issued guarantees in relation to the debts of its subsidiaries.

The Parent has no contingent liabilities nor any contractual obligations on behalf of its subsidiaries at 30 June 2013.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Geodynamics Limited, I state that:

- In the opinion of the Directors:
 - the financial statements, notes and additional disclosures included in the Directors' Report designated as audited of the Company are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2012 and of their performance for the period ended on that date; and
 - complying with Accounting Standards and Corporations Regulations 2001; and
 - the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
 - there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2012.

On behalf of the Board.



K. Spence

Chairman
Brisbane, 30 August 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEODYNAMICS LIMITED



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEODYNAMICS LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Geodynamics Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company Geodynamics Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2B, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Geodynamics Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2B.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Geodynamics Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Andrew Carrick
Partner
Brisbane
30 August 2013

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OFFTAKE AGREEMENTS

THE METASOURCE AGREEMENT (2002)

Metasource Pty Ltd (a wholly owned subsidiary of Woodside Energy Limited) was at the time of listing in 2002 the Company's largest shareholder. Metasource committed by an Agreement to subscribe for 10,443,392 fully paid ordinary shares as a pre-IPO investor in the Company's August 2002 Prospectus and was therefore a substantial shareholder at the time the Company was admitted to the official list of the Australian Stock Exchange (ASX) on 11 September 2002. At that time, Metasource's shareholding represented 31.6% of the issued share capital of the Company. Metasource subsequently subscribed for a further 1,111,111 fully paid ordinary shares at an issue price of 90¢ per share on 31 March 2004 to support the Company's working capital requirement for the Cooper Basin Stage One project. In 2008, Metasource sold all of its shares in Geodynamics.

The Metasource Agreement of 2002 contains the following material conditions which remain current:

- Metasource or its nominee has the right to purchase Environmental Credits from Geodynamics and the parties agreed to negotiate and enter into a formal purchase contract. Environmental Credits is defined broadly and includes renewable energy certificates, carbon credits and any other legal, commercial or other benefit (whether present or future) from any use of renewable energy arising directly or indirectly from the use of thermal energy or the generation of power from power plants developed by Geodynamics. On 31 March 2004 the Company announced that in conjunction with Metasource's subscription for a further 1,111,111 fully paid ordinary shares at 90 cents, that it had executed an Environmental Credits Off-take Deed with Metasource which formalises Metasource's rights to Environmental Credits.
- Metasource or its nominee has the right to buy all of the environmental credits which arise from 50% (capped at 1,300 GWh/year) of the power generated by Geodynamics' power plant(s). Metasource is, however, not entitled to purchase Environmental Credits in the form of renewable energy certificates, unless either renewable energy certificates become an instrument which is used for purposes other than those currently prescribed in the Renewable Energy (Electricity) Act 2000 or Geodynamics does not claim the benefit of the environmental credits which Metasource is entitled to buy under the purchase contract other than by reason of there being no legal framework within which such benefits can reasonably be claimed.
- The price of environmental credits will be the lower of 75% of the then market price in Australia or the then market price minus \$5/tonne. The purchase price of environmental credits cannot be less than zero. Subsequently, this condition has been varied following execution of an Environmental Credits Off-take Deed with Metasource on 31 March 2004 such that 12.5% of the Environmental Credits will be assigned to Metasource without separate consideration and the balance of 37.5% of credits can be sold to Metasource at full market value (therefore the weighted average effective discount for the credits remains unchanged at 25%).

ASX agreed to grant a waiver from ASX listing rule 10.1 to the extent necessary to permit the Company to enter into an agreement for the purchase of Environmental Credits which arise from 50% of the power generated by power plants developed by the Company for a period commencing on the date of commissioning the first power station developed by the Company and terminating 10 years after the commissioning of the first commercial power plant with capacity exceeding 250 megawatts.

Subsequently, following execution of an Environmental Credits Off-take Deed with Metasource on 31 March 2004, the Company agreed that the term for the purchase of Environmental Credits shall commence on 8 April 2004 and end on the earlier of:

- a) 10 years after the commissioning of the first commercial power plant with capacity exceeding 250 megawatts;
- b) 20 years after the Company achieves commissioning of HDR plants with a combined sales capacity exceeding 250 megawatts; or
- c) 80 years after the date of the contract.

The waiver from ASX listing rule 10.1 was granted on the following conditions:

- The Company makes full disclosure of the Environmental Credit purchase agreement to any person who may subscribe for the Company's securities under a prospectus issued by the Company during the life of the Environmental Credit purchase agreement;
- The Company includes the following information in each annual report during the life of the Environmental Credit purchase agreement:
 - A statement that Metasource was a substantial holder of the Company at the time that the Company was admitted to the official list of ASX together with details as to Metasource's relevant interest in the total votes attaching to the voting securities of the Company at the time that the Company was admitted to the official list.
 - An explanation of the circumstances under which Metasource first became a substantial holder of the Company.
 - A summary of the terms of the Environmental Credit purchase agreement.
 - The terms of the waiver.

THE ORIGIN AGREEMENT (2003)

Origin Energy Limited (Origin) is the Company's third largest shareholder and currently holds 18,388,688 fully paid ordinary shares representing 4.5% of the issued capital of the Company.

Geodynamics executed an Investment Deed with Origin on 5 August 2003 wherein the parties agreed to enter into a strategic alliance under which Origin would subscribe for 10,000,000 shares in Geodynamics for a subscription price of \$0.50 cents per share and also provide technical assistance and Geodynamics would sell to Origin power generated from any power plant that is or could be connected to a transmission system and renewable energy certificates arising from the generation of any power generated by Geodynamics.

Under the terms of the Investment Deed and following shareholder approval, 10,000,000 fully paid ordinary shares were issued and allotted to Origin on 30 September 2003.

Geodynamics was required to apply the subscription monies towards the development of a two well HDR program in the Cooper Basin to produce 20 MWt of thermal energy and for the conduct a full bankable economic feasibility study in relation to the generation of power using HDR geothermal energy from Geodynamics Cooper Basin HDR resource.

OFF-TAKE AGREEMENTS CONTINUED

The Origin Investment Deed also contains the following material conditions:

- Origin will have the right to appoint a non-executive director to the Board of Geodynamics;
- The parties will proceed to negotiate in good faith a heads of agreement (subject to final contracts) under which as long as Origin holds not less than 10,000,000 shares at the time the final contracts are entered into, the parties will enter into a power purchase agreement (PPA) and Renewable Energy Certificate (REC) purchase agreement. Subsequently, on 4 May 2005, Geodynamics announced that it had executed a Heads of Agreement with Origin;
- Under the terms of the PPA, Origin will have the right to purchase 50% of the power generated by Geodynamics up to a maximum of 1300 GWh per annum from any power plant that is or could be connected to a transmission system at a discount of 5% to the then market price. The term of the PPA will commence on the first generation of power by Geodynamics from any power plant that is or could be connected to a transmission system and end 10 years after the commissioning of Geodynamics' first large commercial power plant (being a power plant which has a nominal rated capacity of 200 MW or more);
- Under the terms of the REC purchase agreement, Origin will have the right to purchase any RECs and/or environmental credits arising from 50% of all power generated by Geodynamics (up to a maximum of the number of RECs and environmental credits arising from the generation of 1300 GWh of power which qualifies for the issue of RECs or environmental credits in each year) at a discount of 5% to the then market price. The REC purchase agreement will start on the first generation of power by Geodynamics and will end 10 years after the commissioning date of Geodynamics' first large commercial

power plant. Subsequently as part of the Heads of Agreement executed on 3 May 2005, the Company has agreed to vary this condition such that 2.5% of the environmental credits will be assigned to Origin without separate consideration and the balance of 47.5% of credits can be sold to Origin at full market value (therefore the weighted average effective discount for the credits remains unchanged at 5%);

- Geodynamics can terminate either or both agreements if at any time during those agreements Origin holds less than 10,000,000 shares in Geodynamics;
- Origin has a right of participation in future share issues pro rata to its then percentage shareholding in Geodynamics;
- Origin can be involved in the exploration, development, use or generation of HDR geothermal energy without the consent of Geodynamics.

Under the terms of a waiver granted by the ASX on 25 August 2003, ASX agreed to grant a waiver from listing rule 6.18 to the extent necessary to permit the Company to enter into the above Investment Deed which would enable Origin to maintain its shareholding in the event of further equity issues by the Company (the 'Top-Up Right'). The waiver was granted by ASX on the following conditions:

- The Top-Up right lapses if the strategic relationship between the Company and Origin ceases;
- The Top-Up Right may only be transferred to a wholly owned subsidiary of Origin;
- Any securities issued under the Top-Up Right are issued on the same terms and conditions as are offered to third parties; and
- The Company discloses in each annual report a summary of the terms of the agreement with Origin.

SUMMARY OF THE METASOURCE AND ORIGIN OFF-TAKE RIGHTS

PARTY	ELECTRICITY OFF-TAKE RIGHTS	RENEWABLE ENERGY CERTIFICATES (RECS) AND ENVIRONMENTAL CREDITS (EC'S) OFF-TAKE RIGHTS
Metasource	-	12.5% free to a maximum of those RECs or ECs arising from 325GWh per year.
Metasource	-	37.5% market price - right but not obligation to a maximum of those RECs or ECs arising from 975GWh per year.
Origin	-	2.5% free to a maximum of those RECs or ECs arising from 65GWh per year.
Origin	50% of export electricity produced to a maximum amount of 1300GWh per calendar year - 95% of forward electricity contract market price	17.5% market price - right but not the obligation to a maximum of those RECs or ECs arising from 455GWh per year.
Total off-take obligations of Geodynamics based on a generated capacity of 2,600 GWh per calendar year		
	80%	100%
Origin	-	For subsequent plants (defined as any other plant other than the first plant), Origin has a right but not the obligation to purchase up to 70% of the REC volume generated from those plants but such quantity cannot exceed more than 30% of the equivalent RECs or ECs capable of being generated at the first plant.
Tenure*	10 years after commissioning of first plant	10 years after commissioning of first plant.

* refer to specific detail in the agreements outlined above.

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 September 2013.

DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Analysis of numbers of equity security holders by size of holding:

RANGE	SECURITIES	NO OF HOLDERS
100,001 and Over	241,581,646	483
50,001 to 100,000	45,612,865	636
10,001 to 50,000	84,418,540	3,732
5,001 to 10,000	19,313,045	2,527
1,001 to 5,000	14,007,570	4,890
1 to 1,000	1,518,942	2,496
Total	406,452,608	14,764
Unmarketable Parcels	12,922,755	

TWENTY LARGEST HOLDERS - ORDINARY FULLY PAID SHARES

The names of the twenty largest holders of fully paid ordinary shares are listed below:

1	HSBC Custody Nominees (Australia) Limited	31,841,395	7.83%
2	Sentient Executive	30,284,592	7.45%
3	Trust Energy Resources Pte Limited	29,400,000	7.23%
4	Origin Energy Limited	15,454,119	3.80%
5	J P Morgan Nominees Australia Limited (Cash Income A/C)	9,282,456	2.28%
6	Citicorp Nominees Pty Limited	4,512,349	1.11%
7	Geodynamics Share Plans Pty Ltd	3,350,176	0.82%
8	Invia Custodian Pty Limited (Franmart Super Fund A/C)	2,950,000	0.73%
9	Mr Paul Armand Darrouzet	2,723,500	0.67%
10	J P Morgan Nominees Australia Limited	1,881,245	0.46%
11	Mr Edward Joseph Gettingby & Mrs Margaret Mary Gettingby	1,675,373	0.41%
12	Mr Gary Alan Chalmers & Mrs Leanne Chalmers	1,360,313	0.33%
13	Mr Richard Norman Gibson & Mrs Ingrid Margareta Gibson (Wattle Hill Super Fund A/C)	1,300,000	0.32%
14	Mr Charles Douglas Sheardown	1,168,421	0.29%
15	Dr Kuen Seng Chan	1,100,000	0.27%
16	Mrs Elizabeth Aprieska (Tap Money Family A/C)	1,099,913	0.27%
17	Mrs Kiara Dione Woods	1,016,132	0.25%
18	Zero Nominees Pty Ltd	975,746	0.24%
19	Sandhurst Trustees Ltd (DMP Asset Management A/C)	974,518	0.24%
20	Dr Andrea Maria Thom	972,966	0.24%
	TOTAL	143,323,214	35.26%

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

ORDINARY SHARES			
	NUMBERS HELD	PERCENTAGE OF ISSUED SHARES*	
1	The Tata Power Company	29,400,000	7.23%
2	Sentient Executive	30,284,592	7.45%
3	Sunsuper Pty Ltd	29,999,999	7.38%

* represents holding percentage at the time of notification

DISTRIBUTION OF SHARE OPTIONS

Analysis of numbers of equity security holders by size of holding:

	LISTED OPTIONS		UNLISTED OPTIONS*	
	NUMBER OF OPTION HOLDERS	NUMBER OF OPTIONS	NUMBER OF OPTIONS HOLDERS	NUMBER OF OPTIONS
1 - 1,000	-	-	-	-
1,001 - 5,000	-	-	-	-
5,001 - 10,000	-	-	-	-
10,001 - 100,000	-	-	1	39,948
100,001 And over	-	-	9	6,788,371
				6,828,319

* Unquoted Options issued under the 2008 Geodynamics Employees Option Plan to take up ordinary shares

USEFUL TERMS

TERM	DEFINITION
Annulus	In a borehole, the space between the drill pipe and the borehole, between tubing and casing, or between casing and formation.
Bit	The end piece of the drill string that cuts and penetrates the earth.
Brine	Water containing dissolved inorganic salts, mainly sodium chloride. Brine from Innamincka granite has salinity approximately two thirds that of sea water.
Casing	Large-diameter steel pipe with threaded connections lowered into an open hole and cemented in place.
Casing shoe	A bull nose shaped device, known as a guide shoe or casing shoe, that is attached to the bottom of the casing string, including the cement around it.
Christmas tree	A set of valves, spools and fittings connected to the top of the well to direct and control the flow of fluids from the well.
Completion	The assembly of down hole tubular and equipment required to enable safe and efficient production from, or injection into, a geothermal well.
Conventional Geothermal	Conventional geothermal resources are hydrothermal systems that are associated with active volcanic systems.
Drilling mud	Provides lubrication and cooling at the drill bit and carries the cuttings back to surface. Its high density holds back overpressures in fractures during drilling.
Enhanced Geothermal Systems (EGS)	A geothermal source which needs stimulation measures to become economically viable by improving energy output.
Fingerprinting	Plotting the flow back of the well at each connection to understand the 'breathing' of the well. It also requires checking this behaviour with a variety of surface equipment turned on/off to understand the impact of these actions on the well.
Geotechnical drilling	It involves drilling small holes to shallow depths, to remove rock and soil samples for soil stability evaluation, to determine a site's suitability for exploration drilling, and construction of a drill pad and site.
Heat exchanger	The piece of equipment built for efficient heat transfer from one medium to another – geothermal brine to de-mineralised water.

TERM	DEFINITION
Hot Commissioning	Hot commissioning is the final stage of commissioning and involves flowing hot brine through the plant in a series of test runs to demonstrate that the plant meets its operational specifications including the operation of all plant protective systems and devices.
Hot Sedimentary Aquifers (HSA)	HSA systems are typically developed in naturally occurring porous sandstones containing water that is heated by either crustal heat flow or proximate hot rocks. Fracturing techniques may still be used to enhance water flow between wells and HSA systems have been successfully operating in Australia and internationally for decades.
Hydraulic stimulation	In the sense of EGS development, a treatment involving the action of fluid pressure on existing natural fractures to enhance fluid pathways in the granite. It is achieved by pumping water down a well at high pressure. Special chemicals are not used.
Magnetotelluric	An electromagnetic geophysical method of imaging the earth's subsurface by measuring natural variations of electrical and magnetic fields at the Earth's surface. Providing information about the earth's interior composition and structure since naturally occurring rocks and minerals exhibit a broad range of electrical resistivity.
Reserve	A measured resource for which commercial production can be forecast with some confidence with existing technology and prevailing market conditions.
Resistivity	Quantifies how strongly a given material opposes the flow of electric current. A low resistivity indicates a material that readily allows the movement of electric charge.
Resource	An area/volume of rock that has demonstrated character or dimensions to indicate that a body of thermal energy can be extracted. Commerciality not yet established.
Slim hole drilling	A drill hole of the smallest practicable size having a diameter of 5 inches (12.7 centimetres) or less.
Wellhead	The surface termination of a well bore that incorporates facilities for installing casing hangers during the well construction phase.

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 SECRETARIES

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 that relates to Exploration Results, Geothermal Resources or Geothermal Reserves is based on information compiled by Dr Graeme Wheller and 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 Graeme Wheller and Robert 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 Graeme Wheller and Robert 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.



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