



GEODYNAMICS
LIMITED

QUARTERLY REPORT
PERIOD ENDING 31 March 2013



*power
from the earth.*



Review of the Quarter

HIGHLIGHTS

During the quarter, activities were focused on the completion of surface works and 1MWe Habanero Pilot Plant pre commissioning operations.

FOLLOWING IS A SUMMARY OF HIGHLIGHTS FROM THE QUARTER:

- Completion of surface works construction for the Habanero-4 – Habanero-1 closed loop, and 1MWe Habanero Pilot Plant refurbishments.
- Completion of pre-commissioning activities for the 1MWe Habanero Pilot Plant, including Distributed Control System programming and upload.

POST THE QUARTER:

- Commencement of commissioning operations at the 1MWe Habanero Pilot Plant, commencing with the introduction of hot brine from Habanero-4 into the heat exchangers.
- Release of the Inferred Resource Assessment for Savo Island, indicating potential capacity to generate in excess of 30MWe, or 100% of Honiara and the Gold Ridge Mine's power requirement.
- Receipt of a \$22.2 million rebate under the Federal Government's R&D Tax Incentive Scheme. This will be reflected in the June quarter results.

The Company's cash position at the end of the quarter stood at \$ 17.6 million.

Cover: Pressure gauge on separator vessel
This page: View from Savo to Guadalcanal



Letter to Shareholders

Dear Shareholder

I am again pleased to write to you following the close of the March quarter to update you on the Company's activities. It is particularly pleasing as at the time of writing, activities to commence the 1MW_e Habanero Pilot Plant were well underway and progressing well. Commissioning the plant is not only a significant milestone for Geodynamics and our shareholders, but for the development of Enhanced Geothermal Systems globally.

Following the announcement on 3 April that commissioning had commenced, operations have been running to schedule. Steam blowing activities to clear any debris that may be present in the plant were conducted and completed mid April. The plug has been successfully removed from Habanero-1 and the closed loop system between Habanero-1 and Habanero-4 has been mechanically completed, with the well and reinjection pump now connected. The closed loop system was commissioned during the past week, and brine injected into Habanero-1.

In early May, both the closed loop and 1MW systems will be optimised. This work will include tuning of the vacuum extraction and brine loop control systems. Following system optimisation, we will transition to the "trial" phase of the project, with the trial expected to continue until August 2013.

The trial will give us the best understanding of the resource that we have ever had. It will help us understand what the most efficient plant design will be, based on different rates of flow and pressure, and identify how to extract most benefit from the resource when commercialisation occurs. The data gathered over the next months will also enable us to develop a field development plan for a small scale geothermal project, targeting a customer in the Cooper Basin.

I was also very pleased to announce the positive results of the Initial Inferred Resource Assessment of Savo Island in the Solomon Islands, post the reporting period. The assessment estimates a total median Inferred Geothermal Resource of 269 PJ_{th}, which, if recovered and converted would be adequate to generate 37 MW_e for 30 years. This generation capacity would be sufficient to supply more than the total current requirement of the city of Honiara and the Gold Ridge Mine, situated 25 km from Honiara

To date Geodynamics has had very positive discussions with the Solomon Islands Government on early engagement as the cornerstone customer for the project. With both continued success in the exploration program and further positive engagement with the Solomon Islands Government, the Savo Island Project could be supplying power to Honiara within four to five years.

Additionally also subsequent to the reporting period, Geodynamics received a \$22.2 million refund under the Federal Government's R&D Tax Incentive Scheme. The refund, together with the Company's efforts to improve its cash position over the past year, has positioned Geodynamics well to fund the completion of the 1MW_e Habanero Pilot Plant trial, pursue exploration of the Savo Island project and continue development of the Cooper Basin.

Shareholders would be aware that Origin advised their intention to withdraw from the Joint Venture in March. Geodynamics would like to thank Origin for their contribution and support over the past six years. Their contribution has assisted the development of Enhanced Geothermal Systems (EGS) and demonstration of this technology in Australia. We remain committed to continue this development and demonstrating the potential of the deep EGS resource in the Cooper Basin and trust the results of the 1MW_e Habanero Pilot Plant trial over the next quarter and the Company's strong financial position will allow us to do this.

If you have questions or require further information, I would be pleased to assist. Your questions may also be directed to our Investor Relations team via info@geodynamics.com.au or on +61 7 3721 7500.

Geoff Ward

Managing Director and Chief Executive Officer



Mr Geoff Ward,
Managing Director and
Chief Executive Officer



Operations Update

1MW_e Habanero Pilot Plant

COMMISSIONING

Post the reporting period, Geodynamics received approvals to commission and run the 1MW_e Habanero Pilot Plant from the South Australian Department of Manufacturing, Innovation and Trade, Resources and Energy (DMITRE). Geodynamics issued notification to DMITRE that it intended to commence commissioning of the plant on 3 April. Commissioning of the plant started with the introduction of hot brine flow from Habanero-4 into the plant to warm-up the brine system. Following plant warm-up, steam was generated via the heat exchangers and approximately 35 steam blows were performed. A steam blow is an operation whereby the pipe work to the steam turbine is pressurised and then rapidly released to the atmosphere to remove contaminants from the pipe work to protect the turbine.



STEAM BLOW

The steam blow pictured left is an operation whereby the pipe work to the steam turbine is pressurised and then rapidly released to the atmosphere to remove contaminants from the pipe work to protect the turbine.

TRIAL

The operating trial will commence at the beginning of May and will run through until approximately August. During the trial period the load generated will be used to power the 1MW_e Habanero Pilot Plant auxiliaries as well as the site camp. As reported at the Annual General Meeting, due to the nature of the trial and the inability to guarantee permanent power supply for the duration of the trial, the Pilot Plant will not be supplying Innamincka with power. The third open flow test will be conducted at a convenient time during the trial, most likely towards the end of the period, in August.

The trial has a number of key objectives, including:

- Testing the impact of geothermal brine chemistry on the surface brine system
- Testing performance of the caustic cleaning system engineered to remove stibnite from the brine heat exchanger and monitoring of stibnite levels in the brine as it is cycled through the reservoir
- Testing of the thermosiphon effect. The thermosiphon effect is natural convection created by density differences in the geothermal brine occurring due to temperature gradients, aka the “buoyancy drive”
- Testing and optimising of the computer control system, to integrate the brine loop with the steam power plant
- Testing of reservoir permeability by operating the closed loop system at various flow rates
- Testing of the reservoir volume by observing the transit of tracers through the reservoir
- Measurement of temperature and pressure profiles in both wells once stable closed loop operation has been established



Operations Update

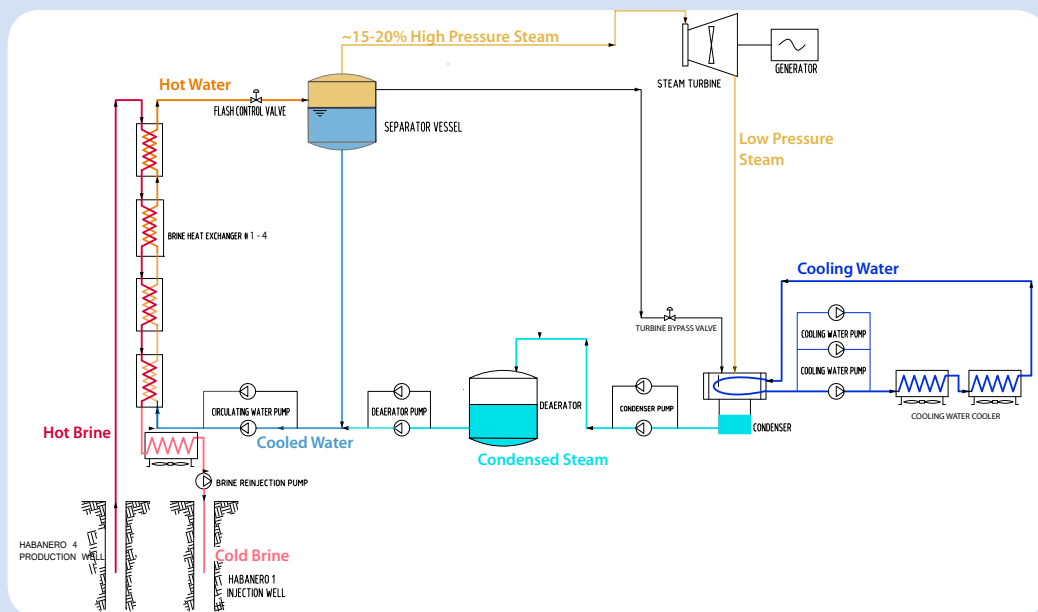
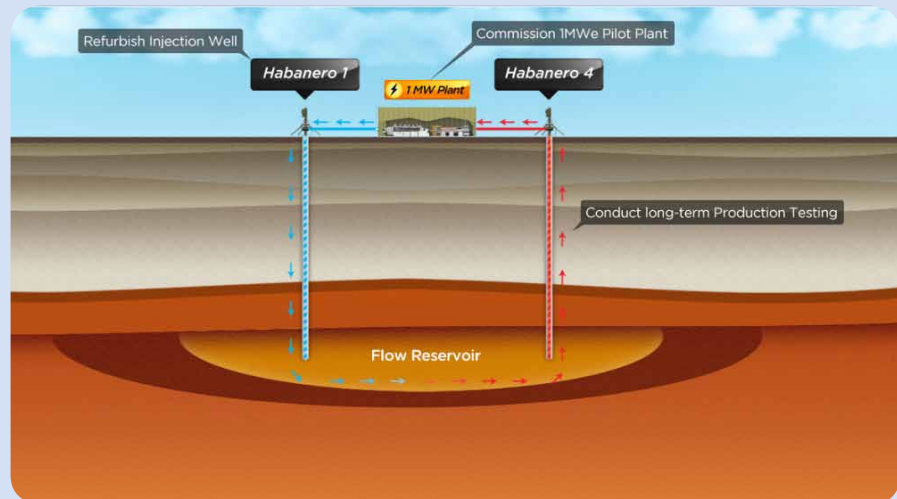
Case Study

CLOSED LOOP

The closed loop created between Habanero-4 and Habanero-1 (see diagrams below) provides the hot circulating geothermal brine used to generate the steam powering the Habanero Pilot Plant turbine.

The reservoir fluid (brine) is produced from Habanero-4 and travels 700 meters through insulated piping to the 1MW_e Habanero Pilot Plant where it enters the heat exchangers. In the heat exchangers the heat from the brine is transferred to the working fluid (demineralised water) which then travels via a separator vessel to the turbine. The now slightly cooler brine is passed through a fan cooler before being reinjected into Habanero-1

Further information on the operation of the Pilot Plant can be found in the Resource Centre of the website www.geodynamics.com.au/Resource-Centre.aspx





Operations Update

HABANERO-1 REMEDIATION

Following some delays in securing a coil tubing unit due to the current high demand for this type of equipment, the plug at Habanero-1 was successfully pulled on April 10, post the reporting period. Once the plug had been safely removed, an injectivity test was performed to confirm the Habanero fracture zone was still open. Pipe work including the emergency shut down valve have been installed to connect the reinjection pump to the well, mechanically completing the closed loop. Initial re-injection flows have been established with the well and pump performing well under the conditions.



Right: The coil tubing unit in operation removing the plug from Habanero-1

ORIGIN JOINT VENTURE WITHDRAWAL

On 28 March Geodynamics reported to the market that it had been advised by its Joint Venture partner Origin Energy of their intention to withdraw from the Innamincka Deeps and Innamincka Shallows Joint Ventures, effective 30 June 2013. The withdrawal follows Origin's communication in August 2012 that they would cease funding their joint venture share of costs to complete Habanero-4, and their prior decision not to participate in the proposed FY2013 work program and budget for the completion of the testing program and trial operations of the 1 MW_e Habanero Pilot Plant at Innamincka.

Geodynamics would like to thank Origin for their contribution since joining the joint venture in 2007. Their support has allowed Geodynamics to significantly progress the development and demonstration of an Enhanced Geothermal System in Australia. With the successful completion of the Habanero-4 well in September 2012 the Joint Venture demonstrated one of, if not the highest productivity EGS test performed in the world.



Exploration Projects

Savo Island Geothermal Power Project

COMPLETION OF INFERRED GEOTHERMAL RESOURCE ASSESSMENT

Post the reporting period, Geodynamics announced the results of an initial exploration study (the Savo Island Inferred Geothermal Resource Assessment) which confirmed a potential electrical generation capacity of 37 MW_e for the Savo Island Project. The generation capacity could supply more than the total current energy requirement for Honiara and the Gold Ridge Mine, situated 25 km from Honiara. A summary of the study was released to the ASX on 10 April.

The independent resource assessment was prepared in accordance with The Geothermal Reporting Code, Second Edition (2010). The full report was prepared by Volcanex International, and estimates a total median Inferred Geothermal Resource of 269 PJ_{th} within the prospecting license boundary. Based on this median estimate the report concludes that Savo Island has a sufficient Recoverable Thermal Energy that if recovered and converted would be adequate to generate 37 MW_e for 30 years.

The resource assessment provides sufficient information and confidence to justify the progression of further exploration activities, including exploration drilling, to prove the reservoir conditions and the prospectivity of the project for commercial electricity generation.

Solomon Islands Tenement



An independent peer review of the data by Sinclair Knight Merz Limited, a leading geothermal consulting company, states that “there is sufficient confidence in the resource assessment to encourage an exploration/production drilling programme in the most prospective area to the southeast of the crater.”

SAVO GEOTHERMAL PLAY, SOLOMON ISLANDS

	Inferred Geothermal Resource		
	Recoverable Thermal Energy (PJ _{th})		
	P90	P50	P10
Southern Area	116	209	329
Northern Area	33	60	100

SCOPING STUDY

In parallel to the completion of the initial resource assessment, a scoping study was completed to assess the viability of potential development schemes to extract and deliver the power from Savo Island.

The study assessed the potential for the development of a power plant of up to 20 MW_e in size and identified a viable potential project scheme that would bring significant benefits to all stakeholders. It also examined the type of power plant that could be constructed, the infrastructure challenges that may be encountered during construction, such as access to the island, access to the potential drill sites and what type of infrastructure would be required on Savo to overcome these challenges. The potential conversion of the geothermal power into electrical power and transmission of the power from Savo to Honiara via subsea cable was also assessed.



Exploration Projects

NEXT STEPS

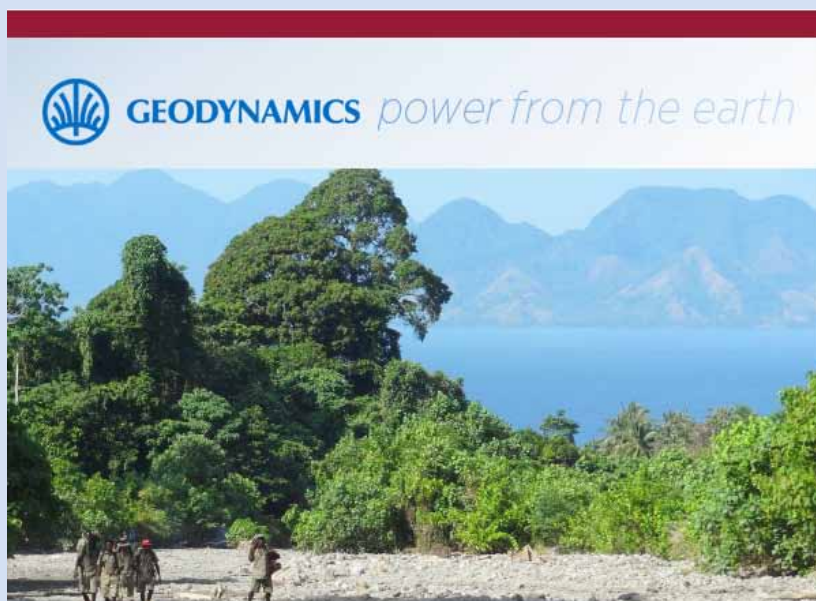
Geodynamics will now focus on progressing discussions with the relevant ministries within the Government of Solomon Islands in relation to planning and approvals for further exploration activities, and discussions with the Solomon Islands Electricity Authority in relation to electricity supply and power purchase agreements. The joint venture is actively engaging with customary landowners through community consultation and workshops as we proceed with advancing the project. Initial exploration drilling may occur as soon as the 2014 dry season.

JOINT VENTURE AGREEMENT

Through the expenditure on preliminary exploration and completion of the Resource Assessment and Scoping Study, Geodynamics has fulfilled its commitments under Stage One of the Earn-In Joint Venture with Kentor Energy. Completion of Stage One means Geodynamics will now take a 25% interest in the Joint Venture along with operatorship of the Project.

GDY HotSpot

LEARN ALL ABOUT THE SAVO ISLAND GEOTHERMAL POWER PROJECT



The Savo Island Geothermal Power Project is Geodynamics' newest project. It was acquired by signing a Joint Venture agreement with Kentor Energy late last year. Join Geodynamics' Senior Geophysicist, Andrew McMahon as he discusses a recent field trip to Savo Island and explains the project in more detail, through the Savo Island HotSpot presentation located here: <http://www.geodynamics.com.au/Our-Projects/Savo-Island.aspx>

The presentation describes the volcanic topography and field work that was conducted during the trip, and also outlines the next steps for the project. A further video showing some of the volcanic surface manifestations that occur on the island can be viewed through the Resource Centre on our website.



Exploration Projects

GOVE DIRECT HEAT GEOTHERMAL PROJECT

During the quarter, Rio Tinto announced that it would continue its operations at the Pacific Aluminium alumina refinery at Gove, Northern Territory.

Geodynamics entered into a joint venture with Gulkula Mining Company Pty Ltd (Gulkula Mining) in September 2012. The joint venture will explore the potential for a direct heat geothermal project on the Gove Peninsula, with the potential to deliver heat to the Rio Tinto owned Pacific Aluminium alumina refinery.

The joint venture parties will continue to engage with Pacific Aluminium as they finalise commercial arrangements, and develop detailed refinery conversion plans.

Government Update

R&D TAX REBATE

Post the period in review Geodynamics report the receipt of a \$22.2 million tax refund under the Federal Government's R&D Tax Incentive Scheme.

Under the scheme, companies with a turnover of less than \$20 million are entitled to a cash refund of 45 cents per dollar spent on eligible research and development in Australia. The Company's claim relates to the costs of research and development conducted on the Cooper Basin Enhanced Geothermal Systems Project for the 2011/2012 financial year.

The tax refund, together with Geodynamics' careful cash management and existing cash in bank has put the Company in a strong position to continue with the development of the Habanero Project and the continued exploration and development of the Savo Island Geothermal Power Project.

Investor and Public Relations

Geodynamics will be running site tours to enable shareholders to observe the Habanero 1MW_e Pilot Plant in operation during the trial period.

These site tours are being offered in lieu of a large-scale launch event which had previously been envisaged. This revised tour format will enable Geodynamics to better brief shareholders on plant operations while maintaining staffing for the ongoing trial and operations at Habanero.

TOUR DATES AND TIMES

Shareholders are invited to register interest to attend site tours on any of the following dates:

- Saturday 18th May
- Saturday 1st June
- Saturday 15th June
- Saturday 29th June

Tours will commence at 10:30 AM and will conclude around 11:30 AM.

TOUR FORMAT

The site tours will be conducted by one of our team members at the Pilot Plant facility and will provide visitors with a general tour of the plant area, including*:

- Touring the 1MW_e Pilot Plant surface works, external plant and equipment
- Viewing the turbine hall where the plant will be running
- Reviewing the heat exchangers and discussing their importance in the operation of generating Australia's first power from Enhanced Geothermal Systems

Visitors will also be invited to address questions regarding plant operations to the tour manager on the day.

REGISTER YOUR INTEREST FOR A TOUR

In order to register for one of the site tours, please visit www.geodynamics.com.au/tours and complete the form. Further information on the tours, dress regulations, where to stay in Innamincka and how to get there is also available through the website.

TOUR QUESTIONS

Questions regarding the site tours can be addressed to our Investor Relations team via email: info@geodynamics.com.au or phone on +61 7 3721 7500.

* Shareholders should be aware that the tour format may be modified depending on operational requirements on the day.





Investor and Public Relations

HEAR MORE ABOUT OUR PROGRESS

We invite you to listen to Managing Director and CEO, Geoff Ward as he discusses the key milestones and announcements with Boardroom Radio.



Recent interviews available are:

- Savo Island Inferred Geothermal Resource Assessment - released Thursday 11 April 2013 - <http://www.brrmedia.com/event/111138/>
- 1MWe Habanero Pilot Plant- Commencement of Commissioning Operations – released Wednesday 3 April 2013 - <http://www.brrmedia.com/event/111011>

Boardroom Radio Investor Updates are available from <http://www.geodynamics.com.au/Investor-Centre/Boardroom-Radio.aspx>

Useful Terms

TERM	DEFINITION
Steam Blow	The process of building up pressure in the pipe work prior to the turbine, and then rapidly releasing to the atmosphere, to remove scale and debris from pipe work and hence protect the turbine during operation.
Production well	The well through which hot geothermal water is brought to the surface from an underground reservoir.
Injection well	The well through which the cooled geothermal water is returned to an underground reservoir after use.
Open loop flow testing	The system used for testing the flow of reservoir fluid (brine) from the production well.
Closed loop flow testing	The system for testing the circulation of brine through the reservoir up the production well and back into the reservoir through the injection well.

The information in this report to which this statement is attached that relates to Exploration Results, Geothermal Resources or Geothermal Reserves is based on information compiled by Dr Graeme Wheller and 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.

Corporate Directory

BOARD OF DIRECTORS

Mr Keith Spence
(Non-executive Chairman)

Mr Geoff Ward
(Managing Director and CEO)

Mr Bob Davies
(Non-executive Director)

Dr Jack Hamilton
(Non-executive Director)

Mr Michel Marier
(Non-executive Director)

Mr Andrew Stock
(Non-executive Director)

COMPANY SECRETARY

Mr Tim Pritchard CPA CSA (CERT)

PRINCIPAL AND REGISTERED OFFICE

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AUDITOR

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SOLICITOR

Thomsons Lawyers

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SECURITIES EXCHANGE LISTING

Geodynamics Limited shares are listed on the
Australian Securities Exchange,
ticker: GDY

