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ASX Announcement

29 November 2012

2012 Annual General Meeting – Chairman’s Address

Address to shareholders by Mr Keith Spence, at Geodynamics Limited’s Annual General Meeting in Brisbane on 29 November 2012.

This is my second Annual General Meeting as your Chairman and it is a pleasure to have the opportunity to address you this evening on Company progress.

2012 marks the turnaround in Geodynamics’ recent fortunes. It has been a strong year for the Company with the renewal of our operational program at Habanero and the acquisition of new projects to complement our Cooper Basin program, excellent safety performance, demonstrated cost reductions and a strengthened financial position.

It is particularly pleasing to report that we have made material progress with our Cooper Basin Deeps EGS Project.

The key operational highlight and first milestone of our current field program is the successful drilling and completion of Habanero 4, the most technically challenging well to have been drilled in Australia in 2012. Given the extreme temperatures and pressures encountered drilling the well, it is very pleasing that Habanero 4 was drilled safely, with no lost time injuries, and with minimal impact on the local community and environment.

Habanero 4 is our first EGS well to be drilled since 2009. While there has been pressure to achieve quicker results, we have put safety first. We have carefully worked through the unique technical challenges of drilling these deep geothermal wells, with a focus on doing the job well and safely. In taking this approach we have demonstrated improvements over past campaigns and have ensured a high quality well for our testing program.

Habanero 4 has included innovations, such as the reverse cementing procedure, that are the first of their kind in Australia. We also achieved improvements with rates of penetration while drilling, we increased the lifespan of drill bits and improved the performance of well fluids. These improvements will help to reduce the cost of future wells.

We are now midway through an exciting testing program.

Our Habanero site has again demonstrated why it is one of the most prospective locations for Enhanced Geothermal Systems development globally. We reported in November that the well has flowed high pressure hot water at 191°C at surface from a deep fracture zone in granite at 4,130 m cable depth and at rates of 35 kg/s prior to local stimulation and averaged 38 kg/s following the initial stimulation program. These results significantly exceed those achieved at Habanero 3 when a stable flow of 27 kg/sec was achieved, and represent one of the highest flow rates to be achieved globally.

We are underway with a major stimulation exercise that will seek to assess our ability to extend the existing fracture system, prior to closed loop flow testing. Closed loop testing will involve producing steam from the fracture at Habanero 4 and re-injecting that steam back into the fracture at Habanero 1, thereby creating a closed flow loop. The project at Habanero is our flagship development and, for our many shareholders who have demonstrated remarkable loyalty over a number of years, it is an exciting time to see the project progress to this stage in the lead up to commissioning and trialling the 1MWe Habanero Pilot Plant in the first half of next year.

Before your CEO, Geoff Ward, reviews our operations in greater detail, I wish to address the market environment and some significant external forces that are impacting the geothermal sector.

Globally there is continued concern about financial markets, and this is creating a high level of risk aversion amongst investors and financiers. Coupled with reduced global commitment to binding carbon pollution reduction measures, this has had a negative impact on the renewables sector generally.

There have also been substantial changes in the Australian electricity market.

In 2010 it was forecast that in 2012 the National Electricity Market would consume around 210 terawatt hours of power. In fact, in FY2012, the market will consume only 190TWh or 10% less than expected. Power consumers, particularly residential users, are changing their behaviours. They are using energy more efficiently, they are investing in solar panels on roof tops and this is changing the outlook for electricity demand significantly.

The Australian Energy Market Operator and the Australian Energy Regulator now forecasts a significantly lower generation capacity in the Australian market after 2015 than was anticipated just two years ago and this is significantly lower than what was anticipated in the 4 years or 5 years before that.

These changes mean that Australia now has significant excess baseload capacity, and that new baseload investment is not required before 2020 at least.

Further major domestic uncertainty surrounds carbon policy and supporting funding measures. Australia has implemented a comprehensive suite of legislation to drive a long-term transition to a low carbon economy. However, the risk of this legislation being repealed is both credible and near

term. The combination of the high risk of regulatory change and the lower demand outlook for electricity has stifled investment across the electricity sector, with the exception of wind and solar PV projects that have benefited from rapidly decreasing costs.

This creates a very different market position and outlook for our Habanero project than the one anticipated 3 - 4 years ago. Despite the material progress we have made this year, there is no expectation of short to medium term demand for new national scale infrastructure in baseload generation.

This has led your Board and management to reshape the Company's strategy. In addition to implementing a careful gated approach to the investigations at Habanero, we have focused on the following areas:

- Rebuilding our balance sheet to make the most of our financial resources;
- Reducing costs so the Company does not need to raise as much capital; and
- Diversifying our portfolio to add projects that can be done within our means, that have the potential to bring revenue sooner and that will allow us to maintain the Company's long-term focus on our Cooper Basin project.

Initiatives to strengthen our balance sheet have delivered solid outcomes. These include the sale of Rigs 100 and 200 to deliver a combined \$26.5 million for Geodynamics, settling the remainder of the Habanero 3 insurance claim with the Company receiving approximately \$8.2 million, accelerating funding under the Renewable Energy Demonstration Program grant and finally, with the support of many shareholders, the raising of the maximum amount of \$10 million from an institutional placement and oversubscribed Share Purchase Plan in January 2012.

The Company has achieved significant cost savings in all areas of our operations including in staff costs, office rental costs, Board costs, travel and consultants. The costs of supporting our operations in the Cooper Basin have been significantly reduced through the establishment of a smaller more self sufficient field operation. Together these savings plus the reduced overheads through the sale of Rigs 100 and 200 have reduced our ongoing expenditure by in excess of \$3 million per annum compared to 2010. While we have reduced our manpower we have maintained strong capability in the areas critical for geothermal development; geology and sub-surface technical skills, drilling capability, engineering and commercial functions ensuring we are well positioned to continue the strong field performance of this year. Through careful capital management and cost controls, we have ensured sufficient funds to drill Habanero 4, carry out the test program and commission and trial the 1MWe Habanero Pilot Plant. We remain committed to delivering and operating our pilot plant this financial year.

I am well aware that shareholders want to know where their Company is heading and what lies ahead after the 1MWe Habanero Pilot Plant trial.

The results of the stimulation, closed loop flow tests and operation of the pilot plant will allow us to produce a field development plan and feasibility study in order to engage with customers for an initial commercial project that could underpin further drilling and development activities. Given the current weak demand outlook for the Australian national electricity market and the cancellation of BHP Billiton's expansion plans for Olympic Dam, this is likely to be a smaller scale plant than previously planned and we will target customers with operations in the Cooper Basin and surrounding mineral development areas.

Geothermal has an important role to play in the long-term energy outlook for Australia and this point is clearly made in the federal government's Energy White Paper. Commercial development opportunities will be driven by growth in load demand, the availability of capital for this type of investment and customer commitment to an offtake that supports the investment.

In reviewing the market opportunities for our Habanero Project, it is quite clear we cannot rely on this project alone to sustain the Company's activities. We have therefore taken steps this year to broaden our portfolio interests by securing projects that can be progressed at low initial cost and that have potential to provide a shorter path to commercial markets, within existing technical capabilities.

Our new joint venture in the Gove Peninsula, Northern Territory is a compelling opportunity to investigate a direct heat geothermal project with a nearby potential customer. To date we have signed an agreement with Gulkula Mining, a commercial subsidiary of the Gumatj clan, who are the traditional owners of the land within the geothermal permit under consideration. The next phase of the project involves preliminary geothermal studies ahead of initial exploration drilling.

Most recently we were pleased to announce a joint venture opportunity with Kentor Energy to explore a conventional geothermal resource in the Solomon Islands. We are underway with a magneto-telluric survey to identify target drilling locations and expect to commence an exploration program towards the end of calendar 2013.

We see these new opportunities in the Northern Territory and Solomon Islands as highly complementary. They give us a viable and immediate commercial path forward with some high impact but low cost projects. We now believe the Company has the appropriate mix of capability and cost to allow us to bring forward our Cooper Basin project while continuing to assess and develop new opportunities.

I would now like to advise shareholders of changes to the Geodynamics Board.

This evening we sincerely thank Mr Minesh Dave who will retire from the Board after this meeting for his contribution since February. Mr Dave was appointed as a representative for Tata Power under the terms of their investment deed.

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Following the capital raising undertaken by Geodynamics in 2010 and 2011, Tata's shareholding has reduced below 10% - the required level to maintain Board representation under the terms of this agreement. Tata Power continues to hold the shares purchased via its original investment in 2007 and Geodynamics will remain in close contact with Tata Power as a key investor in the Company.

The Board of Geodynamics reviews its composition and size annually to ensure that it has the appropriate skills necessary to carry out its duties to shareholders while also being an appropriate size giving regard to the Company's resources. This decision represents the desire for a smaller Board to decrease costs. Mr Dave's retirement will reduce the number of Directors to six.

With his departure, Dr Prame Chopra who acts as Alternate Director for Mr Dave will also retire at the end of tonight's meeting. Dr Chopra was a founding Director of Geodynamics and has provided a substantial contribution to the Company's development over many years. He has served on Geodynamics' Technical Committee, Health, Safety and Environment Committee and the Audit and Risk Committee.

I would like to acknowledge the very important contribution made by Dr Chopra after twelve years of service.

This month also marks the retirement of Dr Doone Wyborn, Geodynamics' Chief Scientist. Dr Wyborn was a founding Director of Geodynamics forming the Company from the Australian National University in Canberra in 2000, and the leading proponent of deep hot geothermal potential in Australia for many years prior to the successful formation of Geodynamics. We thank Dr Wyborn for his great service and contribution to Geodynamics from its early exploration days through to our current stage of development.

Finally, I would like to thank you, our shareholders, for your continued and loyal support of the Company.

We continue to pioneer Enhanced Geothermal Systems development and there remain a number of engineering and market challenges to resolve. However the reasons why geothermal has been identified as such an important energy source have not changed and, if anything, they continue to be heightened and strengthened by a long term focus on reducing carbon emissions and energy sustainability; an increase in fossil fuel pricing and resource scarcity; and the desire to build sustainable and diversified energy systems.

We have shown in 2012 that we can systematically address these challenges and will continue to do so in 2013. 2013 promises to be another exciting year for your Company. We have a clear program to achieve key milestones at Habanero and bring forward new resources at Savo Island and Gove. With our reduced cost base and strengthened financial resources, the Company is significantly more secure and sustainable and so better positioned to continue the long-term development at Habanero as well as achieve revenue generation in the shorter term through our new projects.

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End of Address

For further information, please check our website (www.geodynamics.com.au) or contact Mr Geoff Ward on + 61 7 3721 7500. Media and investor inquiries may also be directed to Mrs Meredith Bird, Corporate Affairs Manager on +61 7 3721 7581.

A handwritten signature in black ink, appearing to read "Geoff Ward", written in a cursive style.

Geoff Ward
Managing Director and Chief Executive Officer

— ends —