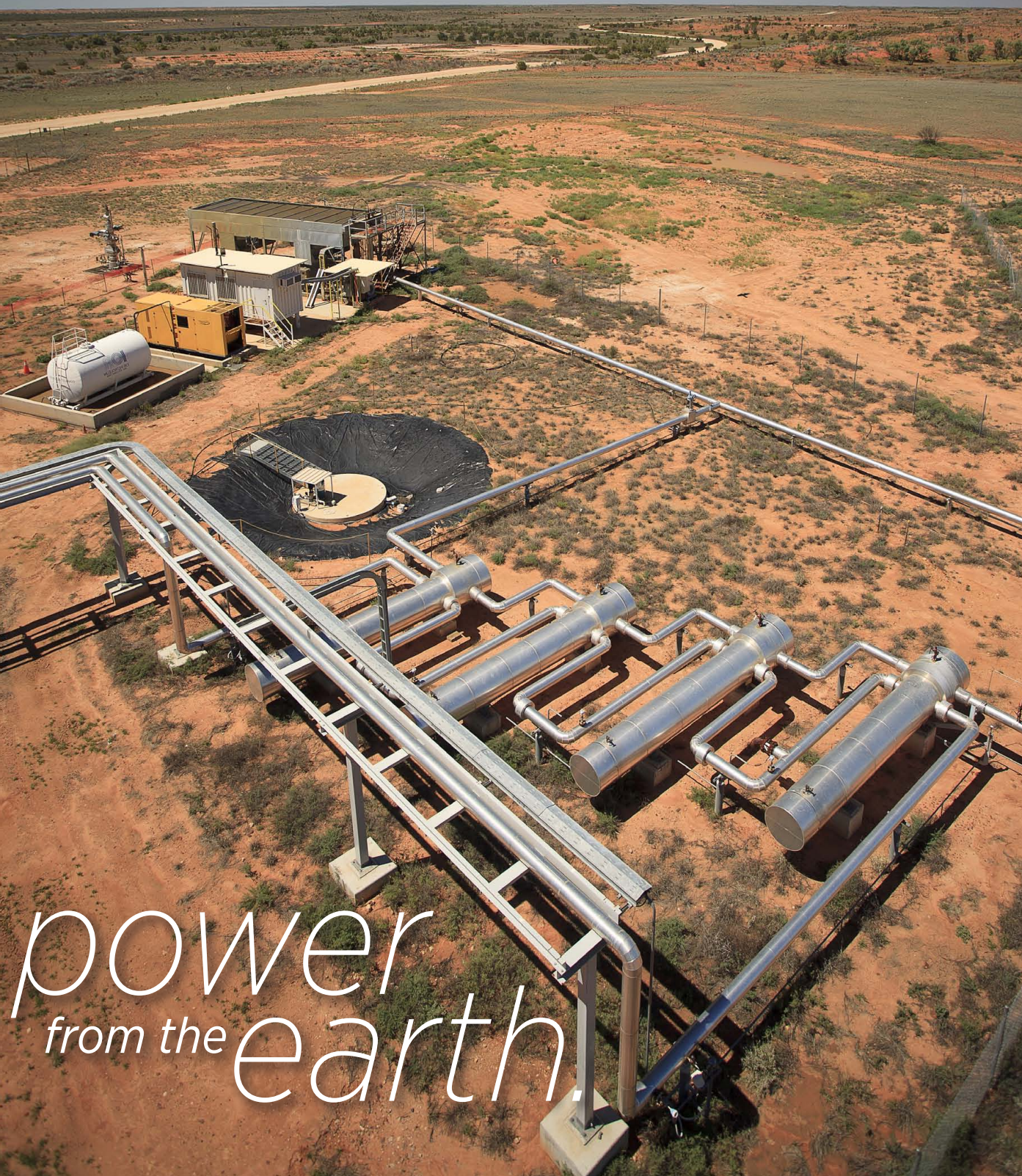




GEODYNAMICS
LIMITED

QUARTERLY REPORT

PERIOD ENDING 30 September 2012



*power
from the earth.*

Review of the Quarter

HIGHLIGHTS

Activities for the period have focused on drilling and completion operations at Habanero 4 and preparations for the planned testing regime scheduled for the current quarter. Geodynamics also announced a new Joint Venture project with Gulkula Mining to investigate the potential for a direct heat geothermal project, within the Gove Peninsula, Northern Territory.

FOLLOWING IS A SUMMARY OF HIGHLIGHTS FROM THE QUARTER:

- Drilling and completion of Habanero 4 to a target depth of 4,204 m, one of the most technically challenging wells to be drilled in Australia this year.
- Successfully completed the first reverse cementing operation in Australia at Habanero 4. The decision to use reverse cementing was taken after a thorough review of the causes of the failure of the Habanero 3 well identified that this was the best available method to ensure the overall safety and integrity of the Habanero 4 well.
- During the quarter preparations for open flow testing and stimulation continued, commencing with clean-up flow activities post the reporting period in October. Full open flow testing, local and major stimulation are planned for November through until December.
- 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.
- Heads of Agreement for a new joint venture project opportunity in Gove Peninsula, East Arnhem Land, Northern Territory, signed with Gulkula Mining Pty Ltd offering a highly promising exploration prospect that builds on the skills and experience gained through the Innamincka Deeps EGS Project. The joint venture will 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. Preliminary surface studies and temperature measurements as well as gaining the requisite permits will form the first part of Geodynamics' exploration activities.

The Company's cash position at the end of the quarter stood at \$ 30 million.



***Cover: Aerial of the heat exchangers and pipe work of the 1MWe Habanero Pilot Plant
This page: Signage on the way to Innamincka***



Letter to Shareholders

Dear Shareholder,

Our key operational highlight of the last quarter has been the completion of Habanero 4, Geodynamics' sixth Enhanced Geothermal Systems (EGS) well. Reaching a depth of 4,204 metres in late August, the safe drilling of Habanero 4 through a highly over-pressured reservoir to target depth is a significant milestone in our Habanero program.

Notably our drilling campaign at Habanero 4 saw Geodynamics achieve some of its best operational parameters to date over previous campaigns, affording us an opportunity for further cost reduction in the delivery of future wells. The team also completed the technically challenging reverse cementing operation, the first of its kind to be undertaken in Australia.

With the Habanero 4 well now complete, Geodynamics has been preparing throughout the quarter for the next major stages in the program. Our planned flow testing and major stimulation at Habanero 4 will enhance our understanding of how the geothermal reservoir performs, while also measuring our ability to extend the system. These activities are scheduled to commence in mid November when the required equipment and contractors are next available.

Post the reporting period, we were pleased to announce that the well has flowed steam during initial well clean-up operations. An early indication of strong flows is encouraging and it is an exciting time for the Company to be poised to commence the full testing program prior to creating the closed loop system that will be used to power and operate the 1MWe Habanero Pilot Plant through an extended trial from approximately April next year.

As you will be aware, the Company remains sufficiently funded to complete all objectives of the program. Innamincka Deeps Joint Venture Project partner, Origin Energy advised it will not be participating in the forward works plan but will maintain its partnership status in the Deeps EGS project and retains the right to re-enter the project through a buy-back provision which it may exercise throughout the financial year.

In addition to field operations, Geodynamics was pleased to finalise the sale of Rig 200 to Pangaea Big Foot Pty Ltd, a subsidiary of Australian-based company, Pangaea Resources, for a total cash consideration of \$21 million from which Geodynamics received \$14.7 million for its 70 percent interest in the asset. The sale has been part of our capital management strategy to maximise available funds for investment in the Habanero Project while also allowing us to carefully invest in new project opportunities.

In early September, Geodynamics announced that it had signed a Heads of Agreement with Gulkula Mining Company to investigate the potential for a direct heat geothermal project within Geothermal Exploration Permit (GEP) 28310 on the Gove Peninsula, Northern Territory.

The joint venture will explore the feasibility of supplying heat to the Rio Tinto-owned Pacific Aluminium alumina refinery to reduce its reliance on imported fuel oil and diesel, thereby providing the opportunity for enhanced sustainability and energy cost reduction for the refinery's operations in the future.

The project offers a highly promising exploration prospect for relatively low upfront investment that builds on the Company's capability and experience from our Deeps EGS Project. More details on the project scope and potential are outlined in the Operations Review of this quarterly report.

In closing, I look forward to speaking with shareholders at our upcoming Annual General Meeting to be held in Brisbane, 29 November 2012 and encourage those unable to attend to join in via the live broadcast.

Regards

Geoff Ward
Managing Director and Chief Executive Officer



Mr Geoff Ward,
Managing Director and
Chief Executive Officer



Operations Update

Innamincka Deeps EGS Project Update

DRILLING AND COMPLETION OF HABANERO 4

Drilling of Habanero 4 continued during the quarter. Post the reporting period, Geodynamics announced Habanero 4 had been drilled to its target depth of 4,204 metres and completed. Achieving this important milestone has allowed the Company to address technical issues identified in earlier wells and to deliver material operational improvements that represent a step forward over previous campaigns.

A key highlight was successfully undertaking the Australian-first reverse cementing operation, detailed in our last quarterly communication.

RESERVOIR ACTIVITIES AT HABANERO

The seismic network has been reconfigured, adding eight extra seismic stations to improve coverage of expected micro-seismic events during stimulation. Some remote and now redundant stations have been decommissioned, bringing the total network to 24 stations.

A magneto-telluric (MT) survey over Habanero has been performed. This survey is the first of three MT surveys to be run before, during and after stimulation of Habanero 4. The surveys have been designed by staff from the South Australian Centre for Geothermal Energy Research (SACGER) to investigate whether MT data can detect the extension of the fracture zone during stimulation. The surveys and subsequent interpretation are being funded by a grant from the Australian Geophysical Observing System (AGOS).

The large water storage dam constructed near Habanero 2 has been lined and is now being filled with water prior to the stimulation of Habanero 4.

A new pressure and temperature sonde designed for long-term use in high-temperature wells has been tested successfully. The sonde was run into a geothermal well in New Zealand and operated as designed for 30 hours at temperatures between 200° and 260°C. The new technology will be trialled during the testing of Habanero 4.

Two new down hole fluid samplers have been constructed in order to capture brine samples in our wells. These tools have been made from a titanium alloy which can withstand the down hole conditions as well as being resistant to H₂S.

NEXT STEPS AT HABANERO

The successful completion of Habanero 4 was the first key stage of the current field program with the objective of re-accessing the main fracture system created in earlier well campaigns.

The next step and current focus of operations is to evaluate reservoir performance through a series of flow tests and a major stimulation program. The results of these tests will provide vital information on the behaviour of the reservoir and the extent to which the fracture system can be extended.

Below: Successful steam flow at Habanero 4 during clean-up operations.



UPCOMING OPERATIONAL MILESTONES:

Local stimulation and flow testing at Habanero 4

Commence large stimulation at Habanero 4

Refurbishment of Habanero 1

Open Loop commissioning

Closed Loop commissioning

1 MWe Habanero Pilot Plant commissioning and extended trial



Operations Update

NEXT STEPS AT HABANERO CONT.

Post the reporting period in October, Geodynamics was pleased to report to shareholders that the Habanero 4 well has flowed steam as part of the initial well clean-up program prior to the major testing and stimulation programs. Flow test results will be reported once the open flow test program is complete.

The Company remains on schedule to complete the planned testing program commencing with the first full open flow test in mid November when the required equipment and contractors are expected on site.

Other major elements of the program include re-accessing the existing Habanero 1 well for use as the injection well in conjunction with Habanero 4 as a production well. This will include removing the plug currently in place and replace components of the existing 'Christmas tree' valve assembly. Habanero 1 and Habanero 4 will be connected through the fractured reservoir and with surface pipe work to form a closed loop system which will then be used to commission and trial the 1MWe Habanero Pilot Plant, scheduled to commence in approximately April 2013.

In the lead up to commissioning and conducting an extended trial of the pilot plant, Geodynamics has undertaken surface work activities to hydrotest the brine cooler, recommission the water treatment system and refurbish the steam turbine. These activities have confirmed the integrity of major equipment.

Case study

SURFACE WORK PREPARATIONS

Surface work preparations have been progressing well in the lead up to the 1 MWe Habanero Pilot Plant commissioning. The reverse osmosis (water treatment) system has been recommissioned successfully, with water quality exceeding the standard required for power plant use. The important brine cooler has been thoroughly tested to ensure it can meet the pressures required and the steam turbine (essential to the energy production process) has been refurbished and installed with a new diaphragm. Field work has also included the completion of dam earthworks with the well now lined and filling with water for use during stimulation.



*Right: Water storage dam filling in preparation for stimulation.
Far right: The steam turbine during refurbishment work.*





Exploration Projects

GOVE DIRECT HEAT GEOTHERMAL PROJECT

In early September, Geodynamics announced the signing of a Heads of Agreement (HOA) for a new joint venture project with Gulkula Mining to evaluate the potential for a direct heat geothermal project within Geothermal Exploration Permit (GEP) 28310 on the Gove Peninsula, Northern Territory. Gulkula Mining is a wholly owned subsidiary of Gumatj Corporation Ltd, the commercial arm of the Gumatj clan, who are the traditional owners of land within GEP 28310.

Under the terms of the HOA, Geodynamics and Gulkula Mining will form a 50/50 joint venture with Geodynamics as the operator of the joint venture. The joint venture will 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 use of geothermal generated direct heat would allow Pacific Aluminium to reduce fuel oil consumption and carbon emissions and has potential to deliver improved long-term operating cost and enhanced sustainability for the bauxite refinery at Gove.

Initial exploration studies have identified the presence of a potentially high heat producing granite formations on the Gove Peninsula that may host a commercially viable large scale direct heat resource. These granites are shallower and lower temperature than the granite formations Geodynamics has been developing at Innamincka in the Cooper Basin, but will allow Geodynamics to apply the skills and leverage experience gained from the Company's EGS projects.

Geodynamics is pleased to form this partnership combining the Company's geothermal drilling and operating expertise with Gulkula Mining's strong networks in the local business community. Sustainability is a priority for local development in the region, which the prospective project would help provide.



Case study

A NEW STYLE OF RELATIONSHIP

Gumatj clan leader and former Australian of the Year, Galarrwuy Yunupingu AM said "This agreement is a good example of a new style of relationships between traditional owners and resource companies. Traditional owners no longer seek to just negotiate royalties and rents – we seek partnerships that give us ownership and an interest in every aspect of the business; we want in on the economic world.

"The supply of affordable energy heat as well as power is a challenge in remote Australian areas like Gove that are reliant on imported liquid fuels. We have recognised geothermal energy as a potential sustainable alternative to existing fossil fuels energy sources that can support the long-term future for businesses in this region. Geodynamics is at the forefront of geothermal development in Australia and we look forward to a successful partnership".

*Above: Yothu Yindi Foundation
Board members from left
Djawa Yunupingu and Balupalu
Yunupingu shake hands with
Geoff Ward, Managing Director
Geodynamics*

*Image courtesy of Yothu Yindi Foundation,
from the 2012 Yutjuwala Garma Key Forum*



Exploration Projects

GOVE DIRECT HEAT GEOTHERMAL PROJECT OPPORTUNITY - QUESTIONS AND ANSWERS:

Q: What is the difference between using geothermal for a direct heat application versus producing electricity?

- A direct heat geothermal application utilises lower temperature resources. It is in fact, a non-electric use of geothermal energy that refers to the immediate use of the energy for both heating and cooling applications.
- In this instance, Geodynamics has identified a granite body resource at Gove in the Northern Territory which may be utilised through EGS development. The joint venture will investigate the potential for a direct heat application of EGS to be used for pre-heating boiler feedwater or enhance the evaporation of process water at the Rio Tinto owned Pacific Aluminium alumina refinery located at Nhulunbuy on the Gove Peninsula.

Q: Are there other projects that have been developed using a direct heat geothermal application?

- There are many examples of geothermal direct heat applications in Australia and throughout the world. For example:
 - Geothermal waters of the Otway Basin, Victoria have previously been used to great advantage in a district heating scheme in Portland. The system provided water and space heating to municipal and administrative buildings, swimming pools, hotel and hospital, delivering substantial savings in fuel costs while at the same time reducing greenhouse gas emissions.
 - Larger scale agricultural applications in green house heating in Hungary, Germany and the Netherlands

Q: What are the benefits of using direct heat geothermal?

- Direct-use of geothermal energy for heating applications is an energy efficient way to provide large scale heat input for industrial processes or commercial district heating.
- There are economic, environmental and energy efficiency benefits associated with the direct use of geothermal energy, including:
 - Lower heating costs by reducing electricity, oil or gas consumption;
 - Reduced emissions of CO₂ and oxides of nitrogen and sulphur, by
 - Reducing consumption of fossil-fuel-generated electricity;
 - Better use of resources, with reduced consumption of a high-grade fuel for low-grade heating; and,
 - Minimal ongoing costs after installation.

Q: What are the potential benefits from Gove Peninsula Geothermal Project?

- With successful development, the use of geothermal generated direct heat would allow Pacific Aluminium to reduce fuel oil consumption and carbon emissions and deliver improved long term operating cost and enhanced sustainability for their operations at Gove.

NEW SOUTH WALES EXPLORATION UPDATE

As previously reported, Geodynamics continues to concentrate its activities on the Innamincka Deeps EGS project and plans to progress other prospective shorter term opportunities such as the Gove Peninsula Direct Heat Geothermal Project in the near term. Given this, Geodynamics has no immediate plans for exploration drilling in the Hunter Valley permits and has therefore withdrawn from the New South Wales Renewable Energy Fund grant program, in consultation with NSW Government Office of Environment & Heritage.



Investor and Public Relations

ANNUAL GENERAL MEETING

The Geodynamics Annual General Meeting will be held at:

6.00pm (Queensland time)

Thursday 29 November 2012

Grand Ballroom, Level 2, Brisbane Marriott Hotel

515 Queen Street, Brisbane 4000

For catering and seating purposes, we would appreciate you registering your intention to attend by Monday 19 November 2012. If you are unable to attend, you are welcome to register for the live webcast of the Annual General Meeting. Please visit our website www.geodynamics.com.au/rsvp or contact Geodynamics on 07 3721 7500.

CHANGES TO THE GEODYNAMICS BOARD

Mr Minesh Dave will not seek re-election at the Company's Annual General Meeting to be held on 29 November 2012 and will retire as a Director on that date at the conclusion of the meeting.

Mr Dave's retirement in November 2012 will reduce the number of Directors to 6, the majority of whom are independent Non-executive Directors. The Board believes that it has an appropriate number of experienced Directors to carry out its duties to shareholders and, therefore, does not consider that there is a need to appoint another Non-executive Director.

As a result of Mr Dave's retirement, Dr Prame Chopra who acts as Alternate Director for Mr Dave will also retire at the end of the 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.

The Directors wish to acknowledge the contribution of Mr Minesh Dave and Dr Prame Chopra to Geodynamics.

Geodynamics' 2012 Annual General Meeting

DATE: THURSDAY, 29 NOVEMBER 2012

TIME: 6:00PM – 8:00PM

VENUE: MARRIOTT HOTEL, 515 QUEEN STREET, BRISBANE, 4000

JOIN THE LIVE AGM WEBCAST The Board of Directors is pleased to invite shareholders who are unable to attend the AGM in Brisbane to join this year's live AGM webcast and interactive Q&A session. The AGM webcast will include a copy of the presentation together with a live video of the event and audio transmission. For those unable to attend the AGM in person or participate in the live webcast, an archived copy of the event will be made available from the Geodynamics' website for viewing.

PLEASE RSVP BY MONDAY 19 NOVEMBER 2012 to attend the AGM in person or to join the live webcast by registering your details at www.geodynamics.com.au/rsvp. You are also welcome to RSVP by phoning Geodynamics on (07) 3721 7500.





Investor and Public Relations

WEBSITE RELAUNCH

You may already have noticed our refreshed website at www.geodynamics.com.au which we were pleased to unveil on Tuesday 23 October 2012.

For existing shareholders, and those new to the Geodynamics story, the website features an improved investor centre with access to recent announcements, company reports, share price data, frequently asked questions and important information to effectively manage your shareholding. We have also incorporated quick access to Boardroom Radio webcasts and multimedia content through a resource centre allowing visitors to access useful information on our work and the geothermal sector. Additionally, our new project section now features the Company's latest Gove Peninsula Direct Heat Geothermal project opportunity with Gulkula Mining, in the Northern Territory.

With access to online content becoming increasingly important, we hope through our revamped site to better share our story and continued developments as effectively as possible.

Useful Terms

TERM	DEFINITION
Stimulation	The process of injecting high-pressure water to enlarge and extend existing fractures in the underground reservoir to improve productivity or injectivity.
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.
Brine cooler	A fin fan unit used to cool the brine (reservoir fluid) prior to reinjection.

Corporate Directory

BOARD OF DIRECTORS

Mr Keith Spence
(Non-executive Chairman)

Mr Geoff Ward
(Managing Director and CEO)

Dr Prame Chopra
(Alternate Director for Mr Minesh Dave)

Mr Minesh Dave
(Non Executive Director)

Mr Bob Davies
(Non-executive Director)

Dr Jack Hamilton
(Non-executive Director)

Mr Michel Marier
(Non-executive Director)

Mr Andrew Stock
(Non-executive Director)

JOINT COMPANY SECRETARY

Mr Tim Pritchard CPA CSA (CERT)

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SECURITIES EXCHANGE LISTING

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

