Our Vision

We are working to make Geodynamics a world-class geothermal energy company that supplies competitive zero-carbon energy and base-load power.
Innamincka Deeps EGS Project data:
- Discovered some of the hottest known heat producing granite rocks with an estimated temperature of 278°C at 4,911 metres (Jolokia 1) and ~240°C at 4,000 metres at Habanero 4
- Drilled 6 deep EGS wells at the Habanero, Savina and Jolokia locations
- Discovered and enhanced the most extensive granite fracture system in the world at the Habanero site
- Estimated inferred, indicated and measured geothermal resource of 59,200 PJ recoverable thermal energy, with the potential to deliver ~7,000 PJ end user energy if fully developed
- Identified potential to supply gigawatt scale baseload power for in excess of 30 years

What's so hot about geothermal?
Lowest emission 100% dispatchable power available
Geothermal energy has many benefits - it is low emission, constantly available, and a vast resource base. These attributes make it the only clean energy source with the potential to reliably and safely supply large-scale base-load energy to the Australian market.
Geodynamics’ Cooper Basin resource could, once fully developed, deliver gigawatt scale generation and therefore, has a critical role to play in establishing the most resilient, stable, secure and cost effective power system for Australia over the next 50 years.
Our Highlights

- **Drilling of Habanero 4**, one of the most technically challenging wells to be drilled in Australia this year and the first major milestone in Geodynamics' current field program at Habanero. The completion of Habanero 4, past the reporting period, brings the Company a step closer to the commissioning and operation of the 1MWe Habanero Pilot Plant and demonstrates the Company has addressed issues identified in earlier wells.

- **The first reverse cementing operation in Australia was successfully completed at Habanero 4**, to enhance well safety and integrity.

- **No reportable health and safety incidents**, with a total reportable injury frequency rate of zero, for the twelve month period to end of FY2012.

- **Negotiated a revised drawdown profile for the $90 million Renewable Energy Demonstration Program grant with the Commonwealth Government**, enabling a greater proportion of the funds to be received in the early stages of the project, commencing with Habanero 4.

- **Settlement of outstanding insurance claim** relating to Habanero 3 well control incident resulting in receipt of approximately $12 million.

- **Placement and oversubscribed Share Purchase Plan completed**, raising a combined maximum target amount of $10 million to support the Company's Cooper Basin Geothermal Project. Placement was strongly supported by cornerstone investors, Sunsuper and Sentient.

- **Rig 100 sold for a total cash consideration of $16.8 million** less selling costs to Key International Drilling Ltd, a subsidiary of Weatherford Drilling International (Australia) (GDY interest; 70%).

- **Rig 200 sold for a total cash consideration of $21 million** to Pangaea Big Foot Pty Ltd, a subsidiary of Pangaea Resources (GDY interest: 70%).

- **Careful financial management** has maximized available funds for investment in the Habanero Project and measured expenditure on emerging projects.

- **Heads of Agreement for a new joint venture project opportunity in Gove, Northern Territory**, signed past the reporting period with Guikula Mining Pty Ltd offering a highly promising exploration prospect that builds on the skills and experience gained at our Innamincka Deeps Project.

- **Clean Energy Future legislation passed**, establishing a price on carbon and creating two investment bodies - the Australian Renewable Energy Agency (ARENA) overseeing $3.2 billion in Government Funding for renewable energy including geothermal over the next 7 years and the Clean Energy Finance Corporation (CEFC), managing a further $10 billion to foster the development of long-term renewable energy options.
Our key operational highlight has been the drilling and completion of our sixth Enhanced Geothermal System (EGS) geothermal well, Habanero 4, arguably the most technically challenging well of any kind to be drilled in Australia this year.

2012: DELIVERING A FOCUSED FIELD STRATEGY AT HABANERO

Last year we outlined to shareholders a refocused program of field operations to demonstrate the value of the Cooper Basin geothermal resource at Habanero. This program drew on the extensive experience of previous campaigns. It also benefited from over two years of diligent planning and preparation to resolve key drilling challenges presented by the high pressure and high temperature conditions within the Innamincka granite.

The Company has made material progress with the program during FY2012. Our key operational highlight has been the drilling and completion of our sixth Enhanced Geothermal System (EGS) geothermal well, Habanero 4, arguably the most technically challenging well of any kind to be drilled in Australia this year. Some of the challenges, like undertaking a reverse cementing procedure, were the first of their kind for Australia and we are particularly proud to have navigated these successfully.

In September 2012, we were delighted to announce Habanero 4 had been drilled to a target depth of 4,204 metres and completed in preparation for our upcoming flow testing regime and stimulation program, with drilling indications observed to date suggesting that the main fracture network has again been encountered as anticipated.

At Habanero 4, it was important that operations were undertaken safely and that we effectively managed the risks of operating at high temperatures and pressures while creating a high-quality well that would allow us to progress the Habanero Pilot Plant trials.

It is very pleasing to advise over twelve months of intense field operations the Company has had no major health and safety incidents onsite, recorded no lost-time injuries and our operational activities were successfully completed with minimal impact on the environment and local community.

Importantly in completing Habanero 4, Geodynamics has extracted full value from the review of operations conducted in FY2011 and has applied the learnings from the review to achieve improvements in operational efficiency, safety and engineering areas. With Habanero 4 we have achieved some of the best operational parameters to date in areas such as bit life, rate of penetration and performance of the well fluids. These improvements will be carried into our subsequent well design and execution approach to bring down the cost of future wells.
With Habanero 4 we have achieved some of the best operational parameters to date in areas such as bit life, rate of penetration and performance of the well fluids.

While operational performance was generally pleasing, delays were encountered as we resolved the completion of Australia’s first reverse cementing operation and due to the failure of contractor equipment early in the well. These delays have led to a projected $3 million increase in cost over the maximum budget agreed with our joint venture partner Origin Energy, bringing the total expenditure required for well completion, stimulation and test activities to approximately $51.5 million. Geodynamics has sufficient funds to absorb the incremental cost and remain on track to commission and operate the 1MWe Habanero Pilot Plant during the second half of FY2013.

**CAPITAL MANAGEMENT UNDERSCORES PROGRAM DELIVERY**

Geodynamics has worked hard over the past twelve months to strengthen its balance sheet and carefully manage finances to maximize available funds for investment in our key project at Habanero.

During the period we completed settlement of the Habanero 3 insurance claim, which resulted in cash payments to Geodynamics totaling $12 million. We have also successfully renegotiated the payment milestones for our $90 million Federal Government grant under the Renewable Energy Demonstration Program (REDP) to accelerate funding to support our current field program with approximately 50% of the costs of planned drilling and testing activities over the 2012 and 2013 financial years being offset by grant payments under the REDP.

In January 2012 we announced a successful capital raising totaling $10 million thanks to the strong support of our shareholders and cornerstone investors, Sunsuper and Sentient. This consisted of a $3.8 million placement to professional investors in December 2011, followed by an oversubscribed Share Purchase Plan which raised the maximum amount of $6.2 million. We greatly appreciate the ongoing support of shareholders to complete this capital raising which was a critical part of our capital management strategy in providing us with sufficient flexibility in our funding to maintain our planned field program and consider new opportunities.

During the year we also sold both Rig 100 and Rig 200. This was equally an important part of our financial plan as it has two benefits for the Company: it provides significant funds that can be used to progress our field program and it reduces our ongoing operating costs through reduced maintenance and staff costs. Rig 100 was sold in March 2012 for a total cash consideration of $16.8 million less selling costs to Key International Drilling Ltd, a subsidiary of Weatherford Drilling International (Australia) that subsequently carried out the drilling of Habanero 4. In October 2012 we announced the sale of Rig 200 to Pangaea Big Foot Pty Ltd, a subsidiary of Pangaea Resources had been completed, generating a total cash consideration of $21 million. Geodynamics holds a 70% interest in both rig assets.

We have also implemented a strong internal cost control program to reduce our overheads and total expenditure while still progressing the Habanero project and maintaining the capability required to safely and effectively execute a geothermal development to completion. These initiatives have significantly boosted our cash position and provide sufficient funds to allow us to continue field operations. We continue to closely monitor our capital requirements and carefully manage our funds.

**CONTINUED UNCERTAINTY IN POWER AND CARBON MARKETS**

While progress in the field and in capital management has been pleasing, FY2012 was a year of continued and increased uncertainty in the Australian power and carbon markets creating difficult investment conditions for the electricity sector.
Internationally, while renewable energy technology investment continued to grow in 2011, primarily through wind and solar investment, the rate of growth slowed and has been hampered by a reduced global commitment to binding carbon pollution reduction measures and increased uncertainty over the form that these may take in the future. The prolonged economic crisis in Europe and the flow-on effect to European carbon prices, the world’s most developed carbon market, also has a significant negative impact on the sector outlook.

In Australia, the passage of the government’s Clean Energy Future Package was a significant boost for the renewable energy industry. However, strident opposition from the Coalition and their commitment to repeal this legislation, together with exceptional focus on the cost of living impacts of rising power prices has weighed against this progress, driving ongoing market uncertainty and rendering long-term planning extremely difficult for both investors and developers.

In July 2012, the Australian Energy Market Operator (AEMO) released its annual Statement of Opportunities summarizing the energy usage in the last year and the outlook for the national electricity market. This report indicated that annual energy consumption in Australia had reduced in both FY2011 and FY2012; resulting in a significantly lowered demand forecast and an estimate that Australia would not need new generation capacity until after 2020. The reasons for this change in demand are complex and not well understood. However it is clear that we have seen a significant shift driven by the changing make-up of Australia’s economy, increased impact of distributed generation through household solar PV systems, increased attention of energy saving and efficiency as energy prices increase and increased resistance to network and infrastructure projects all playing a role.

These external factors have a bearing on the decisions we will need to take as we seek to progress the Habanero Project beyond the pilot plant stage. In the face of this political, economic and market uncertainty, Geodynamics has remained focused on delivering the identified work program within budget and seeking to build support necessary from customers and government to allow us to progress after FY2013.

**HABANERO PROJECT – THE YEAR AHEAD**

We are currently in the middle of a field program that has four key steps. The successful completion of Habanero 4 is the first of these by allowing us to re-access the main fracture system created in earlier well campaigns.

The next step is to evaluate reservoir performance through a series of flow tests and a stimulation program. The results of these tests are essential to enhancing our understanding of how the reservoir performs and our ability to extend the fracture system. This test program will provide vital information on the behaviour of the fracture and increased area available for development of an initial small-scale commercial project.

The third part of the program is to refurbish the existing Habanero 1 well to allow it to be used as the injection well paired with the Habanero 4 production well to establish the closed flow loop. This closed loop system will then be used to deliver our long-held goal of commissioning the 1MWe Habanero Pilot Plant to further demonstrate the potential of EGS technology.

The program is the culmination of great deal of work and it is an exciting prospect to see the Company poised to deliver these key milestones within the next nine months.

We have a clear plan to deliver the 1MWe Habanero Pilot Plant trial. Following the trial, our priority is to use the data acquired to produce a field development plan and feasibility study that sets out the detailed parameters of an initial small-scale project, as the basis for securing customer commitment for an offtake that supports further drilling and further project development.

**NEW OPPORTUNITIES**

In September 2012, we were pleased to announce a new joint venture project that will involve exploration for a direct heat geothermal resource in the Gove Peninsula in the Northern Territory, in collaboration with Gulkula Mining, a wholly owned subsidiary of the Gumatj Corporation, the commercial arm of the Gumatj clan. The Gumatj clan is the traditional owner of the land within the geothermal permit under consideration.

Geodynamics and Gulkula Mining have signed a Heads of Agreement, and together plan to explore the site’s potential for geothermal heat production for supply to the Rio Tinto-owned Pacific Aluminium alumina refinery.
Whenever the issues of Australia’s long term energy sustainability and energy security are considered these attributes inevitably bring consideration of geothermal power to the fore.

The use of geothermal energy would allow the refinery to reduce fuel oil consumption and carbon emissions and therefore has the potential to deliver improved long-term operating cost reductions and enhanced sustainability.

Geodynamics will provide initial funding for exploration and business planning for the venture, as well as paying initial permit fees required by the Northern Territory Government and statutory costs of the Northern Land Council. Gulkula Mining will assist in securing the necessary agreements and consents for a targeted exploration project with the Northern Land Council.

The next steps for this project involve planning and regulatory work, followed by surface studies and an initial exploration drilling program. The initial cost of these studies will be low and can be accommodated within Geodynamics’ financial resources without impacting our planned program at Habanero.

We believe this new project opportunity provides a complementary lower cost exploration prospect that, with successful exploration results, has the potential to deliver a commercial project within the current market settings. We will continue to look for additional projects that have similar characteristics in order to build a sustainable and diversified portfolio.

**THE FUTURE FOR GEOTHERMAL**

Geothermal power has a number of unique characteristics and as we consider the power needs of Australia, these attributes continue to make it a compelling proposition - it is large-scale, reliable, low emission power that is available 24 hours a day. Whenever the issues of Australia’s long term energy sustainability and energy security are considered these attributes inevitably bring consideration of geothermal power to the fore.

There are a number of engineering, market, policy and regulatory challenges that must be addressed to create a commercial market position for geothermal power in Australia. However the incentive to solve these continues to be heightened and strengthened by the need to take long term action on emissions and sustainability, the increasing impact of rising fossil fuel prices, and the realization that building a sustainable and diversified energy system is critical to Australia’s long term economic prosperity.

Given this we remain positive that our Innamincka resource has a significant role to play in Australia’s energy future. By continuing to make measured progress on Australia’s most promising geothermal project, retaining an experienced geothermal development team and securing complementary opportunities that can be progressed at low initial cost and provide a shorter path to commercial markets, Geodynamics intends to play a significant role in the country’s energy future.

**BOARD MOVEMENTS**

After the retirement of Mr Banmali Agrawali in November 2011, we welcomed Mr Minesh Dave as Mr Agrawali’s successor in February 2012. Mr Dave represents Geodynamics’ cornerstone investor Tata Power and brings 30 years of experience in the power sector to the Board.

The Board wishes to express sincere thanks to Mr Paul Frederiks, our former Company Secretary who resigned in early September 2012. Paul worked as both Chief Financial Officer and Company Secretary for over ten years, leading the listing of Geodynamics on the ASX in September 2002. He has played a major role in the Company and we wish him well.

Mr Tim Pritchard who is the Chief Financial Officer and was announced as joint Company Secretary in March 2012 has now assumed the role.

Yours sincerely,

Keith Spence
Non-Executive Chairman

Geoff Ward
Managing Director
PROGRESS IN FY2012
Following extensive review in FY2011, Geodynamics re-embarked this year on a targeted investigation program at Habanero designed to provide key reservoir performance information and test data from approximately 18 months of field operations, including commissioning and undertaking trials of the 1MWe Habanero Pilot Plant. The first major milestone in this program has been the successful drilling of Habanero 4.

DRILLING HABANERO 4
Habanero 4 commenced drilling on 9 March 2012. Located in close proximity (approximately 120m east) to the previous Habanero 3 well, the new production well was designed with the objective of intersecting the main fracture zone previously identified and stimulated by Habanero 1, 2 and 3. At the end of FY2012, the well was drilling ahead in 311mm (12 ¼”) hole at 4,006m. Post the reporting period, the 12 ¼” hole section had been drilled to 4,026 m and the 251mm (9 7/8”) casing had been cemented in place using a reverse cementing process.

Once the integrity of the casing shoe had been assured, the well was deepened in 206 mm (8 ½”) hole to a final total depth of 4,204 m and completed with tubing. Rig 100 was released on 8 September 2012.

DRILLING IMPROVEMENTS AT HABANERO 4
Knowledge applied from previous drilling campaigns has produced pleasing results in the design and execution of Habanero 4, resulting in several operational improvements.

Demonstrated areas of improved performance include:

Drill bit selection: Smarter bit selection and time spent in bottom hole assembly design has led to an increase in the average rate of penetration in harder rock sections over what has previously been achieved, while maintaining overall well condition and minimising any deviation from the intended well path. Bit longevity also improved reducing the downtime associated with pulling out of the hole for bit changes from depth.

Mud performance: A further pleasing outcome has been the performance of the drilling fluid or “mud” used in Habanero 4. Mud is used to regulate temperatures and friction throughout the well and to remove cuttings from the well. An essential part of the well engineering, the mud used in Habanero 4 has outperformed previous results.

Forward operations are for the reservoir to be subjected to an extensive program of flow tests and hydraulic stimulations to secure static and dynamic reservoir data necessary for long-term production modelling.
Safely drilling Habanero 4 through a highly over-pressured reservoir at over 4km depth has been our major operational achievement for the 2012 financial year.

Adjustments made to the mud’s composition prevented temperature-induced breakdown which has hampered previous operations. The installation of new devices on Rig 100 reduced the amount of low gravity solids (essentially cuttings from the drilled formations) in the mud. Both of these factors contributed to an increase in the rate of drill penetration and a reduction in rig downtime.

Wellbore stability: Managing the well with an extended open hole time presents challenges. The design of Habanero 4 has focused on maintaining hole condition to avoid issues commonly associated with drilling. The drilling mud was heavily tested prior to spudding and provided excellent well-bore support during drill bit trips as well as a reduction in pressure surges during operations. The improvements achieved were the result of considerable preparation and laboratory work.

High Pressure, High Temperature techniques: High pressure, high temperature techniques such as fingerprinting to plot the flow back of the well at each connection have been implemented successfully. Deploying these techniques have supported assessments on how the well and rig are interacting including registering changes in well temperature and pressure. It has added to the overall understanding of the drilling mud’s behaviour, and has helped to pinpoint and respond to any unusual behaviour in the well. Fingerprinting and thermal modelling of the drilling mud hydraulics has also optimised management of the main fracture zone.

These improvements provide Geodynamics with the ability to further enhance well designs to deliver cheaper wells in future campaigns. Additionally, throughout the Habanero 4 campaign there were no reportable health and safety incidents.

HABANERO 4 – SCHEDULE AND BUDGET

Unfortunately, despite the significant improvements in drilling performance, the project schedule and budget was impacted as a result of operational delays due to three key occurrences: encountering a particular hard surface layer known as “duricrust”; time required to repair and replace items of surface equipment damaged during routine equipment testing; and working through operational problems encountered during the reverse cementing procedure.

This cumulative delay brought the total cost to complete the well and associated stimulation and open flow test activities to approximately $51.5 million, an increase of $3 million or 6% compared to the maximum authorised expenditure of $48.5 million agreed with Joint Venture partner, Origin Energy.
In line with the agreement between the joint venture partners that the well had to achieve interim cost and technical milestones and maintain the final estimated cost of the well within the agreed budget, Origin Energy advised it would not contribute further to the well costs. Geodynamics has assumed responsibility for the costs to complete the well. Origin Energy retains the right to elect to resume paying its full contribution to the well cost and returning to full participation in the well at any stage. Geodynamics has no knowledge of Origin Energy’s intention with respect to this right at this time.

The incremental cost to Geodynamics as a result of the increased final well cost and Origin Energy’s decision to cease further participation in the well is estimated to be approximately $4 million.

**REVERSE CEMENTING OPERATION**

The most significant technical challenge and achievement at Habanero 4, given the depth, volume, temperature and mud weight involved, was the reverse cementing procedure used to secure the well. This work was conducted for the 251 mm (9 7/8”) casing in the 311 mm (12 ¼”) diameter hole section and was chosen for two major reasons:

- To eliminate high pH (alkaline) fluids at the top of the well which may have led to caustic corrosion cracking, a key contributing factor leading to the Habanero 3 well failure; and

- To prevent the formation of water pockets within the cement between the casing strings. Water pockets become potential weak points which could have caused damage through expansion of the water when exposed to high temperatures.

It is the first time a reverse cementing process has been carried out in Australia, the first high pressure, high temperature operation of this type undertaken in Australasia and one of the deepest and longest continuous reverse cementing operations undertaken in the world.

The decision to undertake reverse cementing was a key recommendation arising from the Habanero 3 well failure findings. While not commonly undertaken for conventional wells, the procedure is designed to enhance overall well safety and integrity of the Company’s high pressure, high temperature geothermal wells.

As previously reported, the Habanero 3 investigation determined the most probable cause for well failure was the combination of caustic fluids on the outside annulus of the casing combined with cyclic high temperatures during production testing, resulting in a condition of caustic (stress) corrosion cracking. Our revised cementing design at Habanero 4 minimizes the presence of caustic fluids to eliminate this potential failure mechanism.
Improvements in operations at Habanero 4 provide Geodynamics with the ability to further enhance well designs to deliver cheaper wells in future campaigns.

**REVERSE CEMENTING AT HABANERO 4**

A conventional cement job circulates cement down the inner bore of the casing and up the outside. This is known as forward circulation. A reverse circulation cement job does just the opposite. It circulates the liquid cement slurry down the space between the casing string and the wellbore wall to the bottom of the well with the return flow of drilling fluid travelling up the inside of the casing. The complexity of a reverse job is increased because the maximum pressures are located shallower in the well compared to a forward cement job. To address this care needs to be taken with the placement rates, pressures and fluid properties.

In certain circumstances, a cement job performed in the reverse direction offers critical advantages over the conventional forward circulation. The Habanero 4 well for instance, has an extremely high temperature at the bottom of the well. This high temperature, approximately 240°C, requires the addition of chemical retarders to enable forward circulation. However these same additives that enable circulation through the high temperature region prevent the cement from setting in the much cooler shallow regions of the wellbore. This was determined to be a contributing factor to the casing failure at Habanero 3.

To overcome the problem cement is pumped in the reverse direction. This allows for placement with only the minimal amount of retarding chemical included in the cement. Progressively less retarder is used in the cement in the upper sections of the well, as only the first portion of the cement slurry actually sees the maximum temperature in the bottom of the well.

**HABANERO TEST PROGRAM**

Preparations for stimulation and flow testing at Habanero 4 are well underway. The Habanero test program is designed to provide the reservoir performance data required for production modelling and to demonstrate the commercial capability of EGS technology.

The fracture zone at Habanero 4 is the area where Geodynamics has previously demonstrated productivity. The planned investigations will evaluate how flow from the fracture zone performs and behaves, how it can be managed and to what extent the reservoir may be further expanded at this location.

The Habanero test program is being completed using a gated approach requiring results from each activity to be reviewed and evaluated before proceeding to the next step.

Key operational activities in the program are:

1) **Test Habanero 4:** A rigorous testing program will be undertaken to establish reservoir performance parameters and secure static and dynamic reservoir data necessary for long term production modelling. This testing will include local stimulation to improve the connection between the well and the reservoir. The local stimulation will involve injecting water in a similar manner to what was done in previous campaigns.

2) **Extend the Habanero reservoir:** The existing, stimulated fracture zone at Habanero will be extended through major stimulation of the Habanero 4 well. The objectives of this stimulation are to extend the area of the enhanced fracture zone.

3) **Refurbish Habanero 1:** The existing Habanero 1 well will be prepared for use as an injection well for closed-loop production testing.

4) **Commission Closed-Loop:** Habanero 1 and Habanero 4 will be connected in a closed-loop using the existing brine pump at Habanero 1 and the system will be commissioned.
5) Commission 1MWe Habanero Pilot Plant: Once the closed-loop is operational, the pilot plant will be commissioned, timetabled for the second half of FY2013.

6) Extended Production Test: The 1 MWe Habanero Pilot Plant and the Habanero 1 - 4 well doublet will be operated for approximately three months as a production test to evaluate plant performance and reservoir behaviour. The testing will include monitoring of flow rates, fluid composition, corrosion and reservoir temperature changes over time.

In support of the planned stimulation program and testing regimes, Geodynamics has been granted approval for associated dam works and piping activities from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE). A dam has been constructed and lined near Habanero 2, to hold the water required for stimulation of Habanero 4.

Geodynamics’ surface seismic network has been extended during the year and now consists of 24 seismometers located around Habanero, Jolokia and Savina. The seismic network will be used to record the exact time that a micro-seismic signal reaches each of the seismometers in order to locate the position of the event in the granite. By analyzing the seismic signal detected by each seismometer, it will also possible to determine the magnitude and direction of slip of each micro-seismic event to measure reservoir growth over time.

WHAT IS HYDRAULIC STIMULATION?
Hydraulic stimulation is a routine operation that has been performed at many geothermal projects, both locally and internationally. Hydraulic stimulation targets existing natural fractures in the granite which are activated (opened up) by pumping water under high pressure into the fractures. As the fractures open up, the fracture surfaces slide over one another and the natural roughness of the fracture surfaces prevents the fractures from closing again. The process results in significant increases in the permeability of the fractures, increasing their capacity for brine flow.

The sliding process also creates tiny micro-seismic events. Typically these micro-seismic events are too small to be felt at the surface, but all events are monitored on Geodynamics’ extensive seismic network. Through the stimulations of Habanero and Jolokia conducted by Geodynamics, a total of approximately 43,000 micro-seismic events have been detected by the seismic network. Of these, only 24 (0.056%) were large enough to be felt at surface, and none of these were large enough to cause surface damage.

RE-ACCESSING HABANERO 1
After considerable evaluation, Geodynamics confirmed the Habanero 1 well is available for use as an injection well and will be used to re-inject flow from Habanero 4 during the closed loop and 1MWe Habanero Pilot Plant Trial. In order to re-access this well, operations will be undertaken to remove the plug currently in place and replace components of the existing ‘Christmas tree’ valve assembly. The evaluation process included an extensive risk assessment attended by Origin Energy and the South Australian regulator, DMITRE, to review and consider advice from international metallurgy experts, detailed corrosion modelling, casing load analysis and wireline logs in order to ascertain the condition of the downhole components.

1MWE HABANERO PILOT PLANT PREPARATION AND COMMISSIONING PLANNING
With key drilling milestones attained, preparation of the 1 MWe Habanero Pilot Plant has been initiated. Work has focused on integrity assessment and refurbishment activities to ensure it is ready for commissioning. The work has included hydrotesting of the brine cooler, recommissioning of the water treatment system and refurbishing the steam turbine. In the lead up to stimulation and commissioning, safety on site remains a priority and the team is well-advanced in implementing safety action items that have been produced during a rigorous series of hazard and operability study (HAZOP) workshops.
New project opportunity – the Gove Peninsula Direct Heat Project offers a low cost exploration project targeting a higher priced market that will allow Geodynamics to capitalise on the competencies the Company has developed.

**CASE STUDY**

**TECHNOLOGY INNOVATIONS AT WORK IN HABANERO 4**

Throughout the year, Geodynamics has continued to collaborate with technology leaders in Australia and internationally to develop new technology and adapt existing techniques to our high pressure, high temperature environment.

One program of work has centred on adaptations of reservoir logging tools to enable their operation in our wells. These technologies are at the forefront of innovation in the field and will be deployed in Habanero 4 to assist in upcoming reservoir performance testing.

A down-hole fluid sampler tool has been constructed from a specially selected titanium alloy which is highly resistant to the unique geochemical conditions of our deep granite wells. This tool will enable capture of uncontaminated brine samples from close to the fracture zone so that these can be analysed to determine their chemistry, particularly their H₂S content.

A new design of down-hole pressure and temperature sonde will be trialled during the testing of Habanero 4. This new sonde is designed to operate continuously at 280°C for up to 6 months, without the need for shielding the electronics from the well temperatures. With success, this continuous operation capability will allow longer test programs without needing to remove and replace tools as they become too hot.

**EXPLORATION PROJECTS**

**Gove Peninsula Direct Heat Geothermal Project**

In September 2012, Geodynamics announced the Company had signed a Heads of Agreement with Guilkula Mining 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.

Guilkula Mining is a wholly owned subsidiary of Gumatj Corporation Ltd which is the commercial arm of the Gumatj clan, who are the traditional owners of land within GEP 28310.

The new 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.

The exploration work program for the Gove Peninsula Geothermal Project will begin with preliminary surface studies, comprising geological field work and temperature gradient measurements prior to an initial exploration drilling program to assess the viability of geothermal heat supply.

**Innamincka Shallows exploration**

The Innamincka Shallows Joint Venture is operated by Origin Energy with Geodynamics holding a 50% interest. The Shallows project is targeting moderate temperature geothermal resources in shallow aquifers, particularly the Hutton Sandstone which provides high permeability petroleum reservoirs in the region. Following the low permeability results encountered in Celsius 1, Origin Energy, as operator, has undertaken further studies on the Hutton reservoir permeability distribution across our tenements to identify possible locations for further exploration drilling.

The outcome of these studies is that there is no evidence from existing 3D seismic data and petroleum wells to indicate the presence of significantly higher permeability areas within the Hutton formation. As a result of this analysis, the joint venture has no plans for further Shallows exploration drilling in the near future.
SOUTH AUSTRALIAN AND QUEENSLAND EXPLORATION
The gravity survey data acquired across portions of Geodynamics’ South Australian and Queensland tenements has been analysed, resulting in changes to the interpretation of the extent of granite bodies across the tenements.

In South Australian exploration licence GEL 211 (Mootanna), the new gravity data showed that the granites are unlikely to extend into the south-eastern portion of the original licence. An application for renewal of the licence was submitted, offering relinquishment (in accordance with regulations) of the south-eastern third of the original licence. In November 2011, Geodynamics and Origin Energy were awarded renewal of the reduced-area GEL 211 for a period of 5 years. The renewed permit now covers an area of approximately 321 km².

In Queensland, the new gravity data showed that the Innamincka granite is unlikely to extend far to the east beyond the South Australia-Queensland border. Consequently, plans for drilling shallow temperature delineation wells in EPG 5 (Nappa Merrie) have been suspended. However, Geodynamics continues to monitor petroleum exploration activities in overlapping and neighbouring permits and will seek to obtain data from any relevant drilling.

NEW SOUTH WALES EXPLORATION
In preparation for possible future exploration drilling in the Hunter Valley, an independent seismic risk assessment was completed. The study concluded that the risks of significant seismic events resulting from hydraulic stimulation are extremely low. However as Geodynamics is concentrating its activities on the Innamincka Deeps EGS project and other prospective shorter term opportunities such as the Gove Peninsula Direct Heat Geothermal Project, Geodynamics has no plans for exploration drilling in the Hunter Valley permits in the near future due to the high cost and high risk nature of this exploration activity.

DEVELOPMENT STRATEGY
Geodynamics has continued to follow the strategy outlined in FY2011 for the development of the Cooper Basin project. A key output of strategic review was the decision to focus activities of the Innamincka Deeps EGS Joint Venture at the Habanero location, commencing with the drilling of Habanero 4 this year.

In FY2013, the company will progress development through open and closed loop flow testing and a major stimulation program, culminating in the commissioning and trial of the 1MWe Habanero Pilot Plant.
The results of this testing program will provide the necessary data to complete a field development plan and feasibility study. These two key documents are required to support marketing the project to potential customers able to commit to a commercial offtake agreement. After completing the current field program, securing a commercial customer will be the critical step necessary to support further drilling and project development activities after the 1MWe Habanero Pilot Plant trial.

**$90 Million Renewable Energy Demonstration Program Grant**

In November 2011, Geodynamics negotiated a revised draw down profile of the $90 million Renewable Energy Demonstration Program (REDP) grant with the Department of Resources, Energy and Tourism, now administered under the newly created Australian Renewable Energy Agency (ARENA). Optimizing the funding arrangements under the existing grant has accelerated access to funding in support of the current program at Habanero. Geodynamics will continue to draw down funding against agreed milestones to deliver the test program and 1MWe Habanero Pilot Plant trial in FY2013.

**CLEAN ENERGY FUTURE LEGISLATION PASSES**

The Clean Energy Future legislation was passed establishing a price on carbon. Legislation was also passed through parliament to establish two new agencies. The Australian Renewable Energy Agency (ARENA) will manage $3.2 billion in renewable energy investment to promote the research and development (R&D), demonstration, commercialisation and deployment of renewable energy projects including administering the REDP funding grant. The Clean Energy Finance Corporation (CEFC) will oversee $10 billion and will leverage private sector financing for renewable energy and clean technology projects. The CEFC has been established to identify projects and remove barriers that would otherwise prevent the financing of large scale renewable energy projects.

Despite ongoing political debate between both sides of politics creating continued market uncertainty, both major parties are committed to reducing carbon emissions by at least 5% of 1990 levels by 2020.

Geodynamics remains actively engaged with both major parties on appropriate policy settings for the long term future of Australia’s geothermal industry.
RESOURCES STATEMENT

Geodynamics is reporting its estimated geothermal resources from its tenement holdings using the November 2010 Second Edition of The Geothermal Reporting Code published by the Joint Committee of the Australian Geothermal Energy Group (AGEG) and the Australian Geothermal Energy Association (AGEA).

The Geothermal Reporting Code recognises three levels of geothermal resources (Inferred, Indicated and Measured) based upon increasing levels of knowledge and confidence which directly affect the assessment of the probability of occurrence. At the current level of development none of Geodynamics’ estimated resources can be classified as reserves.

In the Cooper Basin area, South Australia, our resources are based on the heat stored within proven granite bodies found in our 2,305 km² of tenement areas.

COMMENTARY ON RESOURCES STATEMENT

Historical “in-place” energy estimates have been based on an area of 991 km² of our Innamincka tenements (GRL 2-12) and 250 km² of our Moomba tenements (GRL 20-24). These are areas where we have high confidence of the presence of granite lying immediately below the Cooper Basin sedimentary deposits.

Resources calculated for this granite area have been referred to as “Inferred Resources”. Within this area, Indicated and Measured Resources are based on a 40 km² area around Habanero where Geodynamics has secured greater geological data through drilling activities, remote sensing and geological studies over previous years. In FY2011 a 10 km² area around Jolokia was removed from the Indicated and Measured categories because of poor results from the Jolokia stimulation. In 2011 it was estimated that approximately 10% of the granite resource in our Innamincka tenements are like Jolokia and unable to be stimulated to provide a resource. No new results have been collected to change the resource position developed in the FY2011, so the table of resources is shown as the same as last year.

The methods used to calculate in-place resources were documented in a Company announcement dated 21st October 2008.
## RESOURCES SUMMARY

### Table 1. Geothermal Resources – South Australia (GRLs 3-12, GRLs 20-24 and GEL 211; 70% GDY)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Inferred*</td>
<td>230,000</td>
<td>57,500</td>
<td>228,000</td>
<td>57,000</td>
</tr>
<tr>
<td>Indicated*</td>
<td>7,600</td>
<td>1,900</td>
<td>6,800</td>
<td>1,700</td>
</tr>
<tr>
<td>Measured*</td>
<td>1,800</td>
<td>450</td>
<td>2,000</td>
<td>500</td>
</tr>
</tbody>
</table>

* Inferred area in GRL’s 3-12 is 856 km² and is exclusive of 40 km² Indicated and Measured around Habanero. Inferred area in GRL’s 20-24 is 225 km².

* Recovery factor 25%.

* Indicated includes 40 km² area around Habanero, but excludes the top 350 m in the central 30 km² area. The previous Indicated Resources around Jolokia have been excluded in this assessment.

* Measured Resource at Habanero is an area of 30 km² from 4,000 m to 4,350 m.

Since temperatures are uncertain and/or granite has not been proven in the basement of our other tenements in South Australia, Queensland, New South Wales and Northern Territory, no resources have been declared in these areas.

### COMPETENT PERSONS STATEMENT

The information in this report that relates to Geothermal Resources is based upon information compiled by Dr Doone Wyborn, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Wyborn is employed by Geodynamics Limited. Dr Wyborn has sufficient experience which is relevant to the style of geothermal play under consideration and is qualified as a Competent Person as defined in the Second Edition (2010) of “The Geothermal Reporting Code”. Dr Wyborn consents to the inclusion in the report of the above information in the form and context in which it appears.
OUR HEALTH AND SAFETY PERFORMANCE

OVERVIEW
Geodynamics’ goal is to have an incident-free workplace. During a period of intense field activity at Habanero 4, the Company has demonstrated a continued commitment to operating safely with pleasing results.

EXCELLENCE IN SAFETY PERFORMANCE IN 2012
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. Geodynamics set a TRIFR target for the financial year of 12.14, representing a 10% reduction on the previous year’s 13.4 recordable injuries per million hours worked. The Company achieved a steady improvement in the TRIFR during the financial year and reached a TRIFR of zero in April 2012, maintaining this excellent safety record for FY2012.

This represents a significant improvement in health and safety performance in a year that has seen a major ramp up in operational activity and hours worked predominantly in higher risk field locations. We continue to promote and reinforce an improved health and safety culture and record of performance, operating to a corporate value that “nothing is so important, it cannot be done safely”.

Geodynamics has also focused on measuring its performance through time targets relating to the completion of investigations of high potential consequence incidents, and the resolution of actions arising from incident investigations. The Company has achieved its objectives for these performance indicators while maintaining an emphasis on the quality of investigation and reporting.

A similarly pleasing result is the reporting of hazards and near misses demonstrating the strong commitment and awareness by staff to adhere to a high level of safety practice. The safety culture within Geodynamics is very positive and supported by all employees and contractors.

PROVIDING THE SAFETY FRAMEWORK
Our continued focus on health and safety this financial year culminated in the completion of a redeveloped health and safety management system to deliver a framework of improved safety processes, systems and governance requirements to manage and measure company-wide performance and alignment with operational activities. This system will be used to drive continued improvements across the business with respect to health and safety management.

FOCUS ON TRAINING
To support a strong safety culture across the business, training is given a high priority within Geodynamics. Our training modules are designed to provide employees with the information, leadership, self-management skills and competency levels needed to carry out their work safely and drive the business forward. Field personnel receive targeted training and are regularly required to perform operational exercises that train and test systems, individual and team safety performance.

Competency levels are tracked and maintained using a training matrix and a variety of training delivery processes and mechanisms. This year an emphasis on emergency response and incident management planning has greatly assisted with system improvements and operational preparedness of the business.
Geodynamics prepares for the annual bush fire season and develops new emergency response capability to support the Innamincka community.

The inaccessibility and distance of the Cooper Basin to major regional centres presents challenges to Geodynamics operationally and more broadly to the local community and visiting tourists at Innamincka. The isolation is compounded by seasonal extremes. The dry season has intense heat, low humidity and dust and the wet season sees significant flooding causing road closures and restricted access. Medical treatment in these environments is challenging as many travelers to this region can attest.

After a number of local town and tourist-related incidents in FY2011, the Geodynamics field operations team has responded by developing a dedicated emergency medical response capability. Expert advice was sought from the Royal Flying Doctor Service (RFDS) and as a result, key field personnel were trained as Emergency Medical Technicians (EMT-B).

In addition, an Emergency Response Vehicle was procured that is capable of evacuating a critical casualty from the Habanero complex to the RFDS aero-medical evacuation point at Innamincka Station, or by road to the RFDS manned clinic at Moomba.

The local community has been engaged in the development of this capability. In July 2012 the Geodynamics EMT-B was called upon to provide assistance in the evacuation of a casualty from Innamincka to RFDS Clinic at Moomba when weather ruled out aero-medical evacuation from the local airstrip. Geodynamics’ availability and capability as the first line of response in this emergency was critical to the patient’s successful evacuation.
Geodynamics continues to excel in the safe implementation of operations, achieving a record of no major health and safety incidents for the year.

The Geodynamics Emergency Response Team has continued to conduct regular two monthly 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 in support of drilling operations and in preparation for stimulation and running of the 1MWe Habanero Pilot Plant.

A key area of focus for field personnel has been developing the Cooper Basin Emergency Response Capability, with the formation of the Habanero Complex Emergency Response Team. Trained to be the first line of response for emergencies, such as fires on site, the team has honed their skills in remote area fire fighting through a series of intensive training courses held at the Country Fire Service Training Facility, Brukunga, South Australia.

Given the remote location of our operations and our community commitment, the response team has joined forces with staff from the Department of Environment and Natural Resources based at Innamincka to undertake wildfire training. This training course has provided an excellent opportunity for co-operative training and skills transfer in preparation for the annual bush fire season.

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:

- Further embed our Health and Safety Management System and reporting structure throughout the business.
- 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 and maintain our strong position with respect to incident prevention.

PERFORMANCE AT A GLANCE

<table>
<thead>
<tr>
<th>HEALTH AND SAFETY</th>
<th>The Company achieved a steady improvement in the TRIFR during the financial year and reached a TRIFR of zero in April 2012. Geodynamics maintained this safety performance for the rest of FY2012.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Frequency Rate (TRIFR)</td>
<td>The Company achieved a steady improvement in the TRIFR during the financial year and reached a TRIFR of zero in April 2012. Geodynamics maintained this safety performance for the rest of FY2012.</td>
</tr>
<tr>
<td>Time to complete incident investigations and close out actions items from high potential consequence incidents.</td>
<td>Incident investigations and close out of action items have been given priority and have allowed the Company to demonstrate its commitment to developing a strong safety culture.</td>
</tr>
<tr>
<td>Health and Safety Management System</td>
<td>System now fully redeveloped and implemented across the business.</td>
</tr>
</tbody>
</table>
OUR ENVIRONMENTAL PERFORMANCE

OVERVIEW
At Geodynamics, sustainable development is at the heart of what we do and its principles guide our actions and activities. Our Cooper Basin project is located within a sensitive arid landscape making environmental management and performance an essential component to the success of our geothermal operations.

Geodynamics is committed to the effective environmental management of all its exploration, development and operating activities to minimize the impact on the natural landscape, waterways, flora and fauna. To support this goal, our Environmental Management System (EMS) sets out clear policies, procedures and processes to identify risks associated with our exploration activities. This allows Geodynamics to proactively manage the environmental impact of our activities throughout the life of the project, ensuring all Geodynamics’ employees and contractors operate to these requirements at all times.

OUR ENVIRONMENTAL PRINCIPLES
• 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 Environmental Policy.
• Work towards the achievement of a high level of external recognition for the quality of our on-site environmental management.

Below: Sand dunes of the Innamincka Regional Reserve.
“Key areas of maintaining core business functions were demonstrated with evidence of continual improvement including additional site physical controls, emergency response capability, reviews of environmental risks, corrective action, and project documentation”.

Triennial Audit Report, SAI Global, July 2012

CASE STUDY

SITE REHABILITATION REDUCES RESIDUAL IMPACT OF OPERATIONS AT JOLOKIA AND SAVINA

Progressive rehabilitation is underway at both the Jolokia and Savina sites with good results being achieved. This includes an initial environmental audit of both sites to determine and agree rehabilitation priorities and approach. Based on audit outcomes, preliminary activities through the course of the year have focused on the removal of dams, camp locations and vehicle tracks associated with both lease pads.

An important initiative has been the re-vegetation of the Jolokia lease pad, which was used as a long-term site for Rig 100 and associated infrastructure following the Habanaro 3 incident and during Jolokia 1 drilling operations. In consultation with the South Australian Department of Environment and Natural Resources, a two year project was initiated by Geodynamics implementing rehabilitation techniques specific to arid land natural reserves. A subsequent environmental review conducted in May 2012 recognised the significant improvement to the location. Further actions have been highlighted as opportunities for continued rehabilitation at both sites and will be undertaken through the course of FY2013.

INTERNAL PROGRESS

Geodynamics is progressively implementing best practice environmental management systems across the business to lessen, and in some cases remediate, the environmental impacts of the Company’s activities.

A key area of focus this year has been the development and implementation of a rehabilitation strategy for our operations. This strategy sets out the objectives, guidelines, and monitoring required to minimize the impact of land disturbed through our geothermal activities ensuring a return of the original attributes of these areas.

Introduced in November 2011, the strategy has been deployed to employ control strategies for managing rehabilitation activities that meet or exceed the compliance requirements outlined in relevant legislative requirements. Monitoring of site rehabilitation is undertaken to assess how well the site is meeting identified environmental management objectives, consistent with set criteria and targets. This involves the following practices:

- Botanical assessment (annually);
- Erosion and sedimentation assessment (following significant storm events);
- Visual assessment (biannually).

RAISING ENVIRONMENTAL AWARENESS

Environmental management is prioritised throughout Geodynamics at a corporate, contractor and project level.

Environmental training and awareness programs are provided to all Geodynamics’ employees and contractors, with specific training provided for those working within the field. Training is undertaken at regular intervals to maintain awareness of the Company’s overall environmental responsibilities 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 Manual and any applicable Environmental Control Plan and guidance notes.
EMS RECERTIFICATION ACHIEVED

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

A key highlight has been the re-certification to ISO 14001:2004 by SAI Global, following a comprehensive audit to review year-on-year performance and prioritise areas for continual improvement. Specifically the audit assessed the capability, conformity and effectiveness of Geodynamics’ management system against statutory and regulatory requirements, specified objectives and stated criteria.

This year’s audit report acknowledged significant progress in the further validation of a number of processes that demonstrate a continual improvement ethic within Geodynamics. Performance has been supported through the implementation of additional site physical controls, an enhanced emergency response capability, improved environmental risk review, corrective action, and project documentation.

ENVIRONMENTAL INCIDENTS

Geodynamics reports that there were no ‘Serious’ environmental incidents as defined in the Petroleum and Geothermal Energy Act 2000 (SA).

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. During the year, the Company recorded four minor environmental incidents relating to the disposal of waste without prior approval, the rupture of a make-up water tank, a small spill of hydraulic oil and the record keeping of information for the relocation of cultural heritage items.

Each incident was addressed in accordance with our EMS and the regulator’s requirements. It is important to note that no ongoing damage was caused to the environment as a result of these incidents. Geodynamics has also implemented mitigation actions which include the introduction of a Site Establishment Checklist to ensure that prior to carrying out any activities, all relevant environmental issues have been addressed and all approvals are in place.
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 opportunities for improvement raised in the recent triennial recertification audit.
• Complete at least two independent compliance audits to evaluate and improve assurance processes, and at least one audit to monitor ongoing implementation of the EMS.
• Develop and implement practical measures to progressively rehabilitate areas affected by our activities.

PERFORMANCE AT A GLANCE

ENVIRONMENT

Maintain certification of the Environmental Management System (EMS) to ISO 14001:2004, and continue to build on the strength of the system.

The EMS has been re-certified and we achieved our target in improving the EMS throughout the course of the year as noted through independent auditing.

Complete all scheduled audits and ensure findings are closed out in a timely fashion.

All audits completed as scheduled and actions are being closed out within planned timeframes.

Further develop and refine the EMS, including addressing opportunities for improvement raised in the recent surveillance audit.

Close out of findings from previous audits has been undertaken. Incident reports incorporate both corrective and preventive action.

Implement effective and compliant site-specific environmental controls.

Additional site specific controls have been implemented to remedy environmental incidents in a timely manner.

Respond to and address incidents and issues in a timely fashion and use the outcomes as a basis for ongoing improvement.

Performance indicators have been implemented across the business and are actively monitored and assessed.

Target achieved
Target ongoing
Target not achieved
Building good community relations requires active engagement, ensuring local stakeholders have the opportunity to learn more about our operations and to provide us with feedback relating to our projects.

**OVERVIEW**

As stimulation and flow testing activities commence at Habanero 4 following completion of the well, Geodynamics continues to be mindful of the impact that our operations have on the local community and recognizes that the relationships we foster with local stakeholders are central to our long-term success.

Our aim is to ensure that the local communities in which we operate are well informed about all the key operational aspects and developments relating to our projects and that all stakeholders have the opportunity to ask questions, provide feedback and voice any concerns they may have.

**GEODYNAMICS’ APPROACH TO COMMUNITY CONSULTATION**

Geodynamics’ Community Consultation and Stakeholder Management plan provides the overarching framework of objectives and principles for our community engagement and consultation activities. This plan maps out our approach to building and maintaining open community relations, and each year we review and update the plan to make sure it is in line with work programs and project deliverables.

Additionally Geodynamics refers to the South Australian Resource Industry Code of Practice for Stakeholder and Community Engagement, developed by the South Australia Chamber of Mines and Energy (SACOME), to ensure the Company’s stakeholder management plan is in accordance with industry best practice.

**COMMUNITY CONSULTATION AT INNAMINCKA**

A key priority has been keeping the local community at Innamincka informed about our proposed work program activities at Habanero this year. In particular, Geodynamics’ local community engagement has centred on providing both formal consultation and informal updates regarding operations ahead of the planned stimulation program at Habanero 4.

We thank the Innamincka community for their continued engagement at these sessions and ongoing support throughout the year as we progress our work program at the Habanero site.

**YEAR AHEAD**

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.
- Further embedding our Community Consultation and Stakeholder Management Plan and continuing to develop our methods of engagement.
A new traffic light approach to community communications has been developed and will be deployed during stimulation at Habanero.

CASE STUDY

TAKING A “TRAFFIC LIGHT” APPROACH TO COMMUNICATIONS DURING STIMULATION

In July 2012, Geodynamics held an information session with local residents at Innamincka to explain what hydraulic stimulation entails and the Company’s communications plan during stimulation works at Habanero 4, as well as updating residents on Company developments. Those in attendance were able to raise any questions they had regarding Geodynamics’ current operations and future work activities.

Innamincka residents have been encouraged to subscribe to a daily email from Geodynamics that reports results of micro-seismic activity captured during stimulation. A traffic light approach has been adopted that entails setting in place threshold levels for reporting micro-seismic events. For example, any event registered above 2.5 would be separately recorded and communicated. The daily community email report will commence at the beginning of stimulation (pumping) and conclude once real-time seismic monitoring has concluded.

Typically micro-seismic events created during stimulation are too small to be felt at the surface, but all events will be monitored on Geodynamics’ extensive seismic network. Geodynamics has installed a seismic monitoring device in close proximity to the Innamincka Hotel to record any micro-seismic activity within its immediate vicinity.

Through the stimulations of Habanero and Jolokia conducted by Geodynamics, a total of approximately 43,000 micro-seismic events have been detected by the seismic network. Of these, only 24 (0.056%) were large enough to be detected at surface, and none of these were large enough to cause surface damage.

In line with regulatory requirements, daily reporting will also be provided to the South Australian regulator DMITRE.

PERFORMANCE AT A GLANCE

COMMUNITY

<table>
<thead>
<tr>
<th>Target achieved</th>
<th>Target ongoing</th>
<th>Target not achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued implementation of the Community Consultation and Stakeholder Management Plan</td>
<td>Processes, policies, tools and sample community relations plans are in place. These are updated as required on an ongoing basis.</td>
<td></td>
</tr>
<tr>
<td>Improve our measurement and reporting standards</td>
<td>Our methods of engagement continue to mature. A new traffic light approach to community communications has been developed and will be deployed during stimulation at Habanero. Tools and systems (e.g. a feedback, inquiries and complaints register) required to improve the way we report on community performance have been maintained.</td>
<td></td>
</tr>
<tr>
<td>Strengthen our consultation program with the communities in which we operate</td>
<td>This is ongoing. Geodynamics continues to work with local communities both through formal and informal communication mechanisms to provide two way, regular feedback.</td>
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**DIRECTOR PROFILES**

Your Directors submit their report for the period ended 30 June 2012. 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 Keith Spence was most recently Executive Vice President Enterprise Capability for Woodside and was responsible for ensuring the business operated with the best people, technology and processes. Mr Spence has held many roles during his time with Woodside, including Chief Operating Officer, Acting Chief Executive Officer, Director – Oil Business Unit, Director – Northern Business Unit and Exploration Manager – North West Shelf. Mr Spence has gained a broad knowledge across the industry having over 30 years of experience in the oil and gas industry including 18 years with Shell.

Mr Spence is Chairman of the listed company Clough (since August 2008) and a Non-executive Director of Oil Search and Verve Energy. He is Chairman of the State Training Board of Western Australia, the National Offshore Petroleum Safety and Environmental Management Authority Board, the Australian Institute of Management (WA) and the Industry Advisory Board of the Australian Centre for Energy and Process Training. He is a member of the Board of the Australian Workforce Development and Productivity Agency.

**GEOFF WARD**
BE (Chem) (Hons), MBA

*Managing Director & CEO*

Mr Geoff Ward was appointed Managing Director and Chief Executive Officer of Geodynamics in January 2011. Prior to his appointment 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), 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.
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.

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.

Dr Jack Hamilton was until February 2012, Chief Executive Officer of Exergen Pty Ltd, a low emission coal resource development company and formerly, Director of NWS Ventures with Woodside Energy. Dr Hamilton is also a Non-executive Director of Southern Cross Electrical Engineering 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.
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.

Mr Minesh 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.

Mr Banmali Agrawala graduated with a BE Mechanical Engineering with distinction from Mangalore University in 1984. His professional experience includes working from 1984 – 1987 with Bajaj Auto in the R&D department and from 1987 – 2008 in Wartsila where he was finally the Managing Director of Wartsila India and a Member of the Global Power Plant Management Board.

He was previously the Executive Director (Strategy & Business Development) of Tata Power and also a member of the Board.

He has held various positions in Confederation of Indian Industry a Premier Industry body including Chairman of the Western Region and member of the National Council.

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.
Mr Paul Frederiks has extensive experience in public company financial and secretarial management with more than 30 years experience in the Australian resources sector. He has an extensive knowledge base in listed public company reporting and compliance, financial modelling and forecasting, treasury management, project financing and corporate governance.

He was previously Company Secretary and Chief Financial Officer of Ross Mining NL for over eight years until 2000 and Company Secretary for Billabong International Limited from 2000 until 2004.

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 Joint-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.
The key achievements and highlights for the twelve months to June 2012 were as follows:

- Habanero 4 well spudded on 9 March 2012. The well reached the planned total depth of 4,204m on 22 August 2012. As at the date of this report the installation of the well completion was being undertaken with the operations due to be completed within seven days. As the newest well of the Innamincka Deeps Joint Venture project, Habanero 4 is intended to be a production well which will power the one megawatt pilot plant atop the known reservoir at Habanero. The drilling of Habanero 4 is the first planned stage of the current investigation program focussed on proving the first major enhanced geothermal system (EGS) site in Australia.

- Geodynamics continued to evaluate the feasibility of using Habanero 1, an existing well asset, as the potential re-injection well to pair with Habanero 4 and power the 1 MWe Habanero Pilot Plant. Post the period under review, Geodynamics reported that Habanero 1 is available for use with minimal intervention required to remediate the well.

- The Company successfully concluded key capital management initiatives including:
  - The sale of Rig 100 (jointly owned with Origin Energy) to Weatherford International’s wholly-owned subsidiary Key International Drilling Company for a total cash consideration of $16.8 million. The Company further announced in June 2012 that Geodynamics and Origin had agreed to the sale of Rig 200 to Australian-based company Pangea Resources Pty Ltd for a total cash consideration of $21 million. Under the terms of the agreement the sale of Rig 200 is not due to complete until 30 September 2012;
  - Settlement of the Habanero 3 insurance claim. By the end of December 2011 the Joint Venture had received final payment of Parts B and C of the claim less loss loading, totalling $10.8 million (net) to cover redrill and environmental expenses. This amount is in addition to the $4 million (net) received in settlement of Part A of the claim announced in April 2011;
  - In November 2011, Geodynamics agreed a revised draw down profile of the $90 million Renewable Energy Demonstration Program (REDP) grant with the Department of Resources, Energy and Tourism (DRET). The re-profiling of funding arrangements under the existing grant will see a greater proportion of the funds received in the early stages of the project;
  - Strong interest and demand from Geodynamics’ investors including cornerstone support from Super and Sentient resulted in a successful capital raising program that was completed in January 2012. Together, the Share Purchase Plan and institutional placement achieved the target maximum combined amount of $10 million. The funds raised are being used to progress the development of the Cooper Basin Geothermal Project, commencing with the drilling of Habanero 4.
  - The Clean Energy Future legislation was passed establishing a price on carbon and promoting investment in renewable and clean energy technologies. Legislation for the creation of the Australian Renewable Energy Agency (ARENA) was also passed by parliament. ARENA was established on 1 July 2012 to oversee $3.2 billion in Government funding for renewable energy including geothermal.

In the twelve months to June 2012, Geodynamics has made further progress in its development of zero-emissions, renewable energy generation.
**EMPLOYEES**
The Company had 37 equivalent full time employees as at 30 June 2012 (2011: 50 employees).

**DIVIDEND**
The Directors do not propose to recommend the payment of a dividend in respect of the period ended 30 June 2012.

**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:

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>FULLY PAID ORDINARY SHARES</th>
<th>OPTIONS OVER ORDINARY SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Spence</td>
<td>212,413</td>
<td>-</td>
</tr>
<tr>
<td>G. Ward</td>
<td>258,621</td>
<td>2,700,000</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>955,914</td>
<td>-</td>
</tr>
<tr>
<td>M. Dave</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R. Davies</td>
<td>120,775</td>
<td>-</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>481,708</td>
<td>-</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock</td>
<td>62,315</td>
<td>-</td>
</tr>
</tbody>
</table>

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**
Significant changes in the state of affairs of the Company during the financial period were as follows:

- Contributed Equity increased from $336.4 million to $346.1 million primarily as a result of a Share Purchase Plan and Placement completed in January 2012 which raised $10 million.
- Deferred Exploration and Evaluation costs increased from $85.3 million to $106.9 million, an increase of $21.6 million.
- Property, Plant and Equipment reduced from $49.2 million to $19.8 million primarily as a result of the Sale of Rig 100 and the reclassification of Rig 200 to Assets Held for Sale.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**
On 10 August 2012, the Company announced that it had experienced delays while completing the reverse cementing operation of the 251 mm (9¾”) casing being undertaken in the current 311 mm (12¼”) diameter hole section. It reported that cement integrity testing at the base of the well had identified that some additional work was necessary to ensure sufficient zonal isolation to protect the higher sedimentary formations from the higher pressures encountered in the bottom of the well.

The Company also advised that the total cost to complete the well and associated stimulation and open flow test activities was now estimated to be approximately $50 million, an increase of $1.5 million or 3% compared to the maximum authorised expenditure of $48.5 million agreed with joint venture partner, Origin Energy. It further advised that in line with the agreement between the joint venture partners that the well had to achieve interim cost and technical milestones and maintain the final estimated cost of the well within the agreed budget, Origin Energy had advised it will not contribute further to the well costs.

Geodynamics was subsequently responsible for ongoing risk and cost of the well. Origin retains the right to elect to resume paying its full contribution to the well cost and return to full participation in the well at any stage. Geodynamics advised it had no knowledge of Origin’s intention with respect to this right at this time. The incremental cost to Geodynamics as a result of the increased final well cost and Origin’s decision to cease further participation in the well was estimated to be approximately $2.76 million.

Geodynamics further advised that it remains well funded to complete the well and is able to absorb the incremental cost of Origin’s decision to cease participation within existing funding and without prejudicing its ability to complete the remainder of the proposed well and testing program.

On 17 August 2012, the Company advised that it was pleased to report that the additional cement placement work for the 251 mm (9¾”) casing had been completed successfully. Further pressure testing of the casing shoe had been conducted, with results indicating sufficient pressure integrity to drill ahead to planned total depth.

On 23 August, the Company advised that drilling had continued in the 216 mm (8½”) hole section and target depth (TD) of 4,204 m was reached. Indications while drilling suggested the target fracture zone had been intersected in line with prognosis.

Other than the above, there has not arisen between 30 June 2012 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 2012/13 financial year work program will progress the Innamincka “Deeps” Project through activities focussed at the Habanero location. The major activities involve flow testing and stimulation at Habanero 4 and the commissioning of the 1 MWe Habanero Pilot Plant which remains Geodynamics major near term milestone.

The proposed forward work program is a gated process with each stage dependent on achieving successful results from previous activity. As such the order and timing of future activities remains subject to ongoing review. The current investigation program is focussed on acquiring the reservoir data and demonstrating the well capacity necessary to prove the commercial viability of EGS geothermal consistent with the objectives under our Renewable Energy Demonstration Program grant.
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 has recently been re-certified by SAI Global Limited as compliant with the requirements of the International Standard for Environmental Management Systems ISO14001:2004. In this way, Geodynamics is meeting the global benchmark for better environmental practice.

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

- Generally compliance has been achieved with all environmental legal requirements. No serious environmental incidents were reported. Four minor environmental incidents occurred during the past year. Each of these incidents were minor in nature and were cleared with no environmental impact.
- All scheduled environmental audits have been completed on time, with the majority of the findings closed out.
- Regular consultation has been undertaken with all relevant stakeholders prior to commencement of construction activities, including traditional owners, with no complaints received.
- An Environmental Training Manual (‘The Green Book’) has been developed for site personnel, contractors and visitors to provide a quick reference guide covering important environmental management information.

At the time of writing, the Company remained free of any breach of environmental regulations in relation to field work undertaken within our tenements.

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 environmental impacts.

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 Company has four committees with the following membership:

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

**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 Chief Scientific Officer, D. Wyborn, and Well Engineer and Technology Manager, Amy Hodson, are ex-officio members.

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

**DIRECTORS’ MEETINGS**

During the period there were ten 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:

<table>
<thead>
<tr>
<th>DIRECTORS’ MEETINGS</th>
<th>AUDIT &amp; RISK MANAGEMENT COMMITTEE MEETINGS</th>
<th>REMUNERATION &amp; NOMINATIONS COMMITTEE MEETINGS</th>
<th>TECHNICAL COMMITTEE MEETINGS</th>
<th>HEALTH, SAFETY &amp; ENVIRONMENT COMMITTEE MEETINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER HELD IN OFFICE</td>
<td>NUMBER HELD IN OFFICE</td>
<td>NUMBER HELD IN OFFICE</td>
<td>NUMBER HELD IN OFFICE</td>
<td>NUMBER HELD IN OFFICE</td>
</tr>
<tr>
<td>NUMBER ATTENDED</td>
<td>NUMBER ATTENDED</td>
<td>NUMBER ATTENDED</td>
<td>NUMBER ATTENDED</td>
<td>NUMBER ATTENDED</td>
</tr>
<tr>
<td>K. Spence 10</td>
<td>10</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>G. Ward 10</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B. Agrawala 4</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra 4</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>B. Davies 10</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>J. Hamilton 10</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Marier 10</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock 10</td>
<td>10</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>M. Dave 4</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The Company’s Corporate Governance Statement is printed immediately following this Directors’ Report.

**REMNUNERATION REPORT (AUDITED)**

This remuneration report for the year ended 30 June 2012 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 2011/12 (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 and includes the five Executives in the Company receiving the highest remuneration.

For the purposes of this report, the term ‘executive’ encompasses the Managing Director and the executive management team of the Company.
Further information on the Remuneration and 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

To ensure the Remuneration and Nominations Committee is fully informed when making remuneration decisions, it seeks external remuneration advice from time to time.

New legislation was introduced in 2011 that impacts how companies can seek advice which includes a remuneration recommendation in relation to KMP remuneration. Therefore, in FY11/12 the Board underwent a formal appointment process and Hayes Group was appointed as the remuneration advisor to the Company.

In order to ensure the Remuneration and Nominations Committee is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of Hayes Group by the Remuneration and Nominations Committee was based on an agreed set of protocols that would be followed by Hayes Group, members of the Remuneration and Nominations Committee and members of KMP.

During FY11/12 year, Hayes Group provided the Company with:

- Insights on remuneration trends, regulatory developments and shareholder views;
- Market data in relation to CEO and executive remuneration.

No remuneration recommendations were provided during the FY11/12 year.

Remuneration Report approval at FY10/11 AGM

The FY10/11 remuneration report received positive shareholder support at the FY10/11 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 rewards to shareholder value creation through the issue 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.
REMUNERATION REPORT (AUDITED) (continued)

3. Executive Remuneration Arrangements (continued)

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 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.

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. 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.

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 FY11/12 year, eligible staff must have started by 1 January 2012. 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.

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 twelve month period. The number of shares allotted is calculated by dividing 15% of the annualised fixed remuneration by the weighted average share price at the time of issue. 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 twelve month period. The number of options allotted is calculated by dividing 45% of the annualised fixed remuneration by the deemed option value at the time of issue.

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.
REMUNERATION REPORT (AUDITED) (continued)

3. Executive Remuneration Arrangements (continued)

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;
- 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.

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: 2007/08 - $0.036, 2008/09 - $0.054, 2009/10 - $0.051, 2010/11 - $0.43, 2011/12 - $0.031.

Geodynamics Limited Share Price 2007 – 2012

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 FY11/12

Company performance and its link to short-term incentives

The key business plan milestones driving STI payment outcomes for FY11/12 with relevant performance against targets are outlined in the table below:

<table>
<thead>
<tr>
<th>MILESTONE</th>
<th>FY11/12 PERFORMANCE VERSUS TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Safety &amp; Environment – delivering the business plan safety with low environmental impact</td>
<td>All base targets met as well as first stretch target</td>
</tr>
<tr>
<td>Delivery of operational results on schedule, quality and budget with a weighting of time 20%, cost 40% and quality 40%</td>
<td>Two of three base targets met and one of two first stretch targets</td>
</tr>
<tr>
<td>Management of Finances – the Company remains securely funded through management of income and costs</td>
<td>All base targets met and one of two first stretch targets</td>
</tr>
</tbody>
</table>

For FY11/12, the Company’s performance against the above key Business Plan milestones resulted in a payment under the STI Plan of a maximum of 20% of annualised fixed remuneration or two thirds of the maximum bonus pool. The aggregate of annual STI payments available for staff is subject to the approval of the Remuneration and Nominations Committee. This determination usually occurs within one month after the reporting date. The payments made are recognised as remuneration in the year in which STI was earned and therefore the STI payments for FY11/12 which were paid in July 2012 are reflected in the remuneration tables for FY11/12.

No options vested during the year under the Employee Option Plan due to the share price vesting performance hurdles not being met. 512,556 shares vested during the year for twenty employees who met the vesting hurdle of three years of continuous service.

Table 1 - Remuneration of KMP of the Company for the year ended 30 June 2012

<table>
<thead>
<tr>
<th>SHORT-TERM</th>
<th>POST EMPLOYMENT</th>
<th>SHARE BASED PAYMENT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALARY &amp; CONSULTING FEES</td>
<td>CASH BONUS - SHORT TERM INCENTIVE</td>
<td>SUPER-ANNUATION</td>
<td>SHARES (AMORTISED COST)</td>
</tr>
<tr>
<td>G. Ward</td>
<td>476,479</td>
<td>19,917</td>
<td>25,000</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Coates</td>
<td>268,850</td>
<td>64,100</td>
<td>29,966</td>
</tr>
<tr>
<td>Manager Safety &amp; People</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>320,726</td>
<td>56,000</td>
<td>33,905</td>
</tr>
<tr>
<td>Reservoir Engineering Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>244,340</td>
<td>58,200</td>
<td>27,218</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Hodson ¹</td>
<td>284,444</td>
<td>74,100</td>
<td>30,816</td>
</tr>
<tr>
<td>Well Engineering &amp; Technology Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Mills ²</td>
<td>206,439</td>
<td>42,400</td>
<td>22,396</td>
</tr>
<tr>
<td>Project Engineering Team Leader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,801,278</strong></td>
<td><strong>294,800</strong></td>
<td><strong>164,218</strong></td>
</tr>
</tbody>
</table>

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

During the year, the Company completed a strategic review of its operations and activities. As part of that review, the Company reviewed who were the Company’s KMP, being those persons with the authority and responsibility for planning, directing and controlling the Company’s activities. The outcome of that review was the persons referred to in the above table 1 were deemed to be the Company’s KMP.
**REMUNERATION REPORT (AUDITED) (continued)**

4. Executive Remuneration outcomes for FY11/12 (continued)

Table 2 - Remuneration of KMP of the Company or the year ended 30 June 2011

<table>
<thead>
<tr>
<th></th>
<th><strong>Salaries &amp; Consulting Fees</strong></th>
<th><strong>Cash Bonus &amp; Short Term Incentive</strong></th>
<th><strong>Superannuation</strong></th>
<th><strong>Shares (Amortised Cost)</strong></th>
<th><strong>Options (Amortised Cost)</strong></th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>G. Ward</td>
<td>199,801</td>
<td>72,917</td>
<td>10,586</td>
<td>10,417</td>
<td>45,961</td>
<td>339,682</td>
</tr>
<tr>
<td>Chief Executive Officer①</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Bird ②</td>
<td>166,000</td>
<td>18,200</td>
<td>16,578</td>
<td>7,500</td>
<td>14,823</td>
<td>223,101</td>
</tr>
<tr>
<td>Corporate Affairs Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Coates</td>
<td>268,850</td>
<td>36,885</td>
<td>27,516</td>
<td>20,832</td>
<td>30,547</td>
<td>384,630</td>
</tr>
<tr>
<td>Manager Safety &amp; People</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P. Frederiks ③</td>
<td>344,248</td>
<td>34,425</td>
<td>-</td>
<td>43,011</td>
<td>37,583</td>
<td>459,267</td>
</tr>
<tr>
<td>Company Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. Hogarth ④</td>
<td>323,261</td>
<td>32,960</td>
<td>32,117</td>
<td>28,360</td>
<td>45,466</td>
<td>462,164</td>
</tr>
<tr>
<td>Reservoir Engineering Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T. Pritchard ⑤</td>
<td>171,612</td>
<td>33,348</td>
<td>18,441</td>
<td>7,500</td>
<td>21,082</td>
<td>251,983</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Saunders ⑥</td>
<td>198,447</td>
<td>19,840</td>
<td>19,996</td>
<td>3,875</td>
<td>43,730</td>
<td>285,888</td>
</tr>
<tr>
<td>JV Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Webb</td>
<td>320,667</td>
<td>31,077</td>
<td>18,156</td>
<td>34,780</td>
<td>27,100</td>
<td>431,780</td>
</tr>
<tr>
<td>Commercial Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Manton ⑦</td>
<td>201,674</td>
<td>-</td>
<td>9,580</td>
<td>-</td>
<td>28,104</td>
<td>239,358</td>
</tr>
<tr>
<td>IT Manager</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. McDonnell ⑧</td>
<td>518,471</td>
<td>44,100</td>
<td>26,250</td>
<td>59,009</td>
<td>647,830</td>
<td></td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. Grove-White ⑨</td>
<td>343,212</td>
<td>157,500</td>
<td>51,167</td>
<td>-</td>
<td>-</td>
<td>551,879</td>
</tr>
<tr>
<td>Former CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Totals**  
3,056,243  
437,152  
248,237  
182,525  
353,405  
4,277,562

① Appointed Managing Director on 31 January 2011.  
② Appointed 19 April 2010.  
③ Changed from CFO & Company Secretary to Company Secretary effective 31 May 2011.  
④ Following an organisational restructure, these Executives were deemed to be key management personnel (KMP) for the purposes of reporting under the standard as at 31 May 2011 but for transparency their full annual remuneration for FY2011 is included. The Company defines KMP as direct reports to the Managing Director.  
⑤ Resigned 18 November 2010.  
⑥ Resigned 24 May 2011.  
⑦ Resigned 9 July 2010.
5. Summary of Executive Contractual arrangements

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

The contract 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 having achieved key financial and operational milestones identified for FY2012. Mr Ward has proposed to forego this payment in recognition of the continued underperformance of GDY shares and negative returns experienced by shareholders in FY2012. The key performance milestones set for Mr Ward for FY11/12 were delivering results to achieve agreed strategy, 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;
- 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 and options to Mr Ward was approved by shareholders at the November 2011 Annual General Meeting.

The CEO’s termination provisions are as follows:

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

* If the time remaining under the 4 year contract is less than 6 months then that lesser amount.
5. Summary of Executive Contractual arrangements (continued)

Other KMP
All other KMP have rolling contracts.

Other standard KMP provisions are as follows:

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

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 2012 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, The Tata Power Company Ltd 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.

The remuneration of Non-executive Directors for the year ending 30 June 2012 is detailed in Table 3 of this report and the remuneration for the comparative year ending 30 June 2011 is detailed in Table 4 of this report.
**REMUERATION REPORT (AUDITED) (continued)**

6. Non-executive Director remuneration arrangements (continued)

**Table 3 – Non-executive Directors’ Remuneration for the year ended 30 June 2012**

<table>
<thead>
<tr>
<th></th>
<th>SALARY &amp; CONSULTING FEES</th>
<th>DIRECTORS FEES</th>
<th>SUPER-ANNUATION</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Spence</td>
<td>-</td>
<td>118,250</td>
<td>10,642</td>
<td>-</td>
<td>128,892</td>
</tr>
<tr>
<td>B. Agrawala 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>-</td>
<td>56,250</td>
<td>5,063</td>
<td>-</td>
<td>61,313</td>
</tr>
<tr>
<td>R. Davies</td>
<td>-</td>
<td>80,625</td>
<td>7,256</td>
<td>-</td>
<td>87,881</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>-</td>
<td>87,881</td>
<td>-</td>
<td>-</td>
<td>87,881</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>64,500</td>
<td>-</td>
<td>-</td>
<td>64,500</td>
</tr>
<tr>
<td>A. Stock</td>
<td>-</td>
<td>80,625</td>
<td>7,256</td>
<td>-</td>
<td>87,881</td>
</tr>
<tr>
<td>M. Dave 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>-</strong></td>
<td><strong>488,131</strong></td>
<td><strong>30,217</strong></td>
<td>-</td>
<td><strong>518,348</strong></td>
</tr>
</tbody>
</table>

1 Retired 24 November 2011.
2 Appointed 23 February 2012, Fees are paid to the Alternate Director, Prame Chopra.

**Table 4 – Non-Executive Directors’ Remuneration for the year ended 30 June 2011**

<table>
<thead>
<tr>
<th></th>
<th>SALARY &amp; CONSULTING FEES</th>
<th>DIRECTORS FEES</th>
<th>SUPER-ANNUATION</th>
<th>SHARES (AMORTISED COST)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Spence 1</td>
<td>-</td>
<td>112,590</td>
<td>10,133</td>
<td>-</td>
<td>122,723</td>
</tr>
<tr>
<td>B. Agrawala 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>-</td>
<td>64,500</td>
<td>5,805</td>
<td>-</td>
<td>70,305</td>
</tr>
<tr>
<td>R. Davies</td>
<td>-</td>
<td>80,625</td>
<td>7,256</td>
<td>-</td>
<td>87,881</td>
</tr>
<tr>
<td>J. Hamilton 2</td>
<td>306,250</td>
<td>35,408</td>
<td>-</td>
<td>78,750</td>
<td>420,408</td>
</tr>
<tr>
<td>M. Marier 4</td>
<td>-</td>
<td>24,493</td>
<td>-</td>
<td>-</td>
<td>24,493</td>
</tr>
<tr>
<td>A. Stock</td>
<td>-</td>
<td>80,625</td>
<td>7,256</td>
<td>-</td>
<td>87,881</td>
</tr>
<tr>
<td>M. Albrecht 1</td>
<td>-</td>
<td>49,270</td>
<td>4,434</td>
<td>-</td>
<td>53,704</td>
</tr>
<tr>
<td>P. Britz 6</td>
<td>-</td>
<td>46,457</td>
<td>-</td>
<td>-</td>
<td>46,457</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>306,250</strong></td>
<td><strong>493,968</strong></td>
<td><strong>34,884</strong></td>
<td><strong>78,750</strong></td>
<td><strong>913,852</strong></td>
</tr>
</tbody>
</table>

1 Became Chairman on 24 November 2010 following the retirement of M. Albrecht.
2 Fees are paid to the Alternate Director, Prame Chopra.
3 Was Interim Managing Director for the seven months to 30 January 2011 then reverted to Non-executive Director role.
4 Appointed 24 February 2011, fees paid to the Director’s employer (The Sentient Group), being a cornerstone shareholder of the Company.
5 Retired 24 November 2010.
6 Resigned 24 February 2011.
7. Additional statutory disclosures

Table 5 – Shares granted to executives as part of remuneration for the year ended 30 June 2012

During the financial year, shares were granted or were proposed to be granted under the Long Term Incentive Plan to certain executives as disclosed below (executives who have departed during the year or subsequent to year end who were granted shares during the year which were subsequently forfeited have not been listed). The shares issued for nil consideration, are issued in accordance with performance hurdles established by the Directors of the Company under the Deferred Employee Share Plan (DESP). The shares vest with the employee after a term of 36 months.

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Granted Number</th>
<th>Value of Shares Granted during the Year</th>
<th>% of Remuneration</th>
<th>Value of Shares vested during the Year</th>
<th>Value of Shares forfeited during the Year</th>
<th>Value per Share at Grant Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Hogarth</td>
<td>30/09/11</td>
<td>$49,440</td>
<td>15%</td>
<td></td>
<td></td>
<td>0.20</td>
</tr>
<tr>
<td>K. Coates</td>
<td>30/09/11</td>
<td>$40,328</td>
<td>15%</td>
<td></td>
<td></td>
<td>0.20</td>
</tr>
<tr>
<td>A. Hodson</td>
<td>30/09/11</td>
<td>$39,015</td>
<td>15%</td>
<td></td>
<td></td>
<td>0.20</td>
</tr>
<tr>
<td>A. Mills</td>
<td>30/09/11</td>
<td>$37,500</td>
<td>15%</td>
<td></td>
<td></td>
<td>0.20</td>
</tr>
</tbody>
</table>

The shares fair value was determined at the date of grant. Value per share at grant date is fair value.

Table 6 – Options granted to executives as part of remuneration for the year ended 30 June 2012

During the financial year, options were granted or were proposed to be granted under the Long Term Incentive Plan to certain executives as disclosed below. The options, issued for nil consideration, are issued in accordance with performance hurdles established by the Directors of the Company under the Employee Option Plan (EOP). The options are issued for a term of 36 months (48 months for G. Ward) and are exercisable and vest in the holder of the Options in three lots (four lots for G. Ward) as detailed earlier in this remuneration report.

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Granted Number</th>
<th>Value of Options Granted during the Year</th>
<th>% of Remuneration</th>
<th>Value of Options Exercised during the Year</th>
<th>Value of Options Lapsed during the Year</th>
<th>Value per Option at Grant Date</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Mills*</td>
<td>30/09/11</td>
<td>$33,750</td>
<td>15%</td>
<td></td>
<td></td>
<td>0.08</td>
<td>0.20</td>
</tr>
</tbody>
</table>

The options fair value was determined at the date of grant. Value per option at grant date is fair value.

* Shares are considered remuneration for a one year period; this calculation takes the full valuation for the purposes of calculating the shares as a percentage of remuneration. Shares vest with the employee 36 months after the date of issue providing the employee is still employed by the Company at that time.

* Options vest over three years and are considered remuneration for a three year period; this calculation takes 30% of the full valuation for the purposes of calculating the options as a percentage of remuneration. The first exercise date is 12 months after the date of issue and the last exercise date is 35 months after the date of issue. Options expire 36 months after the date of issue.

Signed in accordance with a resolution of the Directors.

K. Spence
Chairman
Brisbane, 31 August 2012
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 2012, 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
Brisbane
31 August 2012
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.

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. Promote ethical and responsible decision making
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 2012 and were fully compliant with the Council’s recommendations except for the following:

Recommendation 21 – a majority of the Board should be independent Directors. The Company has three independent Directors out of seven Directors. The Company believes that the four Non-executive Directors who are not deemed independent provide an invaluable contribution to the Board due to their expertise. Three Non-executive Directors who are not deemed independent are Officers of the Company’s three largest shareholders which each has a right to appoint a Director to the Board under their respective Investment Deeds.

Recommendation 8.2 – The Remuneration Committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members. The Company’s Remuneration committee does have a majority of independent directors and three members, however its chair is Mr Andrew Stock, who is a Non-executive Director but who is not deemed independent. The Company believes that Mr Stock is an appropriate chair of this committee due to his extensive knowledge of remuneration policies and procedures arising from his current and previous positions and also because there is no conflict of interest arising from his position with Origin and his position as Chair of the Remuneration and Nominations Committee.

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 the Corporate Governance Tab under “About Geodynamics” on our website located at www.geodynamics.com.au.

For 2012, 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.

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.
1. LAy sOlID FouNDAtIoNs FoR ManaGeMeNt ANd oVeRSIGht

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 is 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:

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>INDEPENDENT</th>
<th>TERM IN OFFICE</th>
<th>EXPERTISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keith Spence</td>
<td>Non-executive Chairman</td>
<td>Yes</td>
<td>4.1 years</td>
<td>Energy, Engineering and Management</td>
</tr>
<tr>
<td>Geoff Ward</td>
<td>Managing Director</td>
<td>No</td>
<td>1.5 years</td>
<td>Energy, Engineering, Corporate Finance and Management</td>
</tr>
<tr>
<td>Minesh Dave</td>
<td>Non-executive Director</td>
<td>No</td>
<td>0.6 years</td>
<td>Energy, Engineering and Management</td>
</tr>
<tr>
<td>Prame Chopra</td>
<td>Alternate Director to Minesh Dave</td>
<td>No*</td>
<td>11.8 years</td>
<td>Geothermal Energy, Rock Mechanics and Geophysics</td>
</tr>
<tr>
<td>Robert Davies</td>
<td>Non-executive Director</td>
<td>Yes</td>
<td>3.7 years</td>
<td>Finance, Governance and Management</td>
</tr>
<tr>
<td>Jack Hamilton</td>
<td>Non-executive Director</td>
<td>Yes</td>
<td>5.9 years</td>
<td>Energy, Engineering and Management</td>
</tr>
<tr>
<td>Michel Marier</td>
<td>Non-executive Director</td>
<td>No</td>
<td>1.3 years</td>
<td>Finance and Management</td>
</tr>
<tr>
<td>Andrew Stock</td>
<td>Non-executive Director</td>
<td>No</td>
<td>8.8 years</td>
<td>Energy, Engineering and Management</td>
</tr>
</tbody>
</table>

* Prame Chopra in his capacity as a member of the Audit & Risk Committee is considered to be independent.

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, three of whom are deemed independent, and one Executive Director. Three Non-executive Directors who are not deemed independent are Officers of the Company’s three largest shareholders which each has a right to appoint a Director to the Board under their respective Investment Deeds. (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 is set out in the Directors’ Report.

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.
2. STRUCTURE THE BOARD TO ADD VALUE (continued)

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.
- Overseer 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 twelve 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 and 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 and 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 and 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.
4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

(continued)
The Chairman of the Audit and Risk Management Committee reviews the performance of the Committee with members and reports annually to the Board.
The members of the Audit and Risk Committee during the year were:
Robert Davies (Chairman)
Michel Marier
Prame Chopra

Qualifications of Audit and 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.
Michel Marier BBA (Int’l Mgt), M.Sc. (Finance), CFA, FRM, 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.
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 automatically posted on the Company’s website as soon as it is disclosed to the ASX. This is achieved through a sophisticated web interface with the ASX online lodgement system.

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 Stage One 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 Technical Committee and a Health Safety and Environment Committee which both operate under charters approved by the Board. A key function of the Technical Committee is to advise the Board on issues related to technical risk.

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.
CORPORATE GOVERNANCE STATEMENT CONTINUED

7. RECOGNISE AND MANAGE RISK (continued)

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 and reviewed on an ongoing basis and independently audited from time to time – the most recent audit was undertaken in the past three months. The Audit and Risk Committee oversees the adequacy and comprehensiveness of risk reporting from management.

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
Andrew Stock

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Health, Safety & Environment (HSE) meetings are held on an as required basis but generally there will be at least four meetings throughout the year. 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

PREVIOUS PAGE
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 six 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 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.
# Statement of Comprehensive Income

Financial Year Ended 30 June 2012

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>1,418</td>
<td>2,518</td>
</tr>
<tr>
<td>Impairment of Property, Plant &amp; Equipment</td>
<td>(728)</td>
<td>(33,500)</td>
</tr>
<tr>
<td>Impairment of Deferred Exploration &amp; Evaluation Costs</td>
<td>-</td>
<td>(87,000)</td>
</tr>
<tr>
<td>General &amp; Administrative Expenses</td>
<td>(15,860)</td>
<td>(22,571)</td>
</tr>
<tr>
<td>Corporate Expenses Recovered</td>
<td>3,398</td>
<td>4,990</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>(13,190)</td>
<td>(138,081)</td>
</tr>
<tr>
<td><strong>Income/(Loss) before Income Tax Expense</strong></td>
<td>(11,772)</td>
<td>(135,563)</td>
</tr>
<tr>
<td>Income Tax Benefit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Income/(Loss) after Income Tax Expense</strong></td>
<td>(11,772)</td>
<td>(135,563)</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Gain/(Loss) On Cashflow Hedge Taken To Equity</td>
<td>65</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income for the period</strong></td>
<td>65</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income/(Loss) for the period attributable to the Owners</strong></td>
<td>(11,707)</td>
<td>(134,563)</td>
</tr>
<tr>
<td>Basic and Diluted Earnings/(Loss) per share (cents per share)</td>
<td>17</td>
<td>(3.06)</td>
</tr>
<tr>
<td>Basic and Diluted Earnings/(Loss) per share attributable to the equity holders of the entity (cents per share)</td>
<td>17</td>
<td>(3.06)</td>
</tr>
</tbody>
</table>

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

**As at 30 June 2012**

<table>
<thead>
<tr>
<th>Note</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Assets</td>
<td>22(A)</td>
<td>35,146</td>
</tr>
<tr>
<td>Inventories – Rig Parts and Well Materials</td>
<td></td>
<td>189</td>
</tr>
<tr>
<td>Receivables</td>
<td>5</td>
<td>3,126</td>
</tr>
<tr>
<td>Non-Current Assets Held for Sale</td>
<td>6</td>
<td>14,700</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>53,161</td>
</tr>
<tr>
<td><strong>Non Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>7</td>
<td>19,771</td>
</tr>
<tr>
<td>Deferred Exploration, Evaluation &amp; Development phase costs</td>
<td>8</td>
<td>106,923</td>
</tr>
<tr>
<td><strong>Total Non Current Assets</strong></td>
<td></td>
<td>126,694</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>179,855</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>9</td>
<td>13,773</td>
</tr>
<tr>
<td>Provisions</td>
<td>10</td>
<td>660</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>11</td>
<td>5,700</td>
</tr>
<tr>
<td>Derivative Liability</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
<td>20,133</td>
</tr>
<tr>
<td><strong>Non Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>10</td>
<td>5,299</td>
</tr>
<tr>
<td><strong>Total Non Current Liabilities</strong></td>
<td></td>
<td>5,299</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>25,432</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td>154,423</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed Equity</td>
<td>13</td>
<td>346,083</td>
</tr>
<tr>
<td>Other Reserves</td>
<td>14</td>
<td>9,336</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td>(200,996)</td>
<td>(189,224)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>154,423</td>
</tr>
</tbody>
</table>

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

## Financial Year Ended 30 June 2012

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
</tbody>
</table>

### Cash Flows from/(used in) Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Goods and Services Tax received</td>
<td>463</td>
<td>4,306</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(10,513)</td>
<td>(14,897)</td>
</tr>
<tr>
<td>Net Interest Received</td>
<td>1,317</td>
<td>3,721</td>
</tr>
</tbody>
</table>

Net cash flows from/(used in) Operating Activities 22(B)  

### Cash Flows from/(used in) Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from Government Grants</td>
<td>8,050</td>
<td>630</td>
</tr>
<tr>
<td>Purchase of Property, Plant &amp; Equipment</td>
<td>(276)</td>
<td>(9,165)</td>
</tr>
<tr>
<td>Payments for Exploration and Evaluation expenditure</td>
<td>(32,830)</td>
<td>(63,327)</td>
</tr>
<tr>
<td>Proceeds from Farmin Cash Calls</td>
<td>10,406</td>
<td>17,120</td>
</tr>
<tr>
<td>Proceeds from Insurance claim</td>
<td>8,215</td>
<td>3,601</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant &amp; equipment</td>
<td>11,478</td>
<td>20</td>
</tr>
</tbody>
</table>

Net cash flow used in investing activities 5,043 (51,121)

### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from issue of shares</td>
<td>9,658</td>
<td>15,857</td>
</tr>
</tbody>
</table>

Net cash flow provided by financing activities 9,658 15,857

Net increase / (decrease) in cash held 5,968 (42,134)

Add: Opening cash carried forward 29,178 71,312

Closing cash carried forward 22(A) 35,146 29,178

The above Cash Flow Statement should be read in conjunction with the accompanying notes.
## STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED 30 JUNE 2012

<table>
<thead>
<tr>
<th></th>
<th>Issued Capital $’000</th>
<th>Employee Equity Benefits Reserve $’000</th>
<th>Foreign Exchange Hedge Reserve $’000</th>
<th>Accumulated Losses $’000</th>
<th>Total Equity $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 July 2011</strong></td>
<td>336,405</td>
<td>7,502</td>
<td>(65)</td>
<td>(189,224)</td>
<td>154,618</td>
</tr>
<tr>
<td>Recognition of foreign exchange hedge reserve</td>
<td>-</td>
<td>-</td>
<td>65</td>
<td>-</td>
<td>65</td>
</tr>
<tr>
<td>Total expense for period recognised directly in equity</td>
<td>-</td>
<td>-</td>
<td>65</td>
<td>-</td>
<td>65</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(11,772)</td>
<td>(11,772)</td>
</tr>
<tr>
<td>Total loss for the period</td>
<td>-</td>
<td>-</td>
<td>65</td>
<td>(11,772)</td>
<td>(11,772)</td>
</tr>
</tbody>
</table>

**Equity Transactions:**

- Issue of Share Capital in consideration of services: 19
- Refund for overpayment of option exercise: (6)
- Issue of Share Capital pursuant to capital placement: 3,823
- Share Capital raising expenses: (142)
- Issue of Share Capital via Share Purchase Plan: 6,201
- Transaction costs of Share Purchase Plan: (217)
- Share based payment on Employee Share Plan: - 657
- Cost of share-based payment - recognition of share option expense: - 1,177

**At 30 June 2012**

|                        | 346,083               | 9,336                                  | -                                   | (200,996)               | 154,423            |

**FINANCIAL YEAR ENDED 30 JUNE 2011**

<table>
<thead>
<tr>
<th></th>
<th>319,887</th>
<th>4,714</th>
<th>(1,065)</th>
<th>(53,661)</th>
<th>269,875</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of foreign exchange hedge reserve</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Total expense for period recognised directly in equity</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(135,563)</td>
<td>(135,563)</td>
</tr>
<tr>
<td>Total loss for the period</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
<td>(135,563)</td>
<td>(134,563)</td>
</tr>
</tbody>
</table>

**Equity Transactions:**

- Exercise of options - listed: 14
- Issue of Share Capital in consideration of services: 136
- Issue of Share Capital via Share Purchase Plan: 16,239
- Transaction costs of Share Purchase Plan: (396)
- Ordinary shares issued for the acquisition of assets: 525
- Ordinary shares issued for the deferred employee share plan: - 1,138
- Cost of share-based payment - recognition of share option expense: - 1,650

**At 30 June 2011**

|                        | 336,405               | 7,502                                  | (65)                                | (189,224)                | 154,618            |
NOTE 1 – CORPORATE INFORMATION
The financial report of Geodynamics Limited (the Company) for the year ended 30 June 2012 was authorised in accordance with a resolution of the Directors on 31 August 2012.
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 an 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 2012. 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 impact the amounts recognised in the financial statements.

The following standards were assessed.
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (AASB 112) (effective 1 July 2012)
- AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments (AASB 1049) (effective 1 July 2012)
- AASB 9 – Financial Instruments (effective 1 January 2013)
- AASB 10 – Consolidated Financial Statements (effective 1 January 2013)
- AASB 11 – Joint Arrangements (effective 1 January 2013)
- AASB 12 – Disclosure if Interests in Other Entities (effective 1 January 2013)
- AASB 13 – Fair Value Measurement (effective 1 January 2013)
- AASB 119 – Employee Benefits (effective 1 January 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.

The Company has a wholly owned subsidiary named Geodynamics Share Plans Pty Ltd. Its issued capital is $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.

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.

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.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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

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. 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.

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.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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
(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve 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.

(ii) 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.

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.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

5) 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.

7) 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.

W) Other Taxes
Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (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 is 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
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y) Available for sale securities (continued)

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.

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.
**Note 3 – Expenses and Losses/(Gains)**

Loss before income tax has been determined after charging/(crediting) the following specific items:

<table>
<thead>
<tr>
<th>Item</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of plant and equipment and Amortisation of leasehold improvements</td>
<td>1,320</td>
<td>2,766</td>
</tr>
<tr>
<td>Share Plan Expense</td>
<td>657</td>
<td>1,138</td>
</tr>
<tr>
<td>Share Option Expense</td>
<td>1,177</td>
<td>1,650</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>7,327</td>
<td>10,606</td>
</tr>
<tr>
<td>Interest expense</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Operating lease rentals paid</td>
<td>816</td>
<td>1,399</td>
</tr>
<tr>
<td>Foreign exchange loss/(gain)</td>
<td>130</td>
<td>(390)</td>
</tr>
<tr>
<td>(Profit)/loss on disposal of property, plant &amp; equipment</td>
<td>877</td>
<td>(44)</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Item</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prima facie tax on loss</td>
<td>(3,531)</td>
<td>(40,669)</td>
</tr>
<tr>
<td>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Income</td>
<td>2,415</td>
<td>189</td>
</tr>
<tr>
<td>Impairment of Exploration and Evaluation Costs</td>
<td>-</td>
<td>26,100</td>
</tr>
<tr>
<td>Impairment of Property, Plant &amp; Equipment</td>
<td>218</td>
<td>10,050</td>
</tr>
<tr>
<td>Other income/(expenses)</td>
<td>(3,215)</td>
<td>1,292</td>
</tr>
<tr>
<td>Additional deduction for research &amp; development expenditure</td>
<td>-</td>
<td>(15,740)</td>
</tr>
<tr>
<td>Income tax benefit attributable to current year losses</td>
<td>(4,113)</td>
<td>(18,778)</td>
</tr>
<tr>
<td>Deferred tax asset not brought to account as realisation of the asset is not regarded as probable</td>
<td>4,113</td>
<td>18,778</td>
</tr>
<tr>
<td>Income tax benefit attributable to operating loss</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 4 - INCOME TAX (continued)

Deferred income tax
Deferred income tax at 30 June relates to the following:

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
<th>STATEMENT OF</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
<th>STATEMENT OF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred exploration phase expenditure</td>
<td>(762)</td>
<td>(747)</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deferred evaluation phase expenditure</td>
<td>(21,561)</td>
<td>(24,843)</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other deferred tax liability</td>
<td>(1,857)</td>
<td>(498)</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Deferred tax assets

<table>
<thead>
<tr>
<th>Losses available for offset against future taxable income</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
<th>STATEMENT OF</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
<th>STATEMENT OF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses available for offset against future taxable income</td>
<td>87,852</td>
<td>89,956</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other deferred tax asset</td>
<td>6,184</td>
<td>350</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

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:

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

NOTE 5 – RECEIVABLES (CURRENT)

<table>
<thead>
<tr>
<th>Receivables (current)</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>1,602</td>
<td>1,176</td>
</tr>
<tr>
<td>GST Receivable</td>
<td>688</td>
<td>111</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>264</td>
<td>168</td>
</tr>
<tr>
<td>Sundry Receivables and Prepayments</td>
<td>572</td>
<td>3,584</td>
</tr>
</tbody>
</table>

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

The accounts receivable balance represents the amount owing from Origin Energy at balance date under the Innamincka “Deeps” Joint Venture arrangement (refer to Note 2(Z) and Note 20 for further particulars). Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

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

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Current Assets Held for Sale</td>
<td>14,700</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Current Assets Held for Sale</td>
<td>14,700</td>
<td>-</td>
</tr>
</tbody>
</table>

Reconciliation of Non-Current Assets Held For Sale

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>26,821</td>
<td>-</td>
</tr>
<tr>
<td>Impairment *</td>
<td>(728)</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(11,393)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount at the end</td>
<td>14,700</td>
<td>-</td>
</tr>
</tbody>
</table>

Rig 200 was reclassified as non-current assets held for sale as at 31 December as the Rig was being actively marketed at that time. A signed agreement is in place for the sale of the Rig to a third party with the sale due for completion by 30 September 2012. The carrying value of the Rig represents Geodynamics’ share of the sale price.

* Impairment of Property Plant & Equipment

NOTE 7 – PROPERTY, PLANT & EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and Equipment at cost</td>
<td>23,577</td>
<td>97,676</td>
</tr>
<tr>
<td>Less: accumulated depreciation and impairment</td>
<td>(3,806)</td>
<td>(48,523)</td>
</tr>
<tr>
<td>Total Property, Plant and Equipment</td>
<td>19,771</td>
<td>49,153</td>
</tr>
</tbody>
</table>

Reconciliation of Plant & Equipment

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning</td>
<td>49,153</td>
<td>79,525</td>
</tr>
<tr>
<td>Additions</td>
<td>208</td>
<td>9,270</td>
</tr>
<tr>
<td>Disposals</td>
<td>(916)</td>
<td>(175)</td>
</tr>
<tr>
<td>Impairment *</td>
<td>-</td>
<td>(33,500)</td>
</tr>
<tr>
<td>Reclassification to Assets Held for Sale</td>
<td>(26,821)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation/Amortisation Expense</td>
<td>(1,853)</td>
<td>(5,967)</td>
</tr>
<tr>
<td>Carrying amount at the end</td>
<td>19,771</td>
<td>49,153</td>
</tr>
</tbody>
</table>

Assets decreased during the financial year due to the reclassification of both drilling rigs to assets held for sale.

* Impairment of Property Plant & Equipment

NOTE 8 – DEFERRED EXPLORATION AND EVALUATION COSTS

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration Phase</td>
<td>2,539</td>
<td>2,490</td>
</tr>
<tr>
<td>Evaluation Phase</td>
<td>104,384</td>
<td>82,810</td>
</tr>
<tr>
<td>Total</td>
<td>106,923</td>
<td>85,300</td>
</tr>
</tbody>
</table>

Reconciliation of Deferred Exploration & Evaluation costs

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning</td>
<td>85,300</td>
<td>122,380</td>
</tr>
<tr>
<td>Add: Exploration Expenditure for period</td>
<td>50</td>
<td>1,000</td>
</tr>
<tr>
<td>Add: Evaluation &amp; Development expenditure for period</td>
<td>35,769</td>
<td>48,920</td>
</tr>
<tr>
<td>Less: Insurance proceeds received</td>
<td>(5,122)</td>
<td>-</td>
</tr>
<tr>
<td>Less: Proceeds of Government Grants</td>
<td>(9,074)</td>
<td>-</td>
</tr>
<tr>
<td>Less: Impairment of Evaluation &amp; Development expenditure</td>
<td>-</td>
<td>(87,000)</td>
</tr>
<tr>
<td>Carrying amount at the end</td>
<td>106,923</td>
<td>85,300</td>
</tr>
</tbody>
</table>

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.
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.

The restoration provision relates to the ultimate restoration of the Habanero 1, Habanero 2, Habanero 3, Habanero 4, Jolokia 1 and Savina 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.

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 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 has been classified as deferred income on the basis that the grant relates to an asset, and therefore the fair value is credited to a deferred income account as not all conditions of the grant had been achieved at 30 June 2012. On achievement of the remaining conditions the deferred income will be transferred to the associated asset and realised in net income over the expected life by way of reduced depreciation and amortisation of the associated asset.
NOTE 11 – DEFERRED INCOME (continued)

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 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 represents the initial payment, received on 19th June 2012, under the terms of the conditional sale agreement for Rig 200.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th></th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward currency contracts – cash flow hedges</td>
<td>-</td>
<td>65</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2012 $'000</th>
<th>2011 $'000</th>
<th>2012 EXCHANGE RATE</th>
<th>2011 EXCHANGE RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy US$ / sell Australian $</td>
<td>-</td>
<td>1,525</td>
<td>-</td>
<td>0.9822</td>
</tr>
<tr>
<td>Buy GBPE / sell Australian $</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Movement in forward currency cash flow hedge reserve</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>65</td>
<td>1,065</td>
</tr>
<tr>
<td>Transferred to PPE and Exploration and Evaluation</td>
<td>(65)</td>
<td>(1,065)</td>
</tr>
<tr>
<td>Charged to other comprehensive income</td>
<td>-</td>
<td>65</td>
</tr>
<tr>
<td>Closing balance</td>
<td>-</td>
<td>65</td>
</tr>
</tbody>
</table>
### Note 13 – Contributed Equity

#### Issued and Fully Paid Capital

406,452,608 (2011 – 336,892,832) fully paid ordinary shares

#### Movement in Ordinary Share Capital:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Shares</th>
<th>Price</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/06/10</td>
<td>Balance end of financial year</td>
<td>292,840,219</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 2010</td>
<td>Ordinary shares issued in consideration of services rendered – J. Hamilton</td>
<td>207,237</td>
<td>0.38</td>
<td>79</td>
</tr>
<tr>
<td>Dec 2010</td>
<td>Ordinary shares issued pursuant to a Share Purchase Plan</td>
<td>40,596,500</td>
<td>0.40</td>
<td>16,238</td>
</tr>
<tr>
<td></td>
<td>Less: Transaction costs of Share Purchase Plan</td>
<td>-</td>
<td>-</td>
<td>(403)</td>
</tr>
<tr>
<td>Feb-Apr 2011</td>
<td>Ordinary shares issued as the result of the exercise of listed options with an expiry date of 31 March 2012</td>
<td>25,500</td>
<td>0.55</td>
<td>21</td>
</tr>
<tr>
<td>Feb 2011</td>
<td>Ordinary shares issued to acquire Geothermal Exploration Licence 268</td>
<td>1,500,000</td>
<td>0.35</td>
<td>525</td>
</tr>
<tr>
<td>Feb 2011</td>
<td>Ordinary shares issued for the deferred employee share plan</td>
<td>443,914</td>
<td>0.50</td>
<td>-</td>
</tr>
<tr>
<td>Feb 2011</td>
<td>Ordinary shares issued in consideration of services rendered</td>
<td>109,655</td>
<td>0.525</td>
<td>58</td>
</tr>
<tr>
<td>Apr 2011</td>
<td>Ordinary shares issued for the deferred employee share plan</td>
<td>1,169,807</td>
<td>0.31</td>
<td>-</td>
</tr>
<tr>
<td>30/06/11</td>
<td>Balance end of financial year</td>
<td>336,892,832</td>
<td></td>
<td>336,405</td>
</tr>
<tr>
<td>Jul 2011</td>
<td>Ordinary shares issued in consideration of services rendered</td>
<td>60,000</td>
<td>0.32</td>
<td>19</td>
</tr>
<tr>
<td>Jul 2011</td>
<td>Ordinary shares issued for the deferred employee share plan</td>
<td>131,342</td>
<td>0.31</td>
<td>-</td>
</tr>
<tr>
<td>Sep 2011</td>
<td>Refund for overpayment of option exercise</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
</tr>
<tr>
<td>Oct 2011</td>
<td>Ordinary shares issued for the deferred employee share plan</td>
<td>858,050</td>
<td>0.20</td>
<td>-</td>
</tr>
<tr>
<td>Nov 2011</td>
<td>Performance Incentive for the Managing Director as approved by shareholders</td>
<td>258,621</td>
<td>0.29</td>
<td>-</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>Ordinary shares issued pursuant to a share placement</td>
<td>25,489,782</td>
<td>0.15</td>
<td>3,823</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>Share Placement expenses</td>
<td>-</td>
<td>-</td>
<td>(142)</td>
</tr>
<tr>
<td>Jan 2012</td>
<td>Share Purchase Plan</td>
<td>42,761,981</td>
<td>0.145</td>
<td>6,201</td>
</tr>
<tr>
<td>Jan 2012</td>
<td>Share Purchase Plan Costs</td>
<td>-</td>
<td>-</td>
<td>(217)</td>
</tr>
<tr>
<td>30/06/12</td>
<td>Balance end of financial year</td>
<td>406,452,608</td>
<td></td>
<td>346,083</td>
</tr>
</tbody>
</table>

**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 2012, there were no unissued ordinary shares under shareholder options (2011 – 39,691,000). 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 2012 (2011 – 39,716,500).
NOTE 14 – RESERVES

<table>
<thead>
<tr>
<th>Reserve Description</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Employee Share Plan Reserve</td>
<td>2,543</td>
<td>1,886</td>
</tr>
<tr>
<td>Employee Share Option Reserve</td>
<td>6,793</td>
<td>5,616</td>
</tr>
<tr>
<td>Cash Flow Hedge Reserve</td>
<td>-</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,336</strong></td>
<td><strong>7,437</strong></td>
</tr>
</tbody>
</table>

**Reconciliation of Reserves**

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at beginning</td>
<td>7,437</td>
<td>3,649</td>
</tr>
<tr>
<td>Recognition of Share Plan Expense - Transfer from Contributed Equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recognition of Share Plan Expense</td>
<td>657</td>
<td>1,138</td>
</tr>
<tr>
<td>Recognition of Share Option Expense</td>
<td>1,177</td>
<td>1,650</td>
</tr>
<tr>
<td>Recognition of Foreign Exchange Hedge Reserve</td>
<td>65</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,336</strong></td>
<td><strong>7,437</strong></td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable not later than one year</td>
<td>238</td>
<td>370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>238</strong></td>
<td><strong>370</strong></td>
</tr>
<tr>
<td>Operating Leases (non-cancellable)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable not later than one year</td>
<td>929</td>
<td>1,023</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>1,739</td>
<td>2,652</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,668</strong></td>
<td><strong>3,675</strong></td>
</tr>
<tr>
<td>Other Commitments</td>
<td>8,925</td>
<td>3,512</td>
</tr>
</tbody>
</table>
NOTE 16 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

<table>
<thead>
<tr>
<th>Provision</th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for Annual Leave (current)</td>
<td>548</td>
<td>578</td>
</tr>
<tr>
<td>Provision for Long Service Leave (current)</td>
<td>52</td>
<td>69</td>
</tr>
<tr>
<td>Provision for Long Service Leave (non-current)</td>
<td>63</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>663</strong></td>
<td><strong>693</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012 $'000</th>
<th>2011 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer contributions paid or payable to the plans</td>
<td>825</td>
<td>971</td>
</tr>
</tbody>
</table>

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.

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. For the purposes of these options granted in 2011/12, the material assumptions used were:

- Share price of $0.20 to $0.48 (2011 - $0.31 to $0.50)
- Risk free interest rate of 3.83% (2011 – 5.44% to 5.56%)
- A volatility factor of 60% (2011 – 60%)
- An expected dividend yield of 0% (2011 – 0%)

The financial impact of the grant of options above was estimated at $74K for the financial year ended 30 June 2012 and $185K in aggregate over the exercise period of the options.
NOTE 16 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)

Employee Option Plan (EOP) (continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF OPTIONS</td>
<td>WEIGHTED AVERAGE EXERCISE PRICE</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>10,376,634</td>
<td>$0.57</td>
</tr>
<tr>
<td>Granted during the year</td>
<td>4,142,765</td>
<td>$0.38</td>
</tr>
<tr>
<td>- lapsed or forfeited</td>
<td>(3,789,869)</td>
<td>$0.73</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>10,729,530</td>
<td>$0.44</td>
</tr>
<tr>
<td>Options that vested during the period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vested &amp; Exercisable at end of year</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Options exercised

There were no options exercised by employees during the year ended 30 June 2012.

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2012:

<table>
<thead>
<tr>
<th>GRANT DATE</th>
<th>NUMBER OPTIONS</th>
<th>TYPE</th>
<th>EXPIRY DATE</th>
<th>EXERCISE PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/09/09</td>
<td>737,158</td>
<td>Employee Option Plan</td>
<td>30/09/12</td>
<td>$0.92</td>
</tr>
<tr>
<td>31/05/10</td>
<td>1,279,662</td>
<td>Employee Option Plan</td>
<td>31/05/13</td>
<td>$0.64</td>
</tr>
<tr>
<td>31/05/10</td>
<td>403,168</td>
<td>Employee Option Plan</td>
<td>31/05/13</td>
<td>$0.45</td>
</tr>
<tr>
<td>31/12/10</td>
<td>1,455,205</td>
<td>Employee Option Plan</td>
<td>31/12/13</td>
<td>$0.50</td>
</tr>
<tr>
<td>31/03/11</td>
<td>2,132,599</td>
<td>Employee Option Plan</td>
<td>31/03/14</td>
<td>$0.31</td>
</tr>
<tr>
<td>30/06/11</td>
<td>578,973</td>
<td>Employee Option Plan</td>
<td>30/06/14</td>
<td>$0.31</td>
</tr>
<tr>
<td>30/09/11</td>
<td>1,442,765</td>
<td>Employee Option Plan</td>
<td>30/09/14</td>
<td>$0.20</td>
</tr>
<tr>
<td>25/11/11</td>
<td>2,700,000</td>
<td>Employee Option Plan</td>
<td>31/01/15</td>
<td>$0.48</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,729,530</td>
<td></td>
<td></td>
<td>$0.44</td>
</tr>
</tbody>
</table>

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. For the purposes of the shares granted in FY2012, the material assumptions used were:

- Share price of $0.20 to $0.29 (2011 - $0.31 to $0.64)
- An expected dividend yield of 0% (2011 - 0%)

The financial impact of the grant of shares above was estimated at $136K for the financial year ended 30 June 2012 and $483K in aggregate over the exercise period of the shares.

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF SHARES</td>
<td>WEIGHTED AVERAGE ISSUE PRICE</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>4,506,178</td>
<td>$0.51</td>
</tr>
<tr>
<td>- granted</td>
<td>1,153,034</td>
<td>$0.22</td>
</tr>
<tr>
<td>- transferred to employees or forfeited</td>
<td>(1,146,723)</td>
<td>$0.61</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>4,512,489</td>
<td>$0.41</td>
</tr>
<tr>
<td>Vested &amp; Exercisable at end of year</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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 2012:

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Number Shares</th>
<th>Type</th>
<th>Vesting Date</th>
<th>Issue Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/09/09</td>
<td>127,989</td>
<td>Deferred Employee Share Plan</td>
<td>30/09/12</td>
<td>$0.92</td>
</tr>
<tr>
<td>31/05/10</td>
<td>750,767</td>
<td>Deferred Employee Share Plan</td>
<td>31/05/13</td>
<td>$0.64</td>
</tr>
<tr>
<td>31/05/10</td>
<td>70,000</td>
<td>Deferred Employee Share Plan</td>
<td>31/05/13</td>
<td>$0.45</td>
</tr>
<tr>
<td>30/09/10</td>
<td>246,188</td>
<td>Deferred Employee Share Plan</td>
<td>30/09/13</td>
<td>$0.52</td>
</tr>
<tr>
<td>31/12/10</td>
<td>887,185</td>
<td>Deferred Employee Share Plan</td>
<td>31/12/13</td>
<td>$0.50</td>
</tr>
<tr>
<td>31/03/11</td>
<td>717,411</td>
<td>Deferred Employee Share Plan</td>
<td>31/03/14</td>
<td>$0.31</td>
</tr>
<tr>
<td>30/06/11</td>
<td>559,915</td>
<td>Deferred Employee Share Plan</td>
<td>30/06/14</td>
<td>$0.31</td>
</tr>
<tr>
<td>30/9/11</td>
<td>894,413</td>
<td>Deferred Employee Share Plan</td>
<td>30/09/14</td>
<td>$0.20</td>
</tr>
<tr>
<td>25/11/11</td>
<td>258,621</td>
<td>Deferred Employee Share Plan</td>
<td>25/11/14</td>
<td>$0.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,512,489</strong></td>
<td></td>
<td></td>
<td><strong>$0.41</strong></td>
</tr>
</tbody>
</table>

**Note 17 - Earnings Per Share**

Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)

```
2012  2011
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share) (3.06) (43.01)
```

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) (11,772) (135,563)
- Weighted average number of ordinary shares used in calculation of basic earnings per share 384,280,944 315,191,081

The share options of 10,729,530 (2011: 10,376,634) 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. All of the Company’s areas of operation are currently located in Australia.

EGS geothermal energy development is the Company’s primary focus and business activity and it remains committed to commercialising its “Deep” 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.

**Note 19 – Remuneration of Auditors**

```
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts received or due and receivable by Ernst &amp; Young Australia for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>An audit or review of the financial report of the entity</td>
<td>123,500</td>
<td>135,000</td>
</tr>
<tr>
<td>Other assurance services</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>Other Services in relation to the entity - tax compliance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>128,500</td>
<td>135,000</td>
</tr>
</tbody>
</table>
```
NOTE 20 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Spence</td>
<td>Chairman (non-executive)</td>
</tr>
<tr>
<td>G. Ward</td>
<td>Managing Director &amp; CEO</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>Director (non-executive) (retired 24 November 2011)</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>Director (alternate for M. Dave)</td>
</tr>
<tr>
<td>R. Davies</td>
<td>Director (non-executive)</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>Director (non-executive)</td>
</tr>
<tr>
<td>M. Marier</td>
<td>Director (non-executive)</td>
</tr>
<tr>
<td>A. Stock</td>
<td>Director (non-executive)</td>
</tr>
<tr>
<td>M. Dave</td>
<td>Director (non-executive) (appointed 23 February 2012)</td>
</tr>
</tbody>
</table>

EXECUTIVES

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Coates</td>
<td>Operations Manager</td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>Reservoir Engineering Manager</td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>A. Hodson</td>
<td>Well Engineering &amp; Technology Manager</td>
</tr>
<tr>
<td>A. Mills</td>
<td>Project Engineering Team Leader (appointed 5 September 2011)</td>
</tr>
</tbody>
</table>

Compensation of Key Management Personnel

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>2,584,209</td>
<td>4,293,613</td>
</tr>
<tr>
<td>Post Employment benefits</td>
<td>194,435</td>
<td>283,121</td>
</tr>
<tr>
<td>Share based payment</td>
<td>410,372</td>
<td>614,680</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,189,016</td>
<td>5,191,414</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>FY2012</th>
<th>BALANCE AT BEGINNING OF PERIOD 01/07/11</th>
<th>GRANTED AS REMUNERATION/ BECAME KEY MANAGEMENT PERSONNEL</th>
<th>OPTIONS EXERCISED</th>
<th>OPTIONS LAPPED/NO LONGER KEY MANAGEMENT PERSONNEL</th>
<th>BALANCE AT END OF PERIOD 30/06/12</th>
<th>TOTAL VESTED &amp; EXERCISABLE 30/06/12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G. Ward</td>
<td>2,700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,700,000</td>
<td>-</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Dave</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R. Davies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>K. Spence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Coates</td>
<td>201,897</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>201,897</td>
<td>-</td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>300,498</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>300,498</td>
<td>-</td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>287,977</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>287,977</td>
<td>-</td>
</tr>
<tr>
<td>A. Hodson</td>
<td>-</td>
<td>234,764</td>
<td>-</td>
<td>-</td>
<td>234,764</td>
<td>-</td>
</tr>
<tr>
<td>A. Mills</td>
<td>-</td>
<td>1,079,914</td>
<td>-</td>
<td>-</td>
<td>1,079,914</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,490,372</td>
<td>1,314,678</td>
<td>-</td>
<td>-</td>
<td>4,805,050</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 20 – KEY MANAGEMENT PERSONNEL (continued)

Employee Share Plan Option holdings of Key Management Personnel

<table>
<thead>
<tr>
<th>FY2011</th>
<th>BALANCE AT BEGINNING OF PERIOD 01/07/10</th>
<th>GRANTED AS REMUNERATION/ BECAME KEY MANAGEMENT PERSONNEL</th>
<th>OPTIONS EXERCISED</th>
<th>OPTIONS LAPSED/NO LONGER KEY MANAGEMENT PERSONNEL</th>
<th>BALANCE AT END OF PERIOD 30/06/11</th>
<th>TOTAL VESTED &amp; EXERCISABLE 30/06/11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Albrecht</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>G. Ward</td>
<td>-</td>
<td>2,700,000</td>
<td>-</td>
<td>-</td>
<td>2,700,000</td>
<td>-</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>G. Grove-White</td>
<td>762,348</td>
<td>-</td>
<td>-</td>
<td>(762,348)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Britz</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R. Davies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>K. Spence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. Bird</td>
<td>-</td>
<td>202,484</td>
<td>-</td>
<td>-</td>
<td>202,484</td>
<td>-</td>
</tr>
<tr>
<td>K. Coates</td>
<td>201,897</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>201,897</td>
<td>-</td>
</tr>
<tr>
<td>P. Frederiks</td>
<td>473,631</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>473,631</td>
<td>-</td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>-</td>
<td>300,498</td>
<td>-</td>
<td>-</td>
<td>300,498</td>
<td>-</td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>-</td>
<td>287,977</td>
<td>-</td>
<td>-</td>
<td>287,977</td>
<td>-</td>
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<tr>
<td>M. Saunders</td>
<td>-</td>
<td>863,931</td>
<td>-</td>
<td>-</td>
<td>863,931</td>
<td>-</td>
</tr>
<tr>
<td>A. Webb</td>
<td>281,433</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>281,433</td>
<td>-</td>
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<tr>
<td>D. Anthony</td>
<td>405,356</td>
<td>-</td>
<td>-</td>
<td>(405,356)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Manton</td>
<td>291,856</td>
<td>-</td>
<td>-</td>
<td>(291,856)</td>
<td>-</td>
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</tr>
<tr>
<td>S. McDonnell</td>
<td>566,955</td>
<td>-</td>
<td>-</td>
<td>(566,955)</td>
<td>-</td>
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</tr>
<tr>
<td>P. Schmidt</td>
<td>265,218</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>R. Smith</td>
<td>341,657</td>
<td>-</td>
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<td>(341,657)</td>
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<tr>
<td><strong>Total</strong></td>
<td>3,590,351</td>
<td>4,354,890</td>
<td>-</td>
<td>(2,633,390)</td>
<td>5,311,851</td>
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### Listed Option holdings of Key Management Personnel
(quoted options expiring 31 March 2012 and exercisable at $0.55 per share)

<table>
<thead>
<tr>
<th>FY2012</th>
<th>Balance at Beginning of Period 01/07/11</th>
<th>Options Lapsed</th>
<th>Balance at End of Period 30/06/12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>K. Spence</td>
<td>37,500</td>
<td>(37,500)</td>
<td>-</td>
</tr>
<tr>
<td>G. Ward</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>37,500</td>
<td>(37,500)</td>
<td>-</td>
</tr>
<tr>
<td>M. Dave</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R. Davies</td>
<td>37,500</td>
<td>(37,500)</td>
<td>-</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>75,000</td>
<td>(75,000)</td>
<td>-</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock</td>
<td>25,000</td>
<td>(25,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>K. Coates</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Hodson</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Mills</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>212,500</td>
<td>(212,500)</td>
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### 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)*

<table>
<thead>
<tr>
<th>Directors</th>
<th>Balance at Beginning of Period 01/07/10</th>
<th>Options Granted</th>
<th>Balance at End of Period 30/06/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>K. Spence</td>
<td>-</td>
<td>37,500</td>
<td>37,500</td>
</tr>
<tr>
<td>G. Ward</td>
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<td>-</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>-</td>
<td>37,500</td>
<td>37,500</td>
</tr>
<tr>
<td>R. Davies</td>
<td>-</td>
<td>37,500</td>
<td>37,500</td>
</tr>
<tr>
<td>J. Hamilton</td>
<td>-</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Stock</td>
<td>-</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>M. Albrecht</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>G. Grove-White</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Britz</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td><strong>Total</strong></td>
<td><strong>225,000</strong></td>
<td><strong>225,000</strong></td>
</tr>
<tr>
<td>M. Bird</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>K. Coates</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Frederiks</td>
<td>-</td>
<td>12,500</td>
<td>12,500</td>
</tr>
<tr>
<td>R. Hogarth</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>T. Pritchard</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Saunders</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A. Webb</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>M. Manton</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>S. McDonnell</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-</strong></td>
<td><strong>225,000</strong></td>
<td><strong>225,000</strong></td>
</tr>
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### Notes to the Financial Statements

**NOTE 20 – KEY MANAGEMENT PERSONNEL** (continued)

#### Shareholdings of Key Management Personnel

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<tr>
<th>FY2012</th>
<th>Directors</th>
<th>Executives</th>
</tr>
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<tr>
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<td>APPOINTMENTS/</td>
<td>BALANCE AT</td>
</tr>
<tr>
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<td>BECAME KEY</td>
<td>BEGINNING</td>
</tr>
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<td>MANAGEMENT</td>
<td>OF PERIOD</td>
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<tr>
<td></td>
<td>PERSONNEL</td>
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<tr>
<td></td>
<td>GRANTED AS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>REMUNERATION*</td>
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<tr>
<td></td>
<td>PURCHASED ON</td>
<td></td>
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<td></td>
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</tr>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2012</td>
<td>Directors</td>
<td>Executives</td>
</tr>
<tr>
<td></td>
<td>BALANCE AT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BEGINNING</td>
<td>PURCHASED</td>
</tr>
<tr>
<td></td>
<td>OF PERIOD</td>
<td>ON MARKET,</td>
</tr>
<tr>
<td></td>
<td>01/07/11</td>
<td>SHARE</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Directors**

- G. Ward: 258,621
- B. Agrawala: -
- P. Chopra: 955,914
- M. Dave: -
- R. Davies: 57,500
- J. Hamilton: 386,795
- M. Marier: -
- K. Spence: 117,500
- A. Stock: 43,333

**Executives**

- K. Coates: 112,607
- R. Hogarth: 147,251
- T. Pritchard: 168,171
- A. Hodson: -
- A. Mills: -

**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 20 – KEY MANAGEMENT PERSONNEL** (continued)

**Shareholdings of Key Management Personnel**

<table>
<thead>
<tr>
<th>Directors</th>
<th>FY2011</th>
<th>APPOINTMENTS / BECAME KEY MANAGEMENT PERSONNEL</th>
<th>GRANTED AS REMUNERATION*</th>
<th>PURCHASED ON MARKET, SHARE PURCHASE PLAN</th>
<th>RESIGNATIONS, DISPOSED OF/ OTHER / NO LONGER KEY MANAGEMENT PERSONNEL</th>
<th>BALANCE AT END OF PERIOD 30/06/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Albrecht</td>
<td>1,970,000</td>
<td>-</td>
<td>-</td>
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</tr>
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<td>G. Ward</td>
<td>-</td>
<td>-</td>
<td>258,621</td>
<td>-</td>
<td>-</td>
<td>258,621</td>
</tr>
<tr>
<td>G. Grove-White</td>
<td>130,571</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(130,571)</td>
<td>-</td>
</tr>
<tr>
<td>B. Agrawala</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>P. Britz</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,000)</td>
<td>-</td>
</tr>
<tr>
<td>P. Chopra</td>
<td>918,414</td>
<td>-</td>
<td>-</td>
<td>37,500</td>
<td>-</td>
<td>955,914</td>
</tr>
<tr>
<td>R. Davies</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>37,500</td>
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<td>57,500</td>
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<tr>
<td>J. Hamilton</td>
<td>104,558</td>
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<td>207,237</td>
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<td>386,795</td>
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<tr>
<td>M. Marier</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>K. Spence</td>
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<td>37,500</td>
<td>-</td>
<td>117,500</td>
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<tr>
<td>A. Stock</td>
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<td>25,000</td>
<td>-</td>
<td>43,333</td>
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</table>

**Executives**

<table>
<thead>
<tr>
<th>Executives</th>
<th>FY2011</th>
<th>APPOINTMENTS / BECAME KEY MANAGEMENT PERSONNEL</th>
<th>GRANTED AS REMUNERATION*</th>
<th>PURCHASED ON MARKET, SHARE PURCHASE PLAN</th>
<th>RESIGNATIONS, DISPOSED OF/ OTHER / NO LONGER KEY MANAGEMENT PERSONNEL</th>
<th>BALANCE AT END OF PERIOD 30/06/11</th>
</tr>
</thead>
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<td>M. Bird</td>
<td>-</td>
<td>35,156</td>
<td>97,752</td>
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<td>132,908</td>
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<td>77,553</td>
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<td>112,607</td>
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<td>P. Frederiks</td>
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<td>104,645</td>
<td>12,500</td>
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<td>276,480</td>
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<tr>
<td>R. Hogarth</td>
<td>-</td>
<td>52,174</td>
<td>95,077</td>
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<td>147,251</td>
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<tr>
<td>T. Pritchard</td>
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<td>50,000</td>
<td>118,171</td>
<td>-</td>
<td>-</td>
<td>168,171</td>
</tr>
<tr>
<td>M. Saunders</td>
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<td>-</td>
<td>150,000</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>A. Webb</td>
<td>131,649</td>
<td>-</td>
<td>90,518</td>
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<td>-</td>
<td>222,167</td>
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<tr>
<td>D. Anthony</td>
<td>164,449</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>M. Manton</td>
<td>113,278</td>
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</tr>
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<tr>
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<td>-</td>
</tr>
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<td>R. Smith</td>
<td>132,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(132,400)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total**

|        | 4,225,073 | 137,330 | 1,402,800 | 225,000 | (2,960,956) | 3,029,247 |

* 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, cash calls were paid to Origin Energy (one of the Company’s substantial shareholders) for the “Shallows” Joint Venture (Origin is the Operator) totalling $3,048,735 (2011 - $7,327,367). In addition, 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.

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 2012, Origin Energy Limited, held 18,388,688 fully paid ordinary shares in Geodynamics representing 4.5% of its issued capital.

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 2012, 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.

### NOTE 22 - NOTES TO THE CASH FLOW STATEMENT

(A) **Reconciliation of Cash**

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>8,346</td>
<td>8,378</td>
</tr>
<tr>
<td>Bank Bills and Term Deposits</td>
<td>26,800</td>
<td>20,800</td>
</tr>
<tr>
<td>Total Cash</td>
<td><strong>35,146</strong></td>
<td><strong>29,178</strong></td>
</tr>
</tbody>
</table>

(B) **Reconciliation of the operating loss after tax with the net cash flows used in operations**

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss after income tax</td>
<td>(11,772)</td>
<td>(135,563)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>1,320</td>
<td>3,589</td>
</tr>
<tr>
<td>Net (profit)/loss on disposal of property, plant &amp; equipment</td>
<td>877</td>
<td>(44)</td>
</tr>
<tr>
<td>Share Option Valuation Expense</td>
<td>1,176</td>
<td>1,650</td>
</tr>
<tr>
<td>Shares issued in lieu of services</td>
<td>19</td>
<td>136</td>
</tr>
<tr>
<td>Shares issued under Deferred Employee Share Plan</td>
<td>657</td>
<td>1,138</td>
</tr>
<tr>
<td>Shares issued for the Acquisition of Assets</td>
<td>-</td>
<td>525</td>
</tr>
<tr>
<td>Impairment of Property Plant &amp; Equipment</td>
<td>728</td>
<td>33,500</td>
</tr>
<tr>
<td>Impairment of Exploration &amp; Evaluation Costs</td>
<td>-</td>
<td>87,000</td>
</tr>
</tbody>
</table>

**Changes in Assets & Liabilities**

| (Increase)/decrease in receivables and prepayments | 5180 | 1,423 |
| (Increase)/(decrease) in other creditors and accruals | 283 | - |
| (Increase)/decrease in inventories | 694 | (227) |
| Increase in general provisions | 2,510 | 150 |
| Increase in provision for employee benefits | (45) | (147) |

**Net Cash Flow used in Operating Activities**

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>(8,733)</strong></td>
<td><strong>(6,870)</strong></td>
</tr>
</tbody>
</table>

(C) **Non-Cash Financing and Investing Activities**

During the year, a total of 60,000 (2011 – 109,655) fully paid ordinary shares were issued in consideration of professional services rendered by external consultants to the Company in the ordinary course of business. The shares were valued at a weighted average price of $0.32 per share which reflects the weighted average share price at the time the services were rendered.
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 2012, 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.

<table>
<thead>
<tr>
<th>Unlisted Available for sale</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in Geysir Green Energy - an Icelandic unlisted public company</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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.

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

On 10 August 2012, the Company announced that it had experienced delays while completing the reverse cementing operation of the 251 mm (9½”) casing being undertaken in the current 311 mm (12¼”) diameter hole section. It reported that cement integrity testing at the base of the well had identified that some additional work was necessary to ensure sufficient zonal isolation to protect the higher sedimentary formations from the higher pressures encountered in the bottom of the well.

The Company also advised that the total cost to complete the well and associated stimulation and open flow test activities was now estimated to be approximately $50 million, an increase of $1.5 million or 3% compared to the maximum authorised expenditure of $48.5 million agreed with joint venture partner, Origin Energy. It further advised that in line with the agreement between the joint venture partners that the well had to achieve interim cost and technical milestones and maintain the final estimated cost of the well within the agreed budget, Origin Energy had advised it will not contribute further to the well costs. Geodynamics was subsequently responsible for ongoing risk and cost of the well. Origin retains the right to elect to resume paying its full contribution to the well cost and return to full participation in the well at any stage. Geodynamics advised it had no knowledge of Origin’s intention with respect to this right at this time. The incremental cost to Geodynamics as a result of the increased final well cost and Origin’s decision to cease further participation in the well was estimated to be approximately $2.76 million.

Geodynamics further advised that it remains well funded to complete the well and is able to absorb the incremental cost of Origin’s decision to cease participation within existing funding and without prejudicing its ability to complete the remainder of the proposed well and testing program.

On 17 August 2012, the Company advised that it was pleased to report that the additional cement placement work for the 251 mm (9½”) casing had been completed successfully. Further pressure testing of the casing shoe had been conducted, with results indicating sufficient pressure integrity to drill ahead to planned total depth.

On 23 August, the Company advised that drilling had continued in the 216 mm (8½”) hole section and target depth (TD) of 4,204 m was reached. Indications while drilling suggested the target fracture zone had been intersected in line with prognosis.

Other than the above, there has not arisen between 30 June 2012 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.
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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>35,146</td>
<td>29,178</td>
</tr>
</tbody>
</table>

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 2012, 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:

<table>
<thead>
<tr>
<th>POST TAX PROFIT HIGHER/(LOWER)</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1%</td>
<td>351</td>
<td>292</td>
</tr>
<tr>
<td>-0.5%</td>
<td>(176)</td>
<td>(146)</td>
</tr>
</tbody>
</table>

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 only trade debtor at balance date is Origin Energy, the Company’s farmin partner.

### (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 such as the Company’s second drilling rig. 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.

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 twelve 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 twelve 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 twelve 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 2012, the Company had the following exposures to foreign currency that is not designated in cash flow hedges:

- Trade and other payables: $398,58
- Derivatives: $65

At 30 June 2012, 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:

<table>
<thead>
<tr>
<th>POST TAX PROFIT HIGHER/(LOWER)</th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>36</td>
<td>5</td>
</tr>
<tr>
<td>-5%</td>
<td>(20)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

The movements in profit and equity in 2012 are more sensitive than in 2011 due to the higher 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 at as balance date, moving those spot rates by 10% and then re-convert 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:

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months or less</td>
<td>13,773</td>
<td>5,352</td>
</tr>
</tbody>
</table>

NOTE 27– INTEREST IN JOINT VENTURE

As advised in Note 20, 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

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of capital commitments</td>
<td>-</td>
<td>1,068</td>
</tr>
</tbody>
</table>

(B) Interests in Joint Venture

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>7,438</td>
<td>9,489</td>
</tr>
<tr>
<td>Long Term Assets</td>
<td>95,597</td>
<td>93,107</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>11,618</td>
<td>2,252</td>
</tr>
<tr>
<td>Long Term Liabilities</td>
<td>-</td>
<td>1,024</td>
</tr>
</tbody>
</table>

(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 20, 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.

(A) Interests in Joint Venture

<table>
<thead>
<tr>
<th></th>
<th>2012 $’000</th>
<th>2011 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Shallows</td>
<td>10,376</td>
<td>7,363</td>
</tr>
</tbody>
</table>

This interest represents the cash contributions made to the joint venture up to 30 June 2012.
In accordance with a resolution of the Directors of Geodynamics Limited, I state that:

1) In the opinion of the Directors:
   
   (a) 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:
      
      (i) 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
      
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
   
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) 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, 31 August 2012
INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF GEODYNAMICS LIMITED

We have audited the accompanying financial report of Geodynamics Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Directors’ Responsibility for the Financial Report
The directors of the company 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 judgment, 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 company’s financial position as at 30 June 2012 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 pages 37 – 46 of the directors’ report for the year ended 30 June 2012. 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

Ernst & Young
Ernst & Young
Andrew Carrick
Partner
Brisbane
31 August 2012
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 cents 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 METASOURCE AGREEMENT (2002) (continued)
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.

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.

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.


On 19 December 2007, shareholders approved a farm in with Origin Energy Limited (Origin) wherein Origin would farm in to 30% of Geodynamics South Australian geothermal tenements together with 30% of its drilling rig. In addition to its 30% share of ongoing project expenditure, Origin would contribute up to $105.6 million towards all project cash costs. Origin’s total commitment under the farm in was therefore approximately $150 million and this commitment was satisfied in the second half of 2009.

On 20 July 2009, Geodynamics and Origin (including relevant Origin subsidiary entities) executed formal agreements relating to the farm in agreement outlined above. These comprised an Amendment and Restatement Deed – Heads of Agreement, the Farm in Agreement and the Joint Operating Agreement.

As a condition of the farm in, the South Australian tenements and drilling rig were placed into an unincorporated joint venture structure and Geodynamics is the operator of the joint venture with a 70% participating interest. The joint venture (JV) is now known as the Innamincka Deeps JV and the JV 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 JV licence areas in the Eromanga Basin in South Australia.

The Innamincka Shallows JV focuses on the exploration of shallow hot sedimentary aquifers (HSA) down to approximately 3,000 m depth, as distinct from the existing Deeps JV 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 JV are Origin as Operator with a 50% interest and Geodynamics with a 50% interest.
### SUMMARY OF THE METASOURCE AND ORIGIN OFF-TAKE RIGHTS

<table>
<thead>
<tr>
<th>PARTY</th>
<th>ELECTRICITY OFF-TAKE RIGHTS</th>
<th>RENEWABLE ENERGY CERTIFICATES (RECS) AND ENVIRONMENTAL CREDITS (EC'S) OFF-TAKE RIGHTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metasource</td>
<td>-</td>
<td>12.5% free to a maximum of those RECs or ECs arising from 325GWh per year</td>
</tr>
<tr>
<td>Metasource</td>
<td>-</td>
<td>37.5% market price – right but not obligation to a maximum of those RECs or ECs arising from 975GWh per year</td>
</tr>
<tr>
<td>Origin</td>
<td>-</td>
<td>2.5% free to a maximum of those RECs or ECs arising from 65GWh per year</td>
</tr>
<tr>
<td>Origin</td>
<td>30% attributable to its 30% interest in the JV</td>
<td>30% attributable to its 30% interest in the JV</td>
</tr>
<tr>
<td>Origin</td>
<td>50% of export electricity produced to a maximum amount of 1300GWh per calendar year – 95% of forward electricity contract market price</td>
<td>17.5% market price – right but not the obligation to a maximum of those RECs or ECs arising from 455GWh per year</td>
</tr>
</tbody>
</table>

**Total off-take obligations of Geodynamics based on a generated capacity of 2,600 GWh per calendar year**

<table>
<thead>
<tr>
<th></th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin</td>
<td></td>
<td>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 equivalents REC's or EC's capable of being generated at the first plant.</td>
</tr>
<tr>
<td>Tenure*</td>
<td>10 years after commissioning of first plant</td>
<td>10 years after commissioning of first plant</td>
</tr>
</tbody>
</table>

* refer to specific detail in the agreements outlined above.
The shareholder information set out below was applicable as at 30 September 2012.

**DISTRIBUTION OF FULLY PAID ORDINARY SHARES**

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

<table>
<thead>
<tr>
<th>ORDINARY SHARES</th>
<th>NUMBER OF SHARE HOLDERS</th>
<th>NUMBER OF SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
<td>2,599</td>
<td>1,600,628</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
<td>5,217</td>
<td>14,917,793</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
<td>2,696</td>
<td>20,501,465</td>
</tr>
<tr>
<td>10,001 – 100,000</td>
<td>4,523</td>
<td>131,151,935</td>
</tr>
<tr>
<td>100,001 And over</td>
<td>445</td>
<td>238,280,787</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,480</td>
</tr>
<tr>
<td></td>
<td></td>
<td>406,452,608</td>
</tr>
</tbody>
</table>

There were 6,894 holders of less than a marketable parcel of ordinary fully paid shares.

**TWENTY LARGEST HOLDERS – ORDINARY FULLY PAID SHARES**

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

<table>
<thead>
<tr>
<th>NAME</th>
<th>NUMBER HELD</th>
<th>PERCENTAGE OF ISSUED SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 HSBC Custody Nominees (Australia) Limited</td>
<td>34,592,661</td>
<td>8.51</td>
</tr>
<tr>
<td>2 Sentient Executive</td>
<td>30,284,592</td>
<td>7.45</td>
</tr>
<tr>
<td>3 Trust Energy Resources Pte Limited</td>
<td>29,400,000</td>
<td>7.23</td>
</tr>
<tr>
<td>4 Origin Energy Limited</td>
<td>18,388,688</td>
<td>4.52</td>
</tr>
<tr>
<td>5 J P Morgan Nominees Australia Limited (Cash Income a/c)</td>
<td>8,378,130</td>
<td>2.06</td>
</tr>
<tr>
<td>6 Geodynamics Share Plans Pty Ltd</td>
<td>4,679,547</td>
<td>1.15</td>
</tr>
<tr>
<td>7 J P Morgan Nominees Australia Limited</td>
<td>4,358,649</td>
<td>1.07</td>
</tr>
<tr>
<td>8 Martin Albrecht</td>
<td>4,000,000</td>
<td>0.98</td>
</tr>
<tr>
<td>9 Citicorp Nominees Pty Limited</td>
<td>3,374,558</td>
<td>0.83</td>
</tr>
<tr>
<td>10 Mr Paul Armand Darrouzet</td>
<td>2,723,500</td>
<td>0.67</td>
</tr>
<tr>
<td>11 Mr Edward Joseph Gettingby &amp; Mrs Margaret Mary Gettingby</td>
<td>1,675,373</td>
<td>0.41</td>
</tr>
<tr>
<td>12 National Nominees Limited</td>
<td>1,615,854</td>
<td>0.40</td>
</tr>
<tr>
<td>13 HSBC Custody Nominees (Australia) Limited-GSCO ECA</td>
<td>1,609,568</td>
<td>0.40</td>
</tr>
<tr>
<td>14 Mr Gary Alan Chalmers &amp; Mrs Leanne Chalmers</td>
<td>1,360,313</td>
<td>0.33</td>
</tr>
<tr>
<td>15 Mr Richard Norman Gibson &amp; Mrs Ingrid Margareta Gibson (Wattle Hill Super Fund a/c)</td>
<td>1,300,000</td>
<td>0.32</td>
</tr>
<tr>
<td>16 Mr Charles Douglas Sheardown</td>
<td>1,168,421</td>
<td>0.29</td>
</tr>
<tr>
<td>17 Mrs Elizabeth Aprieska (Tap Money Family a/c)</td>
<td>1,099,913</td>
<td>0.27</td>
</tr>
<tr>
<td>18 Hush Hush Pty Limited</td>
<td>1,000,000</td>
<td>0.25</td>
</tr>
<tr>
<td>19 Keilor Concrete Paving Superannuation Pty Limited (KCP Staff Pension Fund a/c)</td>
<td>1,000,000</td>
<td>0.25</td>
</tr>
<tr>
<td>20 Zero Nominees Pty Limited</td>
<td>975,746</td>
<td>0.24</td>
</tr>
<tr>
<td></td>
<td>152,983,513</td>
<td>37.64</td>
</tr>
</tbody>
</table>
**SUBSTANTIAL SHAREHOLDERS**

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

<table>
<thead>
<tr>
<th>NAME</th>
<th>NUMBER HELD</th>
<th>PERCENTAGE OF ISSUED SHARES *</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The Tata Power Company Limited</td>
<td>29,400,000</td>
<td>7.23</td>
</tr>
<tr>
<td>2 Sentient Executive GP II Limited</td>
<td>30,284,592</td>
<td>7.45</td>
</tr>
<tr>
<td>4 Sunsuper Pty Ltd</td>
<td>29,999,999</td>
<td>7.38</td>
</tr>
</tbody>
</table>

*represents holding percentage at the time of notification

**DISTRIBUTION OF SHARE OPTIONS**

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

<table>
<thead>
<tr>
<th></th>
<th>LISTED OPTIONS</th>
<th>UNLISTED OPTIONS *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF OPTION HOLDERS</td>
<td>NUMBER OF OPTIONS</td>
</tr>
<tr>
<td>1 - 1,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1,001 - 5,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5,001 - 10,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10,001 - 100,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>100,001 And over</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
   - On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
   - No voting rights.

**SECURITIES EXCHANGE LISTING**

The shares of the Company are listed under the symbol GDY on the Australian Securities Exchange Limited.

**SHAREHOLDER ENQUIRIES**

Shareholders with queries about their shareholdings should contact the Company’s Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 2975
MELBOURNE VIC 3001
Telephone Australia: 1300 850 505
Telephone International: (+61 3) 9415 4000
Fax: (+61 7) 9473 2555
Email: www.investorcentre.com/contact

**CHANGE OF ADDRESS**

Issuer sponsored shareholders should notify the share registry immediately upon any change in their address quoting their Securityholder Reference Number (SRN). This can be done by phoning the share registry, by writing to them, or through their web portal at www.computershare.com.au. Changes in addresses for broker sponsored holders should be directed to the sponsoring brokers with the appropriate Holder Identification Number (HIN).

**ANNUAL REPORT**

The Company’s Annual Report is posted on its website immediately upon release to ASX. Shareholders will not be mailed a copy of the Annual Report unless they have specifically opted in to request one.

**NOTICE OF MEETING AND PROXY VOTING**

The Company offers online voting and shareholders may elect to receive the Company’s notice of meeting and proxy form via email. The Company encourages this form of electronic communication. Voting can be undertaken through the portal www.investorvote.com.au. Shareholders who do not register for online access will continue to receive these documents by post. Shareholders who would like to opt in to receive these documents by email should register their communication preferences at the share registry’s web portal at www.computershare.com.au.

**CONSOLIDATION OF MULTIPLE SHAREHOLDINGS**

If you have multiple shareholding accounts that you wish to consolidate into a single account, please advise the Share Registry in writing. If your holdings are broker sponsored, please contact the sponsoring broker directly.

**REGISTER FOR EMAIL ALERTS**

Please note, that as a shareholder you can register through the ‘Email Alerts’ section of our website to receive electronic communications from the Company. To do so, you should select the ‘Shareholder Information’ tab on our web site at www.geodynamics.com.au. Registration will provide you with an email advice with a link to www.geodynamics.com.au each time a relevant announcement is made by the company and posted on this site.

At www.geodynamics.com.au shareholders can view:

- Annual and half-year Reports
- Quarterly Reports
- Securities Exchange Announcements
- Geodynamics’ Share Price Information
- General Shareholder Information
AUSTRALIA’S ANNUAL ELECTRICITY PRODUCTION
• 260 million MWh (260 TWh)
• 77% coal
• 15% gas
• 4.7% hydro
• 1.5% wind
• 1.0% biomass
• 0.2% other
(ABARE – Energy in Australia 2011)

AUSTRALIA’S CONSUMPTION PER CAPITA
• 29.0 kWh/day
• 10,577 kWh/year
(Australian Bureau of Statistics, 2010)

CONVERSION FACTORS FOR ENERGY
• 1000 PJ = 1EJ = 10^18 J = 2.35 x 10^7 toe (tonnes of oil equivalent)
• 1 MWh = 3.6 GJ = 0.62 bbl oil equivalent = 0.085 toe
• 1 barrel of crude oil = 159 litres = 0.135 tonnes
• 1 barrel of oil = 5.8 GJ = 1.6 megawatt hours (MWh)
• 1 million barrels of oil = 5.8 peta joule (PJ) = 1.61 million MWh
• 1 tonne of crude oil = 46 GJ = 12.8 megawatt hour (MWh)
• 1 tonne black steaming coal = 27 GJ = 7.4 megawatt hours (MWh)
• 1 cubic metre of natural gas = 39 MJ = 10.8 kilowatt hours (kWh)

OIL RESERVES
• Australia’s proven oil reserves = 3.9 billion barrels
• USA known oil reserves = 30.9 billion barrels
• World’s proven oil reserves = 1,653 billion barrels
(BP Statistical Review of World Energy June 2012)

1 CUBIC KILOMETRE OF GRANITE has the estimated thermal energy equivalent of 2.4 PJ for every degree Celsius that it can be cooled. This equals 0.4 million barrels of oil (heat equivalent). So if 1 cubic kilometre of rock is cooled by 100°C then 220 PJ of energy is released equivalent to 40 million barrels of oil.

CARBON DIOXIDE EMISSION EQUIVALENTS (PER KWH)
Brown Coal 1.20kg CO₂
Black Coal 0.85kg CO₂
Oil 0.80kg CO₂
Natural Gas 0.55kg CO₂
## Useful Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annulus</strong></td>
<td>In a borehole, the space between the drill pipe and the borehole, between tubing and casing, or between casing and formation.</td>
</tr>
<tr>
<td><strong>Bit</strong></td>
<td>The end piece of the drill string that cuts and penetrates the earth.</td>
</tr>
<tr>
<td><strong>Blow out preventer (BOP)</strong></td>
<td>A large valve at the top of a well that may be closed if the drilling crew loses control of formation fluid pressures.</td>
</tr>
<tr>
<td><strong>Brine</strong></td>
<td>Water containing dissolved inorganic salts, mainly sodium chloride. Brine from Innamincka granite has salinity approximately two thirds that of sea water.</td>
</tr>
<tr>
<td><strong>Casing</strong></td>
<td>Large-diameter steel pipe with threaded connections lowered into an open hole and cemented in place.</td>
</tr>
<tr>
<td><strong>Christmas tree</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Completion</strong></td>
<td>The assembly of down hole tubular and equipment required to enable safe and efficient production from, or injection into, a geothermal well.</td>
</tr>
<tr>
<td><strong>Drill pipe (string)</strong></td>
<td>Drill pipe is hollow, thick-walled, steel tubing used for the drilling of a wellbore and comes in a wide range of sizes, strengths and weights. Drill pipes are hollow to enable drilling fluids to be pumped through them down into the hole and back up the annulus.</td>
</tr>
<tr>
<td><strong>Drilling mud</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Enhanced Geothermal Systems (EGS)</strong></td>
<td>A geothermal source which needs stimulation measures to become economically viable by improving energy output.</td>
</tr>
<tr>
<td><strong>Fingerprinting</strong></td>
<td>A method of recording fluid (drilling mud) behaviour during routine drilling operations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heat exchanger/underground reservoir</strong></td>
<td>A subsurface body of rock having sufficient porosity and permeability to store and transmit fluids.</td>
</tr>
<tr>
<td><strong>Hot Commissioning</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Hot Sedimentary Aquifers (HSA)</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Hydraulic stimulation</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Reserve</strong></td>
<td>A measured resource for which commercial production can be forecast with some confidence with existing technology and prevailing market conditions.</td>
</tr>
<tr>
<td><strong>Resource</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Wellhead</strong></td>
<td>The surface termination of a well bore that incorporates facilities for installing casing hangers during the well construction phase.</td>
</tr>
<tr>
<td><strong>Wireline</strong></td>
<td>Cabling technology used to lower equipment or measurement devices into a well for the purposes of well intervention or reservoir evaluation.</td>
</tr>
</tbody>
</table>
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)

COMPANY SECRETARY
Mr Paul Frederiks FCPA FCIS FAICD  
Mr Tim Pritchard CPA (Appointed March 2012)

PRINCIPAL AND REGISTERED OFFICE
Level 3, 19 Lang Parade, MILTON QLD 4064  
Telephone: +61 7 3721 7500  
Facsimile: +61 7 3721 7599

POSTAL ADDRESS
PO Box 2046, MILTON QLD 4064

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www.geodynamics.com.au

EMAIL
info@geodynamics.com.au

ABN
55 095 006 090

BANKER
Westpac Banking Corporation

AUDITOR
Ernst & Young

SOLICITOR
Thomsons Lawyers

SHARE REGISTRY
Computershare Investor Services Pty Limited  
GPO Box 523, BRISBANE QLD 4001  
Telephone Australia: 1300 850 505  
Telephone International: +61 3 9415 4000  
Facsimile: +61 3 9473 2500

SECURITIES EXCHANGE LISTING
Geodynamics Limited shares are listed on the Australian Securities Exchange.  
Ticker: GDY