

Geodynamics Limited

ABN 55 095 006 090

Half Year Report ended 31 December 2009

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Directors' Report

Half Year Financial Report

DYNAMICS

L I M I T E D

CORPORATE DIRECTORY

Directors	<p>Martin Albrecht AC <i>Non-Executive Chairman</i></p> <p>Gerry Grove-White <i>Managing Director and Chief Executive Officer</i></p> <p>Banmali Agrawala <i>Non-Executive Director</i></p> <p>Pieter Britz <i>Non-Executive Director</i></p> <p>Prame Chopra <i>Alternate Director (to Mr Banmali Agrawala)</i></p> <p>Bob Davies <i>Non-Executive Director</i></p> <p>Jack Hamilton <i>Non-Executive Director</i></p> <p>Keith Spence <i>Non-Executive Director</i></p> <p>Andrew Stock <i>Non-Executive Director</i></p>
Secretary & CFO	<p>Paul Frederiks FCPA, FCIS, FAICD</p>
Principal registered office in Australia	<p>Level 2, 23A Graham Street MILTON QLD 4064 Telephone: +617 3721 7500 Facsimile: +617 3721 7599</p>
Postal Address	<p>PO Box 2046 MILTON QLD 4064</p>
Internet	<p>www.geodynamics.com.au info@geodynamics.com.au</p>
Share registry	<p>Computershare Investor Services Pty Limited GPO Box 523 BRISBANE QLD 4001 Telephone Australia: 1300 552 270 Telephone International: +617 3237 2100 Facsimile: +617 3229 9860</p>
Auditor	<p>Ernst & Young Level 5, Waterfront Place 1 Eagle Street BRISBANE QLD 4000</p>
Solicitors	<p>DLA Phillips Fox Level 29, Waterfront Place 1 Eagle Street BRISBANE QLD 4000</p>
Securities exchange listings	<p>Geodynamics Limited shares are listed on the Australian Securities Exchange. The home branch is Brisbane, Ticker: GDY.</p>

Appendix 4D

Half year report

Name of entity

GEODYNAMICS LIMITED

ABN

55 095 006 090

Financial year ended

31 December 2009

Results for announcement to the market

Results				\$A
Revenues from ordinary activities	Up	37%	to	5,200,072
Loss from ordinary activities after tax attributable to members	Down	7%	to	(5,465,875)
Net loss for the period attributable to members	Down	7%	to	(5,465,875)

Dividends

The Directors do not propose to recommend the payment of a dividend in respect of the period

Net Tangible Asset Backing

	As at 31 December 2009	As at 31 December 2008
Net tangible asset backing per ordinary security (cents per share)	95.6 cents	102 cents

Brief explanation of any of the figures reported above:

The revenue for this half year comprised \$2,042,868 interest income and \$3,157,203 corporate overhead expense recovery.

The loss from ordinary activities represents normal administrative overhead offset by interest income.

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

The names of the Directors of Geodynamics Limited in office during the half-year and as at the date of this report are:

Martin Albrecht AC (Non-executive Chairman)
 Gerry Grove-White (Managing Director)
 Banmali Agrawala (Non-executive Director)
 Pieter Britz (Non-executive Director)
 Prame Chopra (Alternate Director)
 Bob Davies (Non-executive Director)
 Jack Hamilton (Non-executive Director)
 Keith Spence (Non-executive Director)
 Andrew Stock (Non-executive Director)

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

COMPANY SECRETARY

Paul Frederiks

CORPORATE STRUCTURE

Geodynamics Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on September 2002 under code GDY. Its registered office and principal place of business is Level 2, 23A Graham Street, Milton QLD 4064.

PRINCIPAL ACTIVITIES

Geodynamics Limited was formed in November 2000 to focus on the development of zero emissions, renewable energy generation from Hot Fractured Rocks (HFR) (also known as Enhanced Geothermal Systems (EGS)) in Australia. The Company has HFR geothermal tenements in NSW, QLD and in the north-eastern part of South Australia. This latter area can be classified as the hottest accessible non-volcanic region in the world.

Geodynamics Limited is the largest public company in Australia with a focus on HFR energy. It aims to become the largest renewable energy producer in Australia by developing emission-free, baseload electricity generation from known HFR geothermal resources. In March 2009, it completed Stage One of its three stage business plan based on the development of the known HFR geothermal resource in the Cooper Basin. Stage One was the demonstration of economic heat extraction from a two well circulation test via a developed underground heat exchanger. The Company completed this stage by drilling two deep geothermal wells (Habanero 1 and Habanero 3), successfully developing an underground heat exchanger and then successfully completing an open flow circulation test in March 2008 and a six week closed loop circulation test followed by independent data validation in March 2009.

REVIEW AND RESULTS OF OPERATIONS

The Company realised an operating loss after tax for the half year of \$5,465,875.

	6 months ended 31 December 2009	6 months ended 31 December 2008
	\$	\$000
Operating loss after income tax expense	(5,466)	(5,898)
Net loss attributable to members of Geodynamics Limited	(5,466)	(5,898)
Earnings per Share	(cents)	(cents)
Basic loss per share	(1.88)	(2.13)

DIRECTORS' REPORT (Continued)**REVIEW AND RESULTS OF OPERATIONS (continued)**

The key achievements and highlights for the 6 months to December 2009 were as follows:

- The final report from the independent investigation into the Habanero 3 incident was received by the Company and a detailed action plan was developed.
- Independent expert GeothermEx reviewed and reconfirmed the validity of the Company's 'Proof of Concept'.
- The Joint venture commenced the revised forward work program.
- Planned, designed and procured materials for the completion and deep stimulation of Jolokia 1.
- Announced the Federal Government's award of \$90 million in funding under the Renewable Energy Demonstration Program (REDP) for the development of the Cooper Basin Commercial Demonstration Plant.
- Announced the Federal Government's award of \$7 million in funding under Round 2 of the Geothermal Drilling Program (GDP) for the development of the Hunter Valley geothermal project.
- Evaluated tenders and announced the award of the Rig 100 drilling contract to the Australian subsidiary of a leading multinational drilling company, Weatherford Drilling International (WDI).
- Formerly issued with the Geothermal Exploration Permits over the Nappa Merrie and Tennaperra areas in Queensland.
- Continued planning a 2 km exploration well in the Hunter Valley (New South Wales) licence area.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The independence declaration of the Company's auditors is listed after the Directors' Declaration in the half-year financial report and forms part of this report.

CORPORATE GOVERNANCE

The Directors recognise the need for the highest standards of corporate behaviour and accountability and therefore support and have adhered to the principles of Corporate Governance. The Company has four formally constituted committees as follows:

- Audit and Risk Committee comprising three non-executive Directors being Messrs Davies (Chairman), Chopra and Britz.
- Remuneration and Nominations Committee comprising three non-executive Directors being Messrs Stock (Chairman), Albrecht and Davies.
- Technical Committee comprising two non-executive Directors being Messrs Hamilton (Chairman) and Spence and with three external members comprising recognized experts covering the technical domain areas of well engineering and drilling execution, reservoir development and behaviour and HFR external developments.
- Health Safety and Environment (HSE) Committee comprising four non-executive Directors being Messrs Spence (Chairman), Britz, Chopra and Stock. There is also standing management representation to this committee as nominated by the Chairman.

Signed in accordance with a resolution of the Directors.



M Albrecht
Chairman
Brisbane, 25 February 2010

Geodynamics Limited

ABN 55 095 006 090

Half Year Financial Report ended 31 December 2009

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	6 months ended 31 December 2009 \$000	6 months ended 31 December 2008 \$000
Continuing Operations			
Interest Income		2,043	3,793
Total Revenue		2,043	3,793
Impairment of Available for Sale Financial Asset		-	(1,182)
General & Administrative expenses		(10,666)	(8,509)
Corporate Expenses Recovered		3,157	-
Total Expenses	2	(7,509)	(9,691)
Income / (Loss) before Income Tax Expense		(5,466)	(5,898)
Income Tax Benefit attributable to Operating Loss		-	-
Income / (Loss) after Income Tax Expense		(5,466)	(5,898)
Other Comprehensive Income			
Net Gain/Loss On Cashflow Hedge Taken To Equity		(989)	4,349
Other Comprehensive Income for the period		(989)	4,349
Total Comprehensive Income for the period attributable to the Owners		(6,455)	(1,549)
Basic and diluted loss per share (cents per share)	9	(1.88)	(2.13)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As At 31 DECEMBER 2009

	Notes	31 December 2009 \$000	30 June 2009 \$000
ASSETS			
Current Assets			
Cash Assets	3	91,951	114,967
Inventories - Rig Parts & Well Materials		1,158	1,522
Receivables	4	16,477	22,684
Total Current Assets		109,586	139,173
Non Current Assets			
Available For Sale Financial Asset		2,936	2,936
Property, Plant and Equipment	5	77,011	69,929
Deferred Exploration, Evaluation & Development phase costs	6	101,481	90,349
Total Non Current Assets		181,428	163,214
Total Assets		291,014	302,387
LIABILITIES			
Current Liabilities			
Payables		3,939	11,311
Provisions		509	467
Deferred Income		4,655	4,824
Derivative Liability		1,552	562
Total Current Liabilities		10,655	17,164
Non Current Liabilities			
Provisions		2,537	2,427
Total Non Current Liabilities		2,537	2,427
Total Liabilities		13,192	19,591
Net Assets		277,822	282,796
EQUITY			
Contributed Equity	7	319,867	319,693
Other Reserves	8	2,317	1,999
Accumulated Losses		(44,362)	(38,896)
Total Equity		277,822	282,796

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

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Notes	6 months ended 31 December 2009 \$000	6 months ended 31 December 2008 \$000
Cash Flows from Operating Activities			
Net goods and services tax received		822	4,522
Payments to suppliers and employees		(3,915)	(10,318)
Interest received		1,361	3,106
Net cash flows used in operating activities		(1,732)	(2,690)
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(7,976)	(23,499)
Payments for exploration and evaluation expenditure		(25,065)	(46,378)
Proceeds from Farm-in cash calls		11,612	48,346
Proceeds from sale of property, plant & equipment		-	17
Net cash flow from / (used in) investing activities		(21,429)	(21,514)
Cash Flows from Financing Activities			
Proceeds from issue of shares		146	44,100
Net cash flow from financing activities		146	44,100
Net increase in cash held		(23,015)	19,896
Add: Opening cash carried forward		114,966	99,901
Closing cash carried forward	3	91,951	119,797

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Issued Capital	Accumulated Losses	Employee Equity Benefits Reserve	Foreign Exchange Hedge Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
At 1 July 2008	275,322	(23,564)	1,629	-	253,387
Transactions with Owners in their capacity as owners:					
Issue of Share Capital via Placement to cornerstone Investor	44,100	-	-	-	44,100
Share Capital raising expenses	17	-	-	-	17
Issue of Share Capital under Employee Share Plan	46	-	-	-	46
Cost of share-based payment - recognition of share option expense	-	-	598	-	598
Loss for the period	-	(5,898)	-	-	(5,898)
Other Comprehensive Income	-	-	-	4,349	4,349
Total Comprehensive Income for the period	-	(5,898)	598	4,349	(951)
At 31 December 2008	319,485	(29,462)	2,227	4,349	296,599

	Issued Capital	Accumulated Losses	Employee Equity Benefits Reserve	Foreign Exchange Hedge Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
At 1 July 2009	319,693	(38,896)	2,562	(563)	282,796
Transactions with Owners in their capacity as owners:					
Exercise of options - listed	145	-	-	-	145
Issue of Share Capital in consideration of services	29	-	-	-	29
Exercise of options - employee	-	-	-	-	-
Issue of Share Capital under Employee Share Plan	-	-	20	-	20
Cost of share-based payment - recognition of share option expense	-	-	1,287	-	1,287
Loss for the period	-	(5,466)	-	-	(5,466)
Other Comprehensive Income	-	-	-	(989)	(989)
Total Comprehensive Income for the period	-	(5,466)	1,307	(989)	(5,148)
At 31 December 2009	319,867	(44,362)	3,869	(1,552)	277,822

7,8

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

(A) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis and going concern basis and is presented in Australian dollars. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

(B) Changes in Accounting Policies

The entity has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period.

i) Presentation of Financial Statements

AASB 101 Presentation of Financial Statements prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expenses not recognised in the profit and loss are now disclosed as components of “other comprehensive income”. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity; and
- The adoption of single statement approach to the presentation of the Statement of Comprehensive Income.

ii) Operating Segments

AASB 8 Operating Segments requires a “management approach” under which segments information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a significant change to the reporting segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(C) Joint Venture Arrangement

The Company is a party to a Joint Venture arrangement (called the Innanmincka Joint Venture) with Origin Energy Geothermal Pty Ltd (Origin). In the arrangement the Company owns 70% of Joint Venture Assets comprising the South Australian geothermal tenements and all property plant and equipment in the Cooper Basin including the drilling rig. Origin owns the balance of 30%. Participants in the Innamincka Joint Venture are:

Geodynamics (Operator) – 70%

Origin Energy Geothermal Pty Ltd* – 30%

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

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**NOTE 2 – EXPENSES AND LOSSES/(GAINS)**

	6 months ended 31 December 2009 \$000	6 months ended 31 December 2008 \$000
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	1,716	1,444
Amortisation of Leasehold Improvements	83	58
Operating lease rentals paid	353	361
Foreign Exchange (gain) / loss	(53)	809
	31 December 2009 \$000	30 June 2009 \$000

NOTE 3 – CASH ASSETS

Cash on hand	-	-
Cash at Bank	561	33,670
Short-term Deposits *	91,390	81,297
	91,951	114,967

*As of 31 December 2009, the Company had \$12.6m of term deposits lodged with Westpac Banking Corporation of which \$12m is used as security for Forward Exchange Contracts, Letters of Credit and Bank Guarantees. This amount is not available for use by the Company until these items have been settled.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2009 \$000	30 June 2009 \$000
NOTE 4 - RECEIVABLES		
Accounts Receivable *	14,276	19,662
GST Receivable	312	2,038
Interest Receivable	1,213	536
Sundry Receivables and Prepayments	676	448
	16,477	22,684

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

* The accounts receivable represents the amount owing from Origin Energy at balance date under the farm-in arrangement and an amount owing from insurance for the Habanero 3 incident. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

	31 December 2009 \$000	30 June 2009 \$000
NOTE 5 - PROPERTY, PLANT & EQUIPMENT		
Plant and Equipment at cost	84,249	75,368
Less: accumulated depreciation	(7,238)	(5,439)
Total	77,011	69,929
<i>Reconciliation of Plant & Equipment</i>		
Carrying amount at beginning	69,929	27,514
Transfer from Deferred Exploration, Evaluation And Development Costs	1,657	-
Additions	7,223	45,585
Disposals	-	(10)
Less: depreciation and amortisation expense	(1,798)	(3,160)
Carrying amount at the end	77,011	69,929

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2009 \$000	30 June 2009 \$000
NOTE 6 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS		
Exploration Phase	1,317	1,039
Evaluation Phase	100,164	89,310
Total	101,481	90,349
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	90,349	100,977
Add: Exploration Expenditure for period	50	149
Add: Evaluation & Development expenditure for period	12,739	72,126
Less: Transfer to Property, Plant & Equipment	(1,657)	-
Less: Origin Energy South Australia Farm-in	-	(82,903)
Carrying amount at the end	101,481	90,349

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.

	31 December 2009 \$000	30 June 2009 \$000
NOTE 7 – CONTRIBUTED EQUITY		
Issued and Fully Paid Capital		
290,725,222 (30/6/09 -290,288,801) fully paid ordinary shares	319,867	319,693

	Number of Shares	Issue price	\$000
Movement in ordinary share capital			
01-07-09	Balance beginning of financial period	290,288,804	-
	Ordinary shares issued as the result of the exercise of listed options with an expiry date of 8 December 2009	96,891	1.50
	Ordinary shares issued in consideration of services rendered	26,916	1.07
	Ordinary shares issued for the deferred employee share plan - shares issued in October 2009	232,336	0.92
	Less: above issue transferred to reserves	-	-
	Ordinary shares issued for the deferred employee share plan - shares issued in December 2009	80,275	0.90
	Less: above issue transferred to reserves	-	-
31-12-09	Balance	290,725,222	319,867

* This pertains to the share price at grant date. The related compensation costs are recognised proportionately over the vesting period. Compensation costs recognised in the income statement for period ended 31 December 2009 amounted to \$221,394.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2009 \$000	30 June 2009 \$000
NOTE 8 – RESERVES		
Deferred Employee Share Plan Reserve	428	206
Employee Share Option Reserve	3,441	2,355
Cash Flow Hedge Reserve	(1,552)	(562)
	2,317	1,999
Reconciliation of Reserves		
Carrying amount at beginning	1,999	1,629
Recognition of Share Plan Expense	221	207
Recognition of Share Option Expense	1,086	726
Net gains on Foreign Exchange Hedges	(989)	(563)
	2,317	1,999
	6 months ended 31 December 2009	6 months ended 31 December 2008
NOTE 9 – EARNINGS PER SHARE		
Basic and diluted loss per share (cents per share)	(1.88)	(2.13)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss (\$000)	(5,466)	(5,898)
Weighted average number of ordinary shares used in calculation of basic earnings per share	290,519,328	277,410,026

There were share options outstanding of 11,412,894 (48,996,281 on 31/12/08) which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

NOTE 10 - SEGMENT INFORMATION

The operating segments are identified by management based on the nature of activity undertaken by the Company. Discreet financial information about the operating business is reported to the executive management team on at least a monthly basis. The Company operates in only one operating business segment being the activity of Hot Fractured Rock geothermal energy exploration and development.

NOTE 11 - CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change in contingent liabilities or contingent assets.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**NOTE 12 – EVENTS AFTER THE BALANCE SHEET DATE**

On 23 February 2010, the Company announced that it had signed a Memorandum of Understanding (MoU) with Origin Energy Limited (Origin) to enter into a Joint Venture (JV) to explore for shallow geothermal resources on existing joint venture licence areas in the Eromanga Basin in South Australia.

The MoU is separate to the existing joint venture between Geodynamics and Origin – previously referred to as the “Innamincka Joint Venture”. For ease of reference, the Innamincka Joint Venture has been renamed the “Innamincka ‘Deeps’ Joint Venture”. The Innamincka ‘Deeps’ Joint Venture retains its original terms – where Geodynamics is JV operator and the ownership split is 70 percent Geodynamics and 30 percent Origin.

Under the terms of the MoU for the new JV - named the “Innamincka ‘Shallows’ Joint Venture” - the ownership split will be 50 percent Geodynamics and 50 percent Origin and Origin will assume the role of JV operator.

The new Innamincka ‘Shallows’ Joint Venture will focus on the exploration of shallow hot sedimentary aquifers (HSA) down to approximately 3,000 m depth, as distinct from the existing Innamincka ‘Deeps’ Joint Venture with Origin which focuses on higher temperature enhanced geothermal systems (EGS) in the deeper granites generally below 4,000 m.

The initial exploratory work for the Innamincka Shallows Joint Venture includes the drilling and testing of two slim wells to depths of approximately 2,200m during the next 12 months at a cost of approximately \$10 million to assess the viability of geothermal energy production from HSA in the Eromanga Basin.

Origin will contribute \$4.5 million of project expenditure, in addition to its 50 per cent share of project expenditure for the Innamincka Shallows Joint Venture, in exchange for a 20 per cent increase in its interest in the Shallows area.

Other than the above, there has not arisen between 31 December 2009 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, in subsequent financial years.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity;
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



Martin Albrecht
Chairman

Brisbane, 25 February 2010

Auditor's Independence Declaration to the Directors of Geodynamics Limited

In relation to our review of the financial report of Geodynamics for the half-year ended 31 December 2009, 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



Mike Reid
Partner
25 February 2010

To the members of Geodynamics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Geodynamics Limited ('the company'), which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the entity.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Geodynamics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

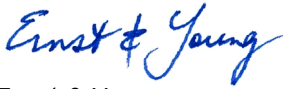
Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Geodynamics Limited is not in accordance with the *Corporations Act 2001*, including:

- i Giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid
Partner
Brisbane

25 February 2010