

Geodynamics Limited

ABN 55 095 006 090

Half Year Report ended 31 December 2010

Contents

Corporate Directory

Appendix 4D

Directors' Report

Half Year Financial Report

DYNAMICS

L I M I T E D

CORPORATE DIRECTORY

Directors	<p>Keith Spence <i>Non-Executive Chairman</i></p> <p>Geoff Ward <i>Managing Director and Chief Executive Officer</i></p> <p>Banmali Agrawala <i>Non-Executive Director</i></p> <p>Michel Marier <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>Andrew Stock <i>Non-Executive Director</i></p>
Secretary & CFO	Paul Frederiks FCPA, FCIS, FAICD
Principal registered office in Australia	Level 3, 19 Lang Parade MILTON QLD 4064 Telephone: +617 3721 7500 Facsimile: +617 3721 7599
Postal Address	PO Box 2046 MILTON QLD 4064
Internet	www.geodynamics.com.au info@geodynamics.com.au
Share registry	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
Auditor	Ernst & Young Level 5, Waterfront Place 1 Eagle Street BRISBANE QLD 4000
Solicitors	DLA Phillips Fox Level 29, Waterfront Place 1 Eagle Street BRISBANE QLD 4000
Securities exchange listings	Geodynamics Limited shares are listed on the Australian Securities Exchange. The home branch is Brisbane, Ticker: GDY.

Appendix 4D

Half year report

Name of entity

GEODYNAMICS LIMITED

ABN

55 095 006 090

Half year ended

31 December 2010

Results for announcement to the market

Results				\$A
Revenues from ordinary activities	Down	11%	to	4,631,435
Loss from ordinary activities after tax attributable to members	Up	53%	to	8,282,981
Net loss for the period attributable to members	Up	53%	to	8,282,981

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 2010	As at 31 December 2009
Net tangible asset backing per ordinary security (cents per share)	83.9 cents	95.6 cents

Brief explanation of any of the figures reported above:

The revenue for this half year comprised \$1,505,359 interest income and \$3,126,076 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 2010.

DIRECTORS

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

Keith Spence (Non-executive Chairman)
 Geoff Ward (Managing Director) – appointed 31 January 2011
 Banmali Agrawala (Non-executive Director)
 Pieter Britz (Non-executive Director) – resigned 24 February 2011
 Prame Chopra (Alternate Director)
 Bob Davies (Non-executive Director)
 Jack Hamilton (Non-executive Director)
 Michel Marier (Non-executive Director) – appointed 24 February 2011
 Andrew Stock (Non-executive Director)
 Martin Albrecht AC (former Non-executive Chairman) – retired 25 November 2010
 Gerry Grove-White (former Managing Director) – resigned 9 July 2010

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 except as indicated above. Jack Hamilton acted as interim Managing Director from the July 2010 to January 2011.

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 in September 2002 under code GDY. Its registered office and principal place of business is Level 3, 19 Lang Parade, 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 \$8,282,981.

	6 months ended 31 December 2010 \$000	6 months ended 31 December 2009 \$000
Operating loss after income tax expense	(8,283)	(5,466)
Net loss attributable to members of Geodynamics Limited	(8,283)	(5,466)
Earnings per Share	(cents)	(cents)
Basic loss per share	(2.81)	(1.88)

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

The key achievements and highlights for the 6 months to 31 December 2010 were as follows:

- The Jolokia 1 well was successfully completed installing new liners from the surface to the granite;
- Undertook the hydraulic fracture stimulation program at Jolokia 1, announcing initial success in establishing enhanced fracture zones across two intervals of 4,400m and 4,700m. Analysis of results continue;
- Using an innovative, purpose-built imaging tool, Geodynamics achieved a world first in logging the well bore in the high temperature and high pressure conditions that exist in the granite reservoirs of Jolokia 1;
- With measured temperature of 278 °C, Jolokia 1 was confirmed as the world's hottest known EGS well - 8 °C higher than Geodynamics' Habanero 3 reservoir at the same depths;
- The \$90 million Renewable Energy Demonstration Program funding deed was executed between Geodynamics and the Federal Government. Geodynamics received confirmation that the grant is now unconditional, with all conditions precedent satisfied. The Company also executed the Geothermal Drilling Program grant deed which will allow Geodynamics to progressively draw \$7 million in funds related to its Hunter Valley geothermal project.
- Acquired further prospective geothermal acreage in the Cooper Basin, Geothermal Exploration Licence (GEL) 268, from Clean Energy Australasia. Covering an area of 497 km², the acquisition of GEL 268 expands Geodynamics' geothermal tenement area to a total of 3,059 km² and joins Geodynamics' existing tenements together across South Australia and Queensland.
- Construction and acceptance testing of Rig 200 was completed. Currently located in Edmonton, Canada, Rig 200 is being marketed for lease to the international drilling community until it is required for Geodynamics' pad drilling program.
- Successfully raised \$16.2 million under a Share Purchase Plan with thanks to our loyal shareholder base.
- Mr Geoff Ward was appointed as Geodynamics' new CEO and Managing Director and commenced his tenure on 31 January 2011. Dr Jack Hamilton returns to his Non-Executive Director role.

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.

Signed in accordance with a resolution of the Directors.



K. Spence
Chairman
Brisbane, 25 February 2011

Geodynamics Limited

ABN 55 095 006 090

Half Year Financial Report ended 31 December 2010

Contents	Page
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Cash Flows	4
Statement of Changes in Equity	5
Notes to the financial statements	6
Directors' declaration	12
Auditor's Independence Declaration	13
Independent Review Report	14

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	6 months ended 31 December 2010 \$000	6 months ended 31 December 2009 \$000
Continuing Operations			
Interest Income		1,505	2,043
Total Revenue		1,505	2,043
Personnel expenses		(8,699)	(6,824)
Other General & Administrative expenses		(4,215)	(3,842)
Corporate Expenses Recovered		3,126	3,157
Total Expenses	2	(9,788)	(7,509)
Income / (Loss) before Income Tax Expense		(8,283)	(5,466)
Income Tax Benefit		-	-
Income / (Loss) after Income Tax Expense		(8,283)	(5,466)
Other Comprehensive Income			
Net Gain/Loss On Cashflow Hedge Taken To Equity		561	(989)
Other Comprehensive Income for the period		561	(989)
Total Comprehensive Income for the period attributable to the Owners		(7,722)	(6,455)
Basic and diluted loss per share (cents per share)	9	(2.81)	(1.88)

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

STATEMENT OF FINANCIAL POSITION

As At 31 DECEMBER 2010

	Notes	31 December 2010 \$000	30 June 2010 \$000
ASSETS			
Current Assets			
Cash Assets	3	44,535	71,312
Inventories - Rig Parts & Well Materials		656	656
Receivables	4	10,192	13,262
Total Current Assets		55,383	85,230
Non Current Assets			
Property, Plant and Equipment	5	86,238	79,525
Deferred Exploration, Evaluation & Development phase costs	6	154,356	122,380
Total Non Current Assets		240,594	201,905
Total Assets		295,977	287,135
LIABILITIES			
Current Liabilities			
Payables		7,106	7,310
Provisions		508	892
Deferred Income		5,394	5,394
Derivative Liability		504	1,065
Total Current Liabilities		13,512	14,661
Non Current Liabilities			
Provisions		2,613	2,599
Total Non Current Liabilities		2,613	2,599
Total Liabilities		16,125	17,260
Net Assets		279,852	269,875
EQUITY			
Contributed Equity	7	335,801	319,887
Other Reserves	8	5,995	3,649
Accumulated Losses		(61,944)	(53,661)
Total Equity		279,852	269,875

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 2010

	Notes	6 months ended 31 December 2010 \$000	6 months ended 31 December 2009 \$000
Cash Flows from Operating Activities			
Net goods and services tax received		2,771	822
Payments to suppliers and employees		(10,986)	(3,915)
Interest received		2,169	1,361
Net cash flows used in operating activities		(6,046)	(1,732)
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(8,580)	(7,976)
Payments for exploration and evaluation expenditure		(42,616)	(25,065)
Proceeds from Farm-in cash calls		14,620	11,612
Proceeds from sale of property, plant & equipment		9	-
Net cash flow from / (used in) investing activities		(36,567)	(21,429)
Cash Flows from Financing Activities			
Proceeds from issue of shares		15,836	146
Net cash flow from financing activities		15,836	146
Net increase in cash held		(26,777)	(23,015)
Add: Opening cash carried forward		71,312	114,966
Closing cash carried forward	3	44,535	91,951

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 2010

	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
Recognition of foreign exchange hedge reserve	-	-	-	(989)	(989)
Total expense for period recognised directly in equity	-	-	-	(989)	(989)
Loss for the period	-	(5,466)	-	-	(5,466)
Total loss for the period	-	(5,466)	-	(989)	(6,455)
Equity Transactions:					
Exercise of options - listed	145	-	-	-	145
Issue of Share Capital in consideration of services	29	-	-	-	29
Issue of Share Capital under Employee Share Plan	-	-	20	-	20
Cost of share-based payment - recognition of share option expense	-	-	1,287	-	1,287
At 31 December 2009	319,867	(44,362)	3,869	(1,552)	277,822

7,8

	Issued Capital	Accumulated Losses	Employee Equity Benefits Reserve	Foreign Exchange Hedge Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
At 1 July 2010	319,887	(53,661)	4,714	(1,065)	269,875
Recognition of foreign exchange hedge reserve	-	-	-	561	561
Total expense for period recognised directly in equity	-	-	-	561	561
Loss for the period	-	(8,283)	-	-	(8,283)
Total loss for the period	-	(8,283)	-	561	(7,722)
Equity Transactions:					
Issue of Share Capital in consideration of services	78	-	-	-	78
Issue of Share Capital pursuant to share purchase plan	16,239	-	-	-	16,239
Share Capital raising expenses	(403)	-	-	-	(403)
Share based payment on Employee Share Plan	-	-	923	-	923
Cost of share-based payment - recognition of share option expense	-	-	862	-	862
At 31 December 2010	335,801	(61,944)	6,499	(504)	279,852

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 2010 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 2010 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2010 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 2010.

(B) Changes in Accounting Policies

Amendments resulting from the Annual Improvements Project, Australian Accounting Standards and AASB Interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2009-8 Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2 Share-based Payment
- AASB 101 Presentation of Financial Statements
- AASB 117 Leases
- AASB 134 Interim Financial Reporting
- AASB 139 Financial Instruments: Recognition and Measurement

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The Company has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

(C) 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 acquired for use in the Cooper Basin including the drilling rigs. 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)

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

	6 months ended 31 December 2010 \$000	6 months ended 31 December 2009 \$000
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	1,797	1,716
Amortisation of Leasehold Improvements	108	83
Operating lease rentals paid	550	353
Foreign Exchange (gain) / loss	(372)	(53)

	31 December 2010 \$000	30 June 2010 \$000
NOTE 3 – CASH ASSETS		
Cash on hand	-	-
Cash at Bank	8,243	6,631
Short-term Deposits	36,292	64,681
	44,535	71,312

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2010 \$000	30 June 2010 \$000
NOTE 4 - RECEIVABLES		
Accounts Receivable	1,437	4,303
GST Receivable	1,060	258
Interest Receivable	713	1,384
Sundry Receivables and Prepayments	6,982	7,317
	10,192	13,262

Accounts receivable, GST 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. The Sundry receivables includes 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 2010 \$000	30 June 2010 \$000
NOTE 5 - PROPERTY, PLANT & EQUIPMENT		
Plant and Equipment at cost	97,161	88,581
Less: accumulated depreciation	(10,923)	(9,056)
Total	86,238	79,525
<i>Reconciliation of Plant & Equipment</i>		
Carrying amount at 1 July	79,525	69,929
Additions	8,651	13,256
Disposals	(71)	(43)
Less: depreciation and amortisation expense	(1,867)	(3,617)
Carrying amount at the end	86,238	79,525

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2010 \$000	30 June 2010 \$000
NOTE 6 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS		
Exploration Phase	1,664	1,489
Evaluation Phase	152,692	120,891
Total	154,356	122,380
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at 1 July	122,380	90,349
Add: Exploration Expenditure for period	175	451
Add: Evaluation & Development expenditure for period	31,801	31,580
Carrying amount at the end	154,356	122,380

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.

	31 December 2010 \$000	30 June 2010 \$000
NOTE 7 – CONTRIBUTED EQUITY		
Issued and Fully Paid Capital		
333,643,956 (30/6/10 - 292,840,219) fully paid ordinary shares	335,801	319,887

	Number of Shares	Issue price	\$000
Movement in ordinary share capital			
01-07-09 Balance at beginning of financial period	290,288,804	-	319,693
Ordinary shares issued as the result of the exercise of listed options with an expiry date of 8 December 2009	96,891	1.50	145
Ordinary shares issued in consideration of services rendered	26,916	1.07	29
Ordinary shares issued for the deferred employee share plan - shares issued in October 2009	232,336	0.92	18
Less: above issue transferred to reserves	-	-	(18)
Ordinary shares issued for the deferred employee share plan - shares issued in December 2009	80,275	0.90	2
Less: above issue transferred to reserves	-	-	(2)
31-12-09 Balance	290,725,222		319,867

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**NOTE 7 – CONTRIBUTED EQUITY (Continued)**

		Number of Shares	Issue price	\$000
Movement in ordinary share capital				
01-07-10	Balance at beginning of financial period	292,840,219		319,887
Nov 10	Ordinary shares issued in consideration of services rendered	207,237	0.38	78
Dec 10	Ordinary shares issued pursuant to a share purchase plan	40,596,500	0.40	16,239
Dec 10	Share Purchase Plan expenses	-		(403)
31-12-10	Balance	333,643,956		335,801

NOTE 8 – RESERVES

	31 December 2010 \$000	30 June 2010 \$000
Deferred Employee Share Plan Reserve	1,670	747
Employee Share Option Reserve	4,828	3,967
Cash Flow Hedge Reserve	(503)	(1,065)
	5,995	3,649

Reconciliation of Reserves

Carrying amount at beginning	3,649	1,999
Recognition of Share Plan Expense – Transfer from Contributed Equity	-	104
Recognition of Share Plan Expense	923	438
Recognition of Share Option Expense	862	1,611
Recognition of Foreign Exchange Hedge Reserve	561	(503)
	5,995	3,649

NOTE 9 – EARNINGS PER SHARE

	6 months ended 31 December 2010	6 months ended 31 December 2009
Basic and diluted loss per share (cents per share)	(2.81)	(1.88)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss (\$000)	(8,283)	(5,466)
Weighted average number of ordinary shares used in calculation of basic earnings per share	295,085,971	290,519,328

There were share options outstanding of 12,939,222 (11,412,894 on 31/12/09) which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

NOTE 10 - SEGMENT INFORMATION

The Company operates in one geographical segment – namely Australia. The Company operated in one business segment being the activity of geothermal energy exploration & development.

Hot Fractured Rock geothermal energy development is the Company's primary focus and business activity and it remains committed to commercialising its 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 Hot Fractured Rock geothermal resources.

The Company's three-stage business plan is based on the development of the known HFR geothermal resource in the Cooper Basin as follows:

Stage 1 - Demonstration of economic heat extraction (Proof of Concept)

Stage One of the Company's business plan is the demonstration of economic heat extraction from a two well circulation test via a developed underground heat exchanger. This stage was completed on 31 March 2009 following the successful completion and validation of a closed loop circulation test. A 1 MW power plant has been constructed, which is awaiting hot commissioning, to demonstrate the production of power from HFR.

Stage 2 - Commercial demonstration of power plant

Design and construction of a 25-50 MW Commercial Demonstration Plant (CDP) to demonstrate the commercial viability of production of power from HFR.

Stage 3 - Large scale commercial power plant

Expansion of production to large scale commercial HFR geothermal power generation (100s of MWe) for long term sale of emission free electricity to the national grid.

NOTE 11 - CONTINGENT ASSETS AND LIABILITIES

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

NOTE 12 – EVENTS AFTER THE BALANCE SHEET DATE

On 4 February 2011, the Company announced Origin, as Operator of the Innamincka 'Shallows' Joint Venture ('Shallows'), has formally accepted Rig 100 and planned to commence moving it to the Celsius 1 location once weather and road conditions permit. The Company advised that the impact of the rain delay on the Innamincka Deeps work program had been reviewed in detail. Contingency planning was in place that, assuming no further significant rain delays, would see the program delivered as planned Q1 2012. The Company further advised that the initial exploratory work for the Shallows program includes drilling and testing two wells, Celsius 1 and Celsius 2, on the Company's tenement area to a depth of approximately 2,200 m. The wells are designed to assess the viability of geothermal energy production from HSA in the Eromanga Basin.

On 24 February 2011, the Company announced that Mr Michel Marier has been appointed as a Non-Executive Director of the Company. Michel's appointment is pursuant to the placement approved by shareholders in May 2008 with Sunsuper Pty Ltd and The Sentient Group wherein those parties have the collective right to appoint a Director to the Board of Geodynamics Limited. Mr Marier replaces Mr Pieter Britz who has resigned as a Non-Executive Director of the Company due to his increased responsibilities within The Sentient Group.

Other than the above, there has not arisen between 31 December 2010 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 2010 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.



Keith Spence
Chairman

Brisbane, 25 February 2011

Auditor's Independence Declaration to the Directors of Geodynamics Limited

In relation to our review of the financial report of Geodynamics Limited for the half-year ended 31 December 2010, 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.

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
25 February 2011

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, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Geodynamics Limited during the period, 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, a copy of which is included in the Directors' Report.

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:

- a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) 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 2011