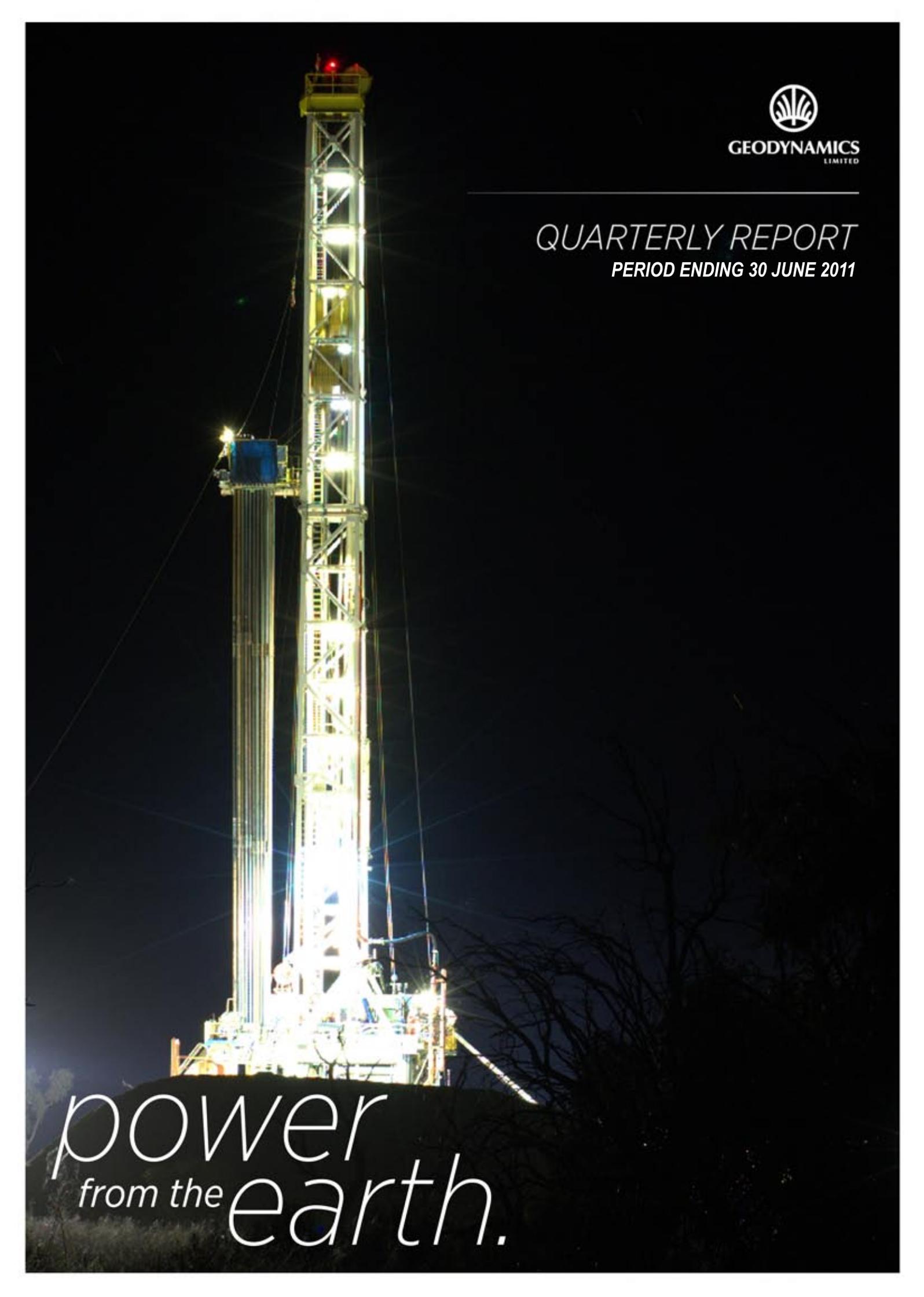




GEODYNAMICS  
LIMITED

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QUARTERLY REPORT  
PERIOD ENDING 30 JUNE 2011



*power  
from the earth.*

## Review of the June quarter: highlights

### *Geodynamics reports on the Company's activities during the June 2011 quarter.*

*Activities during the quarter focused on testing of Celsius 1 - the first Hot Sedimentary Aquifer (HSA) geothermal exploration well of the Shallows Joint Venture. Joint Venture discussions regarding the next activities for the Deeps Enhanced Geothermal Systems (EGS) project advanced.*

*Following is a summary of highlights from the quarter:*

The planned testing and logging program at the Innamincka Shallows Joint Venture's first HSA well, Celsius 1, was completed during the quarter, after which the well was cased and suspended. High temperatures were encountered; however reservoir permeability was below expectations. Studies are being undertaken by Origin Energy the Operator of the Shallows JV to assess the data obtained and make recommendations with regard to the further activities in this exploration program.

Review and discussions advanced with our Joint Venture partner, Origin Energy, on the next work program activities for the Innamincka Deeps Joint Venture. The Joint Venture is working toward the drilling of the Habanero 4 well during FY2012 to continue appraisal and development studies of the high temperature granite and productive fracture network identified at the Habanero location.

Post the quarter, Rig 100 was formally handed over from the Shallows to the Deeps in preparation for drilling at Habanero 4.

Also post the quarter, the Australian Federal Government announced a carbon policy package which included a proposed carbon tax price per tonne, as well as a range of complementary measures, with funding of up to \$13 billion, designed to support the development of emerging large scale renewable technologies through the formation of the Clean Energy Finance Corporation and the Australian Renewable Energy Agency.

The Company's cash position at the end of quarter stood at \$29.18 million.



## Letter to Shareholders

Dear Shareholder,

Since the March quarterly update, strong engagement with our Innamincka Deeps Joint Venture partner, Origin Energy, has continued to ensure that the FY2012 work program for the further appraisal of our granite reservoir is technically sound. Discussion has been both rigorous and positive and has considered the range of possible contingencies and mitigations that must be assessed when planning all the design and execution requirements of a major resource development program such as this one.

Work is currently focused on finalising the basis of well design and associated budget; completing the well design integrity review and approving the execution approach for the Habanero 4 well – the first major activity of the Joint Venture's work program. I am pleased to advise Rig 100 has been handed over from the Shallows to the Deeps in preparation for drilling Habanero 4 during the FY2012 period. We look forward to continuing to work with Origin on this exciting project and Geodynamics will update the market once a final outcome has been reached on the technical scope of the program and timing to commence next activities.

During the quarter, logging and testing of the Innamincka Shallows Joint Venture's first exploration well, Celsius 1, was completed by Joint Venture operator, Origin Energy to the target depth of 2,360 m. Initial results found that while temperatures in the well were on target at 145°C, reservoir permeability was below expectations. Since that time, Origin as operator of the Shallows Joint Venture is continuing to review the results of the well and will conduct further studies to determine the next steps in this exploration program.

Post the reporting period, the Federal Government announced its Clean Energy Future package which details a comprehensive set of carbon reduction focused measures. The introduction of carbon pricing will provide a definitive signal globally that Australia is moving toward cleaner fossil fuels and a lower carbon economy. The Federal Government's clean energy plan clearly addresses energy security and foreshadows a necessary transition, likely to take place over several decades. It gives Australia the policy backbone it needs to build renewable energy alternatives while continuing to provide affordable electricity on reliable, high quality networks.

Most importantly, the package delivers certainty for industry through strong policy direction and clear price signals but will need bi-partisan support. The lack of certainty and clear policy direction has historically impacted the development of new energy solutions including geothermal power which requires long term investment and suitable policy mechanisms for commercial development.

Measures outlined such as the formation of the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) are particularly welcome and will provide a significant boost for Australia's growing renewable energy sector. Such funding will prove critical in assisting new clean energy technologies to make the transition from development promise to reliable energy supply. It will also help to de-risk the financing of projects while fostering wider investor appeal and ongoing private investment.

Geodynamics' EGS project is well positioned to benefit from this funding which is designed to assist large emerging technology projects to transition into full-scale commercial development. We look forward to working with the CEFC and ARENA as they are established.

As always, your inquiries are welcome and may be sent to our Investor Relations team at [info@geodynamics.com.au](mailto:info@geodynamics.com.au) or please contact Geodynamics on (07) 3271 7500.

Regards,



**Geoff Ward**  
Managing Director and Chief Executive Officer



Above: Mr Geoff Ward  
Managing Director and CEO

# Operations Update

## *INNAMINCKA DEEPS JOINT VENTURE UPDATE*

Throughout the quarter Geodynamics and Origin have continued to work closely on reviewing the proposed FY2012 work program. A key focus for the Joint Venture has been to evaluate the sequence and timing of activities to progress the Deeps project for the lowest overall cost and highest demonstrated value. Extensive review has also been undertaken to ensure the program has considered the range of options available and any associated risks for the further appraisal and development of the Cooper Basin granite resource as is best practice for major resource development projects.

Post the reporting period, we continue to work with Origin to achieve their approval to the basis of well design, detailed well design and associated budget; complete a well design integrity review and approve the execution program for drilling Habanero 4 as the first major activity in the proposed FY2012 work program. This work is designed to de-risk field operations and key technical parameters to ensure the Joint Venture is fully prepared for drilling the new production well.

Post the reporting period, Rig 100 has been prepared for formal handover from the Shallows to the Deeps Joint Venture. Geodynamics will update the market on timing to commence drilling Habanero 4 once outcomes of this preparatory work are known and the FY2012 program is finalised.

## *HABANERO 3 INSURANCE CLAIM UPDATE*

In the March quarterly report, Geodynamics updated shareholders on the successful completion of Part A of the Habanero 3 insurance claim which resulted in an amount of approximately \$4 million being paid to the Company. Geodynamics continues to pursue parts B and C of the claim which relate to costs associated with a replacement well. This follows more than two years of research and investigative studies on the Habanero 3 failure and its causal effects.

## *RIG MARKETING*

Geodynamics is currently reviewing options for selling and / or leasing its drilling rig assets as part of its strategy to drive the best possible value from available funds and assets. This decision will allow the Company to release capital resources into the business to support the forward work program activities as an alternative to additional equity raising. Geodynamics has engaged a broker to manage the marketing of the rigs and is in active discussion with both national and international drilling contractors.

Any sale or lease strategy implemented will take into account Geodynamics' current and future rig usage requirements to ensure forward work program delivery. We will continue to update the market as these activities progress.

## *INNAMINCKA SHALLOWS JOINT VENTURE UPDATE*

During the quarter Celsius 1, the first well in the Innamincka Shallows Joint Venture's exploration campaign, was cased and suspended following the completion of a planned testing program. The Celsius 1 exploration well was drilled to assess the Hot Sedimentary Aquifer potential of the Cooper Basin geothermal resource.

The well results indicated higher temperatures (145°C) than anticipated but reservoir permeability was below target. Results for the well are being evaluated and will help determine the extent of any further program.

# Exploration and Appraisal

## NEW SOUTH WALES EXPLORATION

Geodynamics continues to await the results of an independent seismic risk assessment in the Hunter Valley. The purpose of the survey is to review target well location areas to determine the impact of micro-seismic events resulting from geothermal activities in the target areas.

During the quarter, progress was made on the study, but completion of the assessment has suffered delays due to ongoing regional earthquake assistance being provided to Japan and New Zealand by the independent assessors. The results are expected shortly.

## QUEENSLAND EXPLORATION

As planned, gravity surveys across the Tennaperra and Nappa Merrie exploration permits (EPG 5 and EPG 6) commenced during the quarter and were finalised post the reporting period. Additionally, gravity surveying was conducted over GEL 211 and GEL 268 in South Australia.

The survey involved collecting gravity measurements at 2 and 4 km intervals and was carried out in a timely and safe manner. The survey results are currently being reviewed by Geodynamics with a focus on their implications in the selection of well locations. No drilling activity will occur in the current quarter.

# Government Update

## CARBON POLICY PACKAGE ANNOUNCED

Geodynamics welcomes the Federal Government's climate change initiatives announced under the *Securing a Clean Energy Future* package in July.

In particular, the Company acknowledges the introduction of a carbon price, the establishment of the Clean Energy Finance Corporation (CEFC) and the Australian Renewable Energy Agency (ARENA) to administer over \$13 billion of investment in the renewables sector.

The national geothermal sector has the potential to make a significant contribution to Australia's future energy needs and these initiatives will support further investment in geothermal technology.

To review Geodynamics' ASX announcement in response to the release of the Clean Energy Future package, visit the Reports and Announcements \ ASX Announcements section on our website at [www.geodynamics.com.au](http://www.geodynamics.com.au). Information on the Clean Energy Future package can be viewed at [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au).

## ENERGY WHITE PAPER REFERENCE GROUP

Geodynamics has been invited to represent on a new Energy White Paper Reference Group (EWPRG) established by the Hon. Martin Ferguson AM MP, Minister for Resources and Energy.

Acknowledging renewable energy's role within the sector, Geodynamics is contributing expertise with other business and stakeholder groups to the draft statement intended for public release at the end of 2011.

The purpose of the Energy White Paper is to set out strategic policy vision for the Australian energy sector to 2030 and beyond. It will identify key challenges and response frameworks for the short, medium and long term, and provide recommendations on how to maintain energy security and prosperity for a competitive, sustainable and efficient energy sector.

As a representative member, Geodynamics will play a key role in the white paper's development by examining important issues and inputting into working drafts.

Chaired by the Secretary of the Department of Resources, Energy and Tourism, the EWPRG has met twice since mid-June and is expected to meet a further time.

# Public and Investor Relations

## *CARBON POLICY MEDIA COVERAGE*

Geodynamics' CEO, Geoff Ward was interviewed by Sky News to provide a first take response to the release of the Federal Government's Clean Energy Future package and the implication for geothermal development. To view the video broadcast, visit the following link: <http://www.youtube.com/watch?v=ei5sO0aRPrs>.

## *CHANGE TO OPERATING HOURS AT GEODYNAMICS' VISITOR CENTRE*

From 1st August, Geodynamics' visitor centre is closed to the public to allow for site preparation at Habanero. During this time, operating hours and access to site is restricted.

If you are planning a trip to Innamincka and hoping to visit with Geodynamics, please contact our Investor Relations team via [info@geodynamics.com.au](mailto:info@geodynamics.com.au) or 07 3721 7500 who will be happy to look into available times. Where possible, we will endeavour to accommodate advance requests received subject to operations underway and in line with our health and safety requirements.

Thank you for your understanding and for assisting us during this period of construction.

## *GEODYNAMICS' ANNUAL GENERAL MEETING AND SHAREHOLDER BRIEFINGS*

Dates and venues are now confirmed for the 2011 AGM and shareholder briefings. These dates are available on our website home page and are as follows:

**Thursday 24 November** 2011 AGM, 6-8 pm, Marriott Brisbane

**Monday 28 November** Sydney shareholder briefing, 6-8pm, The Sebel Pier One Sydney

**Tuesday 29 November** Adelaide shareholder briefing 6-8 pm, Hilton Adelaide

**Wednesday 30 November** Melbourne shareholder briefing 6-8pm, RACV Club Melbourne

**Thursday 1 December** Perth shareholder briefing 6-8pm, Parmelia Hilton Perth

An invitation to attend the meeting and briefings will be mailed to shareholders during October along with the Notice of Meeting.

## Useful terms

Term	Definition
Enhanced Geothermal Systems (EGS)	An Enhanced Geothermal System (EGS) is a body of rock containing useful energy, the recoverability of which has been increased by artificial means such as hydraulic stimulation.
Hot Sedimentary Aquifers (HSA)	Hot Sedimentary Aquifer (HSA) systems are typically developed in naturally occurring porous sandstones containing water that is heated by either crustal heat flow or hot rocks. Stimulation techniques may still be used to enhance water flow between wells.
MWe	Megawatts of electric power output – one million Watts
Permeability	The ability of fluid to flow through the rock, which depends on the porosity and the degree of interconnection of pores or fractures.
Porosity	The percentage of pore volume or void space, or that volume within rock that can contain fluids.
Reservoir	A subsurface body of rock having sufficient porosity, permeability and temperature to store and transmit geothermal fluids.

## Corporate Directory

### BOARD OF DIRECTORS

Mr Keith Spence  
(Non-Executive Chairman)

Mr Geoff Ward  
(Managing Director and CEO)

Dr Jack Hamilton  
(Non-Executive Director)

Mr Banmali Agrawala  
(Non-Executive Director)

Mr Michel Marier  
(Non-Executive Director)

Dr Prame Chopra  
(Alternate Director for Banmali Agrawala)

Mr Bob Davies  
(Non-Executive Director)

Mr Andrew Stock  
(Non-Executive Director)

### COMPANY SECRETARY

Mr Paul Frederiks FCPA FCIS FAICD

### PRINCIPAL AND REGISTERED OFFICE

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### ABN

55 095 006 090

### BANKER

Westpac Banking Corporation

### AUDITOR

Ernst & Young

### SOLICITOR

Thomsons Lawyers

### SHARE REGISTRY

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117 Victoria Street, WEST END QLD 4101  
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### SECURITIES EXCHANGE LISTING

Geodynamics Limited shares are listed on the Australian Securities Exchange. The home branch is Brisbane, ticker: GDY