

Geodynamics Limited

ABN 55 095 006 090

Half Year Report ended 31 December 2011

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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>Michel Marier <i>Non-Executive Director</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> <p>Minesh Dave Non-Executive Director</p> <p>Prame Chopra Alternate Director (to Mr Minesh Dave)</p>
Secretary	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	Thomsons Lawyers Level 16, 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 2011

Results for announcement to the market

Results				\$A
Revenues from ordinary activities	Down	48%	to	2,387,532
Loss from ordinary activities after tax attributable to members	Down	29%	to	5,878,625
Net loss for the period attributable to members	Down	29%	to	5,878,625

Dividends

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

Net Tangible Asset Backing

	As at 31 December 2011	As at 31 December 2010
Net tangible asset backing per ordinary security (cents per share)	42.2 cents	83.9 cents

Brief explanation of any of the figures reported above:

The revenue for this half year comprised \$613,835 interest income and \$1,773,697 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 2011.

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)

Banmali Agrawala (Non-executive Director) – retired 24 November 2011

Prame Chopra (Alternate Director) – retired 24 November 2011, re-appointed 23 February 2012

Bob Davies (Non-executive Director)

Jack Hamilton (Non-executive Director)

Michel Marier (Non-executive Director)

Andrew Stock (Non-executive Director)

Minesh Dave (Non-executive Director) – appointed 23 February 2012

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.

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 Enhanced Geothermal Systems (also known as Hot Fractured Rocks (HFR)) in Australia. The Company has EGS 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 aims to become the largest renewable energy producer in Australia by developing emission-free, baseload electricity generation from known EGS geothermal resources at the Innamincka "Deeps" Joint Venture located in the Cooper Basin in South Australia. The participants are Geodynamics as Operator with a 70% interest and Origin Energy Geothermal Pty Ltd with a 30% interest.

In March 2009, it completed Stage One of its three stage business plan based on the development of the known EGS 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.

Having proven the EGS concept, the Company is now focused on further targeted appraisal at Habanero with the objective of upgrading the resource at Habanero to a measured geothermal reserve capable of supporting the first full scale commercial geothermal project in Australia.

Geodynamics also is involved in exploration in the Cooper Basin for shallow Hot Sedimentary Aquifers (HSA) down to a depth of approximately 3,000 metres. The HSA project in the Cooper Basin is known as the Innamincka "Shallows" Joint Venture with the participants being Geodynamics with a 50% interest and Origin Energy Geothermal Pty Ltd as Operator with a 50% interest. This joint venture drilled its first shallows geothermal well during FY2011 known as Celsius 1.

REVIEW AND RESULTS OF OPERATIONS

The Company realised an operating loss after tax for the half year of \$5,878,625.

	6 months ended 31 December 2011 \$000	6 months ended 31 December 2010 \$000
Operating loss after income tax expense	(5,879)	(8,283)
Net loss attributable to members of Geodynamics Limited	(5,879)	(8,283)
Earnings per Share	(cents)	(cents)
Basic loss per share	(1.54)	(2.81)

The key achievements and highlights for the 6 months to 31 December 2011 were as follows:

- Rig 100 was formally handed over from the Innamincka Shallows Joint Venture (Shallows) to the Innamincka Deeps Joint Venture (Deeps) and successfully mobilised to the Habanero 4 target location;
- Deeps Joint Venture activity focused on finalising the basis of well design and associated budget and continued review of the well design integrity and execution approach for the Habanero 4 well – the first major activity of the Joint Venture’s work program for the Deeps Enhanced Geothermal Systems (EGS) project;
- Target spud for Habanero 4 agreed and set for first quarter 2012. Post 31 December 2011, drilling contractor, Weatherford Drilling International and other material and service contractors were mobilised to the Habanero site in preparation for spudding. Logging was conducted to further assess the suitability of Habanero 1 as an injection well. Preliminary findings are sufficiently favourable to progress evaluation with initial results indicating the full work-over may not be required. The evaluation is ongoing;
- Settlement of the Habanero 3 insurance claim. By the end of December 2011 the Joint Venture had received 100% 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 \$4.0 million (net) received in settlement of Part A of the claim announced in April 2011;
- 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 will be established on 1 July 2012 to oversee \$3.2 billion in Government funding for renewable energy including geothermal;
- Geodynamics agreed the 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 Sunsuper and Sentient resulted in a successful capital raising program during and post the half year under review. Together, the Share Purchase Plan and institutional placement achieved the target maximum combined amount of \$10 million. The funds raised will be used to progress the development of the Cooper Basin Geothermal Project, commencing with the drilling of Habanero 4.

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 INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, which can be found on page 14 of the Half Year Financial Report.

Signed in accordance with a resolution of the Directors.



K. Spence
Chairman
Brisbane, 24 February 2012

Geodynamics Limited

ABN 55 095 006 090

Half Year Financial Report ended 31 December 2011

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Notes	6 months ended 31 December 2011 \$000	6 months ended 31 December 2010 \$000
Continuing Operations			
Interest Income		614	1,505
Total Revenue		614	1,505
Personnel expenses		(4,683)	(8,699)
Other General & Administrative expenses		(3,584)	(4,215)
Corporate Expenses Recovered		1,774	3,126
Total Expenses	3	(6,493)	(9,788)
Income / (Loss) before Income Tax Expense		(5,879)	(8,283)
Income Tax Benefit		-	-
Income / (Loss) after Income Tax Expense		(5,879)	(8,283)
Other Comprehensive Income			
Net Gain/(Loss) On Cashflow Hedge Taken To Equity		47	561
Other Comprehensive Income for the period		47	561
Total Comprehensive Income for the period attributable to the Owners		(5,831)	(7,722)
Basic and diluted loss per share (cents per share)	10	(1.54)	(2.81)

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

STATEMENT OF FINANCIAL POSITION

As At 31 DECEMBER 2011

	Notes	31 December 2011 \$000	30 June 2011 \$000
ASSETS			
Current Assets			
Cash Assets	4	24,879	29,178
Inventories - Rig Parts & Well Materials		789	883
Receivables	5	2,225	5,039
Non-Current Assets Held for Sale	6	26,759	-
Total Current Assets		54,652	35,100
Non Current Assets			
Property, Plant and Equipment	6	20,771	49,153
Deferred Exploration, Evaluation & Development phase costs	7	90,964	85,300
Total Non Current Assets		111,735	134,453
Total Assets		166,387	169,553
LIABILITIES			
Current Liabilities			
Payables		3,392	5,352
Provisions		588	722
Derivative Liability		17	65
Total Current Liabilities		3,997	6,139
Non Current Liabilities			
Provisions		2,793	2,772
Deferred Income		6,024	6,024
Total Non Current Liabilities		8,817	8,796
Total Liabilities		12,814	14,935
Net Assets		153,573	154,618
EQUITY			
Contributed Equity	8	340,120	336,405
Other Reserves	9	8,556	7,437
Accumulated Losses		(195,103)	(189,224)
Total Equity		153,573	154,618

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 2011

	Notes	6 months ended 31 December 2011 \$000	6 months ended 31 December 2010 \$000
Cash Flows from Operating Activities			
Net goods and services tax received		620	2,771
Payments to suppliers and employees		(5,383)	(10,986)
Habanero 3 insurance proceeds		8,215	-
Interest received		741	2,169
Net cash flows from/(used in) operating activities		4,193	(6,046)
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(281)	(8,580)
Payments for exploration and evaluation expenditure		(16,160)	(42,616)
Proceeds from cash calls		4,163	14,620
Proceeds from sale of property, plant & equipment		90	9
Net cash flow from / (used in) investing activities		(12,188)	(36,567)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,696	15,836
Net cash flow from/(used in) financing activities		3,696	15,836
Net increase/(decrease) in cash and cash equivalents		(4,299)	(26,777)
Add: Opening cash carried forward		29,178	71,312
Closing cash at the end of the period	4	24,879	44,535

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 2011

	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 comprehensive income 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

	Issued Capital	Accumulated Losses	Employee Equity Benefits Reserves	Foreign Exchange Hedge Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
At 1 July 2011	336,405	(189,224)	7,502	(65)	154,618
Recognition of foreign exchange hedge reserve	-	-	-	48	48
Total expense for period recognised directly in equity	-	-	-	48	48
Loss for the period	-	(5,879)	-	-	(5,879)
Total comprehensive income for the period	-	(5,879)	-	48	(5,831)
Equity Transactions:					
Issue of Share Capital in consideration of services	19	-	-	-	19
Issue of Share Capital pursuant to capital placement	3,823	-	-	-	3,823
Share Capital raising expenses	(127)	-	-	-	(127)
Share based payment on Employee Share Plan	-	-	369	-	369
Cost of share-based payment - recognition of share option expense	-	-	702	-	702
At 31 December 2011	340,120	(195,103)	8,573	(17)	153,573

Notes

8,9

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The general purpose financial report for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 23 February 2012.

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 3, 19 Lang Parade, Milton QLD 4064.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

(A) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 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 2011 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2011 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 2011.

(B) Changes in Accounting Policies

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

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)

(D) 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.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**NOTE 3 – EXPENSES AND LOSSES/(GAINS)**

	6 months ended 31 December 2011 \$000	6 months ended 31 December 2010 \$000
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	1,269	1,797
Amortisation of Leasehold Improvements	99	108
Operating lease rentals paid	418	550
Foreign Exchange (gain) / loss	53	(372)

	31 December 2011 \$000	30 June 2011 \$000
NOTE 4 – CASH ASSETS		
Cash on hand	-	-
Cash at Bank	14,079	8,378
Short-term Deposits	10,800	20,800
	24,879	29,178

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2011 \$000	30 June 2011 \$000
NOTE 5 - RECEIVABLES		
Accounts Receivable	972	1,176
GST Receivable	250	111
Interest Receivable	36	168
Sundry Receivables and Prepayments	967	3,584
	2,225	5,039

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 the sale of surplus materials. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

	31 December 2011 \$000	30 June 2011 \$000
NOTE 6 - PROPERTY, PLANT & EQUIPMENT		
Plant and Equipment at cost	96,666	97,676
Less: accumulated depreciation	(49,136)	(48,523)
Reclassification to Assets Held for Sale (1)	(26,759)	-
Total	20,771	49,153
Reconciliation of Plant & Equipment		
Carrying amount at 1 July	49,153	79,525
Additions	158	9,270
Disposals	(1,168)	(175)
Impairment	-	(33,500)
Reclassification to Assets Held for Sale	(26,759)	-
Less: depreciation and amortisation expense	(613)	(5,967)
Carrying amount at the end	20,771	49,153

1 Both Rig 100 and Rig 200 have been reclassified as assets held for sale as both of these assets are currently being actively marketed. It is further anticipated that both assets will be sold within 12 months of being reclassified.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)

	31 December 2011 \$000	30 June 2011 \$000
NOTE 7 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS		
Exploration Phase	2,516	2,490
Evaluation Phase	88,448	82,810
Total	90,964	85,300
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at 1 July	85,300	122,380
Add: Exploration Expenditure for period	27	1,000
Add: Evaluation & Development expenditure for period	10,760	48,920
Less: Insurance Proceeds Relating to Claim Settlement	(5,123)	-
Less: Impairment of Evaluation & Development expenditure	-	(87,000)
Carrying amount at the end	90,964	85,300

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.

NOTE 8 – CONTRIBUTED EQUITY

Issued and Fully Paid Capital

363,690,627 (30/6/11 - 336,892,832) fully paid ordinary shares

	31 December 2011 \$000	30 June 2011 \$000
	340,120	336,405

	Number of Shares	Issue price	\$000
Movement in ordinary share capital			
01-07-10	Balance at beginning of financial period		319,887
	292,840,219		
	207,237	0.38	78
	40,596,500	0.40	16,239
	-		(403)
31-12-10	Balance		335,801
	333,643,956		

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**NOTE 8 – CONTRIBUTED EQUITY (Continued)**

		Number of Shares	Issue price	\$000
Movement in ordinary share capital				
01-07-11	Balance at beginning of financial period	336,892,832		336,405
Jul 11	Ordinary shares issued in consideration of services rendered	60,000	0.32	19
Jul 11	Ordinary shares issued for the deferred employee share plan	131,342	0.31	-
Oct 11	Ordinary shares issued for the deferred employee share plan	858,050	0.20	-
Nov 11	Performance Incentive for the Managing Director as approved by shareholders	258,621	0.29	-
Dec 11	Ordinary shares issued pursuant to a share placement	25,489,782	0.15	3,823
Dec 11	Share Placement expenses	-		(127)
31-12-11	Balance	363,690,627		340,120

NOTE 9 – RESERVES

Deferred Employee Share Plan Reserve
Employee Share Option Reserve
Cash Flow Hedge Reserve

**31 December
2011
\$000**

**30 June
2011
\$000**

2,255
6,318
(17)

1,886
5,616
(65)

8,556

7,437

Reconciliation of Reserves

Carrying amount at beginning
Recognition of Share Plan Expense
Recognition of Share Option Expense
Recognition of Foreign Exchange Hedge Reserve

7,437
369
702
48

3,649
1,138
1,650
1,000

8,556

7,437

NOTE 10 – EARNINGS PER SHARE

Basic and diluted loss per share (cents per share)

	6 months ended 31 December 2011	6 months ended 31 December 2010
	(1.54)	(2.81)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss (\$000)	(5,879)	(8,283)
Weighted average number of ordinary shares used in calculation of basic earnings per share	382,064,116	295,085,971

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net Loss (\$000)

Weighted average number of ordinary shares used in calculation of basic earnings per share

There were share options outstanding of 10,376,634 (12,939,222 on 31/12/10) which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

NOTE 11 - 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.

EGS geothermal energy development is the Company's primary focus and business activity and it remains committed to commercialising its "Deeps" 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 has a secondary focus on exploration for hot sedimentary aquifer (HSA) geothermal energy also in the Cooper Basin of South Australia.

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.

NOTE 12 - CONTINGENT ASSETS AND LIABILITIES

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

NOTE 13 – EVENTS AFTER THE BALANCE SHEET DATE

The Company successfully raised \$6.2 million under a Share Purchase Plan that closed on 20 January 2012.

Other than the above, there has not arisen between 31 December 2011 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 2011 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

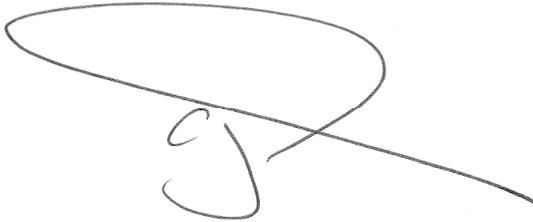
Brisbane, 24 February 2012

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 2011, 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 black ink that reads 'Ernst + Young'.

Ernst & Young

A large, stylized handwritten signature in black ink, appearing to be 'A Carrick'.

Andrew Carrick
Partner
24 February 2012

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 2011, 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 company's financial position as at 31 December 2011 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, 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.

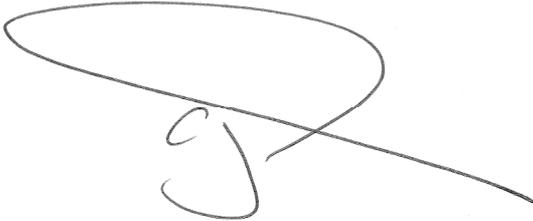
Conclusion

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 2011 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 black ink, appearing to read 'Ernst + Young' followed by a stylized signature.

Ernst & Young

A large, stylized handwritten signature in black ink, likely belonging to Andrew Carrick.

Andrew Carrick
Partner
Brisbane
24 February 2012