GEODYNAMICS
LIMITED

2014 Financial Report

ABN 55 095 006 090

GEODYNAMICS LIMITED
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CONTENTS

APPENDIX 4E	**3**
DIRECTORS' REPORT	**4**
AUDITOR’S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GEODYNAMICS LIMITED	**28**
CORPORATE GOVERNANCE STATEMENT	**29**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**39**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**40**
CONSOLIDATED CASH FLOW STATEMENT	**41**
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**42**
NOTES TO THE FINANCIAL STATEMENTS	**43**
DIRECTORS' DECLARATION	**78**
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF GEODYNAMICS LIMITED	**79**

APPENDIX 4E

PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2014
GEODYNAMICS LIMITED ABN 55 095 006 090

Results for announcement to the market

Results	2014 $'000	2013 $'000	Change $'000	% change
Revenues from ordinary activities	1,507	1,166	341	29%
Loss from ordinary activities after tax attributable to members	14,781	105,092	(90,925)	(86%)
Net loss for the period attributable to members	14,781	105,092	(90,925)	(86%)

Dividends

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

Brief explanation of any of the figures reported above:

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

Please refer to the attached Directors Report for a full commentary on the results for the period and refer to the 2014 Financial Report for the detailed financial statements and explanatory notes to the accounts.

NTA backing	**2014**	2013
Net tangible asset backing per ordinary security	**$0.088**	$0.124

Compliance statement

This report is based on accounts which have been audited.

Tim Pritchard
Company Secretary
28 August 2014

DIRECTORS' REPORT

DIRECTOR PROFILES

Your Directors submit their report for the period ended 30 June 2014. The names and details of the Directors of Geodynamics Limited in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name & Qualifications	Experience
Keith Spence B.Sc (Hons), FAIM ***Non-executive Chairman***	Mr Spence was most recently Executive Vice President Enterprise Capability for Woodside and was responsible for ensuring the business operated with the best people, technology and processes. Mr Spence held many roles during his time with Woodside, including Chief Operating Officer, Acting Chief Executive Officer, Director – Oil Business Unit, Director – Northern Business Unit and Exploration Manager – North West Shelf. Mr Spence has gained a broad knowledge across the industry having over 30 years of experience in the oil and gas industry including 18 years with Shell. Mr Spence is a Non-executive Director of Oil Search. He is Chairman of the State Training Board of Western Australia, the National Offshore Petroleum Safety and Environmental Management Authority Board and the Industry Advisory Board of the Australian Centre for Energy and Process Training.
Geoff Ward B.E (Chem) (Hons) MBA ***Managing Director & CEO***	Mr Ward was appointed Managing Director and Chief Executive Officer of Geodynamics in January 2011. Prior to his appointment he held the role of Director at Azure Capital, a Perth-based independent advisory firm, offering corporate advisory services to leading firms in the resources and engineering industries where he had worked since 2007. Mr Ward has over 20 years experience in the energy and finance industries in senior roles covering business development, mergers and acquisitions, operations, oil and product trading, strategic and organisational development, planning and economics, investor relations and new project development. Mr Ward holds an honours degree in Chemical Engineering from the University of Melbourne and a Masters of Business Administration from the University of Western Australia Business School, receiving the Director's Letter of Commendation.
Andrew Stock B.Eng. (Chem) (Hons), FIE Aust ***Non-executive Director***	Mr Andrew Stock was formerly Director, Executive Projects for Origin Energy and in previous roles, he was responsible for Origin's major capital investments in upstream petroleum, power generation, and low emissions technology businesses. With over 35 years of experience, he previously held senior management positions in energy industries in Australia and overseas. He is a Non-executive Director of the listed Companies Horizon Oil Limited (since February 2011) and Silex Systems Limited (since August 2013), a Board Member of Alinta Holdings and the Clean Energy Finance Corporation, a member of the Advisory Board of the Faculty of Engineering, Computer and Mathematical Sciences, Institute for Mineral and Energy Resources and Centre for Energy Technology at the University of Adelaide, and Melbourne University's Energy Institute. He has a Chemical Engineering degree (Honours) from the University of Adelaide, is a Fellow of the Institution of Engineers Australia, and a Graduate member of the Australian Institute of Company Directors.

Name & Qualifications	Experience
Robert Davies CMA (Canada) ***Non-executive Director***	Mr Robert Davies is a Certified Management Accountant (Canada) and has extensive senior finance experience with global mining and resource companies. He was formerly the Chief Executive Officer and a Director of Australian Energy Company Limited, an unlisted public company. Prior to that he was Executive Vice President and Chief Financial Officer for Inco Ltd, the western world's largest nickel producer. Prior to that, he was Chief Financial Officer for Alumina Ltd., and General Manager Treasury Tax and Investor Relations for WMC Ltd. He has previously held senior finance positions with BHP in Canada, the US, Chile and Australia, acquiring significant operational and corporate finance experience. He was also previously a director of PT Inco and Alcoa of Australia.
Jack Hamilton B.Eng. (Chem), Ph.D, FAICD ***Non-executive Director***	Dr Jack Hamilton was formerly CEO of Exergen Pty Ltd, a low emission coal resource development Company and prior Director of NWS Ventures with Woodside Energy. Dr. Hamilton is also a non-executive director of Southern Cross Electrical Engineering Ltd, Calix Ltd, Duet Group, Antilles Oil and Gas NL and Federation Training. Dr Hamilton graduated from Melbourne University with a Bachelor of Chemical Engineering and Doctorate of Philosophy in 1981. He has over 28 years' experience both locally and internationally in operations management, in refining, petrochemicals and gas production, marketing, strategy and LNG project management.
Michel Marier BBA (Int'l Mgt), M.Sc. (Finance), CFA, FRM ***Non-executive Director***	Mr Michel Marier joined The Sentient Group in 2009 and he is based at their office in Sydney. Before joining the Sentient Group, Mr Marier worked 8 years at the Private Equity division of la Caisse de dépôt et placement du Québec (CDPQ). While at CDPQ, his responsibilities ranged from currency hedging, risk and return analysis to investments. In 2006, he participated in the establishment of a new sector in the Private Equity division – distressed debt. In less than two years, the portfolio grew to billions through co-investments and private equity funds. After this accomplishment, Mr Marier concentrated his efforts on restoring the natural resources sector within the Private Equity division. Michel Marier holds a Master's degree in finance from HEC Montreal. He is a CFA charter holder. He is a former Director of Natural Resources USA Corp, and a Director of Samco Gold, a company listed on the TSX.V exchange.
George Miltenyi LLB, BSW ***Non-executive Director*** *(appointed 1 March 2014)*	Mr. George Miltenyi has been owner, investor and director in a wide range of commercial ventures including companies engaged in geothermal energy, distributed tri-generation, organisational development, marketing, immigration, education, life insurance, water distillation technology and recruitment. Since 1989, George has been the managing director of an organisation development company, EMD which consults to some of Australia's largest corporations. For the past two decades George has had interest in renewable energy, energy efficiency and ways to commercialise new technologies. He constantly scans the market globally for new opportunities. His expertise is building and optimising organisations. He was instrumental in building one of Australia's largest English language educational companies (ACL) and was involved in floating a recruitment firm (Rubicor), which aggregated 19 separate recruitment companies.

COMPANY SECRETARY

Tim Pritchard
MCom, MIT, CPA, GIA (Cert)

Mr Tim Pritchard joined Geodynamics in 2010 as Financial Controller and became Chief Financial Officer in May 2011 responsible for managing all financial activities of the Company as well as leading the information technology team. He was appointed Company Secretary in March 2012.

Mr Pritchard has over 20 years management experience in finance, accounting, consulting, project management and information technology. In addition to extensive accounting experience, he has led a number of successful business transformation and system implementation assignments that have resulted in significantly improved financial processes and business systems.

Before joining Geodynamics, Mr Pritchard was most recently engaged by leading institutional investment company, QIC as Head of Management Information.

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 3, 19 Lang Parade, Milton QLD 4064.

PRINCIPAL ACTIVITIES

The principal activity of Geodynamics Limited during the financial year was to explore and develop areas suitable for geothermal power production or utilisation of geothermal direct heat applications.

Geodynamics actively monitors developments in clean energy and clean technology markets to assess opportunities to utilise its skills and capacity in clean energy and clean technology related projects, technologies or services that provide an acceptable return for shareholders. Geodynamics has an advanced capability and understanding of energy markets and strategies, the impact of emerging technologies and business models in the clean technology and energy sectors, and a well established framework for business management and corporate governance that positions the company to be an active player in these sectors.

Geodynamics has established a leading capability in the exploration and development of Enhanced Geothermal Systems (EGS). Through our Cooper Basin tenement position covering the Innamincka Deep granite resource the company has identified a substantial heat resource with the potential to play a material role in Australia's long term energy system as a reliable source of large scale continuous and controllable energy. In exploring and demonstrating the capability of supplying EGS derived power from the Innamincka Deep granite, Geodynamics has capacity to manage the technical and commercial development of major utility projects, the identification, assessment and development of sub-surface resources, the management of construction and operational activities associated with high risk activities in remote locations and the appropriate management of HSE and risk associated with these activities to a high standard. The Company is pursuing the further development of the identified Innamincka Deep resources through a research program together with Beach Energy Limited to investigate the use of geothermal resources to supply heat and/or power to potential gas developments in the area.

Geodynamics continues to develop its portfolio of conventional geothermal projects based on hydrothermal (volcanic) resources. The Company has identified that there is a good opportunity to utilise our geothermal development capacity to supply power to isolated or island markets that have access to good high temperature geothermal resources and are currently supplied through high cost imported liquid fuels such as diesel or fuel oil. The first project of this type is the Savo Island Project, located in the Solomon Islands, approximately 35 km from the capital of Honiara. The Company acquired its interest in the Savo Island Project in November 2012 and is targeting initial exploration drilling to be undertaken in 2015 with a target of first power production in 2018. The second project is the Takara project in Vanuatu. The Company acquired this project through its acquisition of KUTh Energy Limited during the financial year with exploration drilling targeted to be undertaken late 2014. Commercial negotiations, land access and environmental studies are all being progressed for these projects to allow a decision on exploration drilling to be made. Geodynamics continues to analyse other geothermal project opportunities both in the Pacific Islands as well as globally.

REVIEW AND RESULTS OF OPERATIONS

The Company realised a loss before tax for the financial period as set out below:

	2014 $	2013 $
Loss before income tax expense	**(14,780,549)**	**(105,092,252)**
Net loss attributable to members of Geodynamics Limited	**(14,780,549)**	**(105,092,252)**
Earnings per Share	**(cents)**	**(cents)**
Basic and diluted loss per share	**(3.51)**	**(25.86)**

In the 12 months to 30 June 2014, Geodynamics has made further progress in its development of zero-emissions, renewable energy generation. The key achievements and highlights for the 12 months to June 2014 were as follows:

Habanero

- The 1 MWe Habanero Pilot Plant Trial concluded on 7 October 2013 with no safety or environmental incidents throughout the campaign. Prior to closure of trial, the plant was operating at 19 kg/s and 215°C production well-head temperature; the highest results ever achieved at the plant. The Field Development Plan incorporating data from the trial was also completed, identifying future development options for this resource.
- Geodynamics hosted The Hon. Gary Gray AO, MP, Federal Minister for Resources and Energy and other guests at a site tour to observe the 1 MWe Habanero Pilot Plant in operation in July 2013.
- Sale of Cooper Basin Operating base to Beach Energy Limited for a consideration of $1.5m, with Geodynamics to retain all geothermal assets and power plant facilities.
- Signing of an Exclusivity Agreement with Beach Energy Limited, for the right to negotiate a farm-in to Geodynamics' geothermal exploration tenements in the Cooper Basin.

Savo Island Geothermal Power Project

- Activities for the Savo Island Geothermal Power Project focussed on continued engagement with customary landowners to negotiate land access agreements, with government ministries to secure further exploration approvals and with the Solomon Islands Electricity Authority to progress electricity supply and power purchase agreements.
- Exploration drilling planning for the Savo Island Geothermal Power Project included procurement of long lead items and materials, the company purchased a track mounted drilling rig for the campaign.
- Completion and submission of the Savo Island Geothermal Project Environmental and Social Impact Assessment to Solomon Islands Department of Environment. Report highlights significant social and economic benefits for the Solomon Islands, the city of Honiara and the local community on Savo Island, through reduced reliance on imported diesel fuel, increased reliability of power supply, reduced end user prices and employment opportunities.
- Receipt of development consent from the Solomon Islands Department of Environment in relation to exploration activities for the Savo Island Geothermal Power Project.

KUTh acquisition

- In September 2013, Geodynamics announced its intention to acquire 100% of geothermal energy company, KUTh Energy Limited (KUTh), through a conditional off-market acquisition offer. In January 2014, Geodynamics successfully completed the compulsory acquisition of all outstanding shares to hold 100% of KUTh. The acquisition of KUTh aligns with Geodynamics' strategy to develop a portfolio of high quality, small-medium scale, conventional ("volcanic-hosted") geothermal projects initially targeting the Pacific Islands region, capable of providing nearer term revenues to shareholders.

Takara Project

- Signing of agreement with kastom (traditional) owners for the commencement of first stage exploration activities at Takara, Vanuatu, with strong support from Vanuatu Prime Minister Carcasses and key stakeholders.
- Commencement of Environmental and Social Impact Assessment and community engagement program for Takara Geothermal Power Project in Vanuatu.

Other

- Geodynamics received the Clean Energy Council (CEC) Innovation Award, which recognises the leading edge technology developed and deployed in producing Australia's first Enhanced Geothermal Systems (EGS) power using the 1MWe Habanero Pilot Plant. In addition, founding member of Geodynamics and former Chief Scientist, Dr Doone Wyborn, was awarded the Geothermal Resource Council Special Achievement Award for his important contribution to the development of EGS over 15 years.

EMPLOYEES

The Company had 23 equivalent full time employees as at 30 June 2014 (2013: 30 employees).

DIVIDEND

The Directors do not propose to recommend the payment of a dividend in respect of the period ended 30 June 2014.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of Geodynamics Limited were:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
K. Spence	212,413	-
G. Ward	730,319	-
R. Davies	120,775	-
J. Hamilton	481,708	-
M. Marier	-	-
A. Stock	62,315	-
G. Miltenyi	2,648,152	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were as follows:

- The acquisition of KUTh Energy Limited was completed in January 2014.
- The focus activities in the Cooper Basin after the completion of the pilot plant trial is on the plugging and abandonment of wells and progressing the research program with Beach Energy Limited to investigate the use of geothermal resources to supply heat and/or power to potential gas developments in the area.
- The focus of geothermal exploration activities has moved to the Pacific region, specifically the projects in the Solomon Islands and Vanuatu.

There were no other significant changes in the state of affairs of the Company during the financial period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen between 30 June 2014 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The principal activity of Geodynamics Limited during the financial year was to explore and develop areas suitable for geothermal power production or utilisation of geothermal direct heat applications.

In addition to this historic focus, Geodynamics has a strong capability in a range of clean energy technologies and the associated utility and infrastructure sectors. With the significant changes occurring in these markets we are continuing to actively assess and consider opportunities outside our existing portfolio that can provide returns to shareholders. Our activities in this area have included a rigorous and deliberate review of emerging opportunities in the clean technology sectors that has identified a number of areas of opportunity for further consideration.

While continuing to actively seek opportunities outside of our traditional geothermal portfolio, we will continue to pursue our planned programs for our Cooper Basin, Solomon Islands and Vanuatu assets. The Company has a specific plan for each asset focussed on securing value through identifying a clear path to market and funding strategy, securing customers and environmental approvals, and defining a clear technical and operational plan.

Having successfully completed the Pilot Plant demonstration during the past financial year and completing the sale of the Habanero Camp to Beach Energy Limited, additional field works in the Cooper Basin will be undertaken to plug and abandon and complete site remediation works associated with the earlier Habanero-3, Habanero-2 and Celsius-1 well sites in line with our permit obligations.

With the continued exploration for unconventional gas and oil in the Cooper Basin we believe there is potential for the market for energy, both power and industrial heat, to grow and which our Innamincka Deeps resource is well positioned to supply. Securing such a customer capable of supporting further capital expenditure will be a pre-requisite to any further material spending at Habanero. Geodynamics is working with potential customers however if further exploration and development activities are required to allow potential customers to enter into a contract this may be delayed.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Geodynamics Limited is strongly committed to the effective environmental management of our exploration, development and operating activities. Our Environmental Policy is the driver for maintaining our Environment Management System (EMS). This in turn provides the framework to support and guide activities, both in our offices and on our sites, in relation to environmental performance.

A successful annual surveillance audit by SAI Global ensured Geodynamics maintained ISO 14001:2004 certification in 2013/2014. Geodynamics made a business decision not to continue our EMS Certification mid-2014 predominantly due to our decreased presence in the Cooper Basin - the primary focus area of our EMS. Geodynamics will continue to manage the rehabilitation and plug and abandonment activity in the Cooper Basin in line with the Statement of Environmental Objectives (SEO) requirements for the area.

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

Generally, compliance has been achieved with environmental regulatory requirements

- No serious environmental incidents occurred.
- All scheduled environmental audits have been completed on time, with the majority of the findings closed out or in progress.
- Notices of Entry have been submitted to all relevant stakeholders prior to commencement of activities, including traditional owners and pastoralists, with no complaints received.
- The environmental best practice reference guide ('*The Green Book*') is provided to site personnel and contractors once inducted. It provides a best practice reference guide specific to Geodynamics' activities in the Cooper Basin.
- Environmental and Social Impact Assessments have been carried out in the Solomon Islands and Vanuatu (Takara).
- The 1MW Geothermal Power Plant SEO 5-yearly review was undertaken by Geodynamics.

We continue to build on our environmental achievements by seeking ways to reduce the day-to-day impact of our activities on the environment while at the same time maintaining a framework for continued environmental performance focussing on mitigating our environment impacts.

In particular, Geodynamics is focussing on rehabilitating those areas that are no longer being actively used for geothermal exploration and development. Monitoring and evaluation of these areas indicates that Geodynamics' rehabilitation work at the Savina 1 and Celsius 1 & 2 well sites has resulted in good vegetation cover that either meets or exceeds the revegetation requirements for such well sites.

Even within active sites such as the main Habanero camp, Geodynamics is minimising its footprint by cordoning off areas not required for operations so that they can recover and revegetate naturally.

The majority of rehabilitation work will commence once post-abandonment monitoring activities have concluded.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the entity paid premiums in respect of contracts insuring directors, secretaries, and executive officers of the Group and related entities against liabilities incurred as director, secretary or executive officer to the extent permitted by the Corporations Act 2001, subject to the terms, conditions, limitations and exclusions of the policy.

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.

SHARE OPTIONS

Unissued shares – employee options

As at the date of this report, there were NIL unissued ordinary shares under employee options (2013 – 6,828,319).

Shares issued as a result of the exercise of employee options

There were no employee options exercised during the financial year (2013 – Nil) or since the end of the financial year.

Unissued shares – shareholder options

As at the date of this report, there were no unissued ordinary shares under shareholder options (2013 – Nil).

Shares issued as a result of the exercise of shareholder options

There were no shareholder options exercised during the financial year (2013 – Nil) or since the end of the financial year.

DIRECTORS' MEETINGS

During the period there were eight directors' meetings held of which four were by telephone conference. The number of directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial period are as follows:

	Directors' Meetings		Audit & Risk Management Committee Meetings		Remuneration & Nominations Committee Meetings		Health, Safety & Environment Committee Meetings	
	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended
K. Spence	8	8	-	-	3	3	1	-
G. Ward	8	8	-	-	-	-	-	-
B. Davies	8	8	2	2	3	3	-	-
J. Hamilton	8	8	2	2	-	-	1	1
M. Marier	8	8	2	2	-	-	1	1
A. Stock	8	8	-	-	3	3	1	1
G. Miltenyi	2	1	-	-	-	-	-	-

The Company had three committees during the year with the following membership:

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

Remuneration & Nominations Committee – Membership comprises three Non-executive Directors being Messrs Stock (Chair), Spence and Davies.

Health, Safety & Environment (HSE) Committee – Membership comprises three Non-executive Directors being Messrs Hamilton (Chair), Spence, and Stock with G. Ward as an ex-officio member. The Company's Health and Safety Manager (K. Coates) is also an ex-officio member of this Committee.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Geodynamics Limited which is listed immediately after this report and forms part of this Directors' report.

During the 2014 financial year, no non-audit services were provided by the entity's auditor, Ernst & Young (2013: $nil). Other assurance services provided by Ernst & Young represent audits of government grants.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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's Corporate Governance Statement is printed immediately following this Directors' Report.

REMUNERATION REPORT (Audited)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements in place for Directors and Executives of Geodynamics Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
   - A. Remuneration principles and strategy
   - B. Approach to setting remuneration
   - C. Detail of Incentive Plans
4. Executive remuneration outcomes for 2013/14 (including link to performance)
5. Executive contracts
6. Non-executive Director remuneration (including statutory remuneration disclosures)
7. Additional statutory disclosures

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly including any Director.

For the purposes of this report, the term 'executive' encompasses the Managing Director and the executive management team of the Company.

Non-executive Directors (NEDs)	
K. Spence	Chairman
R. Davies	Director
J. Hamilton	Director
M. Marier	Director
A. Stock	Director
G. Miltenyi	Director – appointed 1 March 2014
Executive Directors	
G. Ward	Managing Director and CEO
Other Executives	
K. Coates	Operations Manager
R. Hogarth	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer & Company Secretary
A. Hodson	Well Engineering and Technology Manager
A. Mills	Project Engineering Team Leader

2. Remuneration governance

Remuneration Committee

The Remuneration & Nominations Committee comprises three Non-executive Directors (NEDs). The Remuneration and Nominations Committee has the primary objective of assisting the Board in developing and assessing the remuneration policy and practices of the Directors, Chief Executive Officer (CEO) and Senior Executives who report directly to the CEO.

Specifically, the Board approves the remuneration arrangements of the CEO, the aggregate annual fixed remuneration salary review, the level of the short-term incentive (STI) pool and the methodology for awards made under the long-term incentive (LTI) plan, following recommendations from the Remuneration & Nominations Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

Committee assessments incorporate the development of remuneration policies and practices which will enable the Company to attract and retain executives who will create value for shareholders.

Executives will be fairly and responsibly rewarded having regard to the performance of the Company, the performance of the executive and the general market environment. The Committee also assists the Board in its own self evaluation by annually reviewing the process for self evaluation. This considers attributes such as the qualitative and quantitative nature of the review, and the mix between total Board review and individual Director review.

The Remuneration & Nominations Committee meets regularly through the year. The CEO attends remuneration committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration & Nomination Committee's role, responsibilities and membership can be found on the Company's web site at www.geodynamics.com.au.

Use of Remuneration Consultants

In keeping with the legislation relating to the appointment of remuneration consultants for organisations, Guerdon Associates was appointed by the Chair of the Remuneration and Nominations Committee to provide advice on the Long Term Incentive for the Managing Director.

Based on the advice and recommendation provided by Guerdon Associates, the Geodynamics Limited Share Appreciation Rights Plan was introduced and approved by shareholders at the company's Annual General Meeting on Thursday 28 November 2013.

The fees paid to Guerdon Associates for the remuneration recommendations were $40,481.

The Company is satisfied the advice received from Guerdon Associates is free from undue influence from the Managing Director to whom the remuneration recommendations apply as the reports received from Guerdon Associates were presented to the Remuneration and Nominations Committee.

Remuneration Report approval at FY12/13 AGM

The FY12/13 remuneration report received positive shareholder support at the FY12/13 AGM with a vote of 94.5% in favour.

3. Executive Remuneration Arrangements

3A. Remuneration principles and strategy

Geodynamics' executive remuneration strategy is designed to attract, motivate and retain highly skilled executives and align the interests of executives and shareholders.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive salaries to attract high calibre executives;
- Link executive performance rewards to medium and longer term shareholder value creation through the KPI linked Short Term Incentive plan and periodic grants of shares and share options;
- Establish appropriate share price performance hurdles under its long term incentive plan to align executive reward with shareholder value creation, the achievement of which will depend on the Company achieving key corporate milestones that are integral to the Company's successful completion of its business plan.

The Company aims to reward its Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for company, business division and individual performance against targets set by reference to appropriate benchmarks;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

3B. Approach to setting remuneration

The Managing Director's and key executives' emoluments are structured to retain and motivate Executives by offering a competitive base salary, a short term annual cash-based performance related component together with longer term performance incentives through the Geodynamics Limited Share Appreciation Rights Plan which allow executives to align with the success of Geodynamics Limited.

Remuneration consists of the following key elements:

- Fixed Remuneration – Base salary and superannuation;
- Variable Remuneration under the Geodynamics Short Term Incentive Plan (STIP) – payable in cash at the end of the financial year;
- Variable Remuneration under the Geodynamics Limited Share Appreciation Rights Plan payable in Shares subject to performance conditions in accordance with the Plan.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration of the Managing Director is reviewed annually by the Remuneration and Nominations Committee and approved by the Board. Factors considered include Company and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice. The Remuneration and Nominations Committee has access to external advice independent of management.

Senior Executives receive their fixed (primary) remuneration in cash. The fixed remuneration component of KMP is detailed in Table 1 of this report.

3C. Details of Incentive Plans

Short Term Incentive Plan (STIP)

The objectives of the Geodynamics STIP are to:

- Reward employees for their contribution in ensuring that Geodynamics achieves the corporate key deliverables;
- Encourage team work;
- Enhance Geodynamics attracting and retaining high calibre and high performing employees; and
- Link remuneration directly to the achievement of key annual organisational objectives.

The Company has in place an annual STIP that establishes a pool of funds up to a maximum of 30% of annualised fixed remuneration, adjusted in size according to the achievement of key Company Business Plan milestones in a year.

The distribution of the pool is to be determined by team achievement in delivering the team business plan milestones. Specifically, base targets are outlined that if achieved would result in an award of 20% of annualised fixed remuneration. First stretch targets are outlined that if achieved would result in an award of up to 25% of fixed annual remuneration and second stretch targets are outlined that if achieved would result in an award of up to the maximum of 30% of fixed annual remuneration.

To participate in the Plan, eligible staff must be employed for at least six months for the financial year in question meaning that for the FY13/14 year, eligible staff must have started by 1 January 2014.

On an annual basis, after consideration of performance against KPIs, the board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid from the pool of funds.

Long Term Incentive Plan (LTIP)

The LTIP was terminated by resolution of the Board at a meeting held on 27 February 2014. A final issue of shares was completed at the discretion of the Board in consideration of the termination of the LTIP on 1 May 2014. The final allocation was subject only to a continuous service requirement being for a 36 month period from 31 December 2011 or 31 March 2013.

Hedging of shares and options risk

Currently no Director or officer uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.

4. Executive Remuneration outcomes for FY13/14

Company performance and its link to short-term incentives

The key business plan milestones driving STI payment outcomes for FY13/14 with relevant performance against targets are outlined in the table below:

Milestone	FY13/14 performance versus targets
Health Safety & Environment – delivering the business plan safely with low environmental impact	All of four base targets and first stretch target met
Delivery of operational results on schedule, quality and budget with a weighting of time 20%, cost 40% and quality 40%	All of four base targets met
Management of Finances – the Company remains securely funded through management of income and costs, and uses financial resources to develop new opportunities.	Both of two base targets met

In FY13/14 the Board has elected not to make any payments under the Company's Short Term Incentive Plan. This decision was made taking into consideration the Company's financial position, the continued short-term performance of Geodynamics securities, and the efforts the Company had made through FY13/14 to reduce costs and preserve financial assets through cost saving measures undertaken including reduction in staff numbers. The Company had established short term targets, approved by the Board, for FY13/14 under the rules of the STI Plan. An assessment of performance against these targets indicates that all Base Targets had been successfully achieved which would have resulted in an eligibility for a payment of 10% (33% of the eligible STI amounts) should the Board have ruled that a payment under the STI was to be made.

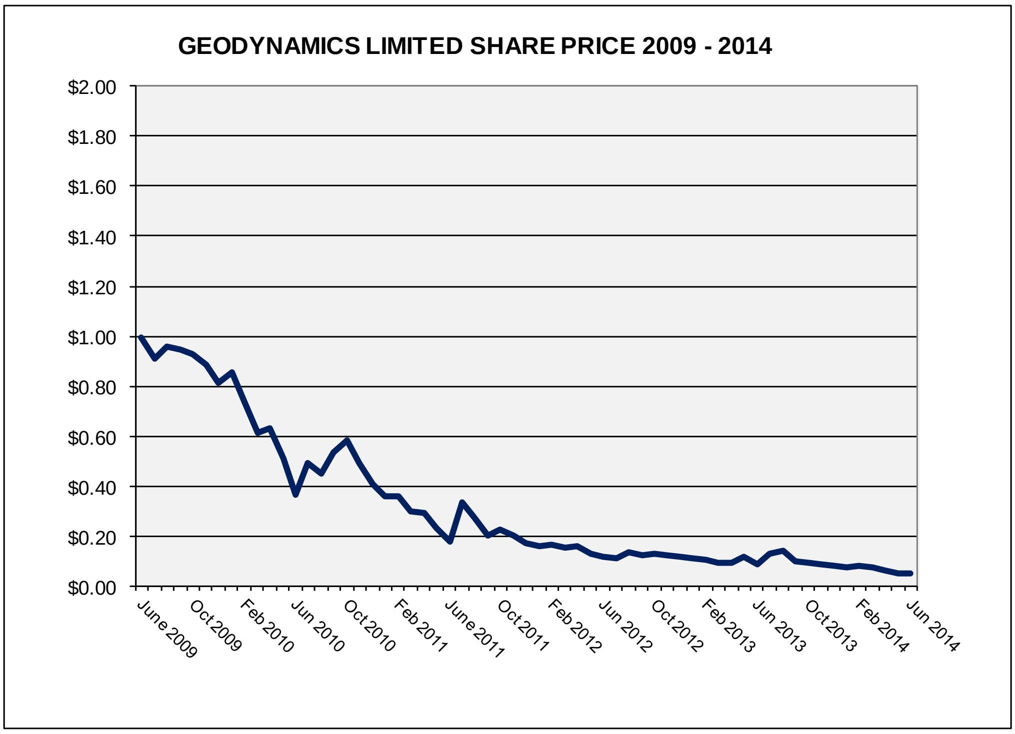
The following table outlines the proportion of maximum STI that was earned and forfeited in relation to FY2014:

Name	Proportion of maximum STI earned in FY14	Proportion of maximum STI forfeited in FY14
G. Ward	0%	100%
K. Coates	0%	100%
R. Hogarth	0%	100%
T. Pritchard	0%	100%
A. Hodson	0%	100%
A. Mills	0%	100%

DIRECTORS' REPORT (Continued)

Company performance and its link to long-term incentives

The graph below shows the performance of the Company as measured by its share price and therefore by definition its Total Shareholder Return. The loss per share from continuing operations for the last five years was as follows: 2009/10 - $0.051, 2010/11 - $0.43, 2011/12 - $0.031, 2012/13 - $0.26, 2013/14 - $0.03.



No options vested during the year under the Employee Option Plan as share price vesting performance hurdles were not met in addition all unvested options were cancelled as part of the termination of the LTIP on 1 May 2014.

1,675,675 shares vested during the year for nineteen employees who met the vesting hurdle of three years of continuous service.

2,894,718 shares were issued to the Deferred Employee Share Plan in accordance with the process for the termination of the plan. The final allocation was subject only to a continuous service requirement being for a 36 month period from 31 December 2011 or 31 March 2012.

DIRECTORS' REPORT (Continued)

Table 1 – Remuneration of KMP of the Company for the year ended 30 June 2014

	Short-Term		Post Employment	Share Based payment		Total	Performance Related
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares (amortised cost)	Options (amortised cost)		
G. Ward [1]	466,609	0	4,225	39,583	61,517	**571,934**	**17.68%**
K. Coates	293,685	0	17,803	22,027	0	**333,515**	**6.60%**
R. Hogarth	314,767	0	21,905	27,005	0	**363,677**	**7.43%**
T. Pritchard	265,695	0	15,381	19,329	0	**300,405**	**6.43%**
A. Hodson	233,429	0	23,661	21,752	0	**278,842**	**7.80%**
A. Mills	252,714	0	20,224	17,358	17,080	**307,376**	**11.20%**
Totals	**1,826,899**	**0**	**103,199**	**147,054**	**78,597**	**2,155,749**	

1 The share and option amortised cost relate to those shares and options issued to the CEO as approved by shareholders at the November 2011 Annual General Meeting

Table 2 – Remuneration of KMP of the Company or the year ended 30 June 2013

	Short-Term		Post Employment	Share Based payment		Total	Performance Related
	Salary	Cash Bonus – Short Term Incentive	Superannuation	Shares (amortised cost)	Options (amortised cost)		
G. Ward [1]	475,000	194,508	42,992	39,286	104,265	**856,051**	**39.49%**
K. Coates	288,546	27,345	21,760	29,573	2,297	**369,521**	**16.02%**
R. Hogarth	366,992	26,819	22,441	36,960	3,418	**456,630**	**14.72%**
T. Pritchard	244,220	29,808	24,737	19,086	9,327	**327,178**	**17.79%**
A. Hodson	257,562	16,519	16,071	28,880	2,671	**321,703**	**14.94%**
A. Mills	264,962	38,142	24,712	12,500	34,190	**374,506**	**22.65%**
Totals	**1,897,282**	**333,141**	**152,713**	**166,285**	**156,168**	**2,705,589**	

1 The share and option amortised cost relate to those shares and options issued to the CEO as approved by shareholders at the November 2011 Annual General Meeting

5. Summary of Executive Contractual arrangements

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

The contracts below include arrangements entered into prior to the amendments to the Corporations Act 2001 regarding termination payments which came into effect on 24 November 2009. No contracts of the Company however exceed the revised limits on termination payments.

Managing Director and Chief Executive Officer

Mr Geoff Ward was appointed Managing Director on 31 January 2011. Mr Ward's remuneration package is formalised in an open ended contract, the details of which were disclosed in the 2013 Notice of Meeting for the Annual General Meeting on 28 November 2013. The key terms of Mr Ward's contract are as follows:

- He currently receives a base remuneration including superannuation of $450,000 per annum. As part of a comprehensive review as set out in the notice of meeting for the Annual General Meeting held on 28 November 2013, his salary was reduced from $500,000 to $450,000 at 1 December 2013;
- Short Term Incentive – Up to $225,000 per annum which is only payable on the achievement of certain performance milestones. The members of the Remuneration and Nominations Committee have assessed that Mr Ward is eligible for a payment under the Short Term Incentive Scheme having achieved key financial and operational milestones identified for FY2014. In recognition of the continued underperformance of GDY shares and negative returns experienced by shareholders in FY2014, the Board have used their discretion and have elected not to pay any short term incentive payments for FY2014. The key performance milestones set for Mr Ward for FY13/14 were focussed on health and safety minimising risks of incidents and ensuring close out of key actions within schedule, successful field activities including progressing activities for the pacific region, ensuring expenditure within approved budgets was achieved, and completion of the acquisition of KUTh Energy Limited.
- Long term incentive (Share Appreciation Rights) – an annual grant of Share Appreciation Rights (SARs) based on a maximum of 50% of his base remuneration. Performance conditions for the vesting of the SARs at the testing dates is based on growth in the GDY share price. No share appreciation rights were granted during the financial year. In addition no shares or options were issued under the previous LTIP. It is the Board's intention to issue SARs to Mr Geoff Ward in accordance with the shareholder approval at the Annual General Meeting on 28 November 2013.

The CEO's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	6 months	6 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	14 days	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of long term illness, disablement, or notice without cause	6 months	6 months	Maybe prorated for time and performance subject to Board discretion	Maybe prorated for time and performance subject to Board discretion
Change of control	14 days	12 months	Prorated for time and performance	Prorated for time and performance

Other KMP

All other KMP have rolling contracts.

Other standard KMP provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Resignation	3 months	3 months	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, or notice without cause	3 months	3 months	Maybe prorated for time and performance subject to board discretion	Maybe prorated for time and performance subject to board discretion
Change of control	1 month	1 month	Prorated for time and performance	Prorated for time and performance

6. Non-executive Director remuneration arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. The amounts are set at a level that compensates the Directors for their significant time commitment in overseeing the progression of the Company's business plan.

The Constitution of Geodynamics and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2007 when shareholders approved an aggregate remuneration of $700,000 per year.

The Board will not seek any increase for the NED pool at the 2014 AGM.

Structure

Each Non-executive Director receives a fee for being a Director of the Company. The current fee structure is to pay Non-executive Directors a base annual remuneration of $64,500 p.a. with the Chairman paid $118,250 p.a. The Chairman of each committee receives an additional fee of $16,125 p.a. These fee structures have remained the same with no increase in the past five years. There are no retirement benefits offered to Non-executive Directors other than statutory superannuation which is in addition to these amounts. In accordance with good corporate governance practice, the Non-executive Directors do not participate in share and share option based remuneration plans of the Company.

The Company notes that collectively Sunsuper Pty Ltd & The Sentient Group, as major investors, have a right to appoint a Non-executive Director to the Company and as such that Director (where appointed) is not considered by the ASX Corporate Governance Principles to be independent.

The remuneration of Non-executive Directors for the year ending 30 June 2014 is detailed in Table 3 of this report and the remuneration for the comparative year ending 30 June 2013 is detailed in Table 4 of this report.

DIRECTORS' REPORT (Continued)

Table 3 – Non-executive Directors' Remuneration for the year ended 30 June 2014

	Salary & Consulting fees	Directors fees	Superannuation	Other	Total
K. Spence	-	118,250	10,938	-	129,188
R. Davies	-	80,625	7,458	-	88,083
J. Hamilton	-	88,083	-	-	88,083
M. Marier	-	64,500	5,966	-	70,466
A. Stock	-	80,625	7,458	-	88,083
G. Miltenyi [1]	-	21,500	1,989	-	23,489
Totals	**-**	**453,583**	**33,809**	**-**	**487,392**

1 Appointed 1 March 2014

Table 4 – Non-Executive Directors' Remuneration for the year ended 30 June 2013

	Salary & Consulting Fees	Directors fees	Superannuation	Shares (amortised cost)	Total
K. Spence	-	118,250	10,643	-	128,893
P. Chopra [1]	-	35,875	2,419	-	38,294
R. Davies	-	80,625	7,256	-	87,881
J. Hamilton	-	87,881	-	-	87,881
M. Marier	-	64,500	5,805	-	70,305
A. Stock	-	80,625	7,256	-	87,881
Totals	**-**	**467,756**	**33,379**	**-**	**501,135**

1 Retired 29 November 2012

7. Additional statutory disclosures

Table 5 – Shares granted to executives as part of remuneration for the year ended 30 June 2014

During the financial year, shares were granted under the Long Term Incentive Plan to certain executives as disclosed below. The shares were issued as a final grant as part of the termination process of the Long Term Incentive Plan.

Shares granted to executives for the year ended 30 June 2014.

	Grant Date	Granted Number	Value of shares granted during the year	% of Remuneration
R. Hogarth	1/5/14	149,818	8,540	2%
K. Coates	1/5/14	122,205	6,966	2%
A. Hodson	1/5/14	130,045	7,413	2%
T. Pritchard	1/5/14	166,514	9,491	4%
A. Mills	1/5/14	113,636	6,477	2%
G. Ward	-	-	-	-

Shares vested to executives for the year ended 30 June 2014.

	Value of shares vested during the year	Value of shares forfeited during the year	Value per share vested at grant date
R. Hogarth	9,983	-	0.52
K. Coates	8,143	-	0.52
A. Hodson	7,724	-	0.52
T. Pritchard	-	-	-
A. Mills	-	-	-
G. Ward	15,517	-	0.29

During the financial year, no options were granted or were proposed to be granted under the Long Term Incentive Plan.

Table 6 - Employee Share Plan Option holdings of Key Management Personnel

FY2014	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION / BECAME KEY MANAGEMENT PERSONNEL	OPTIONS EXERCISED	OPTIONS LAPSED/ NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD	TOTAL VESTED & EXERCISABLE
Directors						
G. Ward	2,700,000	-	-	(2,700,000)	-	-
J. Hamilton	-	-	-	-	-	-
R. Davies	-	-	-	-	-	-
M. Marier	-	-	-	-	-	-
K. Spence	-	-	-	-	-	-
A. Stock	-	-	-	-	-	-
G. Miltenyi	-	-	-	-	-	-
Executives						
K. Coates	-	-	-	-	-	-
R. Hogarth	-	-	-	-	-	-
T. Pritchard	-	-	-	-	-	-
A. Hodson	-	-	-	-	-	-
A. Mills	1,079,914	-	-	(1,079,914)	-	-
Total	**3,779,914**	**-**	**-**	**(3,779,914)**	**-**	**-**

DIRECTORS' REPORT (Continued)

Table 7 - Shareholdings of Key Management Personnel

FY2014	BALANCE AT BEGINNING OF PERIOD 01/07/13	APPOINTMENT S/BECAME KEY MANAGEMENT PERSONNEL	GRANTED AS REMUNER-ATION*	PURCHASED ON MARKET, SHARE PURCHASE PLAN	RESIGNATIONS DISPOSED OF/OTHER / NO LONGER KEY MANAGEMENT PERSONNEL	BALANCE AT END OF PERIOD 30/06/14
Directors						
G. Ward	730,319	-	-	-	-	730,319
R. Davies	120,775	-	-	-	-	120,775
J. Hamilton	481,708	-	-	-	-	481,708
M. Marier	-	-	-	-	-	-
K. Spence	212,413	-	-	-	-	212,413
A. Stock	62,315	-	-	-	-	62,315
G. Miltenyi	-	2,648,152	-	-	-	2,648,152
Executives						
K. Coates	279,191	-	122,205	-	-	401,396
R. Hogarth	394,451	-	149,818	-	-	544,269
T. Pritchard	118,171	-	166,514	-	-	284,685
A. Hodson	309,394	-	130,045	-	-	439,439
A. Mills	187,500	-	113,636	-	-	301,136
Total	**2,896,237**	**2,648,152**	**682,218**	**-**	**(212,413)**	**6,014,194**

* Shares granted as remuneration were issued under the Geodynamics Deferred Employee Share Plan and are held in escrow on behalf of the Executive. The Executive is required to remain employed by Geodynamics for 36 months from the date of allocation for the shares to vest.

Signed in accordance with a resolution of the Directors.

K. Spence
Chairman
Brisbane, 28 August 2014

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Auditor's Independence Declaration to the Directors of Geodynamics Limited

In relation to our audit of the financial report of Geodynamics Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Andrew Carrick
Partner
28 August 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Geodynamics Limited is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

The Geodynamics Limited Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" as revised in June 2010 the Principles of which are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Promote ethical and responsible decision making

Principle 4. Safeguard integrity in financial reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of shareholders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

Geodynamics Limited's corporate governance practices were in place throughout the year ended 30 June 2014 and were fully compliant with the Council's recommendations except for the following:

Recommendation 3.3 - Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to set specific numeric targets as these could be inappropriately skewed by the small sample size. Geodynamics currently has participation from a diverse workforce, with gender diversity being in advance of industry averages for our sector.

Recommendation 3.4 - Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. The Company has adopted a Diversity Policy that encourages the participation and provision of opportunity to all interested in working at Geodynamics. As the Company has a relatively small work-force with many requiring specific skills that may not be widely available, the Company has not deemed it appropriate to publish specific employment numbers as Company does not believe this information adds any meaningful value due to its small workforce.

For further information on corporate policies adopted by Geodynamics Limited, please refer to "Governance" under the Our Company Tab on our website located at www.geodynamics.com.au.

For 2014, the Company's reporting against the Principles is as follows:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The Board operates in accordance with the following principles and guidelines.

- The Board does comprise a majority of Non-executive Directors.
- The Chairperson is an independent Director.
- The Board does comprise Directors with an appropriate range of qualifications and expertise.
- The terms and conditions of the appointment of Non-executive Directors are set out in a letter of appointment. The appointment letter covers the following matters:
    - the level of remuneration;
    - the tenure of appointment;
    - the expectation of the Board in relation to attendance and preparation for all Board meetings;
    - the Directors code of conduct;
    - the procedures dealing with conflicts of interest; and
    - the availability of independent advice - The Board has agreed a procedure for Directors to take independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.
- The Board meets as often as required to attend to the affairs of the Company and follow meeting guidelines set down to ensure all Directors are made aware of, and have available to them all necessary information enabling them to participate in an informed discussion of all agenda items.
- The Chairman of the Board meets regularly with the Managing Director.

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- Approving objectives, goals and strategic direction for management;
- Monitoring financial performance including adopting annual budgets and approving the Company's financial statements;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting, appointing and reviewing the performance of the Managing Director and Chief Executive Officer and reviewing the performance of senior operational management;
- Ensuring significant business risks are identified and appropriately managed; and
- Reporting to shareholders on performance.

The Company's Managing Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which executives are assessed is aligned with the financial and non-financial objectives of Geodynamics Limited. Further details of the process for evaluating performance are set out in the Remuneration Report

The Board may determine from time to time to establish specific purpose sub-committees to deal with specific issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision. Minutes of committee meetings are tabled at the immediate subsequent Board meeting.

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

SKILLS, EXPERIENCE AND EXPERTISE OF DIRECTORS

The Directors in office at the date of this statement are:

Name	Position	Independent	Term in Office	Expertise
Keith Spence	Non-executive Chairman	Yes	6.1 years	Energy, Engineering and Management
Geoff Ward	Managing Director	No	3.6 years	Energy, Engineering, Corporate Finance and Management
Robert Davies	Non-executive Director	Yes	5.8 years	Finance, Governance and Management
Jack Hamilton	Non-executive Director	Yes	7.9 years	Energy, Engineering and Management
Michel Marier	Non-executive Director	No	3.5 years	Finance and Management
Andrew Stock	Non-executive Director	Yes	10.8 years	Energy, Engineering and Management
George Miltenyi	Non-executive Director	Yes	0.5 years	Energy, Management and Employment

INDEPENDENT DIRECTORS

Directors of Geodynamics Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent. Therefore there are six Non-executive Directors, five of whom are deemed independent, and one Executive Director. One Non-executive Director who is not deemed independent is an Officer of one of the Company's three largest shareholders which has a right to appoint a Director to the Board under their Investment Deed. (The Sentient Group and Sunsuper Pty Ltd are jointly treated as a cornerstone investor in so far as they have a collective right to appoint a Director).

Further details of the members of the Board including their experience and expertise are set out in the Directors' Report.

NON-EXECUTIVE DIRECTORS

The six Non-executive Directors periodically meet for a period of time, without the presence of management, to discuss the operation of the Board and a range of other matters including those relating to Remuneration and Directors' Nominations. Relevant matters arising from these meetings are shared with the full Board.

TERM OF OFFICE

The Company's constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

NOMINATIONS

The Company has established a combined Remuneration and Nominations Committee. Membership and composition of this Committee is discussed at the end of this Corporate Governance Statement. With regard to the Nominations charter of the Committee, the main functions of the Committee are to:

- Devise criteria (necessary and desirable competencies) for Board membership for approval by the full Board.
- Identify specific individuals for nomination.
- Make recommendations to the Board for new Directors and membership of committees being always mindful that any recommendation should ensure there is a complementary mix of necessary skills.
- Annually, assist the Chairman of the Company in advising Directors about their performance and tenure.
- Oversee management succession plans, including the Managing Director and Chief Executive Officer and first line managers;
- Review of the Board succession plan.
- Critically examine the Committee's performance and recommend any changes to the responsibilities to the Board.

In devising criteria for Board membership, the Company uses a Board skills matrix to identify any gaps in the skills and experience of the Directors on the Board. In addition, the Company uses a combination of professional intermediaries to identify and assess candidates as well as the network of contacts within the Board itself.

PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Non-executive Directors is reviewed annually by the Chairman. In addition during the year, all Directors completed a structured self evaluation questionnaire that aimed to evaluate the performance of the Board as a whole. These responses are collated and subsequently discussed by the Board to improve the functional operations of the Board. The Chairman meets privately with each Director as appropriate to discuss their individual performance. The Chairman's performance is reviewed by the Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The Company has established a policy regarding Diversity that is underpinned by four key principles:

- Fairness: Every person will have the opportunity to work and succeed at Geodynamics - regardless of their gender, nationality, background, age, physical ability or sexual orientation.
- Support: The Company will support the varying needs of its diverse workforce by providing flexible working conditions and ensuring programs are in place to enable every Geodynamics employee to reach their career potential.
- Respect: Every Geodynamics employee will be treated with dignity and respect, recognising that success depends upon the commitment, capabilities and diversity of the Company's employees.
- Leadership: The Board and senior leaders will be ultimately responsible for instilling a culture that embraces and values diversity amongst the workforce.

At least once every 12 months, the Remuneration and Nominations Committee will review the Diversity Policy including a review of the diversity objectives and initiatives to ensure they remain current and appropriate and a review of progress on the achievement of diversity objectives over the preceding year.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Board has adopted an Audit & Risk Committee Charter to ensure the truthful and factual presentation of the Company's financial position and to review and advise on the company's risk management processes. Audit & Risk Committee meetings will be held periodically throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The Audit & Risk Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The Chief Executive Officer and Chief Financial Officer may attend the committee meetings by invitation.

- The main functions of the committee will be to:
- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures;
- Ensure effective deployment of risk management processes;

- Nominate the external auditors and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

The Chairman of the Audit & Risk Management Committee reviews the performance of the Committee with members and reports annually to the Board.

The members of the Audit & Risk Committee during the year were:

Robert Davies (Chairman)

Michel Marier

Jack Hamilton

For details on the qualifications of the audit & risk committee members, the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Board has adopted a Listing Rule 3.1 Compliance Policy, which has been designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times. The Company's Continuous Disclosure Policy is available on the Company's website.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- Quarterly Reports to all shareholders;
- The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
- The Company's Corporate Internet site at www.geodynamics.com.au. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

Shareholders are actively encouraged to become 'online shareholders' by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight, management and internal control.

The Company is committed to having a culture of risk management and has established a risk management system that supports a pro-active approach to managing risk and to exploiting opportunity at all levels.

A series of extensive workshop reviews have been held for each component phase of the Company's business plan and these will continue to be held for subsequent stages to highlight major risk areas and plan the treatment to manage those risks. In addition, a formal risk management plan is included as part of every major capital acquisition or procurement decision and key risk/opportunity areas and their drivers are included in the Management/Board reporting system. The Board has also established a Health Safety and Environment Committee which operates under a charter approved by the Board.

Management, through the Managing Director and Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis or more frequently as required by the Board or Committee.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic, operational and technical risks in conjunction with, and as a key input to an annual corporate strategy workshop attended by the Board and senior management. This workshop reviews the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives. Management are required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks are reviewed on an ongoing basis and independently audited from time to time. The Audit and Risk Committee oversees the adequacy and comprehensiveness of risk reporting from management.

The Board receives a written assurance from the Chief Executive Officer and the Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

Health, Safety & Environment (HSE) meetings are held on an as required basis. The Committee is comprised of a Chair drawn from the Non-executives of the Geodynamics Board. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The HSE Committee has been given the following Terms of Reference:

- Its primary objective is to assist the Board of Directors in its responsibilities relating to establishing and maintaining the highest standards of HSE performance by Geodynamics, and compliance with all relevant legislation. In addition the Committee will ensure that Management reports to the Board on:-
    - Compliance with statutory requirements, codes, standards, and guidelines;
    - Establishment of measurable objectives and targets aimed at elimination of work related incidents or environmental impacts from Geodynamics' activities;
    - The defining of roles, responsibilities and levels of accountability for HSE within Geodynamics.
- Act as an independent and objective party to review the safety and environmental performance reports presented by management for the use of all stakeholders.
- Review HSE risk assessment processes and monitor their effectiveness.
- Review all significant Geodynamics incident reports along with the results of the subsequent investigations and the implementation of the identified corrective actions.
- Oversee and appraise the quality of the health & safety and the environmental audits conducted by the HSE auditors.
- Ensure through regular meetings that open lines of communication exist among the Board, Management and HSE Auditors.

The members of the HSE Committee during the year were:

Jack Hamilton (Chairman)

Keith Spence

Andrew Stock

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with short and long term performance incentives through cash, shares and options which allow executives to share in the success of Geodynamics Limited. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

The Company currently has six Non-executive Directors and a Managing Director. The Company's Managing Director does not receive Directors' fees and his remuneration package is formalised in a service agreement. The Non-executive Directors' maximum aggregate remuneration as approved by shareholders is currently $700,000 and is set at a level that compensates the directors for their significant time commitment in overseeing the progression of the Company's business plan.

There are no retirement benefits offered to Non-executive Directors other than statutory superannuation. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report which is contained within the Directors' Report.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee operates under a charter approved by the Board. Remuneration and Nomination Committee meetings are held at least semi-annually and otherwise as required throughout the year. It is the policy of the Board that the members of the Committee shall be a minimum of three Non-executive Directors and a majority of independent directors. The Remuneration and Nominations Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

With regard to the Remuneration charter of the Committee, the main functions of the Committee are to:

- Set the terms and conditions of employment for the Chief Executive Officer.
- Set policies for Senior Executive remuneration including the Chief Executive Officer and other Executive Directors (if any) and review from time to time as appropriate.
- Set policies for Non-executive Director remuneration and review and recommend the level of remuneration with the assistance of external consultants as appropriate.
- Make recommendations to the Board on remuneration for the Chief Executive Officer and Executive Director(s).
- Review and approve the recommendations of the Chief Executive Officer on the remuneration of Senior Executives.
- Review all equity based plans and make recommendations to the Board for approval.
- Review and approve the design of Executive Incentive Plans ensuring appropriate performance hurdles are in place.

- Review transactions between the group and the Directors, or any interest associated with the Directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.
- Review and approve the annual Remuneration Report contained within the Directors' Report.

The members of the Remuneration and Nominations Committee during the year were:

Andrew Stock (Chairman)

Keith Spence

Robert Davies

For details on the number of meetings of the Remuneration and Nominations Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL YEAR ENDED 30 JUNE 2014	Note	2014 $'000	2013 $'000
Continuing Operations			
Interest Income		1,507	1,166
Total Revenue		**1,507**	**1,166**
Impairment of Property, Plant & Equipment	6	-	(10,300)
Impairment of Deferred Exploration & Evaluation Costs	7	(40)	(78,510)
Personnel expenses	3A	(5,694)	(7,182)
Exploration and Evaluation Costs	3B	(8,425)	-
Other General & Administrative Expenses	3C	(2,740)	(10,635)
Corporate Expenses Recovered		611	369
Total Expenses		**(16,288)**	**(106,258)**
Income/(Loss) before Income Tax Expense		**(14,781)**	**(105,092)**
Income Tax Benefit	4	-	-
Income/(Loss) after Income Tax Expense		**(14,781)**	**(105,092)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	12	(22)	-
Other Comprehensive Income for the period		(22)	-
Total Comprehensive Income/(Loss) for the period attributable to the Owners		**(14,803)**	**(105,092)**
Basic and Diluted Earnings/(Loss) per share (cents per share)	15	(3.51)	(25.86)
Basic and Diluted Earnings/(Loss) per share attributable to the equity holders of the entity (cents per share)	15	(3.51)	(25.86)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014	Note	2014 $'000	2013 $'000
Current Assets			
Cash Assets	21(A)	33,815	41,390
Inventories – Rig Parts and Well Materials		893	188
Receivables	5	5,335	14,239
Total Current Assets		**40,043**	**55,817**
Non Current Assets			
Property, Plant and Equipment	6	4,127	3,962
Deferred Exploration, Evaluation & Development phase costs	7	7,390	1,177
Total Non Current Assets		**11,517**	**5,139**
Total Assets		**51,560**	**60,956**
Current Liabilities			
Payables	8	4,091	4,301
Provisions	9	3,001	2,201
Total Current Liabilities		**7,092**	**6,502**
Non Current Liabilities			
Provisions	9	6,052	4,003
Total Non Current Liabilities		**6,052**	**4,003**
Total Liabilities		**13,144**	**10,505**
Net Assets		**38,416**	**50,451**
Equity			
Contributed Equity	11	348,338	346,083
Other Reserves	12	10,947	10,456
Accumulated Losses		(320,869)	(306,088)
Total Equity		**38,416**	**50,451**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

FINANCIAL YEAR ENDED 30 JUNE 2014	Note	2014 $'000	2013 $'000
Cash Flows from/(used in) Operating Activities			
Net Goods and Services Tax received		138	2,096
Payments to suppliers and employees		(7,798)	(10,020)
Net Interest Received		1,388	1,082
Net cash flows from/(used in) Operating Activities	21(B)	**(6,272)**	**(6,842)**
Cash Flows from/(used in) Investing Activities			
Proceeds from Government Grants		4,500	14,000
Proceeds from R&D Tax Incentive		8,542	22,115
Purchase of Property, Plant & Equipment		(1,118)	(3)
Payments for Exploration and Evaluation expenditure		(14,003)	(38,657)
Proceeds from Cash Calls		-	1,551
Cash acquired from KUTh Energy Limited	17	186	-
Proceeds from sale of property, plant & equipment		590	14,080
Net cash flow (used in) investing activities		**(1,303)**	**13,086**
Cash Flows from Financing Activities			
Net cash flow provided by financing activities		**-**	**-**
Net increase / (decrease) in cash held		**(7,575)**	**6,244**
Add: Opening cash carried forward		41,390	35,146
Closing cash carried forward	21(A)	**33,815**	**41,390**

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED 30 JUNE 2014	Issued Capital	Employee Equity Benefits Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 July 2013	**346,083**	**10,456**	**-**	**(306,088)**	**50,451**
Recognition of foreign exchange hedge reserve	-	-		-	
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(14,781)	(14,781)
Other comprehensive income	-	-	(22)	-	(22)
Total loss for the period	-	-	(22)	(14,781)	(14,803)
Equity Transactions:					
Issue of Share Capital for the acquisition of KUTh Limited	2,255	-	-	-	2,255
Share based payment on Employee Share Plan	-	337	-	-	337
Cost of share-based payment - recognition of share option expense	-	176	-	-	176
At 30 June 2014	**348,338**	**10,969**	**(22)**	**(320,869)**	**38,416**

FINANCIAL YEAR ENDED 30 JUNE 2013					
At 1 July 2012	**346,083**	**9,336**	**-**	**(200,996)**	**154,423**
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	-	(105,092)	(105,092)
Total loss for the period	-	-	-	(105,092)	(105,092)
Equity Transactions:					
Share based payment on Employee Share Plan	-	582	-	-	582
Cost of share-based payment - recognition of share option expense	-	538	-	-	538
At 30 June 2013	**346,083**	**10,456**	**-**	**(306,088)**	**50,451**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The financial report of Geodynamics Limited (the Company) for the year ended 30 June 2014 was authorised in accordance with a resolution of the Directors on 28 August 2014.

Geodynamics Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Company are described in the Directors' Report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for the valuation of available for sale financial assets which are carried at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated. The Directors have adopted the going concern assumption in preparing the financial report.

B. Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

C. New Accounting standards and interpretations

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2014.

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 are:

- AASB10 *Consolidated Financial Statements*;
- AASB11 *Joint Arrangements*;
- AASB12 *Disclosure of Interests in Other Entities*;
- AASB13 *Fair Value Measurement*;
- AASB119 *Employee Benefits*;
- AASB2012-*2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*; and
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*.

None of these standards or amendments to standards affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The following new accounting standards and interpretations are not likely to affect future periods

- AASB2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (effective 1 July 2014);

- AASB Interpretation 21 *Levies* (effective 1 July 2014);
- Annual Improvements to IFRS 2010-2012 Cycle (effective 1 July 2014);
- Annual Improvements to IFRS 2011-2013 Cycle (effective 1 July 2014);
- AASB 1031 *Materiality* (1July 2014);
- AASB 2013-9 *Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments* Cycle (effective 1 July 2014); and
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective July 2016).

The impacts of the following two standards are yet to be assessed:

- AASB 9 *Financial Instruments* (effective 1 July 2018); and
- IFRS 15 *Revenue from Customer Contracts* (effective 1July 2017).

D. Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Group as at 30 June each year.

The controlled entities are all those entities over which the Group has power, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect its returns.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Controlled entity/subsidiaries

The consolidated financial statements include the financial statements of Geodynamics Limited and its controlled entities listed in the following table:

Name	Country of Incorporation	Equity Interest % 2014	Equity Interest % 2013
Parent Entity			
Geodynamics Limited	Australia	100	100
Directly controlled by Geodynamics Limited			
Geodynamics NT Pty Ltd	Australia	100	100
Geodynamics (Savo Island) Pty Ltd	Australia	100	100
Geodynamics Share Plans Pty Ltd	Australia	100	100
KUTh Energy Limited	Australia	100	-
Directly Controlled by KUTh Energy Limited			
KUTh Exploration Pty Ltd	Australia	100	-
Mineral Ventures Pty Ltd	Australia	100	-
KUTh Pacific Ltd	Australia	100	-
Directly Controlled by KUTh Pacific Ltd			
KUTh Exploration (Fiji) Limited	Fiji	100	-
KUTh Energy (PNG) Ltd	PNG	50.2	-
KUTh Energy (Vanuatu) Ltd	Vanuatu	100	-

E. Significant Accounting Judgements, Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgement, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

Provision for site rehabilitation

The Company reviews rehabilitation requirements for its geothermal exploration tenements on a six-monthly basis by undertaking an in-house analysis of the costs to rehabilitate the sites including the plugging and abandoning of wells as appropriate.

Capitalisation of Deferred Exploration and Evaluation Expenditure & Impairment

The Company determines whether Deferred Exploration and Evaluation Costs are impaired as described by AASB 6 at least on an annual basis. The Company considers whether an area of interest will be subject to further activity in the foreseeable future. Where substantive expenditure on further exploration and evaluation is neither budgeted or planned consideration is given as to whether an impairment cost should be recognised relating specifically to that area of interest.

Classification and valuation of investments

The Company classifies investments in listed and unlisted securities as ‘available for sale’ investments and movements in fair value are recognised directly in equity unless impairment has occurred in which case impairment is expensed. The fair value of unlisted securities not traded in an active market is determined by the pricing of those securities when share allotments of those securities are made on or around balance date to independent third parties.

F. Foreign Currency Translation

Both the functional and presentation currency of Geodynamics is Australian dollars ($A). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the financial report are taken to net income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

G. Property, Plant & Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The costs include obligations relating to reclamation, plant closure and other costs associated with the restoration of the site. Depreciation is provided on a straight line basis on all property, plant and equipment. All classes are depreciated over periods ranging from 3 to 15 years (comparable to prior year). The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment exists when the carrying value exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income in the year the loss is recognised.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

H. Exploration, Evaluation, Development and Restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

As reported at 30 June 2013, the Company finalised the technical appraisal of its Cooper Basin project and associated resource. In the absence of a small scale commercial project or other plan to commercialise the project in the medium term, the Company impaired the carrying amount of its deferred exploration, evaluation and development costs in respect of the Cooper basin project to $nil.

Commensurate with the ongoing appraisal and review of the Cooper Basin project additional evaluation costs have been incurred since 1 July 2013. As it is not possible to reliably demonstrate the additional costs in respect of the Cooper Basin project will be recouped through successful development or sale, the Company has recorded these costs in the Statement of Comprehensive Income for the year ended 30 June 2014.

Grants and subsidies (including R&D incentives) relating deferred exploration and evaluation costs are recorded as a reduction in the carrying amount of the associated asset. Grants and subsidies (including R&D incentives) related to exploration and evaluation costs recorded in the Statement of Comprehensive Income are recognised in profit or loss at the same time as the expenses for the costs for which the grant is expected to compensate.

Impairment

The carrying values of exploration, evaluation, development and restoration costs are reviewed for impairment in accordance with AASB 6 Exploration and Evaluation of Mineral Resources when facts and circumstances suggest that the carrying amount of such an asset may exceed its recoverable amount. Any impairment loss identified is recognised as an expense in accordance with AASB 136 Impairment of Assets.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, plant closure and other costs associated with the restoration of the site.

I. Intangibles

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

J. Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

K. Cash and Cash Equivalents

Cash assets on the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and short term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

L. Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

M. Inventories

Inventories include spare parts and consumable items used in drilling operations and are valued at the lower of cost and net realisable value.

N. Contributed Equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

O. Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

P. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Q. Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

R. Share-based Payment Transactions

The Company provides benefits to employees (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions'). The current plan in place to provide these benefits is the Geodynamics Limited Share Appreciation Rights Plan which both provides benefits to executive directors and senior employees.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

S. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. In the case of interest, revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

T. Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account until such time as all conditions associated with the grant are met. Once these conditions are achieved the credit is allocated to the relevant asset. The amount of the grant is then released to net income over the expected useful life (by way of reduced depreciation or amortisation) of the relevant asset.

U. Earnings per Share

Basic earnings per share is determined by dividing the profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is determined by dividing the profit/(loss) after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial period.

V. Income Tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

For Geodynamics Limited, no deferred income tax asset is being recognised in the accounts as the benefit is not considered to be probable of being realised at this stage of the Company's development. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in net income.

Deferred income tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to the same taxable entity and the same taxation authority.

W. Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the Cash Flow Statement on a net basis and the GST component arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

X. Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of that entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Y. Available for sale securities

Available for sale investments are those non-derivative financial assets, principally equity securities that are designated as available for sale. After initial recognition available for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Z. Joint Arrangements

The Company is also a party to a joint operation with Kentor Energy Pty Ltd (Kentor). The joint operation assets comprise the Savo Island prospecting license and all property plant and equipment for use on Savo Island. The joint operation is named the Savo Island Geothermal Joint Venture.

Under the terms of the agreement, Geodynamics (Savo Island) Pty Ltd is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project. At 30 June 2014 Geodynamics had met all requirements for the initial 25% interest.

In prior years the Company was a party to two joint operations named the Innamincka ‘Deeps’ Joint Venture and the Innamincka ‘Shallows’ Joint Venture. The joint operations with Origin Energy Limited were formed to explore and evaluate enhanced geothermal systems in the Cooper/Eromanga basin in South Australia. The joint operations comprised South Australian geothermal tenements and all property plant and equipment for use in the Cooper/Eromanga basin. At 30 June 2013, Origin Energy Limited withdrew from the joint operations. Coincident with the withdrawal, the Company became the 100% participant in the arrangement and obtained control of its geothermal tenements and all property plant and equipment.

AA. Going Concern

As the Company’s assets are in the exploration and development phase, Geodynamics is currently non-revenue generating. As such a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Company always has sufficient funds to cover its planned activities and any ongoing obligations. The Company has sufficient cash resources to cover its near term planned exploration expenditure. The Company also 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.

While principally focussed on geothermal exploration and development, Geodynamics will continue to actively monitor developments in clean energy markets and technologies to assess opportunities to acquire interests in projects or technologies where it is able to utilise its skills and capacity to develop further clean energy projects that provide an acceptable return for shareholders.

NOTE 3A – PERSONNEL EXPENSES

	2014 $'000	2013 $'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Share Plan Expense	337	582
Share Option Expense	176	538
Employee Expenses	5,181	6,062
	5,694	**7,182**

NOTE 3B – EXPLORATION AND EVALUATION COSTS

	2014 $'000	2013 $'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Expenditure for the period	8,300	-
Change in Rehabilitation	2,157	-
Proceeds from Government Grants	(1,500)	-
Change in R&D Tax Incentive for 2013 financial year	1,468	-
R&D Tax Incentive for the 2014 financial year	(2,000)	-
	8,425	**-**

NOTE 3C – OTHER EXPENSES AND LOSSES/(GAINS)

	2014 $'000	2013 $'000
Loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment and Amortisation of leasehold improvements [1]	522	7,431
Interest expense	4	32
Operating lease rentals paid	1,143	856
Foreign exchange loss/(gain)	(6)	(27)
(Profit)/loss on disposal of property, plant & equipment	(1,336)	(79)

1 The 1MWe pilot plant was depreciated during the trial operating period at the end of the last financial year. At 30 June 2013 the carrying amount of the plant was impaired to its residual value being an estimate of the fair value less costs to sell. No further depreciation expense was recorded for the pilot plant during the year ended 30 June 2014.

NOTE 4 – INCOME TAX

	2014 $'000	2013 $'000
Income tax expense		
The prima facie tax benefit on loss of 30% (2013 - 30%) differs from the income tax provided in the financial statements as follows:		
Prima facie tax on loss	(4,434)	(31,528)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D Tax Incentive Receivable	2,000	10,000
Change in R&D Incentive for the prior year	(1,468)	-
Other income/(expenses)	156	340
Income tax benefit attributable to current year losses	(3,746)	(21,188)
Deferred tax asset not brought to account as realisation of the asset is not regarded as probable	3,746	21,188
Income tax benefit attributable to operating loss	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Deferred tax liabilities				
Deferred exploration phase expenditure	-	(10)	-	-
Deferred evaluation phase expenditure[3]	-	(343)	-	-
Other deferred tax liability	(199)	(1,064)	-	-
Deferred tax assets				
Losses available for offset against future taxable income			-	-
Company[1]	77,433	75,925		
Subsidiary[2]	4,407	-		
Other deferred tax asset	2,944	1,924	-	-
Net deferred tax assets	84,585	76,432		
Deferred tax asset for tax losses not recognised	(84,585)	(76,432)		
Gross deferred income tax assets	-	-		
Deferred tax income/(expense)	-	-	-	-

1 The deferred tax asset arising from estimated tax losses is only brought to account to the extent that it offsets the Company's deferred tax liabilities arising from temporary differences. To the extent surplus tax losses are available, the deferred tax asset associated with these tax losses is not brought to account at balance date as the benefit is not yet regarded as probable.

The deferred tax asset will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the Company in realising the benefit.

The Company's tax losses for the 2013 financial year (reported above) have been adjusted to reflect the income tax return lodged during the 2014 financial year.

2 The subsidiary tax losses were acquired as part of the acquisition of KUTh Energy Limited (refer note 21). No fair value was allocated to the tax losses as part of the business combination accounting as the tax losses are not considered probable of recovery. Given the change in ownership of KUTh Energy Limited and its controlled entities, the recovery of the tax losses is likely to be subject to the same business test.

3 At 30 June 2014, the Group's deferred exploration and evaluation expenditure relates to operations in the Solomon Islands and Vanuatu. As the corporate tax rate in Vanuatu is nil%, no deferred tax liability is recognised in respect of this component for the deferred evaluation phase asset. In addition, it is yet to be determined whether the company's exploration expenditure in the Solomon Islands will be deductible for tax purposes (and in which jurisdiction).

NOTE 5 – RECEIVABLES (CURRENT)	2014 $'000	2013 $'000
GST Receivable	295	109
Interest Receivable	432	315
Other Receivables	4,608	13,815
	5,335	14,239

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

The other receivables balance represents an amount receivable in relation to the sale of the Habanero Camp as well as an estimate of the amount due under the R&D Tax Incentive Scheme relating to expenditure incurred during the year ended 30 June 2014.

Allowance for Impairment loss.

No allowance has been made for impairment loss. A provision for impairment loss is only recognised when there is objective evidence that an individual receivable is impaired. None of the balances within receivables contain impaired assets.

NOTE 6 – PROPERTY, PLANT & EQUIPMENT	2014 $'000	2013 $'000
Plant and Equipment at cost	25,370	25,467
Less: accumulated depreciation and impairment	(21,243)	(21,505)
Total Property, Plant and Equipment	**4,127**	**3,962**
Reconciliation of Plant & Equipment		
Carrying amount at beginning	3,962	19,771
Additions (including KUTh acquisition)	1,352	127
Disposals	(1,450)	(156)
Impairment *	-	(10,300)
Reclassification from Deferred Exploration and Evaluation Costs	-	9,919
Less: Proceeds of Government Grants	-	(8,000)
Depreciation/Amortisation Expense	263	(7,399)
Carrying amount at the end	**4,127**	**3,962**

* Impairment of Property Plant & Equipment

The reclassification from Deferred Exploration and Evaluation costs at June 2013 related to the transfer of carrying costs for the 1MWe pilot plant and reclassification as a depreciable asset as at the time of commissioning.

While the technical appraisal of the resource and trial of the 1MWe Pilot Plant has been successful and provides proof of concept, the development of EGS geothermal resources in Australia remains a long term challenge requiring significant capital investment and extension of infrastructure.

The 1MWe pilot plant was designed to provide a platform for proof of concept but is not commercially viable as a long term source of power production. The Board therefore impaired the carrying amount of the 1MWe pilot plant to its residual value being an estimate of the fair value less costs of disposal at 30 June 2013. The Board has assessed residual amount of the 1MWe pilot plant remains its best estimate of the fair value less costs of disposal at 30 June 2014.

NOTE 7 – DEFERRED EXPLORATION AND EVALUATION COSTS

	2014 $'000	2013 $'000
Exploration Phase	-	32
Evaluation Phase	7,390	1,145
Total	**7,390**	**1,177**
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	1,177	106,923
Add: Exploration Expenditure for period	-	57
Add: Evaluation assets acquired as part of KUTh transaction	2,485	-
Add: Evaluation & Development expenditure for period	3,768	28,741
Less: Proceeds of Government Grants	-	(14,000)
Less: Proceeds from R&D Tax Incentive	-	(32,115)
Reclassification to Property Plant and Equipment	-	(9,919)
Less: Impairment of Evaluation & Development expenditure	(40)	(78,510)
Carrying amount at the end	**7,390**	**1,177**

The carrying amount of deferred exploration and evaluation costs increased during the year mainly due to expenditure on the Pacific Islands projects.

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.

As reported at 30 June 2013, the Company finalised the technical appraisal of its Cooper Basin project and associated resource. In the absence of a small scale commercial project or other plan to commercialise the project in the medium term, the Company impaired the carrying amount of its deferred exploration, evaluation and development costs in respect of the Cooper basin project to $nil.

Commensurate with the ongoing appraisal and review of the Cooper Basin project additional evaluation costs have been incurred during the year ended 30 June 2014. As it is not possible to reliably demonstrate the additional costs in respect of the Cooper Basin project will be recouped through successful development or sale, the Company has recorded these costs in the Statement of Comprehensive Income for the period in line with the Company's accounting policy (refer note 3B).

NOTE 8 – ACCOUNTS PAYABLE

	2014 $'000	2013 $'000
Current		
Trade Creditors	2,293	801
Accrued Liabilities	1,798	3,500
Trade creditors and accruals	**4,091**	**4,301**

Terms and conditions

Accounts payable and accrued liabilities are non-interest bearing. Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. All amounts are normally settled within 30 days, and discounts for early payment are normally taken where it is considered advantageous for the Company to do so. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 9 – PROVISIONS

	Employee Entitlements $'000	Restoration Provision $'000	Make Good Provision $'000	Total Provisions $'000
At 1 July 2013	**634**	**5,328**	**242**	**6,204**
Arising during the year	1,125	2,158	7	3,290
Utilised	(441)	-	-	(441)
At 30 June 2014	**1,318**	**7,486**	**249**	**9,053**
Current 2014	1,102	1,899	-	3,001
Non current 2014	216	5,587	249	6,052
	1,318	**7,486**	**249**	**9,053**
Current 2013	504	1,697	-	2,201
Non current 2013	130	3,631	242	4,003
At 30 June 2013	**634**	**5,328**	**242**	**6,204**

The restoration provision relates to the ultimate restoration of the Habanero 1, Habanero 2, Habanero 3, Habanero 4, Jolokia 1, Savina 1 and Celsius 1 sites including the wells themselves (permanent plugs), the monitoring wells and water supply pipeline routes.

Bank guarantees totalling $307,000 are held to cover South Australian, NSW and Tasmanian governments tenement rehabilitation obligations.

The make good provision relates to the lease agreement on the Company's corporate office premises in Brisbane. Under this agreement, Geodynamics is required to restore the leased premises to its original condition at the end of the lease. A bank guarantee totalling $465,820 is held by the landlord of these leased premises.

The components of the provision for employee entitlements is detailed in note 14.

NOTE 10 – FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash and cash equivalents, receivables and payables.

All financial assets are recognised initially at fair value plus transaction costs, and financial liabilities are recognised initially at fair value. Subsequent measurement of financial assets and liabilities depends on their classification, summarised in the table below.

	2014 $'000	2013 $'000
	Amortised Cost	Amortised Cost
Financial Assets		
Cash and Cash Equivalents	33,815	41,390
Receivables	5,335	14,239
	39,150	**55,629**
Financial Liabilities		
Payables	4,091	4,301
	4,091	**4,301**

Financial assets and liabilities carried at amortised cost are measured by taking into account any discount or premium on acquisition, and fees or costs associated with the asset or liability. Due to the short-term nature of these assets and liabilities, their carrying value is assumed to approximate their fair value.

AASB7 Financial Instruments: Disclosures requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:
Level 1 – the fair value if calculated using quoted market prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group does not have any level 1, level 2 or level 3 financial instruments as at 30 June 2014 or 30 June 2013.

NOTE 11 – CONTRIBUTED EQUITY

	2014 $'000	2013 $'000
Authorised Shares		
435,880,130 (2013 – 406,452,608) fully paid ordinary shares	**348,338**	**346,083**

MOVEMENT IN ORDINARY SHARE CAPITAL:		NUMBER OF SHARES	ISSUE PRICE $ PER SHARE	$'000
30/06/12	**Balance end of financial year**	**406,452,608**		**346,083**
	NIL Movement			
30/06/13	**Balance end of financial year**	**406,452,608**		**346,083**
Jan 2014	Ordinary shares issued for KUTh acquisition acceptances	24,128,364	0.085	2,051
Jan 2014	Ordinary shares issued for KUTh compulsory acquisition	2,404,440	0.085	204
May 2014	Ordinary shares issued for the deferred employee share plan [1]	1,331,425	0.155	-
May 2014	Ordinary shares issued for the deferred employee share plan [1]	1,563,293	0.165	-
30/06/14	**Balance end of financial year**	**435,880,130**		**348,338**

1 The total movement in ordinary share capital for shares issued for the deferred employee share plan is lower than the total shown at note 14, the difference being shares reallocated from the forfeited share pool.

Terms and Conditions of contributed equity

Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available to the entity. As the entity is not in position to be debt funded until it advances its projects to a completed feasibility phase which has the support of financiers, it must rely totally on shareholders and government grants for its funding requirements.

Unissued Shares – Shareholder Options

At 30 June 2014, there were no unissued ordinary shares under shareholder options (2013 – Nil). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. There were no shareholder options granted during the financial year ended 30 June 2014 (2013 – Nil).

NOTE 12 – RESERVES

	2014 $'000	2013 $'000
Deferred Employee Share Plan Reserve	3,462	3,125
Employee Share Option Reserve	7,507	7,331
Foreign Currency Translation Reserve	(22)	-
	10,947	10,456
Reconciliation of Reserves		
Carrying amount at beginning	10,456	9,336
Recognition of Share Plan Expense – Transfer from Contributed Equity	-	-
Recognition of Share Plan Expense	337	582
Recognition of Share Option Expense	176	538
Recognition of Foreign Currency Translation Reserve	(22)	-
	10,947	10,456

Nature and purpose of reserves

Deferred employee share plan reserve
The employee share plan reserve is used to record the value of fully paid ordinary shares granted to employees, including key management personnel, as part of their remuneration. Refer to Note 14 for further details.

Employee share option reserve
The employee share option reserve is used to record the value of share options granted to employees, including key management personnel, as part of their remuneration. Refer to Note 14 for further details.

Foreign currency translation reserve
This reserve records the differences arising as a result of translating the financial statements of subsidiaries recorded in foreign currencies to the presentational currency.

NOTE 13 – EXPENDITURE COMMITMENTS

Geothermal Systems (EGS) Tenement Commitments

In order to maintain current rights of its EGS tenements, the Company is required to outlay annual rentals and to meet certain expenditure requirements of the New South Wales, South Australian, Queensland and Tasmania Mines Departments. Also included are fees for Solomon Islands licenses. These obligations are subject to renegotiation upon expiry of the tenements. The obligations are not provided for in the financial report and are payable as follows:

	2014 $'000	2013 $'000
Payable not later than one year	245	164
Operating Leases (non-cancellable)		
Payable not later than one year	1,127	1,071
Later than one year but not later than five years	18	1,109
	1,145	2,180
Other Commitments (Open Purchase Orders)	1,423	3,204

Included in the other commitments are open purchase orders in relation to the Deeps Joint Venture – refer to Note 25 for details.

The Company has no capital commitments at 30 June 2014.

NOTE 14 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	2014 $'000	2013 $'000
Employee Benefits		
The aggregate employee benefit liability is comprised of:		
Provision for Annual Leave (current)	455	440
Provision for Long Service Leave (current)	-	-
Provision for Time off in Lieu	72	64
Provision for Terminations	576	-
Provision for Long Service Leave (non-current)	215	130
	1,318	**634**

Superannuation Commitments

The Company contributes to external accumulation funds for its employees which provide benefits for employees and their dependants on retirement, disability or death. These funds provide benefits on a defined contribution basis. Contributions are enforceable to the extent of the contribution required by the Superannuation Guarantee Levy.

Employer contributions paid or payable to the plans	**507**	**695**

Long Term Incentive Plan (LTIP)

In October 2008, the Board resolved to approve a new Long Term Incentive Plan (LTIP) with the key objective being to retain, motivate and reward senior executives and staff in a manner which aligns this element of remuneration with the creation of long term shareholder value.

The LTIP is provided in two components being Geodynamics Limited shares as traded on the ASX and options to purchase Geodynamics Limited shares at the current price, sometime in the future. The LTIP is designed to provide rewards over a three year term.

The Geodynamics LTIP offers eligible employees and Executive Directors of Geodynamics the opportunity to participate in the growth of Geodynamics through participation in:

- the Geodynamics Limited Deferred Employee Share Plan (DESP); and
- the Geodynamics Limited Employee Option Plan (EOP).

Shares and Options issued under the DESP and EOP respectively are allocated and issued to participants for no consideration. The issue of options and allocations of shares within the LTIP is also subject to the participants satisfactory performance as judged by their line manager.

To become entitled to the shares and options, participants are required to satisfy certain performance requirements. On satisfying the performance requirements for options, the options can be converted into shares by payment of the exercise price.

The service requirements for shares issued under the DESP require that for each annual allocation of shares made to participants under the DESP, the participant will be required to remain employed by Geodynamics or a Related Body Corporate for 36 months from the date of allocation of the shares for the shares to vest.

The performance requirements for options issued under the EOP requires that options will only vest should the compound growth in the Geodynamics share price increase by 15% per annum and the participant remains employed by Geodynamics or a Related Body Corporate for :

- 12 months from the date of allocation for 30% vesting of the total option number; and
- 24 months from the date of allocation for 30% vesting of the total option number; and
- 35 months from the date of allocation for 40% vesting of the total option number.

Employee Option Plan (EOP)

The options are issued for a term of three years. The options are valued using the Black-Scholes formula which is a function of the relationship between a number of variables that principally comprise the share price, option exercise price, risk free interest rate and the volatility of the Company's underlying share price. Accordingly, the formula requires a number of inputs, some of which must be assumed.

The LTIP was terminated in March 2014. As such there were no options issued during the 2013/14 financial year and all remaining options in the plan were cancelled.

3,490,087 shares were issued to employees as part of the process for the termination of the Long Term Incentive Plan. 2,894,718 of these were new shares with the remainder being reallocated from the forfeited share pool. These shares are still subject to the Long Term Incentive provisions and as such have a vesting period of 36 months.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	**6,828,319**	**$0.39**	**10,729,530**	**$0.44**
Granted during the year	-	-	-	-
- lapsed or forfeited	2,887,463	$0.39	(3,901,211)	$0.55
- cancelled	3,940,856	$0.40		
Balance at end of year	**-**	**-**	**6,828,319**	**$0.39**
Options that vested during the period	-	-	-	-
Vested & Exercisable at end of year	-	-	-	-

Options exercised

There were no options exercised by employees during the year ended 30 June 2014.

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2014:

GRANT DATE	NUMBER OPTIONS	TYPE	EXPIRY DATE	EXERCISE PRICE
	All options cancelled as part of the termination of the Long Term Incentive Plan			
TOTAL	**-**			**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred Employee Share Plan (DESP)

The shares are issued for a term of three years. The shares are valued using fair value at the date of grant which is deemed to be the five day volume weighted average share price at the date of grant.

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

	2014		2013	
	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE ISSUE PRICE
Balance at beginning of year	**3,119,681**	**$0.30**	**4,512,489**	**$0.41**
- granted [1]	3,490,087	$0.06	471,698	$0.16
- transferred to employees or forfeited	(1,675,675)	$0.37	(1,864,506)	$0.54
Balance at end of year	**4,934,093**	**$0.11**	**3,119,681**	**$0.30**
Vested & Exercisable at end of year	-	-	-	-

1 The total amount granted for the year ended 30 June 2014 is greater than the movement in ordinary share capital due to a reallocation from the forfeited share pool. Refer to note 11

Total Shares held at the end of the reporting period

The following table summarises information about shares held by employees under the DESP as at 30 June 2014:

Grant Date	Number Shares	Type	Vesting Date	Issue price
30/06/11	278,636	Deferred Employee Share Plan	30/06/14	$0.31
30/09/11	831,413	Deferred Employee Share Plan	30/09/14	$0.20
01/05/14	1,331,425	Deferred Employee Share Plan	31/12/14	$0.06
22/02/13	471,698	Deferred Employee Share Plan	31/01/15	$0.16
01/05/14	2,020,921	Deferred Employee Share Plan	31/03/15	$0.06
TOTAL	**4,934,093**			**$0.11**

NOTE 15 - EARNINGS PER SHARE	2014 $'000	2013 $'000
Basic and diluted earnings/(loss) per share attributable to the equity holders (cents per share)	**(3.51)**	**(25.86)**
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss attributable to equity shareholders ($'000)	**(14,781)**	**(105,092)**
Weighted average number of ordinary shares used in calculation of basic earnings per share	**421,547,416**	**406,452,608**

NOTE 16 - SEGMENT INFORMATION

The Company operates in one segment, being geothermal energy exploration and evaluation.

The Company's areas of operation are currently located in Australia, the Solomon Islands and Vanuatu (Pacific Islands). With the expansion of the Company's activities outside of Australia in the 2014 financial year, the Company has disclosed a geographic split of non-current assets as at 30 June 2014 (comparative information has also been reported).

Operating segments are identified on the basis of internal reports that are regularly reviewed and used by the Board of Directors (chief operating decision maker) in order to allocate resources to the segment and assess its performance. The financial information presented in the Statements of Comprehensive Income and Financial Position is the same as that presented to the chief operating decision maker.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief operating decision maker are in accordance with the entity's accounting policies.

Geographic Split of Non Current Assets

Year Ended 30 June 2014	Pacific	Australia	Consolidated
Property Plant & Equipment	1,332	2,795	4,127
Deferred Exploration and Evaluation	7,390	-	7,390
Total Non Current Assets	**8,722**	**2,795**	**11,517**

Year Ended 30 June 2013	Pacific	Australia	Consolidated
Property Plant & Equipment	-	3,962	3,962
Deferred Exploration and Evaluation	1,145	32	1,177
Total Non Current Assets	**1,145**	**3,994**	**5,139**

The Company's revenue represent interest on cash and cash equivalents and is all generated in the Australian geographic segment.

NOTE 17 – BUSINESS COMBINATION ACCOUNTING FOR THE ACQUISITION OF KUTh ENERGY LIMITED

On 4 December 2013, the Company announced its off-market offer to acquire shares in Kuth Energy Limited ("KUTh") was unconditional.

KUTh is a geothermal power project explorer/developer with interests throughout the Pacific and Australia. KUTh holds a production Licence on Efate Island in Vanuatu which is the lead project in its portfolio.

As detailed in the Company's Bidder's Statement, dated 10 October 2013, on accepting the offer KUTh shareholders would receive one (1) Geodynamics Limited share for every five and a half (5.5) KUTh shares. On 4 December 2013, the Company received acceptances equivalent to 86.06% of the issued share capital of KUTh. On declaring the offer unconditional, the Company assessed it had obtained control of KUTh and as such has accounted for the acquisition at that time.

Pursuant to the off-market offer (which remained open until 13 December 2013), the Company increased its beneficial interest in KUTh to 90.45% as at 12 December 2013 and at that time commenced the process of compulsorily acquiring the outstanding shares in KUTh. On 12 December 2013, Geoff Ward was also appointed to the Board of KUTh.

As the consideration for the acquisition was shares in the Company, the cost of the acquisition has been measured with reference to the Geodynamics share price at the close of business on the day the offer was declared unconditional, being 8.5 cents per share.

Given the short period of time between obtaining control of KUTh and commencing compulsory acquisition of the remaining interest in KUTh, the Company has treated the acquisition as a single transaction for the purpose of its acquisition accounting. The consideration shares were issued to KUTh's shareholders in two tranches of 24,128,364 shares on 3 January 2014 and 2,404,440 on 17 January 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Assets acquired and Liabilities assumed

The business combination accounting resulted in the following fair values being allocated to the identifiable assets and liabilities of KUTh at the acquisition date.

	4 December 2013 $000
ASSETS	
Current Assets	
Cash and Cash Equivalents	186
Trade and Other Receivables	162
Total Current Assets	**348**
Non Current Assets	
Property, Plant and Equipment	6
Deferred Exploration, Evaluation & Development phase costs	2,485
Total Non Current Assets	**2,491**
Total Assets	**2,839**
LIABILITIES	
Current Liabilities	
Trade and Other Payables [1]	433
Provisions (employee) [1]	151
Total Liabilities	**584**
Total Identifiable Net Assets At Fair Value	**2,255**
Purchase Consideration	
26,532,804 shares at 8.5 cents per share	**2,255**

1 The reported trade payables and provisions include amounts payable in respect of terminating KUTh's contractual obligations.

No changes have been made between the provisional combination accounting reported at 31 December 2013 and the final business combination accounting at 30 June 2014.

In addition, general and administrative expenses in the Consolidated Statement of Comprehensive Income includes $154,782 of transaction costs in respect of the acquisition.

Since acquisition, KUTh's contribution to the Group's loss for the year ended 30 June 2014 is $105,283. In addition, the Company has determined it is impracticable to disclose the revenue and loss which would have been included in the consolidated statement of comprehensive income had the acquisition of KUTh occurred at the beginning of the reporting period.

NOTE 18 – REMUNERATION OF AUDITORS

	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit or review of the financial report of the entity	83,500	92,500
Other assurance services	5,000	5,000
	88,500	**97,500**

NOTE 19 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

DIRECTORS

K. Spence	Chairman (non-executive)
G. Ward	Managing Director & CEO
R. Davies	Director (non-executive)
J. Hamilton	Director (non-executive)
M. Marier	Director (non-executive)
A. Stock	Director (non-executive)
G. Miltenyi	Director (non-executive) (appointed 1 March 2014)

EXECUTIVES

K. Coates	Operations Manager
R. Hogarth	Reservoir Engineering Manager
T. Pritchard	Chief Financial Officer
A. Hodson	Well Engineering & Technology Manager
A. Mills	Project Engineering Team Leader

Compensation of Key Management Personnel

	2014 $	2013 $
Short-term employee benefits	2,280,482	2,698,179
Post Employment benefits	137,008	186,092
Share based payment	225,651	322,453
	2,643,141	**3,206,724**

Further information on remuneration of Key Management Personnel is shown in the Remuneration Report contained within the Directors' Report.

NOTE 20 – RELATED PARTY DISCLOSURES

Services rendered during the year

During the year electricity was provided to the Company by Origin Energy under normal commercial terms and conditions.

The Metasource (Woodside) environmental credits off take rights

In 2002 Metasource committed by an Agreement to subscribe for 10,443,392 fully paid ordinary shares as a pre-IPO investor in the Company's August 2002 Prospectus. Under the terms of that Agreement Metasource has the right to participate pro rata to its then current shareholding in any further issue of equity in Geodynamics at the price payable by other parties at the time and Metasource has a right to nominate a person to be appointed as a director of Geodynamics.

On 31 March 2004 the Company announced that it had executed an Environmental Credits Off take Deed with Metasource which formalises Metasource's rights to Environmental Credits. Metasource or its nominee has the right to procure all of the environmental credits which arise from 50% (capped at 1,300 GWh/year) of the power generated by Geodynamics' power plant(s). 37.5% of the Environmental Credits can be sold to Metasource at full market price with the balance of 12.5% of the Environmental Credits assigned to Metasource without separate consideration. The term for the purchase of Environmental Credits commenced on 8 April 2004 and ends on the earlier of:

(a) 10 years after the commissioning of the first commercial power plant with capacity exceeding 250 megawatts;

(b) 20 years after the Company achieves commissioning of EGS plants with a combined sales capacity exceeding 250 megawatts; or

(c) 80 years after the date of the contract.

The Origin Energy environmental credits and power off take rights

On 5 August 2003, Geodynamics executed an Investment Deed with Origin Energy Limited wherein the parties agreed to enter into a strategic alliance under which Origin would subscribe for 10,000,000 shares in Geodynamics. Under the terms of the Investment Deed, Origin Energy has a right of participation in future share issues pro rata to its then percentage shareholding in Geodynamics and Origin has a right to nominate a person to be appointed as a director of Geodynamics.

On 29 April 2005, Geodynamics executed a Heads of Agreement (HOA) with Origin Energy Electricity Limited (Origin) under which, at the time final contracts are entered into, the parties will enter into a power purchase agreement (PPA) and Renewable Energy Certificate purchase agreement (RPA). Under the terms of the PPA, Origin will have the right to purchase 50% of the power generated by Geodynamics (capped at 1300 GWh/year) from any power plant that is connected to a transmission system at a discount of 5% to the then market price. The term of the PPA will commence on the first generation of power by Geodynamics from any power plant that is connected to a transmission system and end 10 years after the commissioning of Geodynamics first large commercial power plant (being a power plant which has a nominal rated capacity of 200 MW or more);

Under the terms of the RPA, Origin will have the right to purchase any Renewable Energy Certificates (RECs) and/or environmental credits (ECs) arising from 47.5% of all power generated by Geodynamics at market price (up to a maximum of the number of RECs and ECs arising from the generation of 1300 GWh of power which qualify for the issue of RECs or ECs in each year). In addition a further 2.5% of the RECs and/or ECs will be assigned to Origin without separate consideration. The RPA will start on the first generation of power by Geodynamics and will end 10 years after the commissioning date of Geodynamics first large commercial power plant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Origin Energy Joint Ventures

In December 2007, shareholders approved a farmin with Origin Energy (Origin) on the Innamincka ”Deeps” EGS geothermal resource. In the subsequent 24 month period, Origin contributed $105.6m to project costs in addition to its own 30% share of project expenditure to satisfy the terms of the farmin. The resulting Joint Venture is known as the Innamincka “Deeps” Joint Venture and sees Geodynamics as Operator with a 70% project interest and Origin with a 30% project interest. The Joint Venture assets comprise the South Australian geothermal tenements and all property plant and equipment in the Cooper Basin including the drilling rigs.

In February 2010, Geodynamics announced that it had agreed to enter into a second joint venture with Origin to explore for shallow geothermal resources on existing Joint Venture licence areas in the Eromanga Basin in South Australia.

The Innamincka “Shallows” Joint Venture focuses on the exploration of shallow hot sedimentary aquifers (HSA) down to approximately 3,000 m depth, as distinct from the existing ”Deeps” Joint Venture with Origin, which focuses on higher temperature enhanced geothermal systems (EGS) in the deeper granites generally below 4,000 m. The participating interests in the “Shallows” Joint Venture are Origin as Operator with a 50% interest and Geodynamics with a 50% interest. At 30 June 2014, Origin Energy Limited, held 15,454,119 fully paid ordinary shares in Geodynamics representing 3.6% of its issued capital.

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint ventures effective 30 June 2013. The result being Geodynamics hold a 100% interest in the Deeps and Shallows joint ventures as at 1 July 2013.

The Kentor Energy Joint Venture

In November 2012, Geodynamics Limited entered into a two stage earn-in and joint operating agreement with Kentor Energy Pty Ltd (“Kentor”), a subsidiary of Kentor Gold Ltd (ASX: KGL), to acquire up to 70% interest in a conventional geothermal power supply project in the Solomon Islands.

Under the terms of the agreement, Geodynamics is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project (“Project”) following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project.

In April 2013 Geodynamics fulfilled its commitments under Stage One of the Earn-In by releasing a Savo Island Inferred Geothermal Resource Assessment and became entitled to the initial 25% in the Savo Island Geothermal Power Project.

The Sentient/Sunsuper investment

On 10 April 2008, Geodynamics announced that The Sentient Group (Sentient) and Sunsuper Pty Ltd (Sunsuper) had agreed to become joint cornerstone investors in Geodynamics. It had been agreed that Sentient and Sunsuper would collectively subscribe for 11.8% of the Company’s then current issued share capital or 25 million fully paid ordinary shares in Geodynamics at an issue price of $1.50 per share. In addition, one attaching unquoted placement option exercisable at $2.00 per share for every two Shares issued (i.e. 12.5 million options) and expiring 28 February 2009 would be issued. An extraordinary general meeting of shareholders was convened on 29 May 2008 and unanimously approved the placement.

As part of the investment, Sentient and Sunsuper have the right to collectively appoint a Non-executive Director to the Board of Geodynamics. Sentient and Sunsuper are collectively required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Pieter Britz was appointed to the Board on 25 June 2008 as the director representative under this condition. He resigned as a Director on 24 February 2011 and Mr Michel Marier was appointed as his replacement on the same date under that condition.

In March 2010, Sentient and Sunsuper purchased a combined total 14,974,385 fully paid ordinary shares in Geodynamics representing 5.2% of its issued capital. This occurred in an off market transaction thereby increasing their respective holdings by 7,784,592 and 7,189,793 shares. The substantial shareholder notices lodged at the time by both Sentient and Sunsuper showed that Sentient held 20,284,592 fully paid ordinary shares in Geodynamics representing 7.0% of its issued capital and Sunsuper held 19,689,793 fully paid ordinary shares in Geodynamics representing 6.8% of its issued capital.

The Tata Power investment

On 4 September 2008, Geodynamics announced that The Tata Power Company Limited (Tata Power) had agreed to become a cornerstone investor in the Company. It had been agreed that Tata Power would subscribe for 11.4% of the Company's then current issued share capital or 29.4 million fully paid ordinary shares in Geodynamics at an issue price of $1.50 per share. In addition, one attaching unquoted placement option exercisable at $2.25 per share for every two Shares issued (i.e. 14.7 million options) and expiring 28 February 2009 would be issued. At the Annual General Meeting held on 20 November 2008 shareholders approved the placement and attaching options issue.

As part of the investment, Tata Power has the right to appoint a Non-executive Director to the Board of Geodynamics. Tata Power is required to maintain a 10% shareholding in Geodynamics to maintain this Board representation. Mr Minesh Dave was appointed to the Board on 23 February 2012 as the director representative under this condition. At 30 June 2013, Tata Power through its subsidiary Trust Energy Resources, held 29,400,000 fully paid ordinary shares in Geodynamics representing 7.2% of its issued capital. Mr Minesh Dave retired from the Board on 29 November 2012 and, due to the Tata shareholding being below the required level of 10%, was not replaced.

NOTE 21 - NOTES TO THE CASH FLOW STATEMENT

	2014 $'000	2013 $'000
(A) Reconciliation of Cash		
Cash is defined in Note 2K to this financial report. Cash balance comprises:		
Cash on Hand	-	-
Cash at Bank	890	10,590
Bank Bills and Term Deposits	32,925	30,800
Total Cash	**33,815**	**41,390**
(B) Reconciliation of the operating loss after tax with the net cash flows used in operations		
Loss after income tax	(14,781)	(105,092)
Depreciation and amortisation	522	7,431
Net (profit)/loss on disposal of property, plant & equipment	(1,538)	(90)
Share Option Valuation Expense	176	538
Shares issued under Deferred Employee Share Plan	337	582
Exploration and Evaluation Cost treated as an investing activity	8,425	-
Impairment of Property Plant & Equipment	-	10,300
Impairment of Exploration & Evaluation Costs	40	78,510
Changes in Assets & Liabilities		
(Increase)/decrease in receivables and prepayments	(477)	(90)
Increase/(decrease) in other creditors and accruals	(393)	823
(Increase)/decrease in inventories	(704)	-
Increase/(decrease) in general provisions	2,164	325
Increase/(decrease) in provision for employee benefits	(43)	(79)
Net Cash Flow used in Operating Activities	**(6,272)**	**(6,842)**

(C) Non-Cash Financing and Investing Activities. During the year nil (2013 – nil) fully paid ordinary shares were issued in consideration of professional services rendered by external consultants to the Company in the ordinary course of business.

NOTE 22 – CONTINGENT LIABILITIES

Geodynamics Limited has been advised that the South Australian Geothermal Exploration Licences No. 211 (GEL) and Geothermal Retention Licences (GRL) No. 3 through to 12 and 20 to 24 have been granted by the Department of Primary Industries and Resources South Australia on the basis that the grant of a GEL or GRL is not an act which creates a 'right to mine' and therefore 'the right to negotiate' process in the relevant native title legislation does not apply and the grant of the GELs and GRLs are valid for native title purposes. The Company's legal advice is that this is a sustainable position although it would be open to a Court to reach a different conclusion. Any substantiated claim may have a financial ramification for the Company.

The Company has also been advised that none of the New South Wales tenements are invalid for native title purposes or attract the relevant right to negotiate provisions in the applicable native title legislation.

Bank guarantees totalling $307,000 are held to cover South Australian, New South Wales and Tasmanian governments tenement rehabilitation obligations. A bank guarantee totalling $465,820 is held by the landlord for the lease of the Brisbane office premises.

NOTE 23 – SUBSEQUENT EVENTS

There has not arisen between 30 June 2014 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company.

NOTE 24 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to manage the finances for the Company’s operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company’s policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company’s financial instruments are cash flow interest rate risk and foreign currency risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Primary responsibility for identification and control of financial risks rests with the board of directors, however the day-to-day management of these risks is under the control of the Managing Director and Chief Financial Officer. The Board agrees the strategy for managing future cash flow requirements and projections.

(A) Interest rate risk

The Company’s exposure to interest rate risks primarily relates to the Company’s funds held on term deposit. The Company has no debt obligations. At balance date, the Company had the following mix of financial assets and liabilities exposed to interest rate risk:

	2014 $’000	2013 $’000
Cash and cash equivalents	33,815	41,390

The Company’s policy is to place funds in interest-bearing deposits that are surplus to immediate requirements. The Company’s interest rate exposure is reviewed near the maturity date of term deposits to assess whether more attractive interest rates are available without increasing risk.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2014 $’000	2013 $’000	2014 $’000	2013 $’000
+1%	338	414	338	414
-0.5%	(169)	(207)	(169)	(207)

The movements in the loss and equity are due to higher/(lower) interest income from cash balances.

(B) Credit Risk

The Company's maximum exposures to credit risk at balance date in relation to financial assets, is the carrying amount of those assets as recognised on the statement of financial position. There are no derivative financial instruments currently being used by the Company to offset its credit exposure.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. It is noted that the company's significant receivable balances at 30 June 2014 relate to the R&D tax incentive and the amount receivable from the sale of the Cooper Basin Operating Base to Beach Energy Limited.

(C) Foreign Currency Risk

During the course of its business activities, the Company has had some transactional currency exposures, principally to the US dollar. Such exposure arises from purchases in currencies other than the Company's functional currency. The Company enters into forward currency contracts to hedge some of these exposures due to the length and size of the currency exposure. They generally relate to the purchase of capital assets or major material purchases. Conversely, the purchase of foreign currency operational supplies and services are generally not hedged due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Approved foreign exchange derivatives are limited to foreign exchange forward contracts and foreign exchange swaps (i.e. simultaneous purchase and forward sale) with tenors of less than 12 months except for long lead time capital items where the tenor shall be as specified under the contract.

Contractually agreed or committed (i.e. Board approval received) foreign currency exposures in excess of the equivalent of AUD 500,000 payable within 12 months are to be fully covered. In addition, contracted capital items with a foreign currency exposure in excess of the equivalent of AUD 500,000 payable beyond 12 months are to be fully covered.

Exposures of less than the equivalent of AUD 500,000 will not normally be covered, as the business risk of not covering these is considered negligible (due to the short time between supply and payment).

It is the Company's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2014, the Company had the following exposures to foreign currency that is not designated in cash flow hedges:

	2014 $'000	2013 $'000
Financial Liabilities		
Trade and other payables	273	41
Derivatives	-	-

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+10%	25	4	25	4
-5%	(14)	(2)	(14)	(2)

The movements in profit and equity in 2014 are more sensitive than in 2013 due to the higher value of the financial liabilities.

- Significant assumptions used in the foreign currency exposure sensitivity analysis include:
- Reasonably possible movements in foreign exchange rates were determined based on a review of the last years historical movements.
- The reasonably possible movement of 10% was calculated by taking the relevant foreign currency spot rates as at balance date, moving those spot rates by 10% and then re-converting back into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Company.

(D) Liquidity Risk

The Company's objective is to maintain sufficient funds to finance its current operations with additional funds to ensure its long-term survival in the event of a business downturn. The Company's policy is that it is dependent on shareholder funds until such time as it commences generating revenue from operations. It has no finance facilities in place and no borrowings. The contractual maturity of the Company's financial liabilities are:

	2014 $'000	2013 $'000
6 months or less	4,091	4,301

NOTE 25 – INTEREST IN JOINT OPERATIONS

The Company is a party to a joint operation with Kentor Energy Pty Ltd (Kentor). The joint operation assets comprise the Savo Island prospecting license and all property plant and equipment for use on Savo Island. The joint operation is named the Savo Island Geothermal Joint Venture.

Under the terms of the agreement, Geodynamics (Savo Island) Pty Ltd is entitled to earn an initial 25% interest in the Savo Island Geothermal Power Project following the completion of initial geophysical studies to determine target locations for a drilling program. The Company has the right to earn an additional 45% interest through exploration drilling and the completion of a feasibility study for the Project. At 30 June 2014 Geodynamics had met all requirements for the initial 25% interest.

In prior years the Company was a party to two joint operations named the Innamincka 'Deeps' Joint Venture and the Innamincka 'Shallows' Joint Venture. The joint operations with Origin Energy Limited were formed to explore and evaluate enhanced geothermal systems in Cooper/Eromanga basin in South Australia. The joint operations comprised South Australian geothermal tenements and all property plant and equipment for use in the Cooper/Eromanga basin. At 30 June 2013, Origin Energy Limited withdrew from the joint operations. Coincident with the withdrawal, the Company become the 100% participant in arrangement and obtained control of its geothermal tenements and all property plant and equipment.

NOTE 26 – INFORMATION RELATING TO GEODYNAMICS LIMITED (THE PARENT)

	2014 $'000	2013 $'000
Current Assets	45,752	55,817
Total Assets	51,556	60,956
Current Liabilities	7,067	6,502
Total Liabilities	13,119	10,505
Contributed Equity	348,338	346,083
Accumulated Losses	(320,870)	(306,088)
Other Reserves	10,969	10,456
	38,437	**50,451**
Profit or loss of the Parent entity	(14,781)	(105,092)
Total comprehensive income of the Parent entity	(14,781)	(105,092)

The Parent has not issued guarantees in relation to the debts of its subsidiaries.

The Parent has no contingent liabilities nor any contractual obligations on behalf of its subsidiaries at 30 June 2014.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) the financial statements, notes and additional disclosures included in the Directors' Report designated as audited of the Company are in accordance with the *Corporations Act 2001*, including:

   (b) giving a true and fair view of the Company's financial position as at 30 June 2014 and of their performance for the period ended on that date; and

   (c) complying with Accounting Standards and Corporations Regulations 2001; and

   (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

   (e) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2014.

On behalf of the Board.

K. Spence

Chairman

Brisbane 28 August 2014

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Independent auditor's report to the members of Geodynamics Limited

Report on the financial report

We have audited the accompanying financial report of Geodynamics Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2B, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Geodynamics Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2B.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Geodynamics Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
28 August 2014