

Geodynamics Limited

ABN 55 095 006 090

Half Year Report ended 31 December 2012

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DYNAMICS

L I M I T E D

**CORPORATE DIRECTORY**

Directors	<p><b>Keith Spence</b> <i>Non-Executive Chairman</i></p> <p><b>Geoff Ward</b> <i>Managing Director and Chief Executive Officer</i></p> <p><b>Michel Marier</b> <i>Non-Executive Director</i></p> <p><b>Bob Davies</b> <i>Non-Executive Director</i></p> <p><b>Jack Hamilton</b> <i>Non-Executive Director</i></p> <p><b>Andrew Stock</b> <i>Non-Executive Director</i></p>
Secretary	<b>Tim Pritchard CPA</b>
Principal registered office in Australia	Level 3, 19 Lang Parade MILTON QLD 4064 Telephone: +617 3721 7500 Facsimile: +617 3721 7599
Postal Address	PO Box 2046 MILTON QLD 4064
Internet	<a href="http://www.geodynamics.com.au">www.geodynamics.com.au</a> <a href="mailto:info@geodynamics.com.au">info@geodynamics.com.au</a>
Share registry	Computershare Investor Services Pty Limited GPO Box 523 BRISBANE QLD 4001 Telephone Australia: 1300 552 270 Telephone International: +617 3237 2100 Facsimile: +617 3229 9860
Auditor	Ernst & Young Level 49 111 Eagle Street BRISBANE QLD 4000
Solicitors	Thomsons Lawyers Level 16, Waterfront Place 1 Eagle Street BRISBANE QLD 4000
Securities exchange listings	Geodynamics Limited shares are listed on the Australian Securities Exchange. The home branch is Sydney, Ticker: GDY.

## Appendix 4D

### Half year report

Name of entity

GEODYNAMICS LIMITED
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ABN

55 095 006 090
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Half year ended

31 December 2012
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#### Results for announcement to the market

Results				\$A
Revenues from ordinary activities	Down	74%	to	622,512
Loss from ordinary activities after tax attributable to members	Down	11%	to	5,244,599
Net loss for the period attributable to members	Down	11%	to	5,244,599

#### Dividends

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

#### Net Tangible Asset Backing

	As at 31 December 2012	As at 31 December 2011
Net tangible asset backing per ordinary security (cents per share)	36.9 cents	42.2 cents

#### Brief explanation of any of the figures reported above:

The revenue for this half year comprised \$563,421 interest income and \$59,092 corporate overhead expense recovery.

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

## **DIRECTORS' REPORT**

Your Directors submit their report for the half-year ended 31 December 2012.

### **DIRECTORS**

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

Keith Spence (Non-executive Chairman)

Geoff Ward (Managing Director)

Prame Chopra (Alternate Director) – retired 29 November 2012

Bob Davies (Non-executive Director)

Jack Hamilton (Non-executive Director)

Michel Marier (Non-executive Director)

Andrew Stock (Non-executive Director)

Minesh Dave (Non-executive Director) – retired 29 November 2012

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

### **COMPANY SECRETARY**

Tim Pritchard

### **CORPORATE STRUCTURE**

Geodynamics Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange in September 2002 under code GDY. Its registered office and principal place of business is Level 3, 19 Lang Parade, Milton QLD 4064.

### **PRINCIPAL ACTIVITIES**

We are Australia's most advanced geothermal exploration and development company in the emerging field of Enhanced Geothermal Systems (EGS). We have world leading experience in drilling deep, high temperature, high pressure wells in granite formations.

Geodynamics holds geothermal exploration licences over highly prospective areas in South Australia, New South Wales, Queensland and the Solomon Islands. The company's main focus is on pioneering the development of Enhanced Geothermal Systems (EGS) technology or 'hot rock' geothermal in the Cooper Basin, South Australia.

The Company's current focus through the Innamincka Deeps EGS Project, located in the Cooper Basin region near Innamincka in South Australia, is on extracting heat from high-heat producing granite formations buried 3.6 – 4 km beneath the surface.

With the Habanero 4 well now complete, our immediate goal is to undertake the rigorous reservoir testing program leading to the commissioning and operation of the 1MWe Habanero Pilot Plant, a significant milestone providing an important demonstration of our application of EGS and validation of the Innamincka granite resource.

As previously announced, Origin Energy had advised it would not participate in the remainder of the planned testing and demonstration program and would only contribute to a minimum work program focussed on tenement commitments and asset maintenance. As such, the Company has sole funded the 2013 Innamincka "Deeps" Project work program for the year to date. Origin Energy retains the right to return to full participation in the joint venture at any time subject to penalties as specified in the joint venture agreement. In the absence of Origin Energy electing to full participation, its joint venture interest is diluted. However, any adjustment to the participating interests is not recorded until the end of the financial year.

The Savo Island Geothermal Power Project, in the Solomon Islands, presents a high quality conventional geothermal development option for Geodynamics. Having completed the first stage in the initial exploration program the Company is targeting release of a maiden inferred resource statement and scoping study for the project by June 2013.

**REVIEW AND RESULTS OF OPERATIONS**

The Company realised an operating loss after tax for the half year of \$5,244,599.

	6 months ended 31 December 2012 \$000	6 months ended 31 December 2011 \$000
Operating loss after income tax expense	(5,245)	(5,879)
Net loss attributable to members of Geodynamics Limited	(5,245)	(5,879)
<b>Earnings per Share</b>	<b>(cents)</b>	<b>(cents)</b>
Basic loss per share	(1.29)	(1.54)

The key achievements and highlights for the 6 months to 31 December 2012 were as follows:

- Drilling and completion of Habanero 4 to a target depth of 4,204 m, one of the most technically challenging wells to be drilled in Australia this year.
- Successfully completed the first reverse cementing operation in Australia at Habanero 4. The decision to use reverse cementing was taken after a thorough review of the causes of the failure of the Habanero 3 well identified that this was the best available method to ensure the overall safety and integrity of the Habanero 4 well.
- Sale of Rig 200 was successfully completed for a total cash consideration of \$21 million to Pangaea Resources. Net proceeds to Geodynamics for its 70% interest in the rig asset totalled \$14.7 million.
- Heads of Agreement for a new joint venture project opportunity in Gove Peninsula, East Arnhem Land, Northern Territory, signed with Gulkula Mining Pty Ltd offering a highly promising exploration prospect that builds on the skills and experience gained through the Innamincka Deeps EGS Project. The joint venture will investigate the potential to deliver heat to the Rio Tinto owned Pacific Aluminium alumina refinery, focusing on Gumatj land that is adjacent to the refinery. Preliminary surface studies and temperature measurements as well as gaining the requisite permits will form the first part of Geodynamics' exploration activities.
- Successfully conducted open flow testing at Habanero 4. The first open flow test achieved the planned maximum of 35 kg/s at a flowing pressure of 27.7 MPa (4,020 psi). Following a local stimulation the second flow test achieved increased flow of 38 kg/s at 29 MPa (4,200 psi).
- During the period the major stimulation at Habanero 4 was completed. Over the stimulation period of 14 days commencing 17 November and the subsequent pressure decline after the stimulation ended, the seismic monitoring network detected more than 24, 000 micro seismic events.
- A two stage earn-in and joint operating agreement was entered into with Kentor Energy Pty Ltd, a subsidiary of Kentor Gold Ltd, to acquire up to a 70% interest in a conventional geothermal project on the island of Savo in the Solomon Islands.

**ROUNDING**

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

**AUDITOR INDEPENDENCE DECLARATION**

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

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'K. Spence', written in a cursive style.

**K. Spence**  
**Chairman**  
**Brisbane, 22 February 2013**

# Geodynamics Limited

ABN 55 095 006 090

## Half Year Financial Report ended 31 December 2012

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	6 months ended 31 December 2012 \$000	6 months ended 31 December 2011 \$000
<b>Continuing Operations</b>			
Interest Income		563	614
<b>Total Revenue</b>		<b>563</b>	<b>614</b>
Personnel expenses		(3,872)	(4,683)
Other General & Administrative expenses		(1,995)	(3,584)
Corporate Expenses Recovered		59	1,774
<b>Total Expenses</b>	3	<b>(5,808)</b>	<b>(6,493)</b>
<b>Income / (Loss) before Income Tax Expense</b>		<b>(5,245)</b>	<b>(5,879)</b>
Income Tax Benefit		-	-
<b>Income / (Loss) after Income Tax Expense</b>		<b>(5,245)</b>	<b>(5,879)</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net Gain/(Loss) On Cashflow Hedge Taken To Equity		-	47
Other Comprehensive Income for the period		-	47
<b>Total Comprehensive Income for the period attributable to the Owners</b>		<b>(5,245)</b>	<b>(5,831)</b>
Basic and diluted loss per share (cents per share)	10	(1.29)	(1.54)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As At 31 DECEMBER 2012

	Notes	31 December 2012 \$000	30 June 2012 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash Assets	4	24,693	35,146
Inventories - Rig Parts & Well Materials		189	189
Receivables	5	1,004	3,126
Non-Current Assets Held for Sale	6	-	14,700
<b>Total Current Assets</b>		<b>25,886</b>	<b>53,161</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	6	19,434	19,771
Deferred Exploration, Evaluation & Development phase costs	7	120,487	106,923
<b>Total Non Current Assets</b>		<b>139,921</b>	<b>126,694</b>
<b>Total Assets</b>		<b>165,807</b>	<b>179,855</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		5,175	13,773
Provisions		348	660
Deferred Income		5,000	5,700
Derivative Liability		-	-
<b>Total Current Liabilities</b>		<b>10,523</b>	<b>20,133</b>
<b>Non Current Liabilities</b>			
Provisions		5,349	5,299
<b>Total Non Current Liabilities</b>		<b>5,349</b>	<b>5,299</b>
<b>Total Liabilities</b>		<b>15,872</b>	<b>25,432</b>
<b>Net Assets</b>		<b>149,935</b>	<b>154,423</b>
<b>EQUITY</b>			
Contributed Equity	8	346,083	346,083
Other Reserves	9	10,093	9,336
Accumulated Losses		(206,241)	(200,996)
<b>Total Equity</b>		<b>149,935</b>	<b>154,423</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Notes	6 months ended 31 December 2012 \$000	6 months ended 31 December 2011 \$000
<b>Cash Flows from Operating Activities</b>			
Net goods and services tax received		1,916	620
Payments to suppliers and employees		(6,161)	(5,383)
Habanero 3 insurance proceeds		-	8,215
Interest received		594	741
Net cash flows from/(used in) operating activities		<b>(3,651)</b>	<b>4,193</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Government Grants		5,600	-
Purchase of property, plant & equipment		-	(281)
Payments for exploration and evaluation expenditure		(28,005)	(16,160)
Proceeds from cash calls		1,551	4,163
Proceeds from sale of property, plant & equipment		14,052	90
Net cash flow from / (used in) investing activities		<b>(6,802)</b>	<b>(12,188)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		-	3,696
Net cash flow from/(used in) financing activities		-	<b>3,696</b>
Net increase/(decrease) in cash and cash equivalents		<b>(10,453)</b>	<b>(4,299)</b>
Add: Opening cash carried forward		35,146	29,178
<b>Closing cash at the end of the period</b>	4	<b>24,693</b>	<b>24,879</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

	Issued Capital	Accumulated Losses	Employee Equity Benefits Reserves	Foreign Exchange Hedge Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2012</b>	346,083	(200,996)	9,336	-	154,423
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	(5,245)	-	-	(5,245)
Total comprehensive income for the period	-	(5,245)	-	-	(5,245)
<b>Equity Transactions:</b>					
Share based payment on Employee Share Plan	-	-	424	-	424
Cost of share-based payment - recognition of share option expense	-	-	333	-	333
<b>At 31 December 2012</b>	<b>346,083</b>	<b>(206,241)</b>	<b>10,093</b>	<b>-</b>	<b>149,935</b>

Notes

8,9

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

### NOTE 1 – CORPORATE INFORMATION

The general purpose financial report for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 22 February 2013.

Geodynamics Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on September 2002 under code GDY. Its registered office and principal place of business is Level 3, 19 Lang Parade, Milton QLD 4064.

### NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (A) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis and going concern basis and is presented in Australian dollars. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules. The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012. Comparative financial information disclosed in the half year financial report is for the company only, as the subsidiaries were incorporated in the half-year ended 31 December 2012.

#### (B) Changes in Accounting Policies

This Half Year Report has been prepared adopting the identical accounting policies as those adopted in the Annual Financial Report for the year ended 30 June 2012. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2012 have been adopted. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

AASB 101 Presentation of Financial Statements established a new requirement for entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The adoption of AASB 101 had no effect on the financial position or performance of the Company.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods and have not yet been applied in the financial report. The Directors believe that these new or amended Standards and Interpretations do not have any material financial effect on the financial statements presented.

#### (C) Joint Venture Arrangement

The Company is a party to two joint venture arrangements with Origin Energy Geothermal Pty Ltd (Origin). The joint venture assets comprise the South Australian geothermal tenements and all property plant and equipment acquired for use in the Cooper Basin including the drilling rigs. The two joint ventures are respectively named the Innamincka 'Deeps' Joint Venture and the Innamincka 'Shallows' Joint Venture.

Participants in the Innamincka 'Deeps' Joint Venture which focuses on higher temperature Enhanced Geothermal Systems (EGS) greater than 3,500 m depth are:

Geodynamics (Operator) – 70%  
Origin Energy Geothermal Pty Ltd\* – 30%

Participants in the Innamincka 'Shallows' Joint Venture which focuses on exploration of shallow Hot Sedimentary Aquifers (HSA) above approximately 3,500 m depth are:

Origin Energy Geothermal Pty Ltd\* (Operator) – 50%

Geodynamics Limited – 50%

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

Geodynamics has also signed a Heads of Agreement (HoA) with Gulkula Mining Company Pty Ltd to enter into a Joint Venture to investigate the potential for a direct heat geothermal project within Geothermal Exploration Permit 28310 on the Gove Peninsula, Northern Territory. Under the terms of the HoA, Geodynamics and Gulkula Mining will form a 50/50 joint venture with Geodynamics as the operator of the JV.

Geodynamics has also 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 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 completion of a feasibility study for the project.

**(D) Going Concern**

As the Company's assets are in the exploration and development phase, Geodynamics is currently non revenue generating. As such a major focus of the Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the Company always has sufficient funds to cover its planned activities and any ongoing obligations. Management has identified a number of sources of cash inflows which are expected to progressively be achieved throughout the year that will provide sufficient coverage to fund the proposed work program. Should the timing of these cash inflows not occur within expected timeframes, alternative funding options including equity funding options continue to be maintained such that operations can be continued. In addition to the close management of cash inflows, the Company has significant ability to slow or defer spending on its major activities to ensure that it is always able to meet its obligations when they fall due, including deferring expenditure on our drilling program as the company's permit expenditures are well in advance of the minimum permit conditions.

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

	<b>6 months ended 31 December 2012 \$000</b>	<b>6 months ended 31 December 2011 \$000</b>
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	303	1,269
Amortisation of Leasehold Improvements	33	99
Operating lease rentals paid	341	418
Foreign Exchange (gain) / loss	(27)	53

	<b>31 December 2012 \$000</b>	<b>30 June 2012 \$000</b>
<b>NOTE 4 – CASH ASSETS</b>		
Cash on hand	-	-
Cash at Bank	3,893	8,346
Short-term Deposits	20,800	26,800
	<b>24,693</b>	<b>35,146</b>

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**

	<b>31 December 2012 \$000</b>	<b>30 June 2012 \$000</b>
<b>NOTE 5 - RECEIVABLES</b>		
Accounts Receivable	16	1,602
GST Receivable	253	688
Interest Receivable	229	264
Sundry Receivables and Prepayments	506	572
	<b>1,004</b>	<b>3,126</b>

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

	<b>31 December 2012 \$000</b>	<b>30 June 2012 \$000</b>
<b>NOTE 6 - PROPERTY, PLANT &amp; EQUIPMENT</b>		
Plant and Equipment at cost	23,577	23,577
Less: accumulated depreciation	(4,143)	(3,806)
Total	<b>19,434</b>	<b>19,771</b>
<b><i>Reconciliation of Plant &amp; Equipment</i></b>		
Carrying amount at 1 July	19,771	49,153
Additions	-	208
Disposals	-	(916)
Impairment	-	-
Reclassification to Assets Held for Sale <sup>1</sup>	-	(26,821)
Less: depreciation and amortisation expense	(337)	(1,853)
Carrying amount at the end	<b>19,434</b>	<b>19,771</b>

<sup>1</sup> Rig 200 was reclassified as an asset held for sale in the year ended 30 June 2012. The carrying value of Rig 200 at 30 June 2012 correctly reflected Geodynamics' share of the sale price. The asset was sold during the half year ended 31 December 2012.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS (Continued)**

	31 December 2012 \$000	30 June 2012 \$000
<b>NOTE 7 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>		
Exploration Phase	2,576	2,539
Evaluation Phase	117,911	104,384
<b>Total</b>	<b>120,487</b>	<b>106,923</b>
<b>Reconciliation of Deferred Exploration &amp; Evaluation costs</b>		
Carrying amount at 1 July	106,923	85,300
Add: Exploration Expenditure for period	37	50
Add: Evaluation & Development expenditure for period	19,127	35,769
Less: Insurance Proceeds Received	-	(5,122)
Less: Proceeds of Government Grants	(5,600)	(9,074)
<b>Carrying amount at the end</b>	<b>120,487</b>	<b>106,923</b>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective geothermal exploration tenements.

	31 December 2012 \$000	30 June 2012 \$000
<b>NOTE 8 – CONTRIBUTED EQUITY</b>		
Issued and Fully Paid Capital		
406,452,608 (30/6/12 – 406,452,608) fully paid ordinary shares	<b>346,083</b>	<b>346,083</b>

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

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

		Number of Shares	Issue price	\$000
<b>Movement in ordinary share capital</b>				
01-07-12	Balance at beginning of financial period	406,452,608		346,083
	No Movement			
31-12-12	Balance	406,452,608		346,083

**NOTE 9 – RESERVES**

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

	31 December 2012 \$000	30 June 2012 \$000
	2,968	2,543
	7,125	6,793
	-	-
	<b>10,093</b>	<b>9,336</b>
<b>Reconciliation of Reserves</b>		
Carrying amount at beginning	9,336	7,437
Recognition of Share Plan Expense	424	657
Recognition of Share Option Expense	333	1,177
Recognition of Foreign Exchange Hedge Reserve	-	65
	<b>10,093</b>	<b>9,336</b>

**NOTE 10 – EARNINGS PER SHARE**

Basic and diluted loss per share (cents per share)

	<b>6 months ended 31 December 2012</b>	<b>6 months ended 31 December 2011</b>
	<b>(1.29)</b>	<b>(1.54)</b>
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss (\$000)	<b>(5,245)</b>	<b>(5,879)</b>
Weighted average number of ordinary shares used in calculation of basic earnings per share	<b>406,452,608</b>	<b>382,064,116</b>

There were share options outstanding of 9,235,083 (10,376,634 on 31/12/11) which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

**NOTE 11 - SEGMENT INFORMATION**

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

EGS geothermal energy development is the Company's primary focus and business activity and it remains committed to commercialising its "Deeps" geothermal project in the Cooper Basin of South Australia. Geodynamics aims to become the largest renewable energy producer in Australia by developing emission-free, baseload electricity generation from known EGS geothermal resources. The Company also has focus areas in exploration for hot sedimentary aquifer (HSA) geothermal energy also in the Cooper Basin of South Australia and in exploration for conventional geothermal energy in the Solomon Islands.

The Company's business plan is based on the development of the known EGS geothermal resource in the Cooper Basin. The Company's activities are currently concentrated on its Habanero location along with the development of appropriate drilling and completion techniques to allow the effective extraction of the geothermal power contained within the Innamincka deep granite resource.

**NOTE 12 - CONTINGENT ASSETS AND LIABILITIES**

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

**NOTE 13 – EVENTS AFTER THE BALANCE SHEET DATE**

Geodynamics received a positive outcome from Innovation Australia in October 2012 with regards to an Advanced Finding application to ensure that the company's Research and Development (R&D) activities qualified under the new R&D tax incentive scheme.

Consistent with the Advance Finding, Geodynamics submitted its tax return in January 2013 including R&D expenditure for the 2011/2012 financial year. Based on the lodged tax return, Geodynamics expects a cash incentive payment of approximately \$22 million will be received in the coming months but emphasises this amount is still subject to review and approval by the Australian Taxation office. Any cash incentive payment received will be recorded as an adjustment to the carrying value of Deferred Exploration, Evaluation & Development costs.

Other than the above, there has not arisen between 31 December 2012 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

**DIRECTORS' DECLARATION**

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity;
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

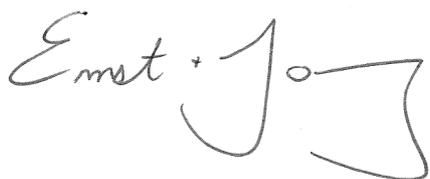


**Keith Spence**  
Chairman

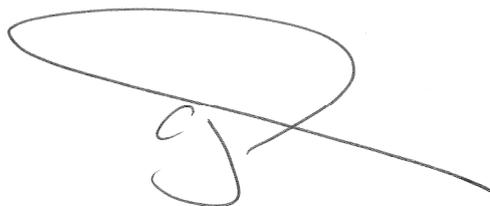
**Brisbane, 22 February 2013**

## Auditor's Independence Declaration to the Directors of Geodynamics Limited

In relation to our review of the financial report of Geodynamics Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, stylized font.

Ernst & Young

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

Andrew Carrick  
Partner  
22 February 2013

To the members of Geodynamics Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Geodynamics Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Geodynamics Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

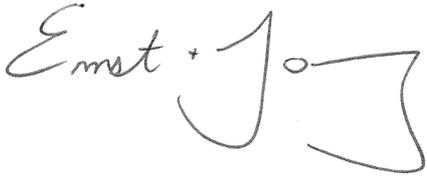
## Independence

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

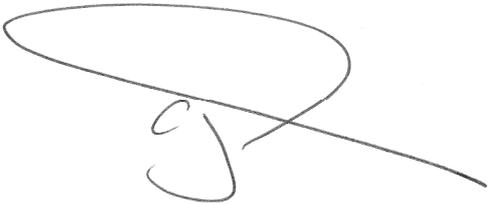
## Conclusion

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

- a. the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
  - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. the ASX Listing Rules as they relate to Appendix 4D.

A handwritten signature in black ink, appearing to read 'Ernst + Young'.

Ernst & Young

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

Andrew Carrick  
Partner  
Brisbane  
22 February 2013