

GEODYNAMICS

Quarterly Report

PERIOD ENDING 31 MARCH 2010



CORPORATE DIRECTORY

GLOSSARY OF TERMS

BOARD OF DIRECTORS

Mr Martin Albrecht AC (Chairman) Mr Gerry Grove-White (Managing Director) Mr Banmali Agrawala (Non-Executive Director) Mr Pieter Britz (Non-Executive Director) Dr Prame Chopra (Alternate Director) Mr Banmali Agrawala) Mr Bob Davies (Non-Executive Director) Dr Jack Hamilton (Non-Executive Director) Mr Keith Spence (Non-Executive Director) Mr Andrew Stock (Non-Executive Director)

COMPANY SECRETARY and CFO

Mr Paul Frederiks FCPA FCIS FAICD

PRINCIPAL and REGISTERED OFFICE

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AUDITOR Ernst & Young

SOLICITOR DLA Phillips Fox

SHARE REGISTRY

Computershare Investor Services Pty Limited

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SECURITIES EXCHANGE LISTING

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

Brine	Water containing dissolved inorganic salts, mainly sodium chloride. Brine from Innamincka granite has salinity approximately two thirds that of sea water.
Casing	Large-diameter steel pipe with threaded connections lowered into an open hole and cemented in place.
Completion	The assembly of down hole tubular and equipment required to enable safe and efficient production from, or injection into, a geothermal well.
Doublet	The injection and production wells used in a circulation test.
Enhanced Geothermal Systems (EGS)	Use of the natural warmth of the earth at depths of 4+ kms to heat fluid which in turn drives a turbine generator to produce electricity without producing the emissions of conventional fossil fuel generation.
Heat exchanger/ Underground reservoir	A subsurface body of rock having sufficient porosity and permeability to store and transmit fluids.
Hot commissioning	Hot commissioning is the final stage of commissioning and involves flowing hot brine through the plant in a series of test runs to demonstrate that the plant meets its operational specifications including the operation of all plant protective systems and devices.
Hot Sedimentary Aquifer (HSA)	HSA systems are typically developed in naturally occurring porous sandstones containing water that is heated by either crustal heat flow or proximate hot rocks. Fracturing techniques may still be used to enhance water flow between wells and HSA systems have been successfully operating in Australia and internationally for decades.
Hydraulic stimulation	In the sense of EGS development, a treatment involving the action of fluid pressure on existing natural fractures to enhance fluid pathways in the granite. It is achieved by pumping water down a well at high pressure.

Front cover: the Cooper Basin desert landscape is flush with new growth following flooding.

LETTER TO SHAREHOLDERS



Dear Shareholder

I am pleased to release our quarterly report for the period ending March 2010. During the quarter Geodynamics announced an updated work program, detailing the Company's major operational developments through to 2013.

The updated work program will deliver a number of Australian and world firsts for renewable energy using Enhanced Geothermal Systems (EGS) technology, including first power production, demonstration of multi-level heat exchangers and achievement of commercial flow rates. These will be key milestones on Geodynamics' path to commercial power production.

Together with our Joint Venture (JV) partner, Origin Energy Limited (Origin), Geodynamics is moving forward with plans to conduct parallel exploration for a Hot Sedimentary Aquifer (HSA) resource on our existing license areas in the Cooper Basin,

South Australia. The diversification of our exploration portfolio into HSA is an exciting opportunity for the Company and shareholders as it provides increased power generation potential from the existing joint venture acreage.

The work program ensures both projects will be advanced together using our existing rig and new rig, which is currently under construction. With the availability of both rigs from October we will possess the capacity and crew required to drill the planned wells effectively and efficiently, giving the Company a strong competitive and strategic advantage. Geodynamics will focus operationally on the 'Deeps' (EGS) JV, while Origin, as operator of the 'Shallows' (HSA) JV will commence drilling the identified resource. Operations in the Cooper Basin will resume once flood waters have receded sufficiently.

During March, Geodynamics welcomed Stuart McDonnell into the newly created role of Chief Operating Officer. Stuart brings to the Company a wealth of industry, technical and commercial experience and expertise in the delivery of renewable energy projects, geothermal in particular. Stuart was most recently responsible for the successful development of several substantial geothermal power stations for Mighty River Power in New Zealand. I look forward to working with Stuart as Geodynamics progresses along its development path.

I feel extremely confident as we commence the next phase in Geodynamics' development. We remain committed to becoming a world-leading Australian geothermal energy company, supplying competitive zero carbon energy and baseload power to the Australian market.

If you have any questions, I would be pleased to assist. Ph: 07 3721 7500 Email: info@geodynamics.com.au

GFGrove-White

Gerry Grove-White Managing Director



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HIGHLIGHTS

Geodynamics reports on the Company's activities during the March 2010 quarter.

- Geodynamics and Origin announced a JV to explore for shallow HSA geothermal resources in the existing South Australian licence areas, known as the Innamincka 'Shallows' JV.
- Made preparations to recommence operations in the Cooper Basin once flooding has receded.
- Continued planning for the drilling of 4 shallow wells in the Nappa Merrie tenement, Queensland.
- Continued planning for the drilling of a 2 km exploration well in the Hunter Valley; and
- Continued negotiations for funding agreements with the Federal Government for funding announced under the Renewable Energy Demonstration Program (REDP) and the Geothermal Drilling Program (GDP).

The Company's cash position at the end of the quarter stood at \$83.9 million.

Innamincka 'Shallows' Joint Venture

On 24 February 2010, Geodynamics announced a Memorandum of Understanding (MoU) with Origin to enter into a JV to explore for shallow geothermal resources on existing JV licence areas in the Eromanga Basin in South Australia.

The MoU is separate to the existing JV between Geodynamics and Origin – previously referred to as the 'Innamincka Joint Venture'. For ease of reference, the Innamincka JV has been renamed the ''Innamincka 'Deeps' Joint Venture''. This JV retains its original terms – where Geodynamics is operator and the ownership split is 70 percent Geodynamics and 30 percent Origin.

Under the terms of the MoU for the new JV - named the "Innamincka 'Shallows' Joint Venture" - the ownership split is 50 percent Geodynamics and 50 percent Origin. Origin will assume the role of operator:

The 'Shallows' JV will focus on the exploration of shallow HSA systems down to approximately 3,000 m depth, as distinct from the existing 'Deeps' JV with Origin, which focuses on higher temperature EGS in the deeper granites generally below 4,000 m.

The initial exploratory work for the Innamincka 'Shallows' JV includes the drilling and testing of two slim wells to depths of approximately 2,200 m during the next 12 months at a cost of approximately \$10 million. The work is designed to assess the viability of geothermal energy production from HSA in the Eromanga Basin.

A final detailed 'Shallows' JV work program is being drawn up and will be communicated in due course.

Geodynamics is delighted to have reached an agreement with Origin for it to lead the exploration of shallow HSA resources in our South Australian licence areas.

'SHALLOVVS' JV FAST FACTS

- The 'Shallows' JV provides a doubling of exploration activity on the licence areas and delivers maximum opportunity for commercial development as soon as possible.
- EGS and HSA technology can be developed in parallel on the Cooper Basin tenements.
- HSA projects access permeable rock at shallower depths (3,000 m) when compared with EGS (4,000+ m)
- Power from HSA on our Cooper Basin tenement will provide even greater incentives to construct transmission infrastructure sooner; and
- Origin will contribute \$4.5 million of project expenditure, in addition to its 50 percent share of project expenditure for the Innamincka 'Shallows' JV, in exchange for the 20 percent increase in its interest in the 'Shallows' area.



Above: a simple diagram explaining the HSA and EGS models. For a larger version, please visit www.geodynamics.com.au, Education Room, Printable Resources. The graphic is called 'Downloadable Graphic: HSA/EGS'.

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Nappa Merrie, Queensland - EPG 6

Geodynamics was formally issued with Geothermal Exploration Permits over the Nappa Merrie and Tennaperra areas in January 2010. Following this formal issuance, the Company can now move ahead with exploration activities in the area.

The agreed work program with the Queensland Government is for a number of gravity and seismic surveys and four shallow boreholes to measure temperature gradients and infer temperatures in the granite basement at depth.

Geodynamics' tenements in South Australia and Queensland

This program will be undertaken later in 2010 and will be partly funded by the Queensland Government through the previously announced Collaborative Drilling Initiative. Under this initiative, an amount up to \$150,000 will be provided by the Queensland Government on a matched funding basis to assist in the drilling of the shallow temperature measurement boreholes.

Geodynamics will undertake a program of community consultation with the local communities before any work commences.

Hunter Valley, NSW - Bulga EL 5886 and Muswellbrook EL 5560

During the quarter, Geodynamics met with local community groups, directly affected landholders, councils and state government departments to ensure a greater awareness of the Company's proposed activities if results of the initial work are favourable.

As part of the overall planning process for future activities, Geodynamics is scoping an independent seismic risk assessment to be undertaken by the middle of the year. Given the proximity of the exploration to local residents and industrial operations, the Company will independently assess seismic risk and ensure all stakeholders are aware of the outcome.

As the planning for commencement of operations intensifies, the level of community engagement will increase proportionately. The Company is intending to release a website section dedicated to the NSW project shortly.



Geodynamics' tenements located in the Hunter Valley, NSW

Renewable Energy Demonstration Program \$90 million grant

In November 2009, Geodynamics was successful in applying for a \$90 million grant from the Federal Government under the REDP. This is the largest grant ever awarded to an Australian renewable energy project and will be used toward the development of the Commercial Demonstration Plant (CDP).

The details of the contractual funding documents are still being negotiated. Components of these documents include technical milestones to qualify for the staged payments and ongoing reporting and compliance obligations to the Federal Government. We are confident of finalising these documents over the coming months.

The Geothermal Drilling Program \$7 million grant

In December 2009, Geodynamics was also awarded a \$7 million grant from the Federal Government under the GDP. This is a \$50 million program of seven individual grants awarded to geothermal explorers to assist in the exploration and 'proof of concept' for geothermal projects across a number of geographical locations and extraction techniques.

This grant was awarded to support Geodynamics in developing the geothermal resource in the Hunter Valley, NSW. The details of the contractual funding documents are in negotiation and will be based on meeting key technical milestones to qualify for the staged payments.

Milestones include the start of drilling a deep well in the Hunter Valley and at the conclusion of 'Proof of Concept'.



ENVIRONMENTAL UPDATE





Review of inland flooding at Innamincka

Access to Geodynamics' Cooper Basin worksites was hindered during the March quarter due to the largest flood event on record since 1990. Fortunately, the Company's work sites remained dry throughout the period and no damage was sustained by plant or equipment. However significant access roads and creek crossings were closed for more than eight weeks.

For a short time, access in and out of Innamincka was restricted to dinghy or by small plane landing on the Innamincka airstrip until further rain made the airstrip unusable.

The Company wishes to thank Santos and the residents of Innamincka for regular flood water updates.

Flood risk mitigation planning

During the course of the flooding, Geodynamics has collected a library of satellite and aerial topography mapping. The data is being studied to inform future management and contingency planning, ensuring well locations, pipelines, transmission lines and power stations are constructed to avoid or have minimal exposure to flood risk.

In parallel, the Company is studying roads and airstrips to be certain every practicable step is taken to establish safe, permanent all weather access for all but the most extreme future events.

Large image: plant life in the Cooper Basin reawakens with life and colour due to recent heavy rains.

Inset images (from far left): I. Heavy rains prohibit access across Innamincka Crossing. 2.Water on the New Strzelecki Track (Dillon's Highway). 3. Nearly a km of water across McLeod Road to Strzelecki track. 4. Desert lilies near a GDY Cooper Creek seismic station.

Innamincka Senior First Aid initiative

Following a medical emergency experienced by an Innamincka resident in late 2009, Geodynamics is initiating the delivery of Senior First Aid Training by St John's Ambulance to all residents who wish to participate. The Company is currently seeking suitable dates for a trainer to travel to Innamincka in June. The community is very receptive to receiving the training. In addition to funding the training, Geodynamics will also purchase a defibrillator and associated supplies and signage for the Innamincka Progress Association. The trainer will provide instruction in the use of this equipment to residents attending the course.



Approaching the township of Innamincka

Appointment of Chief Operating Officer

Geodynamics is pleased to announce the appointment of Mr Stuart McDonnell as Chief Operating Officer (COO). Stuart commenced with the Company on 8 March 2010.

In joining Geodynamics, Stuart continues a successful and diverse career working both in Australia and internationally for renewable energy, engineering and resource companies.

Demand for the COO role is driven by the increasing complexity of Geodynamics' operations as the Company focuses on long term delivery of large scale, emission-free base-load power generation.

Stuart joins Geodynamics from Mighty River Power in New Zealand, where he was Manager, Project Development for the last seven years. In that time he successfully developed and constructed a number of substantial geothermal power stations totalling some hundreds of MW.

In his role as COO, Stuart is responsible for the management and coordination of all sub-surface, surface, procurement and project activities.



Chief Operating Officer, Mr Stuart McDonnell

Change of substantial shareholder

A Notice of Change of Interests in Substantial Shareholders was lodged 25 March 2010. Sunsuper and The Sentient Group (existing substantial shareholders) announced that they had increased their combined stake in the Company from 8.6 percent to 13.8 percent. They purchased the full stake of Mr Robert Healy who previously held 5.2 percent of the Company. Geodynamics is delighted with the increased investment by Sentient and Sunsuper. Their purchase is a clear signal of their confidence in the development of the renewable energy sector in Australia.

We would like to acknowledge Mr Robert Healy's significant contribution to the Company. Mr Healy was instrumental in securing the deposit for the purchase of Rig 100 in early 2007 via a substantial equity placement and we wish him well.

The three cornerstone shareholders of Geodynamics are now:

- 13.8% Sunsuper and Sentient (joint cornerstone shareholders)
- 10.1% Tata Power
- 6.8% Origin Energy

Geodynamics is fortunate to have a large number of shareholders, both large and small, that support the Company's efforts for bringing a world class resource to market and the Company acknowledges that support.

Our JV partner; Origin, recognises the potential of the Cooper Basin geothermal resource as amongst the best in the world. Origin believes that as we move towards 2020, it is becoming ever more important to focus on the development of renewable technologies like geothermal energy if Australia is to achieve its renewable energy targets.

Capital raising

The Company remains in a sound financial position with enough funds to action the current forward work program.

The \$90 million of funding awarded to Geodynamics by the Federal Government's REDP delivers a significant contribution toward the construction of the CDP. This is the largest government grant received by any Australian renewable energy project and will be paid in instalments on the achievement of milestones between now and the commissioning of the CDP.

As advised at the November 2009 Annual General Meeting (AGM), the Company will seek to raise more equity from shareholders in the coming year to fund the construction of the CDP. Geodynamics will keep the market informed when the details of those arrangements are finalised.

Geodynamics' Annual General Meeting and shareholder briefings

Dates and venues are now confirmed for the 2010 AGM and shareholder briefings. These dates are available on our website home page and are as follows:

Thursday 25 November 2010 AGM, 6-8 pm, Stamford Plaza Brisbane

Monday 29 November Sydney shareholder briefing, 6-8 pm, The Sebel Pier One Sydney

Tuesday 30 November Adelaide shareholder briefing, 6-8 pm, Stamford Plaza Adelaide

Wednesday 01 December Canberra shareholder briefing, 4-6 pm, National Press Club

Friday 03 December Melbourne shareholder briefing, 6-8 pm, The Sebel Albert Park Melbourne

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



Innamincka 'Deeps' Joint Venture – updated work program

On 13 April 2010 Geodynamics released an announcement regarding its forward work program. Key details are:

- Completion of Jolokia I followed by the creation of an underground heat exchanger to demonstrate Geodynamics' ability to create fracture zones across our tenement area.
- Rig 200 is expected to arrive in Australia in October, then commence drilling Habanero 4 in November 2010. It will then move to drill Habanero 5. Geodynamics expects that Rig 200 will demonstrate superior performance to Rig 100 and will assist with reducing the cost of well construction.
- The I MW Power Plant is expected to be commissioned by early 2012 and powered by Habanero 4 and 5. In addition to providing electricity for our operations and the Innamincka community, the plant will provide the necessary long-term flow testing information required to make a decision about the viability of the CDP.
- Rig 200 will return to Jolokia in early 2012 to drill Jolokia 2, connecting with Jolokia 1 to create a second doublet. Flow testing will then commence at Jolokia in a closed loop circuit.
- The Company expects to be positioned for final investment decision on the CDP after 12 months successful operation of the Habanero closed loop (incorporating the 1 MW Power Plant) by early 2013.



I MW Power Plant at Innamincka

For more information about the forward work program, please visit www.geodynamics.com.au and watch the Board Room Radio interview with Geodynamics' Managing Director, Gerry Grove-White available at www.brr.com.au/event/65112.