

Geodynamics Limited

ABN 55 095 006 090

Half Year Report ended 31 December 2013

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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	Link Market Services Limited Level 15, 324 Queen Street BRISBANE QLD 4000 Telephone Australia: 1300 554 474 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 2013
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#### Results for announcement to the market

Results				\$A
Revenues from ordinary activities	Up	75%	to	1,087,554
Loss from ordinary activities after tax attributable to members	Up	56%	to	8,203,240
Net loss for the period attributable to members	Up	56%	to	8,203,240

#### Dividends

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

#### Net Tangible Asset Backing

	As at 31 December 2013	As at 31 December 2012
Net tangible asset backing per ordinary security (cents per share)	10.3 cents	36.9 cents

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

The revenue for this half year comprised \$703,124 interest income and \$384,430 corporate overhead expense recovery.

The loss from ordinary activities represents exploration and evaluation costs incurred in respect of its Cooper Basin and Hunter Valley projects and normal administrative overhead offset by interest income.

## **DIRECTORS' REPORT**

Your Directors submit their report for the half-year ended 31 December 2013.

### **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)

Bob Davies (Non-executive Director)

Jack Hamilton (Non-executive Director)

Michel Marier (Non-executive Director)

Andrew Stock (Non-executive Director)

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**

The principal activity of Geodynamics Limited during the half year was to explore and develop areas suitable for geothermal power production.

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 sub-surface investigation of geothermal resources, management of technically demanding and high risk drilling activities, development of power conversion facilities and securing commercial and funding agreements necessary to develop major geothermal power projects. The Company has identified a number of potential paths to continue the development of our Habanero resource at Innamincka in the Cooper Basin SA. The prospects for continued development of the resource have strengthened with the expansion of unconventional gas exploration and appraisal in the Nappamerri area of the northern Cooper Basin. The long term aspiration of Geodynamics is to supply large scale utility power to Australian energy customers through the large scale development of the Innamincka Deep resource and securing a connection to the National Electricity Market.

In parallel to our activities in our Australian permits and utilising the skill base and experience developed through our operation of the Habanero Project, Geodynamics is seeking to acquire and develop smaller scale geothermal projects based on conventional hydrothermal (volcanic) geothermal 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. Projects of this type represent lower cost, lower risk opportunities that can be developed in a shorter time frame than the Company's Australian assets and within existing market conditions and costs. This provides a significant risk diversification for the Company and an alternative path to generating sustainable revenues. 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 2014 with a target of first power production in 2017. The second project of this type is the Takara project located on the island of Efate in Vanuatu. The company acquired this project throughout the acquisition of KUTh Energy Limited and is targeting initial exploration drilling to be undertaken in 2014. The Company will

seek to add further projects similar to the Savo Island Project to its project portfolio based on a strict selection criteria.

While principally focused on geothermal exploration and development, Geodynamics continues to monitor developments in clean energy markets and technologies and will 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.

## REVIEW AND RESULTS OF OPERATIONS

The Company realised an operating loss after tax for the half year of \$8,203,240.

	<b>6 months ended 31 December 2013 \$000</b>	<b>6 months ended 31 December 2012 \$000</b>
Operating loss after income tax expense	<b>(8,203)</b>	<b>(5,245)</b>
Net loss attributable to members of Geodynamics Limited	<b>(8,203)</b>	<b>(5,245)</b>
<b>Earnings per Share</b>	<b>(cents)</b>	<b>(cents)</b>
Basic loss per share	<b>(2.00)</b>	<b>(1.29)</b>

The key achievements and highlights for the 6 months to 31 December 2013 were as follows:

- The 1 MWe Habanero Pilot Plant Trial was successfully completed with no safety or environmental incidents. 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.
- In September 2013, Geodynamics announced its intention to acquire 100% of geothermal energy company, KUTh Energy Limited, through a conditional off-market takeover offer. KUTh shareholder acceptances of Geodynamics' Takeover Offer passed the 90% level in December 2013 and in January 2014, Geodynamics successfully completed the compulsory acquisition of all outstanding shares to hold 100% of KUTh Energy Limited. 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.
- 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, ahead of targeting an initial exploration drilling campaign during the 2014 dry season.
- Exploration drilling planning for the Savo Island Geothermal Power Project included procurement of long lead items and materials and the Company also took possession of a track mounted drilling rig for the campaign.
- A comprehensive Environmental and Social Impact Assessment for the Savo Island Geothermal Project was largely completed. Initial findings of baseline studies undertaken as part of the assessment were presented to government ministries and the Savo Island community.
- Former Chief Scientist, Dr Doone Wyborn, was awarded the Geothermal Resource Council Special Achievement Award. The company was also honoured to receive the Clean Energy Council (CEC) Innovation Award.

## 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 17 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, 28 February 2014**

# Geodynamics Limited

ABN 55 095 006 090

## Half Year Financial Report ended 31 December 2013

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	Notes	6 months ended 31 December 2013 \$000	6 months ended 31 December 2012 \$000
<b>Continuing Operations</b>			
Interest Income		703	563
<b>Total Revenue</b>		<b>703</b>	<b>563</b>
Personnel expenses		(3,036)	(3,872)
Other General & Administrative expenses		(1,721)	(1,995)
Exploration and Evaluation Costs	3B	(4,533)	-
Corporate Expenses Recovered		384	59
<b>Total Expenses</b>	3	<b>(8,906)</b>	<b>(5,808)</b>
<b>Income / (Loss) before Income Tax Expense</b>		<b>(8,203)</b>	<b>(5,245)</b>
Income Tax Benefit		-	-
<b>Income / (Loss) after Income Tax Expense</b>		<b>(8,203)</b>	<b>(5,245)</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		-	-
Other Comprehensive Income for the period		-	-
<b>Total Comprehensive Income for the period attributable to the Owners</b>		<b>(8,203)</b>	<b>(5,245)</b>
Basic and diluted loss per share (cents per share)	10	(2.00)	(1.29)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## As At 31 DECEMBER 2013

	Notes	31 December 2013 \$000	30 June 2013 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash Assets	4	33,979	41,390
Inventories - Rig Parts & Well Materials		189	188
Receivables	5	11,133	14,239
<b>Total Current Assets</b>		<b>45,301</b>	<b>55,817</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	6	4,087	3,962
Deferred Exploration, Evaluation & Development costs	7	5,319	1,177
<b>Total Non Current Assets</b>		<b>9,406</b>	<b>5,139</b>
<b>Total Assets</b>		<b>54,707</b>	<b>60,956</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables		2,617	4,301
Provisions		3,031	2,201
<b>Total Current Liabilities</b>		<b>5,648</b>	<b>6,502</b>
<b>Non Current Liabilities</b>			
Provisions		4,281	4,003
<b>Total Non Current Liabilities</b>		<b>4,281</b>	<b>4,003</b>
<b>Total Liabilities</b>		<b>9,929</b>	<b>10,505</b>
<b>Net Assets</b>		<b>44,778</b>	<b>50,451</b>
<b>EQUITY</b>			
Contributed Equity	8	348,338	346,083
Other Reserves	9	10,731	10,456
Accumulated Losses		(314,291)	(306,088)
<b>Total Equity</b>		<b>44,778</b>	<b>50,451</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 2013**

	Notes	6 months ended 31 December 2013 \$000	6 months ended 31 December 2012 \$000
<b>Cash Flows from Operating Activities</b>			
Net goods and services tax received/(paid)		(198)	1,916
Payments to suppliers and employees		(3,246)	(6,161)
Habanero 3 insurance proceeds		-	-
Interest received		563	594
Net cash flows from/(used in) operating activities		<b>(2,881)</b>	<b>(3,651)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from Government Grants		3,000	5,600
Purchase of property, plant & equipment		(389)	-
Payments for exploration and evaluation expenditure		(7,911)	(28,005)
Proceeds from cash calls		-	1,551
Proceeds from sale of property, plant & equipment		584	14,052
Cash from KUTh acquisition	11	186	-
Net cash flow from / (used in) investing activities		<b>(4,530)</b>	<b>(6,802)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		-	-
Net cash flow from/(used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		<b>(7,411)</b>	<b>(10,453)</b>
Add: Opening cash carried forward		41,390	35,146
<b>Closing cash at the end of the period</b>	4	<b>33,979</b>	<b>24,693</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 2013

	Issued Capital	Shares To Be Issued	Accumulated Losses	Employee Equity Benefits Reserves	Total Equity
	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2012</b>	<b>346,083</b>	-	<b>(200,996)</b>	<b>9,336</b>	<b>154,423</b>
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>149,935</b>

	Issued Capital	Shares To Be Issued	Accumulated Losses	Employee Equity Benefits Reserves	Total Equity
	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2013</b>	<b>346,083</b>	-	<b>(306,088)</b>	<b>10,456</b>	<b>50,451</b>
Recognition of foreign exchange hedge reserve	-	-	-	-	-
Total expense for period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	(8,203)	-	(8,203)
Total comprehensive income for the period	-	-	(8,203)	-	(8,203)
<b>Equity Transactions:</b>					
Share based payment on Employee Share Plan	-	-	-	146	146
Cost of share-based payment - recognition of share option expense	-	-	-	129	129
Shares to be issued in consideration of KUTh off-market takeover	-	2,255	-	-	2,255
<b>At 31 December 2013</b>	<b>346,083</b>	<b>2,255</b>	<b>(314,291)</b>	<b>10,731</b>	<b>44,778</b>

Notes

11

8,9

# NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

## NOTE 1 – CORPORATE INFORMATION

The financial statements of Geodynamics Limited (“Geodynamics” or “the company”) and its consolidated entities (collectively known as “the Group”) for the half-year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 February 2014.

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 2013 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 2013 and considered together with any public announcements made by Geodynamics Limited during the half-year ended 31 December 2013 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 2013.

### (B) Changes in Accounting Policies

During the period, the Group adopted the following mandatory Accounting Standards

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interest in Other Entities; and
- AASB 13 Fair Value Measurement.

The application of these Accounting Standards had no material impact on the half year financial statements. All other accounting policies used in the preparation of the half year financial statements are the same as those used for the year ended 30 June 2013.

The Group has not early adopted any standards, interpretations or amendments.

### (C) Joint Arrangement

Geodynamics is a party to a joint arrangement with Kentor Energy Pty Ltd (Kentor). The joint operations 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 31 December 2013 Geodynamics had met all requirements for the initial 25% interest.

Geodynamics has also signed a Heads of Agreement (HoA) with Gulkula Mining Company Pty Ltd to enter into a Joint Arrangement 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 operation with Geodynamics as the operator of the joint operation.

The Company is a party to two joint arrangements the assets for which comprise the South Australian geothermal tenements and all property plant and equipment acquired for use in the Cooper Basin. The two joint operations 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) – 100%

Participants in the Innamincka 'Shallows' Joint Venture which focuses on exploration of shallow Hot Sedimentary Aquifers (HSA) above approximately 3,500 m depth are:  
Geodynamics Limited (Operator) – 100%

As advised to the ASX on 28 March 2013, Origin Energy have withdrawn from both of the above joint arrangements effective 30 June 2013. As at 1 July 2013 the Company has a 100% interest in both the Deeps and Shallows joint ventures.

**(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. Geodynamics has sufficient sources of funding for the proposed work program over the next year. Should funding requirements change, alternative funding options including equity funding options are maintained such that operations could 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 3A – EXPENSES AND LOSSES/(GAINS)

	6 months ended 31 December 2013 \$000	6 months ended 31 December 2012 \$000
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of plant and equipment	241	303
Amortisation of Leasehold Improvements	29	33
Operating lease rentals paid	501	341
Foreign Exchange (gain) / loss	1	(27)
Transaction costs in respect of KUTh Energy Limited acquisition	155	-

### NOTE 3B – EXPLORATION AND EVALUATION COSTS

	6 months ended 31 December 2013 \$000	6 months ended 31 December 2012 \$000
Expenditure for the period	6,731	-
Change in Rehabilitation	770	-
Proceeds from Government Grants	(1,500)	-
Change in R&D Tax Incentive	(1,468)	-
	<b>4,533</b>	<b>-</b>

### NOTE 4 – CASH ASSETS

	31 December 2013 \$000	30 June 2013 \$000
Cash on hand	-	-
Cash at Bank	1,952	10,590
Short-term Deposits	32,027	30,800
	<b>33,979</b>	<b>41,390</b>

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

	31 December 2013 \$000	30 June 2013 \$000
<b>NOTE 5 – RECEIVABLES</b>		
GST Receivable	123	109
Interest Receivable	456	315
REDP Milestone Receivable	1,500	3,000
R&D Tax Refund Receivable	8,531	10,000
Other Receivables and Prepayments	523	815
	<b>11,133</b>	<b>14,239</b>

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

	31 December 2013 \$000	30 June 2013 \$000
<b>NOTE 6 - PROPERTY, PLANT &amp; EQUIPMENT</b>		
Plant and Equipment at cost	25,862	25,467
Less: accumulated depreciation	(21,775)	(21,505)
Total	<b>4,087</b>	<b>3,962</b>
<b><i>Reconciliation of Plant &amp; Equipment</i></b>		
Carrying amount at 1 July	3,962	19,771
Additions	395	127
Disposals	-	(156)
Impairment	-	(10,300)
Reclassification from Deferred Exploration and Evaluation Costs	-	9,919
Less: Proceeds of Government Grants	-	(8,000)
Less: depreciation and amortisation expense	(270)	(7,399)
Carrying amount at the end	<b>4,087</b>	<b>3,962</b>

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

	31 December 2013 \$000	30 June 2013 \$000
<b>NOTE 7 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS</b>		
Exploration Phase	32	32
Evaluation Phase	5,287	1,145
<b>Total</b>	<b>5,319</b>	<b>1,177</b>
<b><i>Reconciliation of Deferred Exploration &amp; Evaluation costs</i></b>		
Carrying amount at 1 July	1,177	106,923
Add: Exploration Expenditure for period	-	57
Add: Evaluation & Development expenditure for period	1,657	28,741
Add: Acquired Evaluation & Development (Note 11)	2,485	-
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	-	(78,510)
<b>Carrying amount at the end</b>	<b>5,319</b>	<b>1,177</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.

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 half year ended 31 December 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 period in line with the Company's accounting policy.

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

	31 December 2013 \$000	30 June 2013 \$000
<b>NOTE 8 – CONTRIBUTED EQUITY</b>		
Issued and Fully Paid Capital		
406,452,608 (30/6/13 – 406,452,608) fully paid ordinary shares	346,083	346,083
Shares to be issued in consideration for KUTh off-market takeover	2,255	-
	<b>348,338</b>	<b>346,083</b>

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

	Number of Shares	\$000
<b>Movement in ordinary share capital</b>		
<b>01-07-13</b> Balance at beginning of financial period	<b>406,452,608</b>	<b>346,083</b>
Shares to be issued in consideration for KUTh off-market takeover (refer note 11)	26,532,804	2,255
<b>31-12-13</b> Balance	<b>432,985,412</b>	<b>348,338</b>

	31 December 2013 \$000	30 June 2013 \$000
<b>NOTE 9 – RESERVES</b>		
Deferred Employee Share Plan Reserve	3,278	3,125
Employee Share Option Reserve	7,453	7,331
	<b>10,731</b>	<b>10,456</b>
<b>Reconciliation of Reserves</b>		
Carrying amount at beginning	10,456	9,336
Recognition of Share Plan Expense	146	582
Recognition of Share Option Expense	129	538
	<b>10,731</b>	<b>10,456</b>

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

	6 months ended 31 December 2013	6 months ended 31 December 2012
<b>NOTE 10 – EARNINGS PER SHARE</b>		
Basic and diluted loss per share (cents per share)	(2.00)	(1.29)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss (\$000)	(8,203)	(5,245)
Weighted average number of ordinary shares used in calculation of basic earnings per share	410,346,009	406,452,608

There were share options outstanding of 2,504,787 (9,235,083 on 31/12/12) which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

### NOTE 11 – PROVISIONAL 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 provisional acquisition accounting. Consistent with this treatment, the Company has recorded the consideration for the transaction as "shares to be issued" at 31 December 2013. 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 HALF YEAR FINANCIAL STATEMENTS (Continued)

### NOTE 11 – PROVISIONAL COMBINATION ACCOUNTING FOR THE ACQUISITION OF KUTH ENERGY LIMITED (Continued)

#### Assets acquired and Liabilities assumed

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

	<b>31 December 2013 \$000</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	186
Trade and Other Receivables	162
<b>Total Current Assets</b>	<b>348</b>
<b>Non Current Assets</b>	
Property, Plant and Equipment	6
Deferred Exploration, Evaluation & Development phase costs	2,485
<b>Total Non Current Assets</b>	<b>2,491</b>
<b>Total Assets</b>	<b>2,839</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade and Other Payables <sup>1</sup>	433
Provisions (employee) <sup>1</sup>	151
<b>Total Liabilities</b>	<b>584</b>
<b>Total Identifiable Net Assets At Fair Value</b>	<b>2,255</b>
<b>Purchase Consideration</b>	
26,532,804 shares at 8.5 cents per share	<b>2,255</b>

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

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 revenue and loss for the half year ended 31 December 2013 is \$nil. 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.

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

### NOTE 12 – 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.

	<b>31 December 2013 \$000</b>	<b>30 June 2013 \$000</b>
<b>FINANCIAL INSTRUMENTS</b>		
<i><b>Financial Assets</b></i>		
Cash and Cash Equivalents	33,979	41,390
Receivables	11,133	14,239
	<b>45,112</b>	<b>55,629</b>
<i><b>Financial Liabilities</b></i>		
Payables	2,617	4,301
	<b>2,617</b>	<b>4,301</b>

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 is 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 31 December 2013 or 30 June 2013.

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

### **NOTE 13 - SEGMENT INFORMATION**

The Company operates in one segment, being geothermal energy exploration & development in the Asia Pacific region. The Company's areas of operation are currently located in Australia and the Solomon Islands.

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 while also developing its project opportunities in other parts of the Asia Pacific region.

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.

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.

### **NOTE 14 - CONTINGENT ASSETS AND LIABILITIES**

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

### **NOTE 15 – EVENTS AFTER THE BALANCE SHEET DATE**

Geodynamics issued consideration shares to KUTH's shareholders in two tranches of 24,128,364 shares on 3 January 2014 and 2,404,440 on 17 January 2014. The first tranche was issued to those KUTH shareholders who had formally accepted the takeover offer. The second tranche was issued to those KUTH shareholders whose KUTH shares were acquired under compulsory acquisition. The issue of these shares completed the off-market takeover of KUTH Energy Limited resulting in Geodynamics Limited owning 100% of the issued shares in KUTH.

Geodynamics received an R&D tax incentive payment from the Australian Tax office of \$8.53M in January 2014. This amount is the same as that disclosed as receivable at 31 December 2013 (refer note 5).

Other than the above, there has not arisen between 31 December 2013 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 2013 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

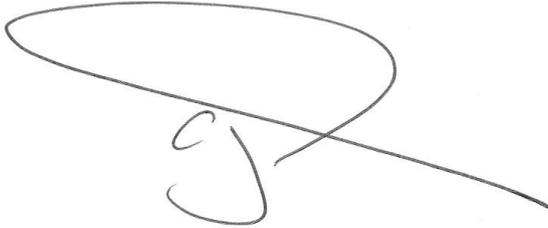
**Brisbane, 28 February 2014**

## 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 2013, 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 February 2014

To the members of Geodynamics Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Geodynamics Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising 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 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 2013 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*. 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.

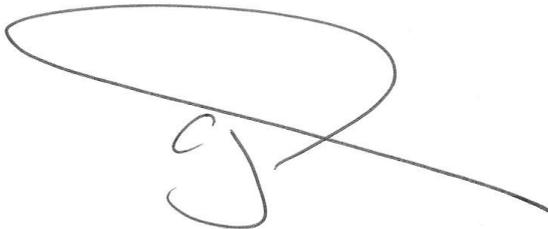
## Conclusion

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 the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Andrew Carrick  
Partner  
Brisbane  
28 February 2014