GEODYNAMICS
LIMITED

ABN 55 095 006 090

Offer Information Statement

An offer of 3,800,000 fully paid ordinary Shares at $0.50 per share to raise $1,900,000 with a provision for oversubscriptions of up to 1,000,000 Shares.

Minimum application 20,000 Shares per Applicant.

Table of Contents

Important Notice

This Offer Information Statement is dated 1 May 2003 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. No responsibility as to the contents of this Offer Information Statement or the merits of the investment to which it relates is taken by the ASIC. Neither the ASIC, the Company, nor their respective directors or associates guarantees any particular rate of return or the performance of the Company.

It is important that potential investors read this Offer Information Statement in its entirety before deciding to apply for Shares and seek professional advice. The Shares offered under this Offer Information Statement should be considered high risk and potential investors are urged to seek independent professional advice in relation to the material contained in this Offer Information Statement before applying for Shares.

The expiry date of this document is 31 May 2004. No securities will be issued on the basis of this document after the expiry date.

This Offer Information Statement does not constitute an offer in any place or to any person to whom it would not be lawful to make such an offer. The distribution of this Offer Information Statement in jurisdictions outside the Commonwealth of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restriction. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

The Offer Information Statement is issued pursuant to section 709(4) of the Corporations Act 2001 and does not constitute a prospectus for the purposes of the Corporations Act 2001. The level of disclosure required in this Offer Information Statement is specified in section 715 of the Corporations Act 2001, and those disclosure requirements are lower than those for a prospectus.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Offer Information Statement. Any information or representation that is not contained in this Offer Information Statement may not be relied upon as having been authorised by the Company or its Directors.

Please refer to the Glossary in Section 8 for terms and abbreviations used in this Offer Information Statement.

Chairman's Letter

1 May 2003

Dear Investor,

On behalf of the Board, I am pleased to invite you to become a shareholder of Geodynamics Limited or to increase your existing shareholding.

Hot Dry Rock (HDR) geothermal energy is a renewable form of energy with zero emissions. It has the capacity to supply base-load electricity to customers 24 hours per day.

Internationally, the efforts to commercialise HDR geothermal energy are accelerating. I recently visited the French HDR project at Soultz which is achieving excellent results. Geodynamics has a significant advantage compared with overseas projects due to the higher temperatures at accessible depths in our Cooper Basin project.

The scope and size of the Cooper Basin HDR project is such that we regard it as one of national importance. It represents an outstanding opportunity, without parallel, to change the energy balance in Australia away from fossil fuels.

Since its inception in November 2000, Geodynamics has met every goal it has set including raising of seed capital, the award of a $5 million R&D START Grant from AusIndustry, technical design of our field program and establishment of cooperative international R&D links. Our successful IPO in September 2002 saw Metasource Pty Ltd acquire a 31.6% shareholding in Geodynamics.

Stage One of our Business Plan is in full progress. We spudded the Habanero 1 well on 15 February 2003 and at the time of writing, it had already reached a depth of 4,151 metres. When completed, it will be the deepest well onshore Australia.

The purpose of raising the extra funds is to enable the Company to deepen the Habanero 1 and 2 wells from 4,400m to 4,900m, our preferred option, as outlined in the August 2002 prospectus.

By securing the funds now, the Company also meets its post-IPO fundraising obligations to Metasource as contained in the August 2002 prospectus, thereby also ensuring that we retain 100 percent equity in our Cooper Basin geothermal tenements. This offer does not replace our ongoing efforts to raise extra funds from a cornerstone investor but is made in addition to this.

You will see that a gross amount of $2.26 million of the Offer has already been secured in commitments by Pre-OIS Investors meaning that the minimum subscription requirement has already been met for the Offer.

The Company also today launched its Share Purchase Plan allowing existing shareholders to subscribe for up to $5,000 of shares at the same price as the Offer.

On behalf of the Board, I commend the Offer to you and encourage you to read the OIS fully including the Investment Risk Section. I look forward to welcoming you as an investor.

Yours sincerely,

Martin Albrecht AC
Chairman

1. Corporate Directory

BOARD OF DIRECTORS
Mr Martin Albrecht AC – Chairman
Dr Bertus de Graaf – Managing Director
Dr Doone Wyborn – Executive Director
Dr Prame Chopra – Non-Executive Director
Mr Robert Flew – Non-Executive Director
Mr Neil Galwey OAM – Non-Executive Director
Dr Jack Hamilton - Non-Executive Director

REGISTERED OFFICE
Level 3, 11 Lang Parade
MILTON QLD 4064

Telephone: (07) 3721 7500
Facsimile: (07) 3721 7599

COMPANY SECRETARY
Paul Frederiks FCPA FCIS

BROKERS TO THE OFFER
ABN AMRO Morgans Limited
Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

CORPORATE ADVISOR
Wycliffe Pty Ltd
Level 2 121 Logan Road
Woolloongabba QLD 4102

INTERNET
geodynamics.com.au

EMAIL
info@geodynamics.com.au

POSTAL ADDRESS
PO Box 2046
MILTON QLD 4064

ABN 55 095 006 090

SOLICITORS
Phillips Fox
Level 29, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

AUDITORS
Ernst & Young
Level 5, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 27, Central Plaza One
345 Queen Street
BRISBANE QLD 4000

2. Details of the Offer

2.1. The Offer

The Company is Offering for subscription 3,800,000 fully paid ordinary shares at an Offer Price of $0.50 per Share. The Company will accept oversubscriptions of up to 1,000,000 additional Shares at the same price.

If the Offer is successfully completed, the Company will raise a gross amount of $1,900,000 and up to $2,400,000 if all oversubscriptions are taken up.

The Company has received a pre-OIS commitment to subscribe for 4,530,000 Shares as described in Section 2.5. The remaining Shares Offered for subscription by this Offer Information Statement are not underwritten.

All Shares Offered under this Offer Information Statement will rank equally with all existing Shares on issue.

2.2. Minimum Subscription

The minimum subscription under this Offer is 3,800,000 Shares which has already been committed as detailed in Section 2.5.

No Shares will be allotted or issued until valid applications for the minimum subscription have been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Offer Information Statement, the Company will either repay the application monies to the Applicants (without interest) or issue a supplementary or replacement Offer Information Statement and allow Applicants one month to withdraw their Application and be repaid their application monies (without interest).

All application monies shall before allotment pursuant to this Offer Information Statement be held in trust in a separate bank account until allotment or where applicable, the application monies are repaid. Any interest earned on application monies will be retained by the Company.

2.3. Purpose of the Offer

The purpose of the Offer is:

a) To provide funding to allow the Habanero 1 and 2 wells to be deepened from 4,400 metres to a total depth of 4,900 metres.

   As outlined in the Company's Prospectus of 6 August 2002, the minimum budget design of the Stage One Business Plan permitted the drilling of Habanero wells 1 and 2 to 4,400 metres and the development by hydraulic stimulation of two stacked horizontal heat exchangers in the granite over the bottom 500 metre section of the wells. This design would achieve completion of Stage One of our business plan, namely the completion of a deep underground circulation test between two wells for demonstrating the economics of geothermal heat extraction.

   However, it was also foreshadowed in the Prospectus that the Company would apply any additional funds to expand the heat exchanger by extending the two wells in depth from 4,400 metres to 4,900 metres and by stimulating two more heat exchangers below the existing two.

There are sound technical and financial reasons to drill the two wells to 4900m from the outset. For example, it will minimise the risk of damage to the heat exchangers caused by later drilling (e.g. drill mud penetration) when deepening these wells and it will save substantial drill rig mobilization costs which would have to be incurred to deepen the existing wells at a later date.

Further, the Directors believe that the extension of the wells will accelerate progress in Stage 2 of the Company's business plan, namely the installation of a 13Mwe commercial Demonstration Plant.

b) To meet obligations under the Company's agreement with Metasource Pty Ltd. The terms of that agreement are summarised in Geodynamics' August 2002 prospectus.

Under that agreement Geodynamics must endeavour to raise additional funds of approximately $1.9 million of new equity by June, 2003. By meeting this obligation, Geodynamics will also ensure that it retains 100 percent equity in the Cooper Basin tenements.

2.4. Use of Funds Raised

The funds being raised pursuant to this Offer Information Statement and under the SPP in Section 2.8 will be applied as follows:

Application of Funds	$1,900,000 subscribed	$2,400,000 subscribed (with full over-subscriptions)
Deepening Habanero wells 1 and 2 from 4,400m to 4,900m	$1,746,000	$1,746,000
Working Capital	-	$474,000
Costs of the Offer	$154,000	$180,000
Total Application of Funds	**$1,900,000**	**$2,400,000**

2.5. Pre-Offer Information Statement Commitment

The following investors have agreed to subscribe for Shares under the Offer. As Pre-Offer Information Statement Investors, they will receive a rebate of 3% of the Offer Price for each Share subscribed and a separate early commitment fee of 3% of the Offer Price for each Share subscribed in addition to any brokerage commission which may be passed on to it by its broker.

Pre-OIS Investors	Shares subscribed for
CVC REEF Limited and The Eco Fund Limited*	2,270,000
Pondcote Pty Ltd	600,000
Commonwealth Custodial Services Ltd	200,000
Golden Arrow Fund II	200,000
Equity Trustees Limited	400,000
National Custodians Limited	330,000
Other investors	530,000
TOTAL	**4,530,000**

* In the event that the Offer is oversubscribed, CVC REEF Limited and The Eco Fund Limited have agreed to reduce their subscription to a minimum of 2,000,000 shares.

2.6. Minimum Application Size

The minimum application size under the Offer Information Statement is 20,000 Shares, representing a subscription of $10,000, and thereafter in multiples of 10,000 Shares. The Company reserves the right to reject any applications which are for amounts of less than the minimum application size.

2.7. Pro-Forma Capital Structure

The Offer will increase the capital structure of the Company as shown below.

Pro-Forma Capital Structure	**$1,900,000 Subscription**		**Full Oversubscriptions $2,400,000**	
	Shares on issue	**Paid up capital**	**Shares on issue**	**Paid up capital**
Total issued and paid up capital prior to the Offer	33,112,765	$11,354,982	33,112,765	$11,354,982
Fully paid ordinary shares Offered under this OIS	3,800,000	$1,900,000	4,800,000	$2,400,000
Less: Costs of the Offer:				
Early commitment fees		($57,000)		($68,000)
Brokerage fees and rebates		($77,000)		($92,000)
Other Offer costs		($20,000)		($20,000)
Total costs of the Offer		($154,000)		($180,000)
Total issued and paid up capital on completion of the offer	**36,912,765**	**$13,100,982**	**37,912,765**	**$13,574,982**

In addition, the Company has the following unlisted director's and staff options outstanding:

1,200,000 options exercisable at 50 ¢ by 26 April 2007
50,000 options exercisable at 50 ¢ by 17 June 2007

2.8. Share Purchase Plan

The Company launched its Share Purchase Plan (SPP) on 1 May 2003. The SPP offers all existing shareholders as at the record date of 30 April 2003 the right to subscribe for up to $5,000 worth of Shares at 50 cents per Share.

The pro-forma capital structure in Section 2.7 does not include the effect of any Shares issued under the SPP.

2.9. How to Apply for Shares under the OIS

Applications for Shares Offered by this Offer Information Statement must be made on the Application Form which forms part of this Offer Information Statement. Facsimile copies will not be accepted. Application Forms must not be circulated to prospective investors unless accompanied by this Offer Information Statement.

Payment for the Shares must be made in full at the Offer Price of $0.50 per Share. If you wish to participate in this Offer you must forward a duly completed Application Form, together with payment of the application monies in full by cheque made payable in Australian currency to "Geodynamics Limited – Allotment Account" and crossed "Not Negotiable" to:

Geodynamics Limited - OIS Offer

Postal address	**Street Address**
PO Box 2046 Milton Queensland 4064	Level 3 11 Lang Parade Milton Queensland 4064

2.10. Last Date for Receipt of Applications

The closing date of the Offer is 22 May 2003 at 5.00 pm Brisbane time ("Closing Date"). The Directors reserve the right to both close the Offer early or extend the Closing Date (as the case may be) should it be considered reasonable to do so. Any changes to the Closing Date may result in consequential changes to the dates of allotment of ASX quotation.

If your completed Application Form and cheque in payment of the application monies are not received prior to 5.00pm (Brisbane time) on the Closing Date you will not be allotted any Shares under this Offer Information Statement.

Timetable

Lodgment of Offer Information Statement with the ASIC	1 May 2003
Offer opens	1 May 2003
Offer closes	22 May 2003
Allotment of Shares	23 May 2003
ASX Quotation	28 May 2003

2.11. Allocation and Allotment of Shares

As required by the Corporations Act 2001, this Offer Information Statement is subject to an exposure period of 7 days following lodgment of the Offer Information Statement at the ASIC. That period may be extended by ASIC for a further 7 days. No applications will be accepted by the Company during the exposure period. Any application received during the exposure period will only be processed (without preference) after the exposure period has ended.

An Application constitutes an offer by the Applicant to subscribe for Shares on the terms and subject to the conditions set out in this Offer Information Statement. Once an Application is made, it cannot be revoked. A binding contract to issue Shares will be formed when the application is accepted by the Company. No notice of acceptance of the Application will be provided.

The Directors reserve the right to reject any application and to allot a lesser number of Shares than applied for. If the number of Shares allotted is less than the number applied for, the surplus application monies will be refunded to the Applicant within 7 days of the allotment without interest. The Company also reserves the right not to continue with the Offer at any time prior to the issue and allotment of Shares under this Offer Information Statement.

Shares will be allotted to successful Applicants as soon as possible after the Closing Date and promptly after allotment, an application will be made to ASX for the grant of quotation of the newly issued Shares.

2.12. Fees and Commissions

The Company will pay to participating organisations of ASX a commission of 3% of the Offer Price in respect of Shares allotted pursuant to Application Forms bearing that organisation's identification stamp.

As noted above, the Company has agreed to pay Pre-OIS Investors, a 3% rebate and a 3% early commitment fee (see section 2.5).

3. Description of Geodynamics Limited and its business

3.1. Summary

Geodynamics aims to become the largest renewable energy producer in Australia by developing emission free, base-load electricity generation from known Hot Dry Rock (HDR) geothermal resources.

3.2. HDR Geothermal Electricity Program

Geodynamics has secured a world-class geothermal resource in the basement granites of the Cooper Basin in South Australia. At depths of less than 5,000 metres, these granites could yield the thermal energy equivalent of 50 billion barrels of oil or 10.3 billion tonnes of coal.

This is the hottest known region on Earth outside volcanic terrains with expected temperatures reaching 290°C at 5,000 metres depth. The geothermal resource potential was established by previous oil and gas industry drilling. Only a small number of locations around the world have the right conditions for cost effective production of HDR electricity. The best HDR energy source is a high heat production (HHP) granite which is buried by 3,000 metres to 4,000 metres of insulating sedimentary rock. These conditions prevail in the Company's GEL's in the Cooper Basin.

The known, world-class geothermal resource can be accessed by standard oil well drilling technology. The heat will be extracted by circulating water in an underground heat exchanger, engineered using hydraulic stimulation techniques as developed by the oil industry. The heat extracted is converted to electricity using standard binary geothermal power plants, which are operational throughout the world.

Geodynamics estimates that since the concept of HDR geothermal energy first originated 30 years ago, more than US$500 million has been invested in HDR geothermal research and development worldwide. As a result, HDR technology has now reached the stage of commercialisation with an international consortium committing to build the first HDR power station at Soultz in north eastern France.

Both heat extraction and electricity generation are conducted in closed loop systems. Being emission free, HDR geothermal energy generation can directly benefit from the economic incentives created by the Renewable Energy (Electricity) Act 2000.

Studies have shown that HDR geothermal electricity can be generated at $40 to $62 per MWh at site depending on scale. This is highly competitive with other forms of renewable energy generation such as wind, biomass, hydro and solar, with the added advantage of being capable of carrying base-loads. A large-scale commercial HDR geothermal power plant is expected to be competitive with gas turbine power generation.

3.3. Geodynamics Background

Geodynamics was registered on 7 November 2000 to focus solely on the development of renewable geothermal energy from Hot Dry Rocks ("HDR geothermal energy"). This became possible following pioneering legislation in New South Wales and then in South Australia that secured the rights to HDR geothermal resources together with the introduction of financial incentives under the Renewable Energy (Electricity) Act 2000 (C. of A.).

HDR geothermal energy generation is the only known renewable form of energy (other than large scale hydro electric) with the capacity to supply large base-loads of electricity with zero emissions. As such, it is greenhouse gas friendly.

During 2001, the Company conducted studies and exploration to select an optimal site for the development of an HDR geothermal commercial demonstration plant. In May 2001, the Company completed a seed capital raising of $1.1 million.

In December 2001, the Commonwealth Industry Research and Development Board approved the Company's application for up to $5 million of funding under the R&D START program. This $5 million grant will provide approximately 30% of the funding for the Stage One programme.

The Company has acquired a number of HDR geothermal exploration tenements, including a world class, high-grade HDR geothermal resource in the Cooper Basin, South Australia. The Cooper Basin Project will be the principal focus for the Company in the short and medium term.

In September 2002, the Company listed on ASX after its successful initial public offering which raised $11.6 million. Together with the $5 million R&D START grant from the Federal Government, this provided the Company with gross funding of $16.6 million. The Company immediately undertook detailed technical planning for Stage One (Proof of Concept) of its business plan.

By mid-February 2003, five months after completion of the IPO, the Stage One program was under way with the commencement of drilling of its first well, Habanero 1 located near Innamincka. This well is scheduled to take approximately twelve weeks to complete.

3.4. Geodynamics' Business Plan

Geodynamics' has a three stage business plan to develop the known HDR geothermal resource in the Cooper Basin:

Stage 1 - Proof of Concept: Develop an underground heat exchanger and produce 20 MWt of thermal energy from a two well circulation test. Drilling of the first well Habanero 1 commenced in mid-February 2003. Hydraulic stimulation of Habanero 1 in mid 2003 will be followed by the drilling of Habanero 2. The circulation test is scheduled to commence in early 2004.

Stage 2 - Commercial Demonstration Plant Complete the underground heat exchanger, drill third well, and install an off-the-shelf, binary geothermal plant to produce 13 MWe of electricity for proposed sale to the nearby Moomba gas processing plant.

Stage 3 - Commercial Production Expand production to large-scale commercial HDR geothermal power generation (275MWe) for long term sale of emission free electricity to the national electricity grid.

There is adequate thermal energy within the Cooper Basin HDR resource to power much larger geothermal power stations than 275 MWe. Geodynamics' long term goal is to become the largest renewable energy producer in Australia by the development of several stations of this size or larger.

3.5. Current Activities

Drilling of Habanero 1 is in progress. The budgeted cost for this well to a depth of 4400m is $5.9 million. With this fund raising the well is to be extended to 4900m at a total cost of $6.5 million. It will be the deepest well ever drilled onshore Australia.

The Company is now planning the hydraulic stimulation phase which is scheduled to follow within two months of completion of Habanero 1. On 25th and 26th of February, the Company hosted a workshop attended by twenty-five Australian and international experts to finalise the design of the stimulation program. Following the meeting, installation of the acoustic monitoring network is now underway.

3.6. Recent ASX Announcements and Press Releases

The Company has made the following ASX announcements and press releases during the past four months:

Date	Title
30 April 2003	Quarterly Report (to March 31 2003)
30 April 2003	ASX Appendix 4C – Quarterly Cash flow report
23 April 2003	Habanero #1 reaches heat bearing granites
10 March 2003	Progress on Geodynamics' Habanero #1
5 March 2003	Issue of 16,269 fully paid shares in consideration for professional services
25 February 2003	Half Year Accounts and Half Yearly Report
16 February 2003	Geodynamics spuds historic Habanero 1
31 January 2003	Quarterly Report (to December 31 2002)
31 January 2003	ASX Appendix 4C – Quarterly Cash flow report
16 December 2002	Ready to Start Drilling $5.4 million geothermal well

These announcements are available on the Company's website geodynamics.com.au.

4. Board of Geodynamics

Mr. Martin Albrecht AC Chairman
B.Tech (Civil), FTSE, FIE Aust, FAICD, FAIM, DUniv (QUT)

Mr. Martin Albrecht was formerly Managing Director of Thiess Pty Ltd, (one of Australia's largest engineering and construction companies) a position he held for more than 15 years. He is now Chairman of Thiess and a director of Leighton Holdings Limited. Since his retirement he has taken up a number of board positions in companies including Queensland Gas Limited and Portman Limited. He received his Companion of Australia for services to industry in 2002.

Dr Lambertus de Graaf Managing Director
B.Sc (Hons), Ph.D (Univ. of Bristol, UK), FAusIMM, MGSA

Dr Bertus de Graaf was the Managing Director and CEO of Ross Mining NL since its incorporation in 1986, until a friendly takeover in mid 2000. During his tenure, the Company developed 4 new gold mines, and gained official recognition for excellence in environmental management and engineering. Prior to his career with Ross Mining, he was employed for 14 years by the Shell/Billiton Group on various international mineral exploration and resource development assignments in Europe, Africa, South America and Asia as well as in Australia.

Dr Doone Wyborn Executive Director
B.Sc (Hons), Ph.D, FAusIMM, MGSA

Dr Doone Wyborn is a geoscientist specialising in granitic rocks. He obtained his Ph.D on granite research in 1983, and served more than 25 years with the Bureau of Mineral Resources, Geology & Geophysics and Australian Geological Survey Organisation, including research in Antarctica. He has been championing HDR geothermal energy for the last 10 years and is recognised as the leading Australian authority. He is a member of the Executive Committee of the International Energy Agency Geothermal Implementing Agreement and has studied HDR geothermal projects in Japan, Europe and the USA.

Dr Jack Hamilton Non-Executive Director
B. Chem Eng. Ph.D

Dr Jack Hamilton has a career spanning nearly 21 years with Shell Australia and Woodside Petroleum Ltd. He has worked in operations management in refining, petrochemicals and gas production, marketing, strategy and LNG project management. His career has been spent both in roles in Australia and internationally. Dr Hamilton joined Woodside Energy Ltd in November 2001 in the role of Managing Director, Metasource and was recently appointed Director - Profitability Enhancement Program of Woodside Energy Ltd. In addition, he is a director of Ceramic Fuel Cell Limited. Metasource Pty Ltd is a 100% Woodside company focused on investing in sustainable and renewable energy businesses and is the largest shareholder of Geodynamics Limited holding 31.6% of fully paid ordinary shares on issue.

Dr Prame Chopra Non-Executive Director
B.Sc (Hons), Ph.D, MGSA, MAGU, MASEG, MIGA, MASC

Dr Prame Chopra is a Reader in Geophysics at the Australian National Uuniversity in Canberra. He obtained his Ph.D in rock physics at the ANU in 1980 and has held research appointments at ANU, Cornell University and at the Bureau of Mineral Resources and Australian Geological Survey Organisation. He is an internationally recognised researcher with strong collaborative links with key overseas HDR research groups. Dr Chopra was a Principal Investigator in the ANU - Pacific Power geothermal research project in the Hunter Valley, NSW

Mr. Robert Flew Non-Executive Director
B.Ec (Hons), FAusIMM, FAIM, FAICD

Mr. Robert Flew held senior management responsibilities at BHP for fifteen years. Before his retirement in 1999, he was Company Secretary and Vice President Investor Relations. Previously, he was Group General Manager International and Group General Manager BHP Australia Coal. He is experienced in project development and in negotiations with Governments, financial institutions and unions. He is also a director of Thiess Pty Ltd, Zirtanium Pty Ltd (Chairman), Bass Strait Oil Company Ltd and Key Solutions Community Trust (Chairman).

Mr. Neil Galwey OAM Non-Executive Director
BE, FIE Aust.

Mr. Neil Galwey has an electrical engineering background. He has been Queensland Electricity Commissioner, Chairman of the Snowy Mountain Engineering Corporation, and Director of the Energy Research and Development Corporation and Stanwell Corporation. He is currently Chairman of CVC REEF Limited, a venture capital fund established to increase investment in renewable energy technologies. CVC REEF Limited is a substantial shareholder of Geodynamics Limited holding 8.4% fully paid ordinary shares on issue. In 1997 he was awarded an OAM for services to Australia's electricity industry.

5. Risk Factors

An investment in the Company involves a high degree of risk. In addition to the other information contained in this Offer Information Statement, the following risk factors both specific to the Company and of a general nature may affect the ability of the Company to achieve its commercial objectives, may affect future operating and financial performance and may impact on the value of an investment in the Company.

You should carefully consider the following risk factors as well as the other information contained in this Offer Information Statement before you make an investment decision.

5.1. Specific Risks

Resource Risk There is an inherent risk that the Company's primary Cooper Basin geothermal resource and the Company's other areas of exploration do not have the geological or geothermal features to be commercially exploited as a renewable energy source for either small scale electricity generation or large scale base load electricity generation. This risk is beyond the control of the Company and its Directors.

For example, there is no guarantee that the resource has the geological or geothermal features necessary to support commercial geothermal electricity generation in terms of HHP granite heat content, uniformity of heat in the body of HHP granites, the orientation of the HHP granites, the stimulation properties of the granites and the flow rate of water through the body of HHP granite.

However, there is substantial geological and other technical information about the relevant areas covered by the Company's Cooper Basin GELs which support the presence of commercially feasible geothermal resources. The main objective of Stage One of the Company's business plan is to demonstrate that the assumptions made in relation to the extraction of heat from the known Cooper Basin HDR resource can be achieved.

Development and Operating Risks Developing and extracting geothermal energy involves various development and operational risks:

> **Drilling** - the Company is using established drilling techniques to minimise technical risks associated with drilling. In the Company's view, the key drilling risks are the potential cost and time overruns related to unexpected local conditions.
>
> **Development of Underground Heat Exchanger** - the information currently available to the Company supports the view that the local geological and technical conditions will be amenable to the development of horizontal underground heat exchangers by using hydraulic stimulation techniques developed over the last 30 years in the USA, UK, France and Japan.
>
> However, these geological and technical conditions have not been physically tested and there is a risk that an underground heat exchanger cannot be developed by using the hydraulic stimulation techniques proposed or be developed to the extent that the underground heat exchanger can be commercially exploited.
>
> **Timing** - risks in connection with timing are similar to those encountered in other resource development projects and are mainly limited to unknown geological conditions, availability of contractors and equipment, and weather. These specific Stage One risks, could prevent completion of the development of the underground heat exchanger or delay it beyond the scheduled 18 months allowed for its development.

In addition, there are risks of non-completion or delay in the completion of any of the physical works contemplated in any stage of the Company's business plan (such as the commercial demonstration power plant contemplated in Stage Two of the Company's business plan); the completed facilities operating below capacity or not otherwise performing as planned; cost overruns, equipment failures and other accidents, adverse weather conditions, the remoteness of GELs, restrictions on access, fires and spills.

Any of these events or other unanticipated events could have a material adverse effect on the Company's ability to achieve its business plan at all; delay completion or increase materially the costs of completing any stage of the Company's business plan; or have a material adverse effect on the economic feasibility of the Cooper Basin project.

The Company will manage the technical risks associated with its activities by using technologies to construct and operate both the sub-surface and surface facilities which are established and commercially available within the wider petroleum and geothermal industries.

No Operating History - The Company was formed in November 2000 and has no history of exploring for geothermal energy, developing or extracting HDR geothermal energy or operating geothermal power plants. As a result, there is no relevant history or track record which can be used to evaluate the likely performance of the Company or its ability to achieve its objectives.

Despite the lack of operating history, the Directors believe that the Company internally has the necessary management experience and expertise and externally has access to the required technical support (including a technical services agreement with the CSIRO), necessary to achieve its objectives and business plan.

Dependence On The Cooper Basin Project - The Company's principal project and focus is the Cooper Basin HDR geothermal project. The Company's future is primarily dependent on an ability to develop this project in the way described in this Offer Information Statement. A failure to complete and operate the Cooper Basin project in the way described in this Offer Information Statement would have a material adverse effect on the Company and the value of its Shares.

The Company's future is also dependent on the financial performance of the Cooper Basin project not being materially adversely different from the economic feasibility study which the Company has carried out.

The Company's economic feasibility study of the project is based on assumptions contained in that study which are inherently subject to significant uncertainties. Given the size, complexity, nature and timeframe of the project to full commercialisation, there is a risk that actual financial performance could differ from the results in the economic feasibility study in a materially adverse way. Accordingly, no assurance can be given that the financial performance of the project in the economic feasibility study can be achieved.

Regulatory Risks - The Company's activities are subject to compliance with various laws including State and Commonwealth laws relating to the protection of the environment and aboriginal culture and heritage, native title and exploration for geothermal resources. In addition, the Company is relying on financial incentives provided in the Commonwealth Renewable Energy (Electricity) Act 2000 to assist in creating a market for electricity generated by renewable geothermal energy. The introduction of new legislation, amendments to existing legislation, changes in government policy or the interpretation of existing laws, could have a material adverse effect on the operations, financial performance and prospects of the Company.

The Company's application for a permit to explore for geothermal energy in south west Queensland has not yet been accepted by the Queensland Department of Natural Resources. The Department has indicated that there may need to be changes to mining legislation in Queensland before the Company's application can be processed. Accordingly, there is no assurance that the Company will be successful in its application.

Native Title Risk - The Company's GELs have been granted by the Department of Primary Industries and Resources South Australia on the basis that the relevant native title legislation does not apply and that the GELs are valid as to native title. The native title implications of the grant of GELs generally under the South Australian Petroleum Act 2000 have not been considered by any Court. There is a risk that the grant of the GELs may be challenged or ultimately held to be invalid as to native title. If the grant of the GELs was found to be invalid as to native title, the Company would either have to re-apply for the grant of new GELs and comply with the native title legislation including the right to negotiate procedures or negotiate an indigenous land use agreement with interested indigenous groups. Either of these outcomes could have a materially adverse effect on the Company's ability to achieve its business plan or to do so without material delay or additional cost.

The Company will require new licences in the future for its commercialisation activities. For example, in South Australia, the Company will require new retention licences and production licences to extract or release geothermal energy. Native title legislation could apply to the grant of these future licences and require the Company to follow the right to negotiate procedure before such tenements could be validly granted. The need to comply with native title laws could have a materially adverse effect on the Company's ability to achieve its business plan or to do so without material delay or additional cost.

Reliance On Key Personnel And External Contractors - The ability of the Company to achieve its objectives depends on being able to retain certain key management and technical personnel including the Company's managing director and to engage external personnel to provide services under contract to the Company.

If the Company cannot secure external technical expertise (for example, to carry out contract drilling or to construct the proposed commercial demonstration plant or full scale commercial plant) or if the services of any of the present management or technical team cease to become available to the Company, this may affect the Company's ability to achieve its objectives at all or to do so on time or within the relevant target financial and technical parameters.

Electricity Market - Ultimately, the future of the Company as a base load electricity generator depends on its ability to find customers for the electricity it produces, to sell that electricity on commercial terms and prices and technically and physically to supply and deliver the electricity to its customers. There is no assurance that the Company will ultimately be able to sell the electricity it produces on commercial terms or that the Company will be able technically and physically to supply and deliver the electricity it produces to its customers. Electricity is a traded commodity in Australia and its long term price may rise and fall.

Although the Company has entered into a non-binding conditional Memorandum of Understanding with Santos Limited to negotiate the sale of electricity the Company generates from the Cooper Basin project, there is no assurance that the Company will be able to conclude and enter into legally binding power offtake contracts for prices and otherwise on terms and conditions which make the commercial demonstration plant or the large scale commercial plant economically feasible.

The royalty requirements of the South Australian government for a producing geothermal power station have not been determined. Royalty payments will have a negative impact on the Company's revenue and may materially affect the Company's ability to operate commercially.

REC Market - The market for RECs (renewable energy certificates) came into being as a consequence of the Renewable Energy (Electricity) Act 2000 which commenced operation on 18 January 2001. As a result, the market for RECs is not yet mature.

The future value of RECs depends in part on Government policy and on the commercial outlook for participants in the electricity industry who currently hold differing opinions as to the future value of RECs certificates. The future price of RECs may also rise or fall depending on the availability of qualifying electricity from other renewable sources and on demand for RECs from electricity retailers. There is no assurance that the Company will be able to obtain an adequate price for RECs (together with electricity) to provide sufficient financial return to justify the construction of a large scale HDR geothermal electricity project.

Financial Risks - Geodynamics currently has no income yielding assets apart from working capital deposits from which interest income is earned. That position will continue until it is able to earn revenue from the sale of power from its Cooper Basin project.

Geodynamics has incurred losses to date and because the Company intends to continue expenditure on Stage One of its business plan, the Directors anticipate making further losses in the short to medium term. Whilst the Directors have confidence in the future revenue earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

Need For And Availability Of Future Financing - The monies to be raised under the Offer will be applied to assist the Company achieve Stage One of its business plan, namely the development of an engineered underground heat exchanger for the extraction of geothermal energy in the Cooper Basin. In the second and third stages of its business plan, the Company intends to develop and construct a binary geothermal commercial demonstration power plant and then to proceed to full scale commercialisation of its HDR geothermal energy extraction. The Company will be required to raise additional equity and/or debt capital to finance its activities in Stages Two and Three. There is no assurance that the Company will be able to raise that finance, that the terms of the finance will be satisfactory to the Company or that the finance can be raised in a timely manner.

Competition - There are risks that the Company will face competition from the development of other electricity from HDR geothermal energy projects or other electricity suppliers using either renewable energy sources (such as wind, hydro or solar power) or from conventional fuels (such as coal or gas). That competition may have an adverse effect on the financial performance of the Company and the value of its Shares.

5.2. General Risks

The Company will be subject to general risks, many of which are beyond the control of the Company and its Directors. These include the health of local, state, national and international economies, changes in accounting standards, movements in local and international stock markets, adverse currency movements, interest rate changes and inflation. Each of these risks could have a material adverse effect on the Company's operations, financial performance and share value.

6. Consents

The following persons have given and have not before the lodgment of this Offer Information Statement, withdrawn their written consent to the issue of this Offer Information Statement in the terms specified below:

Ernst and Young has given its consent to the inclusion of its independent audit report and to being named as the Company's auditors in the form and context in which it is included or named.

Phillips Fox have given their consent to be named as the solicitors of the Company in the form and context in which they are named.

Wycliffe Pty Ltd has given its consent to be named as the corporate advisor to the Company in the form and context in which it is named.

ABN AMRO Morgans Limited has given its consent to be named as broker to the Offer in the form and context in which it is named.

None of the persons named above have authorised or caused the issue of this document and, except as set out in this section, none of them make or purport to make any statement in this document. Each of those persons, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this document other than giving their consents as set out in this section.

7. Authorisation

This Offer Information Statement is issued by Geodynamics Limited. Each Director has given his consent in writing in accordance with section 720 of the Corporations Act 2001 to the lodgment of this Offer Information Statement with the ASIC and has not withdrawn his consent prior to lodgment.

8. Glossary

Application	A valid application to subscribe for Shares under this Offer Information Statement
Application Form	The application form attached to or accompanying this Offer Information Statement
Applicant	A person or entity who or which applies for Shares pursuant to this Offer Information Statement.
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited.
Binary geothermal plant	Power station using heat from the Earth, but where the primary heat energy contained in water is transferred to a secondary fluid via a surface heat exchanger before the secondary fluid is vaporised and passed through a device such as a turbine to drive a generator. The secondary fluid is usually a low boiling point fluid such as pentane or butane, but could also be water.
Board	The board of Directors of the Company
Closed Loop	A fluid circulation loop entirely confined from the surface environment to avoid pollution. Heat energy is transferred into or out of the loop via a heat exchanger.
Closing Date	22 May 2003 or such other date as determined by the Directors
Company	Geodynamics Limited ABN 55 095 006 090
CSIRO	Commonwealth Scientific Industrial and Research Organisation
Demonstration plant	A power station that is relatively small compared to possible future stations, that is built to show that the process of electricity generation is economically viable.
Directors	The directors of the Company
GEL	Geothermal Exploration Licence (South Australia)
Heat exchanger	Two types of heat exchangers are important in hot dry rock geothermal energy. The underground heat exchanger is made up of natural fractures that can flow water and extract the heat from the surrounding rock. The surface heat exchanger is made of conducting metal, and consists of two compartments in conductive contact. Heat from hot fluid passing through one compartment is transferred to cold fluid passing through the other compartment.
High heat production granite	(HHP Granite) A relatively rare type of granite with slightly elevated abundances of naturally occurring radiogenic elements that provide internal heat over

	millions of years.
Hot dry rock	Buried rock mass that is at high temperature but contains virtually no water.
Hydraulic stimulation	A process of pumping water at high pressure into the rock via a well.
Megawatt	Unit of power equal to 10^6 watts, either electrical or thermal or 1000kW.
MWe	Megawatts of electricity.
MWh	Unit of energy, megawatt of electricity consumed or produced over 1 hour.
MWt	Megawatts thermal.
Offer	The invitation to subscribe for up to 4,800,000 Shares made by the Company under this Offer Information Statement
Offer Price	$0.50 per Share
Offer Information Statement	This document
Pre-OIS Investors	Investors listed in Table 2.5 who have agreed to subscribe for Shares under the Offer
Renewable energy	Energy other than from fossil fuels, such as wind, solar and HDR geothermal.
Renewable Energy Certificates	Certificates issued under the Renewable Energy (Electricity) Act 2000 (Cth) to an energy generator that generates renewable energy, which are tradeable for a commercial value
Share	An ordinary fully paid share in the capital of the Company
Underground heat exchanger	Forms the heart of the HDR process. The heat exchanger consists of networks of natural fractures that have been inflated by injecting water at high pressure along the fractures. The inflation permanently opens up the previously closed fractures which become minute voids for flow and heat extraction.

9. Application Form

Pin cheque(s) here. Do not staple

Geodynamics Limited

ABN 55 095 006 090

Broker Code

Broker Reference Stamp Only

OIS OFFER

Adviser Code

APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Offer Information Statement carefully before completing the form. To meet the requirements of the Corporations Act, this Application Form must not be handed on unless attached to the Offer Information Statement.

A Shares Applied for

No of Shares ____ X Price per Share A $0.50

B Total Application amount A $

OFFER CLOSES 22 May 2003

Must be a minimum of 20,000 Shares.
Applications for more than 20,000 Shares must be in multiples of 10,000 Shares

C Write your name here

Name of Applicant 1 - Title, Given Name(s) & Surname or Company Name

Name of Applicant 2 or <Account Name>

Name of Applicant 3 or <Account Name>

D Write your postal address here

PO Box Number/ Street Number and Street Name

Suburb/Town State Post Code

E Tax file number or ABN Number

TFN of Applicant 1 TFN of Applicant 2 Exemption Category

ABN of Applicant 1 ABN of Applicant 2

F CHESS HIN (if applicable)

X

G Cheque payment details

Please fill out your cheque details and make your cheque payable to '***Geodynamics Limited – Allotment Account***'.

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Amount A$

H Telephone Number

( )

Total Amount Enclosed $

You should read the Offer Information Statement carefully before completing this Application Form

10. Guide to Completing the Application Form

Guide to Completing the Application Form

A Enter the number of Shares you wish to apply for. The application must be for a minimum of 20,000 Shares. Applications for greater than 20,000 Shares must be in multiples of 10,000 Shares.

B Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for by the price per share.

C Enter the full name you wish to appear on the register. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name may be **rejected.** Clearing House Electronic Sub-Register System (CHESS) participants should complete their name and address in the same format as that are presently registered in the CHESS system

D Enter your postal address for all correspondence. All communications to you from the Share Registry will be mailed to the address as shown. For joint Applicants, only one address can be entered.

E Enter your Tax File Number (TFN) or exemption category or Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for Applicant 1 and Applicant 2 only. Collection of TFNs and ABNs is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application. However, if no TFN or ABN is quoted your dividends may be taxed at the highest marginal tax rate plus the Medicare Levy.

F Geodynamics Limited is a participant in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, the Company operates an electronic CHESS subregister of shareholdings and an electronic issuer sponsored subregister of shareholdings. Together the two subregisters make up the Company's principal register of shares. The Company will not be issuing certificates to applicants in respect of shares allotted.

If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHESS subregister, enter your CHESS HIN. Otherwise, leave the Section blank and on allotment, you will be sponsored by Geodynamics Limited and a Securityholder Reference Number (SRN) will be allocated to you.

If the Applicant has received an electronic Offer Information Statement (OIS), this application form relates to the invitation by the Company to subscribe for up to 4,800,000 Shares at $0.50 each made under an OIS dated 1 May 2003 which was lodged with ASIC on that date. The Shares will only be issued on receipt of an Application Form issued together with the electronic OIS . The expiry date of the OIS is 31 May 2004. While the OIS is current, the Company or any licensed financial advisor who has provided an electronic copy of this OIS will give you paper copies of the OIS including any supplementary document or OIS and Application on Request and without charge

Correct forms of Registrable name
Note that **ONLY** legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficial or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

G Payment

Make your cheque or bank draft payable to "**Geodynamics Limited – Allotment Account**" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The amount must agree with the amount shown in box "B".

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Pin (do not staple) your cheque(s) to the Application Form where indicated.

H Enter your telephone number. This will assist us to contact you if there are any problems with your application.

BEFORE COMPLETING THE APPLICATION FORM THE APPLICANT(S) SHOULD READ THE OFFER INFORMATION STATEMENT (OIS) TO WHICH THE APPLICATION RELATES. BY LODGING THE APPLICATION FORM WITH YOUR CHEQUE FOR THE APPLICATION MONIES, THE APPLICANT(S) AGREES THAT THIS APPLICATION IS FOR SHARES IN GEODYNAMICS LIMITED UPON AND SUBJECT TO THE TERMS OF THE OIS, AGREES TO TAKE ANY NUMBER OF SHARES EQUAL TO OR LESS THAN THE NUMBER OF SHARES SHOWN IN BOX A THAT MAY BE ALLOTTED TO THE APPLICANT(S) PURSUANT TO THE OIS. I/WE DECLARE THAT ALL DETAILS AND STATEMENTS MADE ARE COMPLETE AND ACCURATE AND AGREE TO BE BOUND BY THE CONSTITUTION OF GEODYNAMICS LIMITED. IT IS NOT NECESSARY TO SIGN THE APPLICATION FORM.

Lodgement of Applications

Return the Application Form with cheque(s) attached to:

Postal Address	Street Address
Geodynamics Limited PO Box 2046 Milton Queensland 4064	Level 3 11 Lang Parade Milton Queensland 4064

Application Forms must be received at the office of Geodynamics Limited no later than 5.00pm on Thursday 22 May 2003.

Type of Investor	Correct Form	Samples of Incorrect Form
Individual • *Use given names, not initials*	John Alfred Smith	J.A. Smith
Company • *Use company title, not abbreviations*	ABC Pty Ltd	ABC P/L ABC Co
Trusts • *Use trustee(s) personal name(s),* • *Do not use the name of the trust*	Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
Deceased Estates • *Use executor(s) personal name(s),* • *Do not use the name of the deceased*	Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships • *Use partners' personal names,* • *Do not use the name of the partnership*	John Smith and Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names • *Use office bearer(s) personal name(s),* • *Do not use the name of clubs etc.*	Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds • *Use name of trustee of fund,* • *Do not use the name of the fund*	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

• Put the name(s) of any joint applicant(s) and/or account description using <> as indicated above in designated space(s) on the Application form.

11. Financial Report

Geodynamics Limited
ABN 55 095 006 090

Financial Report
12 months ending 31/12/2002

Contents

STATEMENT OF FINANCIAL PERFORMANCE

Financial Period Ended 31 December 2002

	Note	Consolidated		Parent Entity	
		2002 $	2001 $	2002 $	2001 $
Grant Income		241,736	-	241,736	-
Interest Income		173,450	28,958	173,450	28,958
Proof of Concept Expenses		(241,736)	-	(241,736)	-
Administrative expenses		(612,579)	(163,786)	(612,579)	(163,786)
Loss from Ordinary Activities before Income Tax Expense	2	**(439,129)**	**(134,828)**	**(439,129)**	**(134,828)**
Income Tax Benefit attributable to Operating Loss	3	-	-	-	-
Loss from Ordinary Activities after Income Tax Expense	10	**(439,129)**	**(134,828)**	**(439,129)**	**(134,828)**
Share transaction costs taken directly to equity		(1,636,032)	(93,447)	(1,636,032)	(93,447)
Total changes in equity other than those resulting from changes as owners attributable to members of Geodynamics Limited		**(2,075,161)**	**(228,275)**	**(2,075,161)**	**(228,275)**
Basic Earnings / (loss) per share (cents per share)		(2.5)	(2.0)		
Diluted earnings / (loss) per share (cents per share)		(2.5)	(2.0)		

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Current Assets					
Cash Assets		1,756,046	659,786	1,756,046	659,786
Receivables	4	8,735,692	29,498	8,735,692	29,498
Deferred Equity Raising Transaction Costs		-	54,445	-	54,445
Total Current Assets		10,491,738	743,729	10,491,738	743,729
Non Current Assets					
Investments in controlled entity	18	-	-	154,125	-
Property, Plant and Equipment	5	153,188	11,055	153,188	11,055
Deferred Exploration and Evaluation costs	6	896,225	209,935	742,225	209,935
Total Non Current Assets		1,049,413	220,990	1,049,538	220,990
Total Assets		11,541,151	964,719	11,541,276	964,719
Current Liabilities					
Payables	7	732,206	61,601	732,331	61,601
Provisions	8	37,262	-	37,262	-
Total Current Liabilities		769,468	61,601	769,593	61,601
Total Liabilities		769,468	61,601	769,593	61,601
Net Assets		10,771,683	903,118	10,771,683	903,118
Equity					
Contributed Equity	9	11,345,632	1,037,938	11,345,632	1,037,938
Accumulated Losses	10	(573,949)	(134,820)	(573,949)	(134,820)
Total Equity		10,771,683	903,118	10,771,683	903,118

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

STATEMENT OF CASH FLOWS

Financial Period Ended 31 December 2002

	Note	Consolidated		Parent Entity	
		2002	2001	2002	2001
		$	$	$	$
Cash Flows from Operating Activities					
Goods and services tax received		117,490	18,440	117,490	18,440
Payments to suppliers and employees		(538,665)	(129,785)	(538,540)	(129,785)
Interest received		137,457	28,619	137,457	28,619
Net cash flows used in operating activities	19(b)	(283,718)	(82,726)	(283,593)	(82,726)
Cash Flows from Investing Activities					
Purchase of property, plant & equipment		(155,871)	(11,054)	(155,871)	(11,054)
Payments for exploration and evaluation expenditure		(532,290)	(209,935)	(532,290)	(209,935)
Purchase of short term deposits		(8,040,000)	(20,000)	(8,040,000)	(20,000)
Purchase of controlled entity	18	125	-	-	-
Net cash flow used in investing activities		(8,728,036)	(240,989)	(8,728,161)	(240,989)
Cash Flows from Financing Activities					
Proceeds from issue of shares		11,689,601	1,032,553	11,689,601	1,032,553
Costs of Issue		(1,581,587)	(54,445)	(1,581,587)	(54,445)
Net cash flow provided by financing activities		10,108,014	978,108	10,108,014	978,108
Net increase in cash held		1,096,260	654,393	1,096,260	654,393
Add: Opening cash carried forward		659,786	5,393	659,786	5,393
Closing cash carried forward	19(a)	1,756,046	659,786	1,756,046	659,786

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial report is a general purpose financial report which, although not required under the Corporations Act 2001 given the period that is being reported on, has been prepared in accordance with the requirements of the Corporations Act 2001 applicable to the preparation of annual financial reports which include applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and does not take into account changing money values. The accounting policies adopted are consistent with those applied in the 30 June 2002 annual financial report.

B. Cash

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

C. Other receivables

Interest is taken up as income on an accrual basis. Bills of exchange are measured at the lower of cost and net realisable value.

D. Recoverable Amount

Non-current assets are carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amounts the expected net cash flows have not been discounted.

E. Property, Plant & Equipment

Cost and Valuation
Property, plant and equipment are carried at cost.
Depreciation
Depreciation is provided on a straight line basis on all plant and equipment. Major depreciation rates are:

Office equipment	10 years
Computer equipment	3 years
Field equipment	5-10 years

F. Exploration, evaluation, development and restoration costs

Costs carried forward
Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Grants and subsidies are treated as revenue and an equivalent amount of eligible exploration and evaluation expenditure is written off to offset this revenue. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration costs

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

G. Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

H. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. In the case of interest revenue the Company must control the right to receive the interest payment before that interest revenue is recognised. Grants and subsidies received are treated as revenue.

I. Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Employee entitlement expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, sick leave and other leave entitlements; and other types of employee entitlements including superannuation are charged against profits on a net basis in their respective categories.

J. Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

For Geodynamics Limited, no future tax benefit is being recognised in the statement of financial position as the benefit is not virtually certain of being realised.

K. Earnings per share

Basic earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial period.

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

L. Goods and Services Tax (GST)

GST received from customers is included in cash flows from customers. GST paid on supplies is included in payments to suppliers and employees. GST paid on acquisitions of plant and equipment is included in payments to suppliers and employees. GST is not included in revenue or expenses, but is included in receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Financial Period

These financial statements have been prepared for inclusion in the Offer Information Statement and therefore cover the 12 month period ended 31 December 2002. This is not the financial reporting period of the entity which is 30 June 2002.

N. Consolidation

The consolidated financial statements are those of the consolidated entity comprising Geodynamics Limited and South Australia Geothermal Exploration Pty Ltd. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

	Consolidated		Parent Entity	
	2002 $	**2001 $**	**2002 $**	**2001 $**
NOTE 2 – EXPENSES AND LOSSES/(GAINS)				
Operating loss before income tax has been determined after charging/(crediting) the following specific items:				
Depreciation of plant and equipment	10,664	-	10,664	-
Amortisation of Leasehold Improvements	3,074	-	3,074	-
Operating lease rentals paid	29,497	15,037	29,497	15,037
NOTE 3 - INCOME TAX				
The prima facie tax of 30% (2001 - 34%) on the operating loss differs from the income tax provided in the financial statements as follows:				
Prima facie income tax benefit from ordinary activities:	(131,739)	(45,841)	(131,739)	(45,841)
Tax effect of permanent differences:				
Income tax benefit not brought to account	**131,739**	**45,841**	**131,739**	**45,841**
Income tax expense attributable to ordinary activities	-	-	-	-
Income Tax losses				
Future income tax benefit @ 30% (2001 34%) arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain	**(441,054)**	**(117,219)**	**(441,054)**	**(117,219)**

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2002 $	Consolidated 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
NOTE 4 – RECEIVABLES				
Current				
Bank Bills	8,000,000	-	8,000,000	-
Term Deposit	60,000	20,000	60,000	20,000
Accounts Receivable	615,120	-	615,120	-
GST Receivable	19,265	9,159	19,265	9,159
Interest Receivable	36,332	339	36,332	339
Other Receivables	4,975	-	4,975	-
	8,735,692	**29,498**	**8,735,692**	**29,498**

Term deposits have an average maturity of 30 days and have a fixed interest rate for the term of the deposit. The bank holds security over the term deposit for $40,000 in bank guarantees issued to NSW Minister for Mineral Resources and $20,000 securing a business credit card facility.

Bank Bills were purchased by the Company on 27 November 2002 with a face value of $8,039,169 and with a maturity date of 3 January 2003, On maturity, $8,000,000 in Bank Bills were again purchased for a term of 30 days.

NOTE 5 - PROPERTY, PLANT & EQUIPMENT

	Consolidated 2002 $	Consolidated 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Plant and Equipment at cost	166,926	11,055	166,926	11,055
Less: accumulated depreciation	(13,738)	-	(13,738)	-
	153,188	**11,055**	**153,188**	**11,055**
Reconciliation of Plant & Equipment				
Carrying amount at beginning	11,055	-	11,055	-
Additions	155,871	11,055	155,871	11,055
Less: accumulated depreciation	(13,738)	-	(13,738)	-
	153,188	**11,055**	**153,188**	**11,055**

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2002 $	2001 $	2002 $	2001 $
NOTE 6 – DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS				
Exploration and Evaluation Phase	411,584	209,935	257,584	209,935
Proof of Concept Phase	484,641	-	484,641	-
	896,225	**209,935**	**742,225**	**209,935**
Reconciliation of Deferred Exploration & Evaluation costs				
Carrying amount at beginning*	209,935	-	209,935	-
Add: Exploration expenditure for period	247,766	209,935	93,766	209,935
Add: Proof of Concept expenditure for period	438,524	-	438,524	-
	896,225	**209,935**	**742,225**	**209,935**

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

* Exploration Phase expenditure of $46,117 at 31/12/01 was re-classified into the Proof of Concept phase due to the Company raising sufficient funds in the period (via the IPO) to enable it to progress to the Proof of Concept phase. This amount related to carried forward expenditure on the Company's Geothermal Exploration Licence No. 98 (GEL 98) in South Australia.

NOTE 7 - ACCOUNTS PAYABLE

	Consolidated 2002 $	Consolidated 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Trade Creditors	348,718	37,165	348,718	37,165
Payable to Subsidiary	-	-	125	-
Accrued Liabilities	66,024	24,436	66,024	24,436
Unearned Grant Income	317,464	-	317,464	-
	732,206	**61,601**	**732,331**	**61,601**

NOTE 8 – PROVISIONS

	Consolidated 2002 $	Consolidated 2001 $	Parent Entity 2002 $	Parent Entity 2001 $
Annual Leave Accrual	**37,262**	-	**37,262**	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – CONTRIBUTED EQUITY

	Consolidated		Parent Entity	
	2002 $	2001 $	2002 $	2001 $
Issued and Fully Paid Capital				
33,096,496 fully paid ordinary shares	**11,345,632**	**1,037,938**	**11,345,632**	**1,037,938**

Movement in ordinary share capital since incorporation:

		Number of Shares	Issue price	$
07-11-00	Opening balance - Incorporated with founding vendor shares	538,459	$0.01	5,385
30-03-01	Shares issued to Chairman in consideration of his appointment to the Board	25,000	-	-
30-03-01 through 15-06-01	Ordinary shares pursuant to public equity raising via Information Brochure	1,070,000	$1.00	1,070,000
27-04-01	Ordinary shares issued to consultants in consideration of services	56,000	$1.00	56,000
30-04-01	Transaction costs of equity raising			(93,447)
31-12-01	**Sub-total**	**1,689,459**		**1,037,938**
26-04-02	Ordinary shares issued to 2 non-executive Directors and the Company Secretary pursuant to approval by shareholders at a general meeting held on 26 April 2002	100,000	$1.00	100,000
26-04-02	Ordinary shares issued to vendors to acquire South Australia Geothermal Energy Pty Ltd, the owner of GEL 97 pursuant to a general meeting held on 26 April 2002	154,000	$1.00	154,125
	Sub-total	**1,943,459**	**-**	**1,292,063**
26-04-02	Share split of 5 times as approved by shareholders at a general meeting held on 26 April 2002	9,717,295	-	1,292,063
29-08-02	Ordinary shares issued to under Initial Public Offer document lodged with ASIC in August 2002	23,329,451	$0.50	11,664,726
29-08-02	Transaction costs of Sponsored IPO	-	-	(1,636,032)
02-10-02	Ordinary shares issued in consideration of services rendered	49,750	$0.50	24,875
31-12-02	**Balance**	**33,096,496**	**-**	**11,345,632**

Terms and Conditions of contributed equity
Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**
NOTE 10 – ACCUMULATED LOSSES				
Balance at the beginning of year	(134,820)	8	(134,820)	8
Net Loss attributable to members of Geodynamics Limited	(439,129)	(134,828)	(439,129)	(134,828)
Balance at the end of year	**(573,949)**	**(134,820)**	**(573,949)**	**(134,820)**

NOTE 11 – EXPENDITURE COMMITMENTS

Hot Dry Rock (HDR) Tenement Commitments

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

	Consolidated		Parent Entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**
Payable not later than one year	134,544	-	134,544	-
Later than one year but not later than two years	-	-	-	-
	134,544	**-**	**134,544**	**-**
Operating Leases (non-cancellable)				
Payable not later than one year	65,748	4,950	65,748	4,950
Later than one year but not later than five years	103,116	-	103,116	-
	168,864	**4,950**	**168,864**	**4,950**

Capital Expenditure Commitments

There were no capital expenditure commitments at balance date.

NOTE 12 - EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The aggregate employee entitlement liability is comprised of:

	Consolidated 2002	Consolidated 2001	Parent Entity 2002	Parent Entity 2001
Provision for Annual Leave (current)	**37,262**	**-**	**37,262**	**-**
	37,262	**-**	**37,262**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Superannuation Commitments

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

Employee Share Scheme

The Geodynamics Directors & Employees Incentive Share & Option Plan was approved by members on 26 April 2002 and all employees and executive officers of the Company and its related bodies are eligible to participate in the Plan. Under the Plan, certain members of staff of the consolidated entity are issued with options over the ordinary shares of Geodynamics Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Geodynamics Limited. The options are issued for a term of five years and are exercisable and vest in the holder of the Options as follows:

- as to one third on the day which the Company makes an ASX announcement that it has completed a circulation test in a HDR geothermal reservoir (first tranche);
- as to one third on the day the Company makes an ASX announcement that it has completed a bankable feasibility study for the development of a demonstration HDR geothermal power plant or if the closing share price on ASX is 75 cents or greater from the day which is two years after the date on which the Company is admitted to the Official List (second tranche);
- as to one third on the day the Company makes an ASX announcement that it has successfully completed the development and construction of a demonstration HDR geothermal power plant or if the closing share price on ASX is $1.00 or greater from the day which is 3 years after the date on which the Company is admitted to the Official List (third tranche).

The options cannot be transferred and will not be quoted on the ASX. There are currently six directors, one executive and one staff member issued options under the Plan.

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

	2002		2001	
	Number of Options	**Weighted average exercise price**	**Number of Options**	**Weighted average exercise price**
Balance at beginning of year	-	-	-	-
- granted	1,240,000	0.50	-	-
Balance at end of year	**1,240,000**	**0.50**	**-**	**-**
Exercisable at end of year	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2002	2001
NOTE 13 - EARNINGS PER SHARE		
Basic earnings per share (cents per share)	(2.55)	(1.97)
Diluted earnings per share (cents per share)	(2.55)	(1.97)
Weighted average number of ordinary shares used in calculation of basic earnings per share	17,251,568	6,850,487*

The share options of 1,240,000 are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

* The weighted average number of ordinary shares used for 2001 has been converted to a "post split" number of shares to allow a normalised comparison between the 2001 and 2002 earnings per share. The post split occurred in April 2002.

NOTE 14 - SEGMENT INFORMATION

The Company operates in one geographical segment – namely Australia. The Company operates in one business segment, being the activity of Hot Dry Rock geothermal energy exploration and development.

	Consolidated		Parent Entity	
	2002 $	2001 $	2002 $	2001 $
NOTE 15 – REMUNERATION OF DIRECTORS				
Income paid, payable or otherwise made available, to all Directors of Geodynamics Limited.	273,937	159,312	273,937	159,312
The number of Directors of the Company whose income (including superannuation contributions) falls within the following bands is:				
Income between:	Number	Number	Number	Number
$0 to $10,000	3	4	3	4
$10,000 to $19,999	1	-	1	-
$50,000 to $59,999	-	1	-	1
$90,000 to $99,999	1	1	1	1
$150,000 to $159,999	1	-	1	-

There have been no prescribed benefits paid to or on behalf of Directors and principal executive officers. In the opinion of Directors, remuneration paid to Directors is considered reasonable.

	Consolidated		Parent Entity	
	2002 $	2001 $	2002 $	2001 $
NOTE 16 – REMUNERATION OF AUDITORS				
Amounts received or due and receivable by the auditors of the consolidated entity for:				
Auditing the financial report	9,500	8,135	9,500	8,135
Other Services	18,865	-	18,865	-
	28,365	8,135	28,365	8,135

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 - RELATED PARTY INFORMATION

Directors

The Directors of Geodynamics Limited during the financial period were L. de Graaf, M. Albrecht, D. Wyborn, P. Chopra, N. Galwey, R. Flew and J. Hamilton.

Jack Hamilton was appointed a Director on 10 October 2002 and continues in office at the date of this report. All other Directors acted as Directors of the Company for the whole of the period under review. Details of the remuneration of all Directors is set out in note 15 of this financial report.

Director-related entity transactions

There were no director related entity transactions during the financial period.

Equity instruments of Directors

Interests at Balance Date

Directors' relevant interests in the shares and unlisted options of the Company at balance date:

	Fully Paid Ordinary Shares		Share Options	
	2002	**2001**	**2002**	**2001**
M. Albrecht	950,000	700,000	300,000	-
L. de Graaf	1,026,915	946,915	300,000	-
D. Wyborn	695,190	695,190	200,000	-
P. Chopra	710,190	710,190	100,000	-
N. Galwey	240,000	-	100,000	-
R. Flew	250,000	-	100,000	-
J. Hamilton	2,500	-	-	-

Movements in Directors' equity holdings

During the year 200,000 fully paid ordinary shares were issued to each of Messrs Galwey and Flew pursuant to approval by shareholders at a general meeting held on 26 April 2002. In addition, Directors and their Director related entities subscribed for shares under the Initial Public Offer in September 2002 as follows: M Albrecht – 250,000; L de Graaf – 80,000; N. Galwey 40,000, R. Flew 50,000 and J. Hamilton 2,500.

There were no fully paid ordinary shares disposed of by Directors of the Company or their Director-related entities during the period.

NOTE 18 – INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity holding	
		2002	**2001**
South Australia Geothermal Energy Pty Ltd	Australia	100%	-

During the year, the parent entity acquired 100% of the shares of South Australia Geothermal Energy Pty Ltd. Details of the acquisition and fair value of identifiable assets acquired are as follows:

	$
Cash at bank	125
Deferred Exploration and Evaluation costs	154,000
Total Consideration	154,125
Satisfied by: Issue of Shares in Geodynamics Limited	154,125
Net Cash effect	
Cash consideration paid	-
Cash included in net assets acquired	125
Cash received for purchase of controlled entity as reflected in the consolidated financial report	125

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2002 $	**2001 $**	**2002 $**	**2001 $**
NOTE 19 - NOTES TO THE STATEMENT OF CASH FLOWS				
A. Reconciliation of Cash				
Cash is defined in Note 1(B) to this financial report. Cash balance comprises:				
Cash on Hand	250	250	250	250
Cash at Bank	132,842	23,641	132,842	23,641
Cash on 11am Call	1,622,954	635,895	1,622,954	635,895
Total Cash	**1,756,046**	**659,786**	**1,756,046**	**659,786**
B. Reconciliation of the operating loss after tax with the net cash flows used in operations				
Operating loss after income tax	(439,129)	(134,828)	(439,129)	(134,828)
Depreciation and amortisation	13,738	-	13,738	-
Shares issued to Directors	100,000	-	100,000	-
Changes in Assets & Liabilities				
Increase in receivables and prepayments	(666,194)	(9,499)	(666,194)	(9,499)
Increase in trade creditors and accruals	353,141	61,601	353,266	61,601
Increase in unearned revenue	317,464	-	317,464	-
Provision for Annual Leave	37,262	-	37,262	-
Net Cash Flow used in Operating Activities	**(283,718)**	**(82,726)**	**(283,593)**	**(82,726)**

NOTE 20 - CONTINGENT LIABILITIES

Geodynamics Limited has been advised that the South Australian Geothermal Exploration Licences Nos. 97 and 98 (GELs) have been granted by the Department of Primary Industries and Resources South Australia on the basis that the grant of a GEL is not an act which creates a 'right to mine' and therefore 'the right to negotiate' process in the relevant native title legislation does not apply and the grant of the GELs are valid for native title purposes. The Company's legal advice is that this is a sustainable position although it would be open to a Court to reach a different conclusion. Any substantiated claim may have a financial ramification for the Company.

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

NOTE 21 - SUBSEQUENT EVENTS

The Company commenced drilling operations on 15 February 2003. Habanero #1 in the Cooper Basin is the first deep geothermal well ever drilled in Australia. The targeted depth is 4400 metres to 4900 metres.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - FINANCIAL INSTRUMENTS

A. Interest rate risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at balance date, are as follows:

I. Financial Assets

	Floating Interest Rate	Fixed Interest rate maturing in 1 year or less	Non Interest Bearing	Carrying Amount per Balance Sheet	Weighted average effective interest rate
	2002	**2002**	**2002**	**2002**	**2002**
Cash	1,755,796	-	250	1,756,046	4.6%
Short Term Deposits	-	60,000	-	60,000	3.8%
Bank Bills		8,000,000	-	8,000,000	4.8%
Receivables	-	-	675,692	675,692	N/A
	2001	**2001**	**2001**	**2001**	**2001**
Cash	659,536	-	250	659,786	4.0%
Short Term Deposits	-	20,000	-	20,000	4.5%
Receivables	-	-	9,498	9,498	N/A

II. Financial Liabilities

	Floating Interest Rate	Fixed Interest rate maturing in 1 year or less	Non Interest Bearing	Carrying Amount per Balance Sheet	Weighted average effective interest rate
	2002	**2002**	**2002**	**2002**	**2002**
Trade creditors and accruals	-	-	414,742	414,742	N/A
Unearned Revenue	-		317,464	317,464	N/A
	2001	**2001**	**2001**	**2001**	**2001**
Trade creditors and accruals	-	-	61,601	61,601	N/A

B. Net Fair Values

Recognised Financial Instruments

The carrying amounts of recognised financial assets and recognised financial liabilities are considered to approximate fair value.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

(a) Cash (refer Notes 1(B); and 19(A))
Cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts (if any).

(b) Receivables (refer Note 4)
The carrying amount approximates fair value.

(c) Short-term Deposits (refer Note 4)
The carrying amount approximates fair value because of their short-term to maturity.

(d) Trade creditors and accruals (refer Note 7)
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. All amounts are normally settled within 30 days, and discounts for early payment are normally taken where it is considered advantageous for the Company to do so.

C. Credit Risk Exposures

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

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 Company are in accordance with the annual reporting requirements of the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2002 and of its performance for the period ended on that date; and

(ii) complying with Accounting Standards and 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.

L. de Graaf
Managing Director

Brisbane, 28 April 2003

ERNST & YOUNG

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INDEPENDENT AUDIT REPORT

To the members of Geodynamics Limited

Scope

We have audited the financial report of Geodynamics Limited for the calendar year ended 31 December 2002, as set out on pages 25 to 40, including the Directors' Declaration. The financial report, which has been prepared for inclusion in the offer information statement, includes the financial statements of Geodynamics Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the calendar year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the company and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Geodynamics Limited and the consolidated entity as at 31 December 2002 and the results of their financial performance and their cash flows for the calendar year then ended.

Ernst & Young

Ernst & Young

Mike Meintjes
Partner
Brisbane
Date: 28 April 2003