Media Release

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Geodynamics Achieves 'Proof Of Concept'

Geodynamics Limited, the largest ASX-listed company whose focus is on developing hot fractured rock geothermal electricity, today announced it has successfully achieved 'Proof of Concept', marking the completion of Stage 1 of its business program.

The Company said the success follows the completion of the closed loop test at its Habanero project in South Australia's Cooper Basin and an independent analysis of the test results by US-based geothermal consultants GeothermEx.

GeothermEx President Subir Sanyal said Geodynamics had achieved Proof of Concept, demonstrating the ability to extract heat from hydraulically stimulated hot fractured rock to create power.

Geodynamics Managing Director Gerry Grove-White said establishing Proof of Concept, in conjunction with the commissioning of a1 MW Pilot Power Plant, will enable the company to move forward with plans to develop a commercial demonstration plant in line with Stage 2 of its business plan.

Mr Grove-White said Geodynamics and its joint venture partner Origin Energy expect to be supplying electricity to the iconic outback South Australian town of Innamincka from the first hot fractured rock geothermal power plant in Australia by mid-2009.

"The famous Innamincka Hotel will soon be serving icy cold beer chilled using hot rock geothermal energy," he said.

"The town of Innamincka will also be able to kick a $15,000 a month diesel generator habit when we replace their generators with our electricity."

Mr Grove-White said achieving Proof of Concept was a significant prerequisite for the Company's application for funding from the Federal Government's $500 million Renewable Energy Development Program, which must be submitted by mid-April.

He said completion of the Proof of Concept stage was the culmination of six years of hard work by Brisbane-based Geodynamics.

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“It means Geodynamics has successfully completed stage one of its business plan – we have proven that extraction of heat from the hot granitic basement below the Cooper Basin is possible,” he said

“This great news in conjunction with the impending commissioning of the 1 MW Pilot Plant will allow the Company to move on to building a commercial demonstration plant.

“Commercial demonstration will, among other things, focus on improved drilling performance and well costs. It will also demonstrate the ability to stimulate and circulate through multiple zones in the granite to enhance well productivity and injectivity to required levels and to increase the recoverable resource base.”

Mr Grove-White said the results of the closed loop test confirmed the previously established large size of the Habanero stimulated reservoir.

“Modelling of wells theoretically located at the extremities of the Habanero stimulated zone shows that the wells are capable of extracting more than 40 MW of thermal energy for more than 20 years,” he said.

“In achieving Proof of Concept, the Company has demonstrated resource definition, the ability to drill and complete wells, hydraulically stimulate fractures and develop a substantial reservoir volume.

“It also demonstrates well productivity and injectivity, confirms fluid circulation between production and injection wells, mitigation of currently identified operational constraints and the absence of adverse environmental impacts.”

Geodynamics plans to build Australia’s first commercial scale geothermal power plant, and have it operating by 2012.

Hot rock geothermal energy is produced using heat extracted from buried hot granites by circulating waters through an engineered, artificial reservoir or underground heat exchanger. Geodynamics has created the largest of these reservoirs in the world at its Cooper Basin site.

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About Geothermex:
GeothermEx is a California Corporation providing consulting and services to the geothermal industry worldwide since 1973. It is the oldest entity in the geothermal industry in The United States and has provided services in 53 countries to date. It has been associated with the development of nearly 7,000 MW of power capacity and has conducted due diligence for financing of nearly U.S. $11 billion. GeothermEx is a consultant to the subject project and has no equity in it or in Geodynamics.