

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Geodynamics Limited is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

The Geodynamics Limited Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's 'Corporate Governance Principles and Recommendations' as revised in August 2007 the Principles of which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

Geodynamics Limited's corporate governance practices were in place throughout the year ended 30 June 2009 and were fully compliant with the Council's recommendations except for principle 2.1 – a majority of the Board should be independent directors. The Company has four independent Directors out of nine Directors. The Company believes that the four Non-executive Directors who are not deemed independent provide an invaluable contribution to the Board due to their expertise. For further information on corporate policies adopted by Geodynamics Limited, please refer to the Corporate Governance Tab under 'About Geodynamics' on our website located at www.geodynamics.com.au.

For 2009, the Company's reporting against the Principles is as follows:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The Board operates in accordance with the following principles and guidelines:

- The Board does comprise a majority of Non-executive Directors.
- The Chairperson is an Independent Director.
- The Board does comprise Directors with an appropriate range of qualifications and expertise.
- The terms and conditions of the appointment of Non-executive Directors are set out in a letter of appointment. The appointment letter covers the following matters:
 - the level of remuneration;
 - the tenure of appointment;
 - the expectation of the Board in relation to attendance and preparation for all Board meetings;
 - the Directors code of conduct;
 - the procedures dealing with conflicts of interest; and
 - the availability of independent advice - The board has agreed a procedure for Directors to take independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.
- The Board meets as often as required to attend to the affairs of the Company and follow meeting guidelines set down to ensure all Directors are made aware of, and have available to them all necessary information enabling them to participate in an informed discussion of all agenda items.
- The Chairman of the Board meets regularly with the Managing Director.

CORPORATE GOVERNANCE STATEMENT (Continued)

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (Continued)

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- Approving objectives, goals and strategic direction for management;
- Monitoring financial performance including adopting annual budgets and approving the Company's financial statements;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting, appointing and reviewing the performance of the chief executive officer and reviewing the performance of senior operational management;
- Ensuring significant business risks are identified and appropriately managed; and
- Reporting to shareholders on performance.

The Company's Managing Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which Executives are assessed is aligned with the financial and non-financial objectives of Geodynamics Limited. Further details of the process for evaluating performance is set out in the Remuneration Report.

The Board may determine from time to time to establish specific purpose sub-committees to deal with specific issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision. Minutes of committee meetings are tabled at the immediate subsequent Board meeting.

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

SKILLS, EXPERIENCE AND EXPERTISE OF DIRECTORS

The Directors in office at the date of this statement are:

Name	Position	Independent	Term in Office	Expertise
Martin Albrecht AC	Non-executive Chairman	Yes	8.5 years	Management, Major Infrastructure and Resource Development
Gerry Grove-White	Managing Director and CEO	No	2.0 years	Management, Power Station Development and Operation Energy Trading
Banmali Agrawala	Non-executive Director	No	0.7 years	Energy, Engineering and Management
Pieter Britz	Non-executive Director	No	1.2 years	Engineering, Financial Management, Resource Development
Prame Chopra	Non-executive Director	No	8.8 years	Geothermal Energy, Rock Mechanics and Geophysics
Robert Davies	Non-executive Director	Yes	0.7 years	Finance, Governance and Management
Jack Hamilton	Non-executive Director	Yes	2.9 years	Energy, Engineering and Management
Keith Spence	Non-executive Director	Yes	1.1 years	Energy, Engineering and Management
Andrew Stock	Non-executive Director	No	5.8 years	Energy, Engineering and Management

INDEPENDENT DIRECTORS

Directors of Geodynamics Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent. Therefore there are eight Non-executive Directors, four of whom are deemed independent, and one Executive Director. Three Non-executive Directors who are not deemed independent are Officers of the Company's three

2. STRUCTURE THE BOARD TO ADD VALUE (Continued)

largest shareholders which each has a right to appoint a Director to the Board under their respective Investment Deeds. (The Sentient Group and Sunsuper Pty Ltd are jointly treated as a cornerstone investor in so far as they have a collective right to appoint a director).

Further details of the members of the Board including their experience and expertise is set out in the Directors' Report.

NON-EXECUTIVE DIRECTORS

The eight Non-executive Directors periodically meet for a period of time, without the presence of management, to discuss the operation of the Board and a range of other matters including those relating to Remuneration and Directors Nominations. Relevant matters arising from these meetings are shared with the full Board.

TERM OF OFFICE

The Company's constitution specifies that all Directors (with the exception of the Managing Director) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Non-executive Directors is reviewed annually by the Chairman. In addition during the year, all Directors completed a structured self evaluation questionnaire that aimed to evaluate the performance of the Board as a whole. These responses are collated and subsequently discussed by the Board to improve the functional operations of the Board. The Chairman meets privately with each Director as appropriate to discuss their individual performance. The Chairman's performance is reviewed by the Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and executives and it has been agreed that this will be a continuing policy on a regular basis. Directors have all entered into agreements to notify the Company within three days of any dealing in the Company's securities and it is an employment condition that all executives notify the Company within three days of any dealing in the Company's securities.

The Code of Conduct and Securities Trading policy are available on the Company's website.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Board has adopted an Audit & Risk Committee Charter to ensure the truthful and factual presentation of the Company's financial position. Audit & Risk Committee meetings will be held periodically throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The Audit & Risk Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The Chief Executive Officer and Chief Financial Officer may attend the committee meetings by invitation.

The main functions of the committee will be to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures;
- Ensure effective deployment of risk management processes;
- Nominate the external auditors and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

The Chairman of the Audit & Risk Management Committee reviews the performance of the committee with members and reports annually to the Board. The members of the Audit & Risk Committee during the year were:

Robert Davies (Chairman), Robert Flew (Former Chairman – now retired), Neil Galwey (now retired), Pieter Britz, Prame Chopra.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING (Continued)

Qualifications of audit committee members

Robert Davies CMA has extensive senior finance experience with global mining and resource companies. He has held a number of senior management responsibilities including Executive Vice President and Chief Financial Officer for Inco Ltd, Chief Financial Officer for Alumina Ltd and General Manager Treasury Tax and Investor Relations for WMC Ltd. He has previously held senior finance positions with BHP in Canada, the US, Chile and Australia, acquiring significant operational and corporate finance experience.

Pieter Britz B.Eng (Industrial), Pr Eng, MBA is a registered professional engineer with a wealth of experience in the resources industry since the early 1990s. His experience includes coal, base metals, heavy minerals, and industrial minerals. In early 2004 Pieter moved to Australia to set up Royal Bank of Canada's investment banking division, initially focusing on equity capital markets before expanding into corporate advisory work. Pieter joined The Sentient Group in early 2007 as investment professional.

Prame Chopra B.Sc. (Hons), Ph.D, FAICD, MAGU, MASEG, MIGA, MASC was a Reader in Geophysics at The Australian National University in Canberra from 1996 - 2006. He obtained his Ph.D in rock physics at the ANU in 1980 and has held research appointments at ANU, Cornell University in New York and at the Bureau of Mineral Resources, Geology & Geophysics and the Australian Geological Survey Organisation.

Robert Flew B.Ec (Hons), FAusIMM, FAICD has extensive Board, corporate, financial and general management experience in the national and international resource sector. For fifteen years he held senior management responsibilities at BHP, including being Company Secretary and Vice President Investor Relations.

Neil Galwey OAM BE, FIE Aust. has an electrical engineering background with 35 years experience in the electricity industry. He has held the positions of Queensland Electricity Commissioner, Chairman of the Snowy Mountain Engineering Corporation, and Director of the Energy Research and Development Corporation and Stanwell Corporation.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Board has adopted a Listing Rule 3.1 Compliance Policy, which has been designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- Quarterly Reports to all shareholders (to be issued within four weeks of the end of the quarter);
- The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate;
- Investor presentation evenings held in at least four capital cities each year; and
- The Company's Corporate Internet site at www.geodynamics.com.au. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

Shareholders are actively encouraged to become 'online shareholders' by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is automatically posted on the Company's website as soon as it is disclosed to the ASX. This is achieved through a sophisticated web interface with the ASX online lodgement system.

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight, management and internal control.

The Company is committed to having a culture of risk management and has established a risk management system that supports a pro-active approach to managing risk and to exploiting opportunity at all levels.

A series of extensive workshop reviews have been held for each component phase of Stage One of the Company's business plan and these will continue to be held for subsequent stages to highlight major risk areas and plan the treatment to manage those risks. In addition, a formal risk management plan is included as part of every major capital acquisition or procurement decision and key risk/opportunity areas and their drivers are included in the Management/Board reporting system. The Board has also established a Technical Committee and a Health Safety and Environment Committee which both operate under charters approved by the Board. A key function of the Technical Committee is to advise the Board on issues related to technical risk.

Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis or more frequently as required by the Board or Committee.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic, operational and technical risks in conjunction with, and as a key input to an annual corporate strategy workshop attended by the Board and senior management. This workshop reviews the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives. Management are required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks and reviewed on an ongoing basis and independently audited from time to time – the most recent audit was undertaken in the past three months. The Audit and Risk Committee oversees the adequacy and comprehensiveness of risk reporting from management.

The Board receives a written assurance from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

TECHNICAL COMMITTEE

Technical Committee meetings are held on an as required basis but generally there will be at least two meetings throughout the year. The Committee is comprised of a Chair drawn from the Non-executives of the Geodynamics Board, the Chief Scientific Officer, the CEO and approximately three members comprising of a recognized expert covering one or more of the technical domain areas identified below. These experts may be from the Board, but more likely will be drawn externally from the Company and be independent of management. The Technical Committee has been given the following Terms of Reference:

- Advise the Board on issues related to the technical risks, mitigations and opportunities associated with the five key technical domain areas the Company is currently involved in, namely exploration, well engineering and drilling execution, reservoir development and behaviour, power station development and execution and HFR external developments;
- Provide guidance and challenge to management on technical issues;
- Review and advise the Audit and Risk Committee of the Board on the Technical Risks and their potential impact on the broader Company objectives;
- Review technology and/or product development opportunities that arise and advise the Board on their appropriateness; and
- Each member shall have the responsibility to initiate issues that should be brought to the attention of the committee or Board.

The members of the Technical Committee during the year were:

Jack Hamilton (Chairman), Keith Spence, Doone Wyborn, Gerry Grove-White.

There are three external independent experts with expertise across the technical domain areas identified above.

HEALTH SAFETY & ENVIRONMENT COMMITTEE

A Health, Safety and Environment (HSE) Committee was established on 20 November 2008. HSE meetings are held on an as required basis but generally there will be at least four meetings throughout the year. The Committee is comprised of a Chair drawn from the Non-executives of the Geodynamics Board. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The HSE Committee has been given the following Terms of Reference:

7. RECOGNISE AND MANAGE RISK (continued)

- Its primary objective is to assist the Board of Directors in its responsibilities relating to establishing and maintaining the highest standards of Health and Safety and Environmental performance by Geodynamics, and compliance with all relevant legislation. In addition the Committee will ensure that Management reports to the Board on:-
 - Compliance with statutory requirements, codes, standards, and guidelines;
 - Establishment of measurable objectives and targets aimed at elimination of work related incidents or environmental impacts from Geodynamics' activities;
 - The defining of roles, responsibilities and levels of accountability for HSE within Geodynamics.
- Act as an independent and objective party to review the safety and environmental performance reports presented by management for the use of all stakeholders.
- Review HSE risk assessment processes and monitor their effectiveness.
- Review all significant Geodynamics incident reports along with the results of the subsequent investigations and the implementation of the identified corrective actions.
- Oversee and appraise the quality of the health & safety and the environmental audits conducted by the HSE auditors.
- Ensure through regular meetings that open lines of communication exist among the Board, Management and HSE Auditors.

The members of the HSE Committee during the year were:

Keith Spence (Chairman), Pieter Britz, Prame Chopra, Andrew Stock, Gerry Grove-White (ex-officio member).

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Managing Director's and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with short and long term performance incentives through cash, shares and options which allow executives to share in the success of Geodynamics Limited. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

The Company currently has eight Non-executive Directors and a Managing Director. The Company's Managing Director does not receive Directors' fees and his remuneration package is formalised in a service agreement. The Non-executive Directors' maximum aggregate remuneration as approved by shareholders is currently \$700,000 and is set at a level that compensates the directors for their significant time commitment in overseeing the progression of the Company's business plan.

There are no retirement benefits offered to Non-executive Directors other than statutory superannuation. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report which is contained within the Directors' Report.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations committee operates under a charter approved by the Board. Remuneration and Nomination Committee meetings are held at least semi-annually and otherwise as required throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of three Non-executive Directors. The Remuneration and Nominations Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer.

The members of the Remuneration and Nominations Committee during the year were:

Andrew Stock (Chairman), Martin Albrecht, Robert Davies, Robert Flew (now retired).

For details on the number of meetings of the Remuneration and Nominations committee held during the year and the attendees at those meetings, refer to the Directors' Report.