

Geothermal Exploration License 97 Annual Report for 2004

Introduction

GEL 97 was granted to South Australian Geothermal Energy Pty Ltd (SAGE) on 14th November 2001. On 8th May 2002 SAGE was acquired by Geodynamics Limited as a wholly owned subsidiary. On 9 October 2003 an assignment letter transferring the License into the name of Geodynamics Limited was completed. This was subsequently approved by the Delegate to the Minister for Resources Development on 27 November 2003.

In the year to 14 November 2004, no field activities were carried out in the GEL because all efforts were concentrated in the adjacent GEL 98 around the Habanero test site.

During the reporting year a review of the existing seismic, gravity and magnetic data covering GEL 97 was undertaken by Pro-Vision Australia Pty Ltd,

More general analyses of commercial and economic aspects of hot fractured rock (HFR) development were progressed in relation to the GEL 98 activities, but relate equally to GEL 97.

Reporting Against Requirements of the Petroleum Act 2000

(a) Summary of the regulated activities conducted under the license during the year

No regulated activities were carried out in the area over the reporting period.

(b) Report for the year on compliance with the Act, these regulations, the licence and any relevant statement of environmental objectives

There were no reports of non-compliance with the Act in the reporting period.

The non-compliance relating to the gravity survey in the previous reporting year resulted in the completion of an Environmental Audit submitted to PIRSA on 10 November 2003. This audit was approved by PIRSA in the reporting year.

(c) Actions to rectify non-compliance with obligations imposed by the Act, these regulations or the licence, and to minimise the likelihood of the recurrence of any such non-compliance; and (d) a summary of any management system audits undertaken during the relevant licence year, including information on any failure or deficiency identified by the audit and any corrective action that has, or will be, taken.

Geodynamics has put into effect significant improvements to its management system for undertaking activities under the Petroleum Act. The company has employed a Manager of Logistics and Compliance whose role is to specifically track our activities under the Act and ensure that we comply with all Regulations. Computer based tracking systems are being managed including monthly safety reports and compliance reports.

(e) List all reports and data relevant to the operation of the Act during the relevant licence year.

Report	Date
Geophysical Review of GEL 97	Submitted with Annual Report

(f) Report of incidents reportable to the Minister under the Act and regulations

Nil.

(g) Report on any reasonably foreseeable threats that reasonably present, or may present, a hazard to facilities or activities under the licence, and a report on any corrective action that has, or will be, taken.

Nil.

(h) Operations proposed for the ensuing year

As set out in the Variation of Activities for GEL 97 approved by PIRSA on 11 April 2003, Geodynamics does not intend to carry out Regulated Activities over the GEL. If the opportunity arises, we will again try to come to an agreement with Santos to temperature log wells that have been drilled in the area, though this is thought unlikely because of the conditions of these wells.

In the latter half of the reporting year there will be considerable effort examining the economic viability of HFR development relating to the Habanero test site in GEL 98. The results of these studies should be equally valid for GEL 97 because of the almost identical geological conditions as far as is known. A review of geological conditions covering the two GEL's and newly acquired hydraulic data around Habanero test site in GEL 98 could indicate that drilling in GEL 97 is warranted.

Expenditure for year 3

Commercial in Confidence

A handwritten signature in black ink, appearing to read "Doone Wyborn". The signature is written in a cursive style with a large initial "D" and a long, sweeping underline.

Doone Wyborn

10-1-2005