

ANNUAL REPORT

GEL 557

LICENCE YEAR 3

**29 June 2012
to
28 June 2013**

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Olympic Dam Geothermal Project

GEL 557

29 June 2012 to 28 June 2013

Licence Year 3

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1. INTRODUCTION

1.1. Background

Exploration for geothermal energy was focussed on stored heat in buried hot rocks surrounding the Olympic Dam mine and in close proximity to high voltage power lines.

1.2. Licence Data & Period

Geothermal Exploration Licence (GEL) 557 was granted on the 29th June 2010 for a period of five years.

This report includes activities on GEL 557 during the period 29th June 2012 to 28th June 2013. This is the third annual report for the licence period.

1.3. Licensees

GEL 557 is held 100% by Green Rock Energy Limited. There was no change in the working interest of the licence during the period.

2. WORK REQUIREMENTS

A work program over GEL 557 was approved and entered on the public register on the 29th June 2010. As a result the exploratory operations required to be conducted in GEL 557 are :

Year	Minimum Work Requirements
1	Geological and geophysical studies
2	Shallow drilling and radon/ temperature survey
3	Geological and geophysical studies
4	Geological and geophysical studies
5	Drill one well

On 15 October 2012 a new minimum work program was approved as follows:

Year	Minimum Work Requirements
1	Geological and geophysical studies
2	Geological and geophysical studies
3	Geological and geophysical studies
4	Geological and geophysical studies
5	Drill one well

3. WORK CONDUCTED DURING REPORTING PERIOD

In previous years Green Rock Energy participated in a project to develop a rapid, shallow penetration, heat flow tool and new exploration methodology. This should benefit exploration activities on GEL 557. This research led to a paper presentation at the 'Thirty-Seventh Workshop on Geothermal Reservoir Engineering' at Stanford University. Three heat probes were installed at two locations and were monitored. The probes were removed by the contractors Hot Dry Rocks Pty Ltd in September 2012 and the data analysed subsequently to determine the efficacy and effectiveness of the probes and to assess the results. This showed that further development of the probes is required to make them more robust, easier to deploy, handle, transport and recover. It is planned to use the data from the 2011-12 field trials to start developing processing algorithms and protocols. This will require recalibration of the sensor boards.

4. COMPLIANCE WITH PETROLEUM & GEOTHERMAL ENERGY ACT

4.1. Regulated Activities

No regulated activities were carried out during the report period.

4.2. Compliance

Work carried out during the second licence year was evaluation of geological and geophysical including temperature surveys carried out in respect of the licence in a previous years. This report was submitted on 3rd September 2012, later than the due date of 28 August 2012 and in that respect did not comply with the Act. A resubmission of this report was due by 21 December 2012 and was lodged on 7 December 2012.

4.3. Management Systems

Green Rock Energy is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has been guided by the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company has in place a detailed Health, Safety and Environment Management Plan, Occupation Health and Safety Procedures and Emergency Response Procedures to cover the activities of the Company, its contractors and visitors. No significant change was made to these procedures which were initiated in the first licence year.

4.4. Relevant Reports and Data

No reports were completed during the licence period.

4.5. Reportable Incidents

There were no reportable incidents.

4.6. Foreseeable Threats

No material threats have been identified.