



Geothermal Exploration Licence 207
Roxby Downs
South Australia

Second Annual Exploration Report

Year End
18th July 2007

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1 INTRODUCTION

1.1 Background

Exploration was initiated in the Roxby Downs area to investigate the geothermal potential of basement rocks underlying thick sequences of Late Proterozoic sediments to the south of the northwest-trending Andamooka fault. This geothermal target is located 20 km southwest of the Olympic Dam mine, presenting a local market for any generated power. In addition, Olympic Dam is connected to the Eastern Australian high voltage power lines.

1.2 Period

This report covers the second year of tenure from 19th July 2006 to 18th July 2007

1.3 Licence data

Geothermal Exploration Licence 207 (Roxby Downs) was granted on the 19th July 2005, for a period of five years, to Proactive Energy Developments Ltd (PED) to explore for geothermal energy. On the 19th February 2007 PED changed its name to Granite Power Ltd ("Granite Power").

The tenement covers an area of approximately 386 km², commencing at a point of intersection of 30°36'00"S (GDA94) and longitude 136°35'00"E (GDA 94). From there the tenement extends east to longitude 136°41'06"E (GDA94), south to latitude 30°41'30"S (GDA94), east to longitude 136°50'00"E (GDA94), south to latitude 30°48'00"S (GDA94), west to longitude 136°35'00"E (GDA94) and north to point of commencement.

2 WORK REQUIREMENTS

Changes to the Minimum Work Requirements for GEL 207 were accepted by the Director of Petroleum and Geothermal, Minerals and Energy Resources, PIRSA, on the 10th August 2007 and entered on the public register (Petroleum Act 2000, S.115).

The revised and accepted minimum work requirements for each year of tenure are detailed in Table 1 below:-

Year	Minimum Work Requirements
One	<ul style="list-style-type: none"> • Geological and geophysical studies
Two	<ul style="list-style-type: none"> • Geological and geophysical studies • Environmental studies
Three	<ul style="list-style-type: none"> • Drill one stratigraphic hole (or deepen existing stratigraphic hole) to a depth of 1000m • Conduct down-hole seismic induction probes, cross-well tomography, gamma, resistivity and temperature logging • Acquire 10km of 2D seismic • Geological and geophysical studies
Four	<ul style="list-style-type: none"> • Drill one pilot well to a depth of 4000m • Conduct well test and fracture stimulation
Five	<ul style="list-style-type: none"> • Drill second well to depth of 4000m • Conduct circulation testing between the two wells • Commence planning review of pilot plant.

Table 1: Revised yearly work requirements for GEL 207

3 WORK CONDUCTED

In accordance with the Year Two Minimum Work Requirement, geological and geophysical studies were undertaken for the GEL 207 licence area and an environmental assessment was made of the proposed Bambridge Well-1 site.

3.1 Geological and geophysical studies

A geological consultancy, Earth Resources Australia, was commissioned by Granite Power Ltd to undertake a review of geothermal prospectivity for all of the Company's South Australia tenements and licence application areas, including GEL 207. This review was completed in May 2007.

3.2 Environmental assessment

An environmental assessment report was commissioned by PED in July 2006 to evaluate the proposed Bambridge Well-1 drill-hole location and environs. The work was undertaken during August and September 2006 by Fatchen Environmental Pty. Ltd ("Fatchen Environmental").

In its report, Fatchen Environmental refers to the proposed Bambridge Well-1 site as "Roxby D-1".

Bambridge Well-1 is located on the Roxby Downs Station at 30°41'07.8' S/136°36'10.6' E.

4 YEAR TWO EXPENDITURE

Activity	Year 1 Cost AUD
Drilling activities	
Seismic activities	Commercial in
Technical evaluation and mapping	Confidence
Other surveys	
Facility construction and modification	
Operating and administration expenses (not already covered under another heading)	
Total Expenditure for Year 2	

Table 2: Year Two expenditure to 18th July 2007

5 YEAR THREE WORK PROGRAM

Exploration in Year 3 will continue with further geological and geological studies with a view to constraining the depth to basement, characteristics of the sediment cover and determining the temperature at depth. If a review of these factors is encouraging or indeterminate with the available data, then exploration will further continue by acquiring new seismic data and the drilling of a slim hole for the purposes of temperature and stratigraphic analysis

6 COMPLIANCE WITH THE PETROLEUM ACT (REGULATION 33)

6.1 Regulated activities

The drill site environmental assessment performed in August 2006 was the only regulated activity conducted during this reporting period.

6.2 Compliance

While Ministerial approval was not obtained before the environmental assessment was performed and a notice of entry was not served on any affected landholder, PIRSA did waive the requirement for Ministerial approval and the landholder did waive the requirement for a notice of entry.

Security of \$50,000 was not lodged prior to commencement of Year 3, being the licence year during which drilling activities are now to be performed (following approval of the variation to the work program for GEL 207).

Granite Power acknowledges this non-compliance matter.

6.3 Management of non-compliance

Granite Power recognises the importance of regulatory observance and is committed to future compliance. A new corporate structure and the development of policies and management will ensure that future work and reporting and expenditure requirements for GEL 207 are satisfied.

The security will be lodged within 30 days of the date of submission of this report.

6.4 Management systems

Granite Power is committed to ensuring the highest standards of corporate governance. To this end the company has a suite of policies in place or being implemented which substantially comply with ASX 'best practice' guidelines. Audits to date (the last being for the 2006-7 financial year), which, pursuant to the IFR Standards with which the company complies, cover management systems, have not identified any deficiency or failure and have not identified a potential need for corrective actions.

6.5 Reports and data

Author	Title	Digital file
T.Fatchen Fatchen Environmental Pty Ltd	Proactive Energy Developments Ltd & Uranium Exploration Australia Ltd Environmental Assessment Report Bambridges Well GEL207 Geothermal Project: Proposed Exploration Drilling at Roxby D No. 1 (30°41' 07.8" S, 136° 36' 10.6"E)	Environmental Assessment Report Roxby D-1.pdf
Earth Resources Australia.	Review of Geothermal Potential of GEL 207 "Roxby Downs"	Earth Resources Australia GEL 207 Review.pdf

Table 3: Year Two Work Program reports for GEL 207

6.6 Reportable incidents

No reportable incidents occurred.

6.7 Foreseeable threats

No threats have been identified.

6.8 Proposed operations for the ensuing year

See Section 5 above.