

ANNUAL REPORT

GELs 244, 245, 246, 247 and 248

Licence Year 4

15 November 2010

to

14 November 2011

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Upper Spencer Gulf Project

GEL 244, 245, 246, 247 and 248

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1. INTRODUCTION

1.1 Background

The proposed work within the area of the five Geothermal Exploration Licences granted is designed to ascertain the geothermal energy potential of these areas.

1.2 Period

Geothermal Exploration Licences GEL 244 (246 km²), 245 (341 km²), 246 (391 km²), 247 (470 km²) and 248 (490 km²), were granted on 15 November 2007 for an initial term of 5 years each.

This report covers the activities in respect of the above five GELs for year 4.

1.3 Licence Data

There was no change in the area of the licences during the year.

1.4 Licensee

GELs 244, 245, 246, 247 and 248 are held solely by Green Rock Energy Limited.

There was no change in working interests for any of the licences during the period.

2. WORK REQUIREMENTS

The exploratory operations required to be conducted in GEL 244, 245, 246, 247 and 248, are as follows:

Year	Minimum Work Requirements
1	<ul style="list-style-type: none"> • Geological and geophysical studies. <p><i>Note: Year 1 work program to be conducted anywhere within the boundaries of GELs 244, 245, 246, 247, and 248</i></p>
2	<ul style="list-style-type: none"> • Geological and geophysical studies. • Re- entry (if possible) and geophysical logging of existing drill holes to measure in-situ rock temperatures. • Conduct thermal conductivity measurements on existing core samples <p><i>Note: Year 2 work program to be conducted anywhere within the boundaries of GELs 244, 245, 246, 247 and 248</i></p>
3	<ul style="list-style-type: none"> • Economic studies. <p><i>Note: Year 3 work program to be conducted anywhere within the boundaries of GELs 244, 245, 246, 247and 248</i></p>
4	<ul style="list-style-type: none"> • Drill or deepen an existing well to a depth of 2,000 – 3,000 metres. • Evaluate temperatures, stress regimes and rock properties at depth. <p><i>Note: Year 4 program to be conducted anywhere within the boundaries of GELs 244, 245, 246, 247 and 248</i></p>
5	<ul style="list-style-type: none"> • Economic studies. • Geological and geophysical studies. • Design of a pilot program. <p><i>Note: Year 5 program to be conducted anywhere within the boundaries of GELs 244, 245, 246, 247 and 248</i></p>

3. WORK CONDUCTED

3.1 Current Work Program

Work continued on evaluating the geothermal prospectivity of the tenements using field data collected during the first three years of the licence period. This work was not completed by the end of the licence period. The work carried out in Year 4 was not in compliance with the work requirements for Year 4. From 2008 to 2010 the following field work was completed:

- Searched for any available open holes throughout all lease areas, including old mineral exploration holes, water bores and recently drilled Uranium exploration holes. Measured precision equilibrium temperatures in 21 open holes and bores.
- Searched for all available core samples from the DMITRE core libraries in Adelaide and Moonta. A total of 18 core samples were analysed for thermal conductivity.

The work in progress is to combine this field data with the mapped distributions of prospective hot granites. These granites will initially be identified from the distribution of known, mapped Hiltaba Suite granites found in the DMITRE geological database. This will be supplemented with geophysical and geochemical data from the DIMITRE databases. Buried Hiltaba Suite granites should be identified as areas with low Bouguer

Gravity. The geochemical database will particularly identify the distribution of radiogenic heat producing elements U, Th and K.

Measured temperatures and thermal conductivities will be used to evaluate heat flows and temperature gradients. Wherever possible, 1D heat flow models will be produced. In some areas temperature gradients will be the prime geothermal prospectivity indicator.

The results from the current study will be a geothermal prospectivity map and associated report. The prospectivity map will be required prior to commencement of economic and marketing feasibility studies and further test drilling.

3.2 Forward Work Commitment

During the next licence year Green Rock Energy will complete the geothermal prospectivity map and report and will commence economic and market studies for the geothermal resources in the area.

4. COMPLIANCE WITH PETROLEUM ACT

4.1 Regulated Activities

No field work was carried out within the GELs.

4.2 Compliance

No instances of non-compliance were noted during the reporting period.

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, contractors and site visitors.

No significant changes were made to these procedures during the reporting period.

4.4 Relevant Reports and Data

No relevant reports.

4.5 Reportable Incidents

There were no reportable incidents during the reporting period.

4.6 Foreseeable Threats

No material threats have been identified during the reporting period.