



Green Rock Energy Limited

ABN 59 094 551 336

Half-year Report for the period ended 31 December 2006

Contents:

Corporate Directory

Half-year Report – Appendix 4D

Condensed Consolidated Interim Financial Report for the half-year ended
31 December 2006 containing:

- Directors' report
- Auditors' independence declaration
- Independent review report
- Directors' declaration
- Condensed consolidated income statement
- Condensed consolidated balance sheet
- Condensed consolidated statement of changes in equity
- Condensed consolidated cash flow
- Notes to the condensed consolidated financial statements

Half-year Report for the period ended 31 December 2006

Corporate Directory

Directors:	Adrian Larking Managing Director Alan Knights Executive Director Scott Spencer Non-Executive Director
Company Secretary:	Nigel Hodder
Principal Registered Office:	Unit 6, 38-40 Colin Street, West Perth, WA 6005 Telephone: +61 8 9482 0482 Facsimile: +61 8 9482 0499
Postal Address:	PO Box 1177, West Perth, WA 6872
Internet:	www.greenrock.com.au info@greenrock.com.au
Share Registry	Computershare Investor Services Pty Ltd GPO Box D 182, Perth, WA 6840 Telephone: +61 8 9323 2000 Facsimile: + 61 8 9323 2033
Auditors	Ord Partners Chartered Accountants Level 2, 47 Colin Street, West Perth, WA 6005
Stock Exchange listing	Green Rock Energy Limited shares are listed on the Australian Stock Exchange . The home branch is Perth. Code GRK

Appendix 4D

Half Year Report

(in accordance with ASX listing rule 4.2A)

Name of Entity

Green Rock Energy Limited

ABN

59 094 551 336

Financial half year ended on

31 December 2006

Results for announcement to the market

Results

				\$A
Revenues from ordinary activities	Up	77.9 %	to	39,943
Loss from ordinary activities after tax	Up	33.8 %	to	637,881
Net loss for the period	Up	33.8 %	to	637,881

Dividends

The Directors do not propose to recommend the payment of a dividend in respect of the period

Net Tangible Asset Backing

	As at 31 December 2006	As at 31 December 2005
Net tangible asset backing per ordinary security (as cents per share)	11.88 cents	13.95 cents

Brief explanation of figures above

Revenue for the period was primarily in respect of interest and equipment rental income.

The increase in ordinary activity loss reflects the change in activity of the entity following the acquisition of the Hungarian geothermal project and concomitant increase in administrative overheads.

Entity over which control has been gained

Vulcan Geothermal Pty Ltd on 28 November 2006.

Green Rock Energy Limited

ACN 094 551 336

**Condensed Consolidated Interim Financial Report for the Half-Year Ended
31 December 2006**

Condensed Consolidated Financial Report for the Half-year Ended 31 December 2006

	Page
Directors' report	2
Auditors' independence declaration	4
Independent review report	5
Directors' declaration	7
Condensed consolidated income statement	8
Condensed consolidated balance sheet	9
Condensed consolidated statement of changes in equity	10
Condensed consolidated cash flow statement	11
Notes to the condensed consolidated financial statements	12

Directors' report

The Directors of Green Rock Energy Limited ("the Company") submit herewith the condensed consolidated financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Names of directors

The names of the Directors of the Company during and since the end of the half-year are:

Name	
Adrian Larking	Managing Director
Alan Knights	Executive Director
Scott Spencer	Non-Executive Director
Hugh Warner	Non-Executive Director (resigned on 16 February 2007)

Review of operations

During the half year under review, the Company achieved the following:

- In mid August a private placement to sophisticated investors of 4,432,142 fully paid ordinary shares at 7 cents a share to raise \$310,250 for working capital.
- In early October the Company participated in the Renewable Energy Business Mission to China led by the Commonwealth Minister for the Environment and Heritage. China seeks to use its renewable energy resources to partly replace fossil fuel generated electricity and towards meeting forecast electricity demand and reducing home grown pollution. Potential opportunities are identified.
- On 13 October 2006 acquired Vulcan Geothermal Pty Ltd which has a 32% interest in a joint venture (Orthahaza Geothermal Project) to establish the first geothermal power plant in Central-Eastern Europe. The joint venturers in addition to Green Rock Energy are Hungary's largest company, the Hungarian oil and gas company MOL and Enx hf a leading Icelandic geothermal consulting and development company. The acquisition was for the consideration of 3,500,000 fully paid shares and 3,500,000 options (expiring on 28 November 2008 exercisable at 15 cents) and was approved at the Company's Annual General Meeting on 27 November 2007.
- In November the World Bank approved US\$3.7 million Geological Risk Insurance for Green Rock Energy's Hungarian project. The insurance approved is supported by the World Bank administered Geothermal Energy Development Fund. The Geological Risk Insurance provides the joint venturers of the Hungarian project with a refund of major costs associated with testing of the wells if the water flow rates do not achieve the desired levels.
- In December Patersons Securities Limited facilitated the private placement of 6,700,000 fully paid ordinary shares at five cents per share with their sophisticated and professional investor clients to raise an immediate \$335,000. Attaching to the placement shares was one option for every two shares issued under the placement, exercisable at ten cents on or before 18 April 2008.
- In late December 2006 the Company put in place a Renounceable Rights Issue which offered to shareholders one New Share for every one share held at the Record Date of 29 December 2006 at an issue price of 5 cents per share to raise \$3,689,380. In addition to the New Shares, the Company offered one attaching New Option for every two New Shares issued, exercisable at ten (10) cents on or before 18 April 2008. The rights issue was fully underwritten by Patersons Securities Limited and successfully concluded in early February 2007.

The proceeds of the Rights Issue are intended to fund the production testing of the Orthahaza Geothermal Project in Hungary, the ongoing evaluation of the Olympic Dam Geothermal Project, the evaluation and due diligence of additional geothermal projects in Hungary and elsewhere and for general working capital.

The net loss after accounting for income tax for the period ended 31 December 2006 is \$ 637,881 (2005: \$476,560).

The total number of fully paid ordinary shares on issue and the number of 20 cent options (expiring on 31 December 2006) at the end of the period were 73,787,607 and 32,282,465 respectively. In addition 2,500,000 options with an exercise price of 25 cents expiring on 28 November 2008, half of which vested in November 2006 with the remainder vesting in November 2007, were issued to two directors.

Auditor's independence declaration

The Auditor's independence declaration is included on page 4 of the condensed consolidated half-year financial report.

Signed in accordance with a Resolution of the Directors of Green Rock Energy Limited and made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors.



Adrian Larking
Managing Director

Perth ,Western Australia, Australia.
16 March 2007

16 March 2007

To the Board of Directors of Green Rock Energy Limited

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

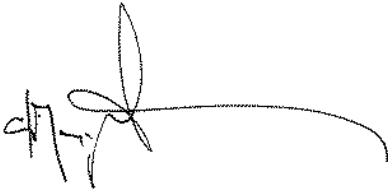
Dear Sirs

**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31st December 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely
ORD PARTNERS



Ian Keith Macpherson
Partner

Level 2, 47 Colin Street
West Perth WA 6005

PO Box 359
West Perth WA 6872

☎ +61 8 9321 3514

☎ +61 8 9321 3523

ord@ordgroup.com.au

www.ordgroup.com.au



Chartered Accountants

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF
GREEN ROCK ENERGY LIMITED**

O | R | D
PARTNERS
CHARTERED ACCOUNTANTS

Scope

The financial report and directors' responsibility

We have reviewed the interim financial report of Green Rock Energy Limited ('the Company') for the half year ended 31 December 2006, consisting of the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, accompanying notes, and the directors' declaration. The consolidated entity comprises the Company and the entities it controlled at the half year's end or from time to time during the half year.

The Company's directors are responsible for the preparation and fair presentation of the interim financial report in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical or other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

**Level 2, 47 Colin Street
West Perth WA 6005**

**PO Box 359
West Perth WA 6872**

☎ +61 8 9321 3514

☎ +61 8 9321 3523

ord@ordgroup.com.au

www.ordgroup.com.au



Chartered Accountants

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

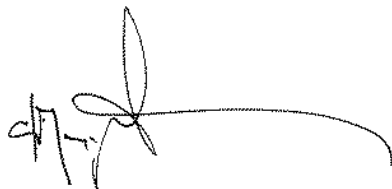
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Inherent uncertainty regarding going concern

Without qualification to the review opinion expressed above, attention is drawn to the following matter. As discussed in Note 1 to the financial report, the ability of the Company and of its subsidiaries to continue as going concerns and meet their commitments for planned and proposed exploration activities is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity or achieve profitability, the Company and its subsidiaries may not be able to meet the liabilities that it would incur in the normal course of its activities over the forthcoming period and the realisable value of the Company's and consolidated entity's non-current assets may be significantly less than book values.

ORD PARTNERS

Chartered Accountants



Ian Macpherson
Partner

Dated this 16 day of March 2007
Perth, WA

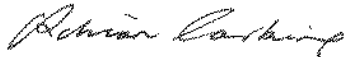
Directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a Resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors.



Adrian Larking
Managing Director

Perth, Western Australia, Australia.
16 March 2006

Condensed Consolidated Income Statement for the Half-year ended 31 December 2006

	Consolidated	
	2006	2005
Revenue from continuing operations	39,943	22,446
Staff costs	339,392	217,898
Statutory compliance costs	54,563	52,160
Audit and accounting	25,928	22,806
Corporate advisory expenses	61,434	71,441
Office rent and outgoings	24,768	21,549
Insurance	-	1,542
Depreciation	13,224	10,154
Other expenses from ordinary activities	158,515	101,456
Loss before income tax	(637,881)	(476,560)
Income tax expense	-	-
Net loss for the period	(637,881)	(476,560)
Loss per share:		
Basic (per share)	(0.01)	(0.01)
Diluted (per share)	(0.01)	(0.01)

Notes to the financial statements are included on pages 12 to 16.

Condensed Consolidated Balance Sheet as at 31 December 2006

		Consolidated	
		31 December 2006	30 June 2006
	Notes		
Current assets			
Cash and cash equivalents		581,374	220,449
Trade and other receivables		12,507	362,534
Total current assets		593,881	582,983
Non-current assets			
Reimbursements		105,300	105,300
Deferred exploration costs	6	9,098,816	7,545,644
Plant and equipment		89,090	99,020
Total non-current assets		9,293,206	7,749,964
Total assets		9,887,087	8,332,947
Current liabilities			
Trade and other payables	7	1,107,033	87,705
Provisions		15,847	21,354
Total current liabilities		1,122,880	109,059
Total liabilities		1,122,880	109,059
Net assets		8,764,207	8,223,888
Equity			
Issued capital		10,759,377	9,776,727
Reserves		215,982	20,432
Accumulated losses		(2,211,152)	(1,573,271)
Total equity		8,764,207	8,223,888

Notes to the financial statements are included on pages 12 to 16.

Condensed Consolidated Statement of Changes In Equity for the Half-year Ended 31 December 2006

For the period ended 31 December 2006	Ordinary Shares \$	Option Premium Reserve \$	Share Based Payment Reserve \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
At beginning of period	9,776,727	20,432	-	-	(1,573,271)	8,223,888
Loss for the period	-	-	-	-	(637,881)	(637,881)
Total recognised expense for the period	-	-	-	-	(637,881)	(637,881)
Contributions of equity, net of transaction costs	982,650	-	-	-	-	982,650
Share-based payments	-	-	183,130	-	-	183,130
Exchange differences on translation of foreign operations	-	-	-	12,420	-	12,420
Transactions with equity holders in their capacity as equity holders	982,650	-	183,130	12,420	-	1,178,200
At end of period	10,759,377	20,432	183,130	12,420	(2,211,152)	8,764,207

For the period ended 31 December 2005	Ordinary Shares \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
At beginning of period	9,201,657	20,432	(1,070,339)	8,151,750
Loss for the period	-	-	(476,560)	(476,560)
Total recognised expense for the period	-	-	(476,560)	(476,560)
Contributions of equity, net of transaction costs	575,070	-	-	575,070
Transactions with equity holders in their capacity as equity holders	575,070	-	-	575,070
At end of period	9,776,727	20,432	(1,546,899)	8,250,260

Notes to the financial statements are included on pages 12 to 16.

Condensed Consolidated Cashflow Statement for the Half-year Ended 31 December 2006

	2006 \$	2005 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(28,445)	(1,105,175)
Payments to suppliers and employees	(263,854)	(642,165)
Interest received	9,575	22,446
Other income	16,675	-
Net cash used in operating activities	(266,049)	(1,724,894)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,294)	(69,703)
Payments for deposits lodged with bank to secure payment to third parties	-	(105,300)
Acquisition of subsidiary, net of cash acquired	15,118	-
Net cash provided by/(used in) investing activities	11,824	(175,003)
Cash flows from financing activities		
Proceeds from issues of equity securities	645,250	578,680
Payment for share issue costs	(30,100)	(3,610)
Net cash provided by financing activities	615,150	575,070
Net increase in cash and cash equivalents	360,925	(1,324,827)
Cash and cash equivalents at the beginning of the half-year	220,449	1,946,642
Cash and cash equivalents at the end of the half-year	581,374	621,815

Notes to the financial statements are included on pages 12 to 16.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2006

1. Summary of accounting policies

Basis of preparation

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the half year ended 31st December 2006 of \$637,881 (2005: \$476,560) and experienced net cash outflows from operating activities of \$266,049 (2005: \$1,724,894). As at 31st December 2006 the consolidated entity had cash and cash equivalent balances of \$581,374 (30 June 2006: \$220,449).

The directors recognise that the ability of the consolidated entity to continue as a going concern is dependent on the capacity of the consolidated entity to secure additional funding through either the issue of further shares, convertible notes, or a combination of both.

The directors have taken steps to ensure the consolidated entity continues as a going concern. Since the end of the last financial year the Company has raised \$645,250 (before costs) from two private placements. In addition, at the end of the period the Company was in the process of financing a fully underwritten rights issue to raise \$3,689,380 (before costs) to fund its expenditure commitments to the Ortahaza Project in Hungary and its intended mini fracture programme at the Olympic Dam geothermal project. This was successfully achieved.

The directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2006 (cont.)

1. Summary of accounting policies (cont.)

Notwithstanding this, there is uncertainty whether the Company and the consolidated entity will be able to continue as going concerns.

Should the Company and the consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the consolidated entity be unable to continue as going concerns.

2. Subsequent events

The Renounceable Rights Issue (announced in December 2006) of one New Share for every one share held on the Record Date of 29 December 2006 at the issue price of 5 cents per share, plus one free attaching New Option granted for every two New Shares issued (exercisable at ten cents on or before 18 April 2008) to raise \$3,689,380 closed on 29 January 2007. This Rights Issue was fully underwritten by Patersons Securities Limited.

Shareholders subscribed to 76.5% (56,457,147 shares) of their entitlement to the 73,787,607 shares offered with the remaining shares (17,330,460) reverting to the underwriters of the rights issue.

The rights issue has resulted in a wider spread of shareholders than previously existed with the capital raised enabling the advancement of the Company's project portfolio in both Hungary and Australia.

On 16 February 2007 Mr. Hugh Warner, a director of the Company since its formation, announced his resignation. Mr. Warner's resignation results from his changing circumstances and work load from other commitments.

3. Issuances, repurchases and repayments of securities

During the half-year reporting period, the Company completed the following transactions in its securities:

- 10 August 2006 a private placement of 4,432,142 ordinary fully paid shares at 7 cents per share to sophisticated and institutional investors to raise \$310,250 (before costs).
- 28 November 2006 issued 2,500,000 options to acquire ordinary shares at an exercise price of 25 cents each expiring on 21 November 2008 to two directors as part of their employment contracts. Half of these options vest in November 2006 and the balance in November 2007.
- 30 November 2006 issued 3,500,000 ordinary fully paid shares (at a deemed value of 9 cents per share) pursuant to an agreement to acquire the full share capital of Vulcan Geothermal Pty Ltd. Additionally, 3,500,000 (unlisted) options were issued to the vendors of Vulcan Geothermal Pty Ltd which have an expiry date of 28 November 2008 and are exercisable at 15 cents.
- 15 December 2006 a private placement to sophisticated investors of 6,700,000 fully paid ordinary shares at 5 cents per share to raise \$335,000 (before costs) together with 3,350,000 options (to be listed at the same time as the free New Options attaching to New Shares acquired under the Renounceable Rights Issue) exercisable at 10 cents with an expiry date of 18 April 2008.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2006 (cont.)

4. Segment reporting

The Company operates predominantly in two geographical segments, being South Australia and south west Hungary, and one business segment, the development of geothermal energy projects.

For the six months ended 31 December 2006

	Australia	Hungary	Consolidated
Segment revenue	21,649	18,294	39,943
Segment result	(634,947)	(2,934)	(637,881)

For the six months ended 31 December 2005

Segment revenue	22,446	-	22,446
Segment result	(476,560)	-	(476,560)

5. Contingent assets & liabilities

In the opinion of the Directors, there are no contingent liabilities as at 31 December 2006 and none incurred in the interval between the period end and the date of this financial report.

6. Deferred exploration costs

Deferred exploration costs at \$9,098,816 includes \$1,059,936 of expenditure in relation to the Orthahaza Project in Hungary.

7. Trade and other payables

Includes an accrued expense of \$990,473 representing a cash call made by the Company's joint venture partner MOL for exploration expenditure incurred during the period.

8. Acquisitions of entities

Acquisition of new subsidiary

On 27 November 2006, the Company acquired 100% of the issued share capital of Vulcan Geothermal Pty Ltd an Australian company which fully owns a Hungarian geothermal company Vulcan Energy Kft (subsequently renamed Green Rock (Vulcan) Energy Kft) for a consideration of \$505,400. The consideration comprised the issue of 3,500,000 ordinary shares at 10.5 cents per share and 3,500,000 unlisted options (exercisable at 15 cents, expiring on 28 November 2008) valued at 3.94 cents per option. Vulcan's principal activity is the identification and development of geothermal energy resources for the production of electricity. This transaction has been accounted for using the acquisition method of accounting. The date of acquisition was deemed to be 28 November 2006, being the date the acquisition was approved by the Company's shareholders.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2006 (cont.)

8. Acquisitions of entities (cont.)

Acquisition of new subsidiary

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination \$	Fair value adjustments \$	Fair value \$
Net assets acquired:			
Cash and cash equivalents	15,118	-	15,118
Property, plant and equipment	3,183	-	3,183
Other receivables	15,650	-	15,650
Exploration expenditure	-	472,338	472,338
Trade and other payables	(889)	-	(889)
	<u>33,062</u>	<u>472,338</u>	<u>505,400</u>
Goodwill arising on acquisition			-
Fair value of consideration			<u>505,400</u>

Included in the net loss for the period is \$ 2,934 attributable to the additional costs generated by Vulcan Geothermal Pty Ltd and Vulcan Energy Kft (the Hungarian operation).

Had the business combinations been effected at 1 July 2006, the revenue of the Group would be \$391,298, and net loss \$402,771. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

9. Related parties

Arrangements with related parties continue to be in place. For these details, please refer to the 30 June 2006 annual financial report.

Key management personnel continue to receive compensation in the form of short term employee benefits and post employment benefits. In addition, the Company has recently amended its remuneration policy to include share based payments. Further details are given below.

The fair value of the employee share options granted to directors during the financial year under share based payment arrangements is \$45,230 (2005: \$ nil). Options were priced using the Binomial method of valuing options. The expected life used in the model has not been adjusted. Expected volatility is based on the movement of the underlying share price around its average price over the expected term of the option. No allowance has been made for the effects of early exercise.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2006 (cont.)

9. Related parties (cont.)

On 27 November 2006, directors were granted options with the following details:

	Unlisted options exercisable at 25 cents per share on or before 27 November 2009
Grant date	27 November 2006
No of options issued	2,500,000
Vesting conditions	50% vesting 27 November 2006 and 50% vesting 27 November 2007
Fair value at grant date	3.34 cents per option
Share price	Spot price 10 cents
Exercise Price	25 cents
Volatility	80%
Risk free rate	5.0%