



Guilt Free Energy

2008 ANNUAL REPORT



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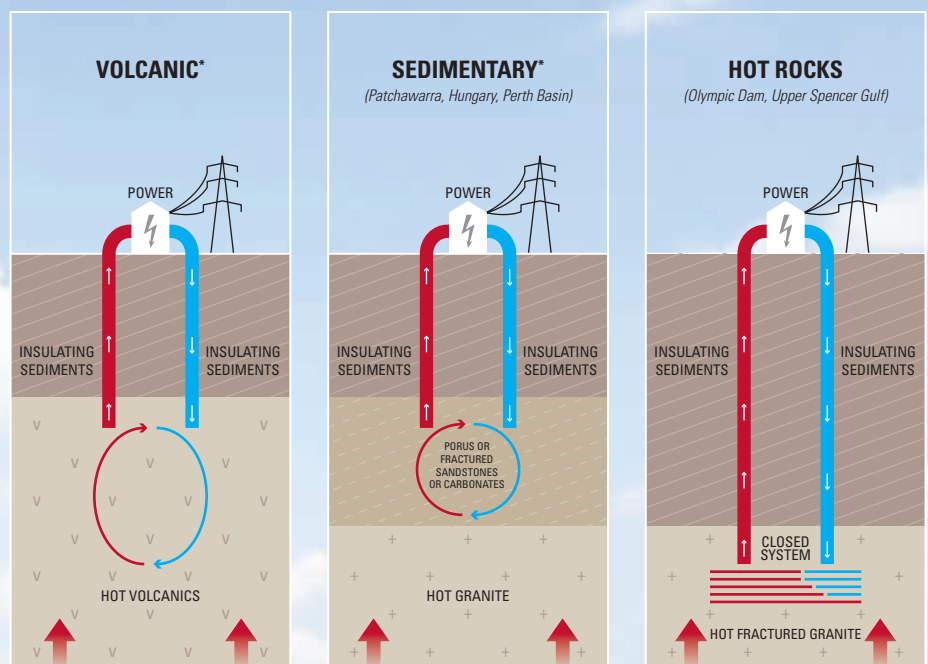
Geothermal Energy at a glance.

Geothermal Energy is a renewable energy source that can provide zero greenhouse gas emissions 24 hours a day, providing critical large scale base load power for Australian homes and industries. It is the natural heat of the earth which presents a potentially sustainable and commercial solution to problems of pollution, green house gas emissions, rising prices and long term supply problems associated with fossil fuels. Geothermal comes from the Greek words "geo" earth and "therme" heat.

Geothermal power plants, used to generate electricity, have historically been located in volcanic regions of the world where the water in the geothermal reservoirs is up to 350°C. With the increase in cost of electricity (due to both the cost of fossil fuels and the addition of a carbon emission charge) and the improvements in drilling and geothermal power plant technology, electricity can now be produced economically using geothermal water at temperatures as low as 100°C. These changes have expanded the potential geothermal resources available for electricity production.

There is a spectrum of geological formations from which geothermal energy can be obtained. At one end of the spectrum there are conventional hydrothermal systems, where hot water or steam flows naturally to the surface from underground aquifers or reservoirs; through to hot dry rocks at the other end of the spectrum, where there is no natural permeable reservoir.

Fracture stimulation is used to generate a permeable underground reservoir for hot dry rock systems, and is also used to improve the permeability of hydrothermal systems; these fracture stimulated systems are referred to as enhanced or engineered geothermal systems.



*HYDROTHERMAL



Green Rock Energy, powering a cleaner future.

Green Rock Energy Limited is an Australian company focused on becoming a major developer of geothermal energy properties.

The Company has geothermal projects in Australia and Europe and is supported by a strong team of local and international geothermal specialists. As operator of its geothermal projects, Green Rock Energy is building up a skill and knowledge base in sedimentary and engineered geothermal systems so as to become a major developer and diversified holder of geothermal properties.

Shareholder value will be added by:

- identifying and securing the right geothermal ground; and
- developing that ground into a major geothermal producer.

The Company's initial focus is the evaluation and development of:

- Olympic Dam
- Perth Basin
- Hungary





A FOCUS ON AUSTRALIA

Both the political and economic environment for the evaluation and development of renewable energy, geothermal energy in particular, has advanced substantially over the last few years.

This has been driven by a combination of increasing energy prices and the need to mitigate climate change. The following provides a brief overview of some of the activities and institutions supporting the Australian geothermal industry.



THE UNIVERSITY OF
WESTERN AUSTRALIA

Curtin 
University of Technology



WA Geothermal Centre of Excellence

In February 2008, the West Australian State Government announced the \$2.3 million *WA Geothermal Centre of Excellence* (the "Centre") with a focus on direct heat use (e.g. geothermally powered air conditioning and desalination) in populated centres where there is shallow groundwater of moderate temperature. By exploring for and utilising low-grade heat in a permeable sedimentary environment the Centre addresses an overlooked opportunity for broadening the footprint of geothermal energy utilisation. The Centre is focussing on the geological setting of sedimentary basins like the Perth Basin, where exploitable heat is available right where it can be used.

The Centre comprises three participants: The University of Western Australia, CSIRO, and Curtin University of Technology. As the Centre's principal sponsor, Green Rock Energy is working with the University of Western Australia and the Geothermal Centre of Excellence to evaluate the potential of the West Australian geothermal exploration permits the Company applied for during the year.



Australian Government

Australian Government

Australia has committed to meeting its Kyoto Protocol target, and has set a target to reduce greenhouse gas emissions by 60% on 2000 levels by 2050.

The Australian Government released a Green paper on the Carbon Pollution Reduction Scheme which the Government intends to implement in 2010 through the placement of a limit and a price on carbon emissions

The Garnaut Climate Change Review recommended limiting emissions to a level of no more than 550 parts per million CO₂ equivalent which would be a 10% reduction by 2020 with emission permits being sold at \$20/tonne CO₂, rising each year by 4% plus the percentage increase of the consumer price index.

The Australian Government is expanding the Mandatory Renewable Energy Target to ensure that 20% of Australia's electricity supply comes from renewable energy sources by 2020.

The Federal Government's \$50 million Geothermal Drilling Program (GDP) provides assistance to companies seeking to develop geothermal energy with the cost of proof-of-concept projects including drilling geothermal wells. The GDP is a competitive merit-based grants program provided as a dollar for dollar matched funding and is capped at \$7 million per proof-of-concept project.

The Australian Federal Government introduced the \$500 million Renewable Energy Fund (REF) to support the adoption of renewable energy technologies in Australia, providing funding for a series of competitive grant programs that aim to demonstrate the viability of renewable energy technologies.



Australian Geothermal Energy Association (AGEA)

Formed in November 2007, the *Australian Geothermal Energy Association (AGEA)* is the national industry association for the Australian geothermal energy industry. AGEA and its members work with all Australian Governments, the academic community, relevant scientific organisations and the media to promote information about the progress of the industry and its capabilities.

AGEA seeks to assist Government develop prudent policy mechanisms that enable geothermal energy to increasingly penetrate the national energy market in line with climate change and energy security policy goals.

Green Rock Energy is one of the founding members of AGEA with representation on the main steering and policy committees.



Australian Geothermal Energy Group (AGEG)

The Australian Geothermal Energy Group (AGEG) was formed in 2006 to provide financial and intellectual support for Australia's membership in the International Energy Agency-Geothermal Implementing Agreement. Members of AGEG include representatives from companies with entitlements to undertake geothermal exploration (research), appraisal (proof-of-concept), demonstration and development projects in Australia; Government agencies responsible for investment attraction and licence regulation for the geothermal sector and University experts conducting relevant research.

Green Rock Energy is a founding member and is supporting research conducted by AGEG.



A stylized, handwritten signature of Adrian Larking in dark ink.

ADRIAN LARKING (MANAGING DIRECTOR)

During 2007/08 the environment for geothermal energy has further improved.

The focus in Australia, and globally, is the reduction in carbon dioxide emissions through the establishment of carbon dioxide emission targets, the charging for such emissions and the encouragement of renewable energies.

Geothermal energy is the only renewable energy in Australia that can provide base load, emissions free power generation. This has been recognised by the Federal Government through the recently released Geothermal Industry Development Framework and the \$50 million Geothermal Drilling Program – a program that Green Rock Energy will be tapping into for the Olympic Dam Project.

During the year major steps forward were taken at our two principal geothermal energy projects. At Olympic Dam, where we are working towards the recovery of heat from hot granites, all the essential preparatory work required to establish the first commercial underground heat exchanger was completed. In Hungary, where we are targeting hot geothermal water trapped in sediments, a joint operating company has been established and two high potential geothermal energy projects are awaiting the formal granting of geothermal permits.

Hydraulic fracturing in Blanche No. 1 well at Olympic Dam demonstrated that fractures can be successfully opened in the hot granite rocks. This has paved the way for the commencement of drilling of the first production and injection well couplet linked at depth by an underground heat exchanger comprising a network of open fractures in the hot granite. This will be the final major step towards commercialisation of geothermal energy at Olympic Dam and the consequential provision of the energy to power a large base load power plant with a capacity in excess of 400 MW of electricity.

The two evaluation wells will be drilled a few kilometres to the west of Blanche No. 1 well, and approximately 15 kilometres from BHP Billiton's mining operation. Success will set the Company on a major growth phase and the delivery of clean, renewable energy on a massive scale. Subject to the procurement of a suitable drill rig, and the finalisation of a farm-in joint venturer, drilling of the wells to set up a sub-surface heat exchanger and prove a commercial circulation system to recover heat from the hot granites for power generation should commence in early 2009.

Inferred Resources

The Company has reported a massive Inferred Resources in place at Olympic Dam in compliance with Australia's new Geothermal Reserves and Resources Reporting Code. Sinclair Knight Mertz reported Inferred Resources of 120,000 peta-joules (PJ) of heat in place within a 460 km² Area of Interest at the Olympic Dam Project within the 2,899 km² Geothermal Exploration Licence area. This is a massive amount of geothermal energy. It is roughly equivalent to 21 billion barrels of crude oil or 120 trillion cubic feet of natural gas. For comparison, in the year 2006/07 Australia consumed 1,990 PJ of crude oil (330 million barrels) and 1,160 PJ of natural gas. One PJ can fuel around 20,000 average cars for one year. The abundant nature of the Inferred Resource can be gleaned from the fact that based on conservative assumptions set out in the report, less than 3% of the stored heat in the resource would have to be recovered to generate a constant 400 MW of electricity over a 30 year project life.

Hungary

In Hungary, Green Rock Energy consolidated its strong relationship with MOL Hungarian Oil and Gas Plc. (Hungary's principal oil and gas company) and Enx hf. (a leading Icelandic geothermal consulting and development company) by forming a new company to explore and develop Hungary's geothermal energy resources. The mission of this new company, Central European Geothermal Energy Private Company Limited (CEGE), is to become the market leader in geothermal energy production in Hungary with the goal of providing a significant contribution to Hungary's renewable energy sources. Hungary is one of the most prospective parts of Europe for geothermal energy due to its high geological heat flow and attractive markets and pricing for power generated from geothermal energy. Two project areas, with substantial hot geothermal water encountered from existing wells drilled by MOL, have been selected for the initial focus of the new company.

South Australia

Towards the end of 2007 the Company was granted geothermal exploration tenements in South Australia; in the Patchawarra Trough in the Cooper Basin and along the eastern and western coastlines of the Upper Spencer Gulf.

In the Patchawarra Trough licence areas the Company is concentrating on locating thick sediments at depths between 3,000 to 4,000 metres which are saturated with water at temperatures greater than 140°C and with potential high water flow capacity. Evaluation of data from existing seismic surveys and petroleum wells is providing us with a cost effective way to locate the prospective geothermal targets.

Our Spencer Gulf project, covering 1,938 km² along the east and west coast of the Upper Spencer Gulf provides the potential to host hot rocks which can produce clean, renewable geothermal energy for seawater desalination projects using a distillation desalination plant. Parts of the tenements are believed to be underlain by the prospective Hiltaba Suite granitic rocks. These granites, the same radiogenic hot granite Suite which the Company is exploiting at Olympic Dam, could provide the heat source for the geothermal energy. Our plan is to measure temperatures in open holes over the next six months and interpret magnetic, gravity and radiometric data already collected to assist target selection in the permits.

Green Rock Energy Limited is gearing up for a major growth phase with the planned drilling at Olympic Dam for completion of the Proof-of-Concept phase, the evaluation of the Hungarian properties and the imminent announcement of the successful tenders for Western Australian geothermal tenements.

Western Australia

In April 2008 Green Rock Energy applied for several highly prospective geothermal tenements in the Perth Basin of Western Australia. The Company will be the operator of the tenements which have been applied for jointly with major resource companies. Green Rock Energy has been working with Professor Klaus Regenauer-Lieb at The University of Western Australia and his team using multi-scale heat transfer modelling of the geothermal aquifers in the Perth Basin to identify and target specific site locations for the most economic geothermal heat sources. The Company is recruiting additional geoscientists to support the Company's existing team and undertake the detailed exploration and evaluation programs.

Geothermal Reporting Code

Green Rock Energy actively participated in formulating and introducing the World's first formal code for reporting geothermal reserves and resources. The Geothermal Reporting Code, which was formally launched in August 2008 by the Australian Geothermal Energy Association, sets out the minimum requirements for reporting geothermal resources and reserves.

Safety

I am pleased to report the continuation of our good safety record with there being no lost time injuries to employees or contractors and no breach of any health, safety or environmental compliance requirements.

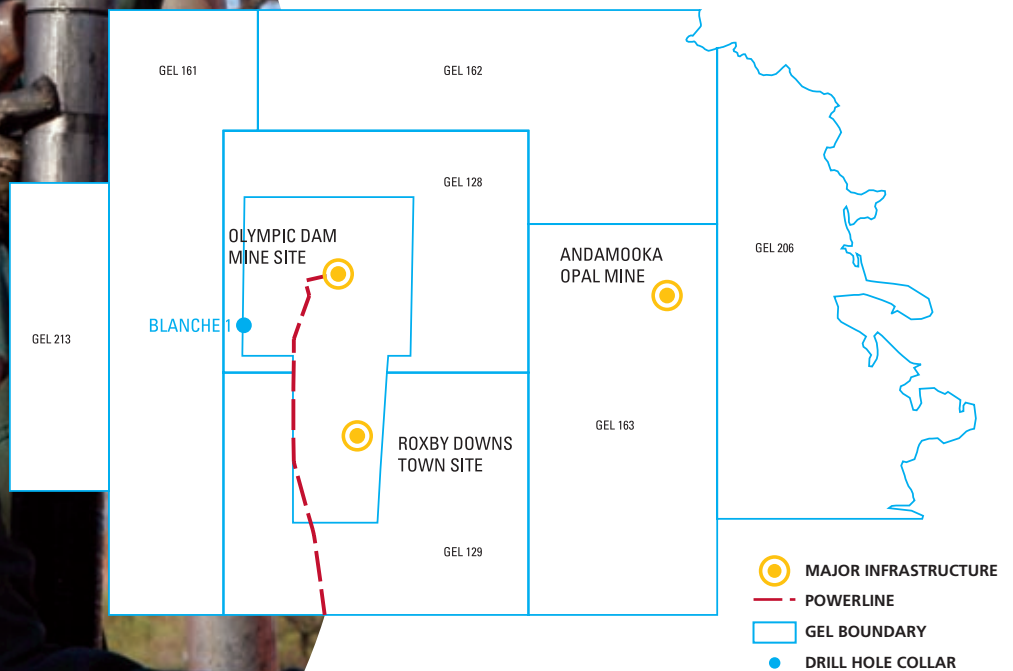
It is with pleasure that I thank the directors, loyal employees and key consultants for their diligence and hard work to move the Company forward during the year.



OLYMPIC DAM

(100% OWNED)

The Olympic Dam Geothermal Energy Project has massive Inferred Resources of geothermal energy situated next to a major customer and the national power grid.



Our aim is to develop a 400 MWe power plant at Olympic Dam to provide 60% of South Australia's 2020 renewable energy target. Only approximately 3% of the stored energy in the immediate target area at Olympic Dam will have to be recovered to generate a constant flow of 400 MWe over a 30 year project life.

The Project

Green Rock Energy is undertaking the development and evaluation of an engineered geothermal system ("EGS") and associated pilot power plant, on its geothermal exploration leases in South Australia in preparation for the construction of a series of EGS reservoirs to provide the heat energy to power a base load power plant in excess of 400 MWe.

The Olympic Dam Geothermal Energy Project is located within 10 kilometres of BHP Billiton's Olympic Dam copper and uranium mine and only 5 kilometres from a 275kV and a 132kV power transmission line connected to the Eastern Australian power grid. The proposed 400 MWe geothermal power plant will provide 60% of South Australia's 2020 renewable energy target. This project is situated on what the Company believes to be the most economically prospective hot dry rock geothermal energy ground in Australia.

Green Rock Energy diamond drilled its first exploratory geothermal well, Blanche No. 1, to a depth of 1.94 kilometres at Olympic Dam and confirmed that the project has homogeneous hot granite host rock with appropriate reservoir and fracturing qualities and temperatures estimated to be around 170°C to 200°C at 5.0 kilometres to 5.5 kilometres depth.

A study by the CSIRO of the in-situ stresses using drill core and drill log data from the exploratory well indicated that the hydraulic fracture orientation and fluid flow in a stimulated zone are most likely to be in a sub-horizontal direction which in CSIRO's words "is ideal for generating an optimal heat exchange reservoir and will allow a maximum distance between injection and production wells." This was confirmed by the hydraulic fracture stress measurements conducted in the first quarter of the 2008 calendar year which indicated that the creation of horizontal fractures will be favoured during the stimulation operations at production depth.

A report of Inferred Resources as at 27 August 2008, produced by Sinclair Knight Merz Limited, estimates the stored heat in the specific 460 km² Area of Interest at 120,000 PJ or 143 PJ (thermal) per km². The 460 km² Area of Interest is within Green Rock Energy's 2,899 km² of Geothermal Exploration Licences at Olympic Dam, and covers the Company's initial development area at Olympic Dam.

120,000 PJ of stored heat is many times the quantity required to power a 400 MW power station for hundreds of years. Assuming a thermal to electrical conversion efficiency of 12%, in-house power consumption and losses of 20% and 90% capacity factor, then only approximately 3% of the stored energy will need to be recovered to generate a constant flow of 400 MWe over a 30 year project life.

The Company is currently designing the work program for the drilling of two deep evaluation wells and associated water circulation testing. The two evaluation wells are scheduled for 2009.

Our Progress

- Blanche No. 1 well drilled, cored and logged to 1.935 metres, 85.4°C
- Suitable temperatures in host granite – potential 170°C to 200°C at 5 kilometres
- In-situ stress analysis confirmed horizontal stress regime
- Well productivity capability determined
- Hydro-fracture testing has confirmed expected operating pressures

Project Timeline

- 2008 Design Proof-of-Concept work program
- 2009 Drill first and second evaluation wells Hydro-fracture and water circulation testing
- 2010 Commence Production Drilling Program Order Power Plant 3-5 MWe
- 2012 Commission 3-5 MWe Power Plant
- 2014 Commission 20 MWe Power Plant (cumulative 25 MWe)



DID YOU KNOW

A 400 MWe Geothermal Energy Power Plant can...

- Provide the total electricity needs for **400,000 houses**.
- Eliminate **3.5 million tonnes** of CO₂ emissions per year.
- Provide **12%** of South Australia's average electricity demand.
- Provide **60%** of South Australia's renewable energy targets (20% by 2020).
- Generate approximately **\$350 million revenue** per year.
- Provide approximately **\$8.5 million** in royalty payments to the State Government.



DID YOU KNOW

Base load electricity supply is the minimum level of electricity demand over a 24 hour period; i.e. the load that exists for the full 24 hours a day.

Base load electricity suppliers, like geothermal power plants, meet this demand by generating a steady quantity of power regardless of demand fluctuations, 24 hours a day.

Electricity demand however fluctuates over the course of the day, throughout the week and seasonally. **Peak load** plants meet these demand fluctuations. Peak load facilities are capable of being brought on line and shut down quickly throughout the day to meet the higher “peak” demand periods and in Australia are usually fuelled by natural-gas. Typically, peak periods occur during the afternoons of hot summer days when air conditioners put excessive strain on the power grid. Up front capital costs of building peak load plants are usually low compared to base load plants, but the fuel costs per unit of power generated is relatively high.

Unlike geothermal, other renewable sources of power such as wind and solar can only generate power intermittently, depending upon the weather; they cannot be relied upon to provide either base load or peak load electricity. They are intermittent suppliers of electricity. Although they cannot be relied upon to provide either base load or meet peak demand periods, they are effective in helping to reduce the quantity of fossil-fuel power.



PATCHAWARRA (100% OWNED)

Situated in the Cooper Basin in South Australia, the project area is geologically prospective for hot geothermal water (hydrothermal).

Our objective is to evaluate and develop the project in conjunction with the construction of an electricity distribution network connected to the Cooper Basin.

The Project

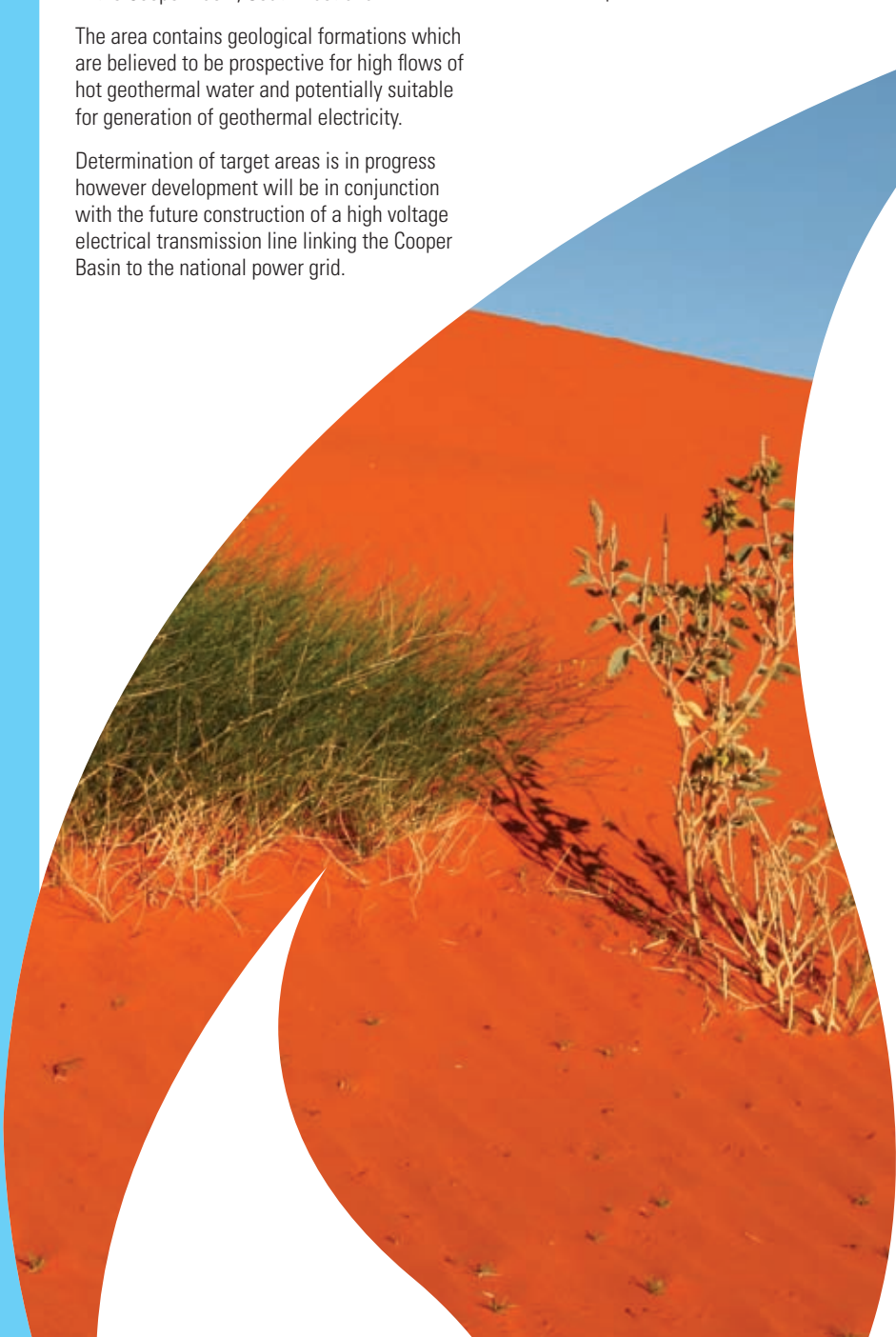
The Patchawarra Geothermal Energy Project comprises three exploration licences covering 1,438 km² of land over the Patchawarra Trough in the Cooper Basin, South Australia.

The area contains geological formations which are believed to be prospective for high flows of hot geothermal water and potentially suitable for generation of geothermal electricity.

Determination of target areas is in progress however development will be in conjunction with the future construction of a high voltage electrical transmission line linking the Cooper Basin to the national power grid.

Our Progress

Data evaluation and the modelling of sediment thickness and water flow potential was undertaken during the year based on data from previously drilled hydrocarbon wells in the three geothermal exploration licence areas. This evaluation is concentrating on rocks with temperatures greater than 140°C, with potential high water flow capacity and with the immediate objective of defining specific geothermal energy target areas for evaluation drilling. A combination of well log analysis, detailed seismic assessment and temperature modelling are being used to locate the prospective geothermal target areas with good thickness of combined Patchawarra and Tirrawarra formations which are hotter than 140°C at depths around 3 kilometres.





UPPER SPENCER GULF

(100% OWNED)

With potential for both electricity production and water desalination, our exploration licences cover an area from south of Whyalla on the Eyre Peninsula north to Port Augusta and then south along the east coast of the Spencer Gulf to below Port Pirie in South Australia.

The Company is evaluating the suitability of the geology for an engineered geothermal system to provide the heat source for a desalination plant using the distillation process. Desalination plants using the distillation process consume substantially less electricity than plants which use the reverse osmosis process.

Our objective is to produce pure desalinated water for the Upper Spencer Gulf and surrounding regions with minimum contribution to green house gases.

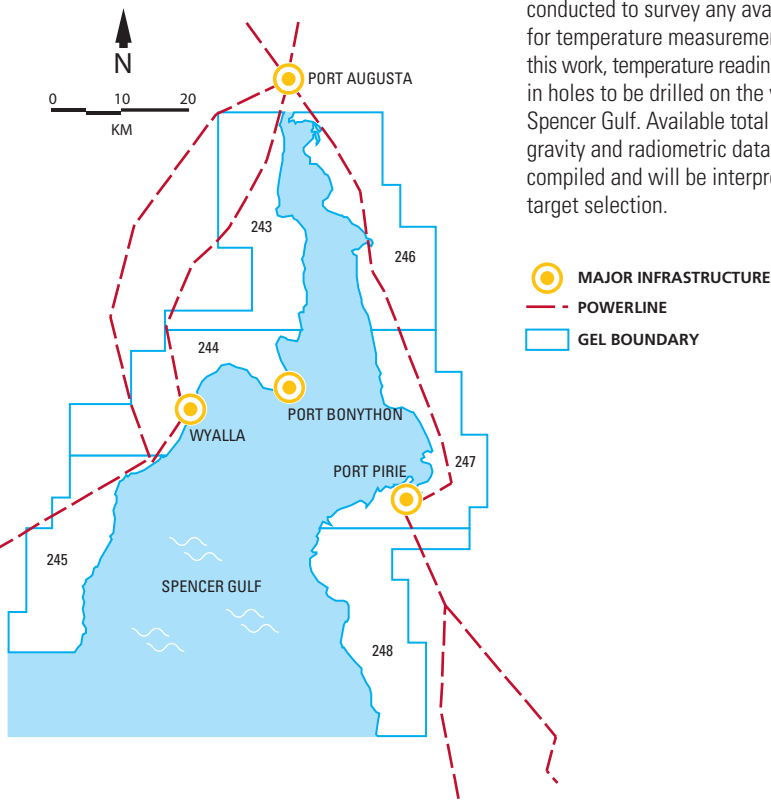
The Project

The Spencer Gulf project, covering 1,938 km² along the Upper Spencer Gulf coast, has the potential to provide sufficient geothermal energy to power seawater desalination projects. A 275 kV power-line is situated along the eastern edge of the geothermal licences and two 275 kV lines are situated at the northern edge.

Parts of the tenements are underlain by the prospective Hiltaba Suite granitic rocks. These granites, the same radiogenic hot granite Suite which the Company is exploiting at Olympic Dam, provide the heat source for the geothermal energy. Up to 14 ppm uranium, 18 ppm thorium and 6 ppm potassium values have been recorded from drilling in the area.

Our Progress

During the year Green Rock Energy compiled a record of all drilling results in the geothermal tenements with on-site field work being conducted to survey any available open holes for temperature measurement. To complement this work, temperature readings will be measured in holes to be drilled on the western side of Spencer Gulf. Available total magnetic intensity, gravity and radiometric datasets have been compiled and will be interpreted to assist target selection.



DID YOU KNOW

By using geothermal water to commence the evaporation process of a distillation desalination plant, the electricity requirements are much less than for a reverse osmosis desalination plant and substantially lower geothermal water temperatures are needed than if the geothermal water was used to generate electricity.

In addition to using approximately **75% less** electricity power, the distillation process offers the following benefits over reverse osmosis:

- Distillation produces water at high purity (having a residual salinity in the order of 1-2 ppm) and is not dependent on the salinity of the feed seawater.
- Distillation plants are much less sensitive to seawater quality than reverse osmosis plants for which seawater pre-treatment is a critical issue.
- Operation and maintenance costs are lower.



DID YOU KNOW

Hungary...

- Is a member of the European Union.
- Is a part of the Kyoto Protocol and has a renewable energy sourced electricity target of 20% by 2020.
- Has a multitude of geothermal springs, hot baths and abundant natural geothermal water.
- Is comprehensively covered by a high voltage electricity transmission network making for reasonable connection costs.
- Has a feed-in price for electricity generated from renewable energy of €100/MWh (or A\$160/MWh compared to A\$60/MWh in Australia).
- Has excellent availability of skilled technical professionals with experience in hydrocarbon exploration and development.

HUNGARY (33% OWNED)

In July 2008 Green Rock Energy established a new geothermal energy company with Mol Plc and Enx hf. This new joint company, Central European Geothermal Energy Private Company Limited ("CEGE"), consolidates the strong relationship between the three companies for the exploration and development of geothermal energy resources in Hungary. The companies each have an equal one third share in CEGE.

MOL Plc. is a major European oil and gas company which holds the largest hydrocarbon leases in Hungary. It has unsurpassed experience, knowledge and relevant data of Hungary's geological setting obtained from more than 70 years of hydrocarbon exploration and development.

Enx hf is a leading Icelandic geothermal consulting company with extensive experience in developing and implementing international geothermal projects as both advisor and investor.

The objective of CEGE is to become the market leader in geothermal energy in Hungary through the development of geothermal power plants and the subsequent production and sale of geothermal sourced electricity into the Hungarian market through the development of the untapped potential in the Carpathian Basin of Central Europe.

The Carpathian Basin in Hungary is known from petroleum drilling carried out by MOL to have very favourable geology with abundant natural geothermal water with temperatures ranging between 140°C to 200°C. These high temperatures at reasonable depths, between three to four kilometres, are due to the relative thinness of the earth's crust in parts of Hungary compared to the World average.



The availability of skilled technical professionals in Hungary is excellent given their experience in hydrocarbon exploration and development and the long history of hydrogeology experience. The labour market for the technical professions required for the exploration and development of geothermal resources in Hungary provides an ideal balance of skills and cost.

The Hungarian Government has introduced policies to encourage the use of renewable energy. As part of the Kyoto Protocol, Hungary agreed to decrease its annual CO₂ emissions by 6% between 2008 and 2012 as compared to the reference period of 1985-1987, with a renewable energy sourced electricity target of 20% of total electricity produced by 2020.

Hungary has a feed-in tariff system for geothermal generated electricity; currently at the rate of approximately €100/MWh (or A\$160/MWh compared to approximately A\$60/MWh in Australia). The feed-in-tariff is increased each year in line with inflation. Although the Hungarian feed-in-tariff is significantly above the Australian wholesale electricity price, it is only marginally above Hungary's general wholesale electricity price and significantly below the price paid for geothermal generated electricity in France and Germany. The feed-in-tariff can be expected to increase significantly for Hungary to achieve its renewable energy target by 2020.

Two very promising geothermal prospects in Hungary have been identified from the evaluation of MOL's extensive petroleum well data and seismic mapping. Detailed evaluation is being undertaken to determine the precise locations for drilling the geothermal wells at these prospects. This is being undertaken in conjunction with the processes for obtaining formal title to the geothermal tenements.

As the above map illustrates, Hungary is comprehensively covered by a high voltage electricity transmission network making for reasonable connection costs.

INFERRED RESOURCES

Green Rock Energy actively participated in formulating and introducing the World's first formal code for reporting geothermal reserves and resources.

The Geothermal Reporting Code, which was formally launched in August 2008 by the Australian Geothermal Energy Association, sets out the minimum requirements for reporting geothermal resources and reserves. The Geothermal Reporting Code has been promulgated and modelled by the Australian geothermal industry, scientific and industrial bodies and leading academic institutions. It aligns with the JORC Code by its adoption of the same concepts, framework, key terminology and style but is different in detail reflecting the different industry practices and processes.

The Geothermal Reporting Code has been reviewed and sanctioned by the key international geothermal energy associations including the International Energy Agency's Geothermal Implementing Agreement and the International Geothermal Association, leading international and Australian geothermal consulting companies.

STATEMENT OF ESTIMATED GEOTHERMAL RESOURCES AS AT 27 AUGUST 2008

Olympic Dam Geothermal Project, South Australia

Green Rock Energy holds and has applied for a number of Geothermal Exploration Licence (GEL) areas near the Olympic Dam mining operation in South Australia, approximately 550 kilometres NNW of Adelaide. The area has granitic basement rocks with anomalous high temperatures and is considered by Green Rock to have potential to support a large Hot Dry Rock (HDR) geothermal electrical power generation project.

Geological Setting

Regional mapping and mineral exploration drilling in the area has facilitated the development of a good understanding of the regional geology. A large amount of information is available in the form of mineral exploration drill holes, providing detailed data on lithologies, along with temperature and thermal conductivity measurements in some cases. One deep (~2000 m) exploration well, Blanche No. 1, has been drilled on Green Rock GEL 128, close to the BHP Billiton Ltd Olympic Dam Special Mining Lease (SML).

The Roxby Downs granite has so far only been sampled to less than half of the proposed reservoir thickness, and to that depth at only one location. It can be expected that the granite body is not totally uniform, and some variability in the composition of the intrusive has been observed, with finer grained dykes for example. However it is reasonable to apply average rock properties to the reservoir volume for the present purpose, though as more data are collected in the future the situation should be reviewed.

Reservoir Characteristics

The Blanche No. 1 well provides good information on subsurface temperatures and an indication of the temperature gradient within the granite body. The top of the granite lies at 718 m with a temperature of about 50°C and the bottom hole was reached at 1934 m in the granite and a temperature of about 87°C. The thermal gradient within the granite is linear, about 30°C/km, and the granite is fairly uniform, and so linear extrapolation to greater depth is considered a reasonable approach.

The temperature profile through the overlying sediments is not linear. There is clear variation in the thermal conductivity of those formations, and there may be sufficient permeability within them for some convective circulation of fluid. This will not affect the temperature gradient within the granite, but it does mean that temperatures from shallow drillholes above the granite can only be extrapolated with caution, and with a low degree of reliability.

However, there is a sufficient degree of lateral and vertical consistency between temperature profiles that these can be used as reliable for use in the resource and reserve assessment. Temperatures will need to be confirmed by deeper and more widespread drilling, as is planned.

There is no indication that the granite naturally contains any natural porosity and hence any significant quantity of fluid. Therefore, if that lack of porosity continues to deeper levels that will be targeted for production any scaling or corrosion issues should be minor, since clean, non mineralised water can be added as the circulation fluid.

Pump testing of Blanche No. 1 revealed the natural in-situ permeability to be very low thus the granite in its natural state can be regarded as impermeable. Permeability is likely to be associated with micro-fractures rather than porosity.

There has been no fluid over-pressure observed such as has been encountered in the Cooper Basin.

Stimulation

The ability to produce or stimulate fractures within the granite at practically achievable pressures has been demonstrated on a small scale, to a depth of almost 2 km in Blanche No. 1. Before the process can be regarded as routine, it will be necessary to demonstrate stimulation on a larger scale and to greater depths, with a micro seismic monitoring array to detect fractures, and eventually to connect at least two drillholes for a circulation test.

Because the minimum principal stress is near vertical, fractures can be opened in a sub horizontal orientation. This is very favourable for being able to create a sub horizontal reservoir heat exchange zone that can connect two wells at a similar depth, rather than sub vertical fractures which would have the potential to tap shallow, cooler zones.

Power Market and Transmission

The position of the Green Rock licence areas close to the Olympic Dam mining project, the town of Roxby Downs and a high voltage transmission link imply that access to an electricity market should be feasible, either by direct sales to the mine or to the grid. No details of possible sales contracts or projections of possible power prices, nor any aspects of grid connection have however been taken into account in this assessment.

In their public statements Green Rock have stated that proximity to the grid is a big advantage for the project in that it will permit staged commercial development, rather than having to go straight to the full scale project to justify the cost of a long transmission line.

Inferred Resources (continued)

Energy Conversion Technology

Given the probable temperature of the resource, it is highly probable that a binary power plant would be the most appropriate. The temperature range and the lack of large fluid overpressures mean that conventional, commercially available binary ORC technology would be applicable and therefore the technological risk of that aspect of the proposed project is low. This should not be taken to imply, however, that use of such plant in this project has been financially analysed and demonstrated to be commercially feasible, nor that it is necessarily the optimum technical or commercial pathway.

Estimation Methodology

Given the state of knowledge of the resource and the commercialisation status of the project, a stored heat estimate is considered the most appropriate methodology. There is insufficient quantitative data to justify a probabilistic approach.

Input Parameters

Assumed parameters are listed below:

Parameter	Value	Unit
Average resource temperature	160	°C
Cut-off temperature	130	°C
Base temperature	100	°C
Area	408	km ²
Thickness	2	km
Porosity	0	%
Rock density	2650	kg/m ³
Rock specific heat	0.9	kJ/kg°C

The reasons for selecting the key chosen parameters are as follows:

Average temperature of the resource and Cut-off Temperature

The temperature gradient within the granite section of Blanche No. 1 is about 30°C/km. Green Rock has proposed drilling to 5.5 km, which does not appear technically impractical, so that is taken as the greatest depth accessible, at which point extrapolation suggests the temperature will be 190°C.

The cut-off grade for the resource volume is temperature dependant. As a first approximation at the current level of accuracy, it is considered sufficient to extrapolate a linear temperature gradient downwards from the deepest well drilled so far.

A cut-off grade for the resource volume of 130°C is proposed, based on two considerations;

- An “educated guess” based on general industry experience of the minimum resource temperature to which it could be practical to

operate a binary plant under these circumstances. Note that this figure has NOT been the subject of optimisation of the technical process nor a financial analysis and selection of this figure should not be taken as implying that SKM asserts a project based on 130°C fluids would necessarily be commercially feasible.

- Green Rock has suggested that it may be possible to make direct use of the geothermal energy for distilling process water for the mine, at temperatures down to 130°C. That proposal does not form part of the present project concept, which considers only electricity generation as the use of the geothermal energy, but it does provide another consistent basis for selecting this cut-off temperature.

Selection of this cut-off temperature leads to an average resource temperature of 160°C at the Blanche No. 1 well site. As discussed above, there is currently no evidence on which to conclude there is any significant lateral temperature variation so this temperature is assumed to apply to the whole of the area.

Base Temperature

It is also necessary to define the base temperature relative to which the stored energy will be estimated. This will be related to temperature of the power conversion process (which has not yet been defined) and general consideration of how much cooling is practical on the condensing side of the plants.

The average ambient temperature at Olympic Dam is about 20°C. If a typical ORC binary plant is to be used, because of water availability it will probably be air cooled rather than using evaporative cooling towers. Considering the typical design of these plants it is considered appropriate to assume a fluid rejection temperature of 70°C, and in the absence of any more definitive information this is assumed to be the same as the reinjection temperature at the reservoir.

The reinjected fluid then becomes reheated, extracting energy from the reservoir. This can continue until the temperature of the extracted fluid drops to the cut off temperature. In the absence of any detailed reservoir modelling, the simplest assumption is that there is a linear temperature gradient between the reinjection and production wells, and so in this case is 100 °C. That is taken as the Base Temperature. Obviously this figure can and should be revised when more hydrological data are available and detailed reservoir modelling is undertaken.

Area

The area has been taken generally as the “Area of Interest” defined by Green Rock. With that is estimated the area within which the Roxby Downs granite is believed to exist, west of the

Olympic Dam project, and which is outside the area that may be required for the Olympic Dam mining project.

Apart from the practical difficulties of trying to undertake geothermal activities within the mining project, the properties of the granite are likely to be significantly different within the mining area and so it is reasonable to exclude that area. The opposite question was also considered - are there any zones within the “Area of Interest” which are known to have significant mineralisation, and therefore be unsuitable or unavailable for geothermal energy extraction? The answer to that at the current state of knowledge is no.

In a naturally convective geothermal reservoir of high lateral permeability, it would be common practice in a stored heat estimate to include some area outside of the area which can be drilled, to allow for lateral fluid drainage and heat transfer. That is not the situation for a HDR project where the natural lateral permeability is so low that no lateral heat or fluid recharge will occur over the project lifetime. The area of the estimate is therefore restricted to the area within which Green Rock can drill and stimulate wells.

Measuring the area shown as underlain by granite within the total Area of Interest (~460 km²) yields an area of ~408 km² for the granite.

Thickness and Volume

The top of the granite is at 718 m in Blanche No. 1, but it is too cool at that depth to be part of the resource. The top of the resource volume is taken to be at 3.5 km, which is where linear extrapolation of the temperature gradient implies a temperature of 130°C will be reached. The bottom of the resource is taken to be 5.5km, the maximum depth to which it has been proposed be drilled. The seismic data suggests that it is probable granite extends to at least that depth. The resource is therefore taken as being on average 2 km thick. No allowance for additional heat storage at greater depth has been made for the same reason that no additional area has been included. The resource volume is therefore estimated to be ~816 km³.

Porosity and density

Density measurements on the cores and hydrological observations on the well before stimulation suggest a very low porosity. Within the accuracy of this estimate it can be taken as zero.

Stored Heat Estimate

Based on the above parameters and assumptions, the stored heat relative to the Base Temperature of 100°C is 143 PJ_(thermal) per km³, or a total of 116,770 PJ within the Area of Interest. Rounded off to two significant figures, the Inferred Resource is therefore 120,000 PJ.

Recoverable and Converted Energy

At this stage there is no sound basis for predicting the percentage of the stored energy which may be recovered. Nor, given the fact that the reservoir temperature has not been measured is there a good basis for determining the net conversion efficiency. Therefore the Inferred Resource estimate has not been reported in terms of recoverable or converted energy. Nevertheless, it is instructive to consider what the Inferred Resource estimate could imply should certain assumptions apply.

The following is a purely hypothetical case that does not comprise part of the Inferred Resource under the Code.

If the Inferred Resource is as stated, and the following assumptions apply:

- Thermal to electrical conversion efficiency (gross): 12%
- In house power consumption and losses (pumping etc): 20%
- Power scheme net electrical output: 400 MWe
- Plant capacity factor: 0.9
- Project life: 30 years

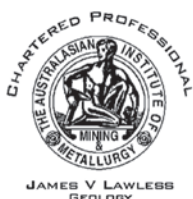
Then about 3% of the stored energy will have to be recovered over the project lifetime.

Acceptance by Competent Person

This report has been prepared under the direction of James Vincent Lawless, an employee and Principal of Sinclair Knight Merz Limited (SKM) who has been assisted by other employees within SKM but who takes responsibility and is accountable for the report as Competent Person in terms of the Code. SKM has been engaged as Consultant by Green Rock Energy for various commissions since 2007 but holds no financial interest in the project or in Green Rock Energy.



JAMES VINCENT LAWLESS



BOARD OF DIRECTORS'



ADRIAN LARKING
Managing Director

BSc (Hons), MSc, Dipl. Imperial College, LLB and Grad Dipl. Legal Practice. FAIMM

Mr Larking is a geologist and resources lawyer with more than 30 years experience in the minerals and petroleum industries in Australia and internationally.

Much of his experience was gained while working for Western Mining Corporation Limited (now owned by BHP Billiton).



ALAN KNIGHTS
Executive Director

B Econ, MBA and CPA

Mr Knights has held the positions of Group Treasurer, Company Secretary and General Manager Finance at Western Mining Corporation Limited and Chief Financial Officer of Perilya Limited.

Mr Knights' focus is on financial management and commercial development.



DR JÖRG BAUMGÄRTNER
Non Executive Director

Dipl. Geophysics, PhD, post doctorate studies Stanford University

Dr Baumgärtner is one of the world's leading experts on the development and production of geothermal energy from Enhanced Geothermal Systems (EGS) or Hot Dry Rocks. Based in Germany, he is the CEO of BESTEC GmbH and BESTEC Drilling GmbH. He is a member of both the Management and Supervisory boards of the Soultz Geothermal projects in Soultz-sous-Forets, the foremost EGS project in Europe.



SCOTT SPENCER
Non Executive Director

BA (Hons), B Phil, M Litt, Dipl. AICD

Mr Spencer served in the Department of Foreign Affairs and had several senior foreign postings before appointment as Regional Director in Western Australia.

He was Executive Director of Hardman Resources Limited and is Chairman of Monitor Energy Limited, an ASX listed oil and gas company.

PRINCIPAL CONSULTANTS



ROY BARIA

*HNC (Mech Eng), BSc (Eng) and
MPhil (Geophysics)*

Mr Baria is a geophysicist with specialities in seismic profiling and geothermal reservoir engineering. He is a director of MIL-TEC UK and Hot Dry Rocks Pty Ltd and was formerly Deputy Director of the UK Geothermal Project at Rosemanowes, England and Scientist in Charge of the Soultz Geothermal Project in Soultz-sous-Floreys, France.



JEFF HARDING

BE (Hons), BA (Econ), FAICD

Mr Harding is the former Chief Executive Officer of Pacific Hydro Limited, one of Australia's leading renewable companies. He oversaw the successful completion of the Ord River Hydro Electric Project in Western Australia, the Bakun Hydro Electric development in the Philippines and hydro electric projects in Chile.



GARY MEYER

*BSc (Geology and Chemistry),
Grad. Course Hydrology, Grad. Cert.*

Mr Meyer has over 30 years professional experience focused on hydrology and environment management. He has worked in Canada, USA, Philippines, Cuba, Uzbekistan, Finland, Brazil and Hungary on diverse water and environmental projects.



IAN CAMPBELL

Mr Campbell was a Senator in the Australian Federal Government until 2007 and served as Federal Minister for the Environment from 2004. In this capacity he was responsible for climate change policy and administered a range of government programs providing support to renewable energy industries.

He is a Non Executive Director of Austal Limited an international ship building company, the ASG Group, an IT services company, and Solco Limited, a Solar energy company.

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Corporate Governance Statement

This statement outlines the main corporate governance practices in place for the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board of Green Rock Energy Limited ("the Company") is responsible for its corporate governance, that is, the system by which the Company is managed. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has developed a Board Charter to guide the Directors and key executives in the performance of their roles. The Board Charter is detailed in Section 3.1 of this report.

The Board represents shareholders' interests in pursuing the identification of geothermal energy resources and the development of low emission base load renewable energy, and then continuing a successful geothermal resources business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the size of the Company's exploration and development activities, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary and approving that person's remuneration;
- Determining the strategic direction of the Company and measuring the performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and exploration expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

The Board convenes regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's operational results and financial position.

The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors' Report. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgement.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. From the Company's perspective Directors are considered to be independent when they are independent of management and free from any business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In determining whether a Non-Executive Director is independent the individual must satisfy the following criteria:

- Less than 10% of the shares of the Company are held by the Director and any entity or individual directly or indirectly associated with the Director.
- No sales are made to or purchases from any entity or individual associated with the Director.
- None of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the entity other than income derived as a Director of the entity.

If the Company's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be re-assessed.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual's background, experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors is subject to periodic re-appointment by shareholders. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Company - overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities - overseeing the development of the Company's strategic plans (including exploration programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the Company.
6. Company Finances - approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources - appointing, and, where appropriate, removing the Managing Director as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

Corporate Governance Statement

1.4 Board Policies (continued)

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act 2001, absent himself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act 2001 from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.6 Trading in the Company's Shares

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others, including colleagues, family or friends, knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act 2001 and the ASX Listing Rules, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

1.4.7 Attestations by Managing Director and Company Secretary

In accordance with the Board's policy, the Managing Director and the Company Secretary made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the Company including a system of internal controls and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committee's will be reviewed by the Board and implemented if appropriate.

2.1 Audit Committee

The Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis.

In the absence of an audit committee, the Board when required sets aside time at Board meetings to deal with the issues and responsibilities usually delegated to the audit committee so as to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Board in its entirety reviews the audited annual financial statements and the audit reviewed half-yearly financial statements and any reports which accompany published financial statements.

The Board in its entirety considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Board is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

The Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing the Green Rock Energy Limited Employee Share Option Plan, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors including, setting with the Managing Director goals for the coming year and reviewing progress in achieving those goals.

The Company is committed to remunerating its executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For a full disclosure of the Company's remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

2.3 Nomination Committee

The Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the geothermal energy industry, appropriate to the Company's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills; and
- Managing Director – appropriate business experience.

3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Board Charter for Directors and key executives to promote ethical and responsible decision-making.

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed company;

Corporate Governance Statement

3.1 Code of Conduct for Directors and Key Executives (continued)

- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;
- will not disclose non-public information except where disclosure is authorised or legally mandated;
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;
- will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company;
- will not take advantage of Company property or use such property for personal gain or to compete with the Company;
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes;
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;
- will encourage fair dealing by all employees with the Company's suppliers, competitors and other employees;
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;
- will give their specific expertise generously to the Company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Charter.

3.2 Code of Ethics and Conduct

The Company has implemented a Board Charter containing a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established the Board Charter to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, government authorities, creditors and the community as a whole. This Charter includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of the Company's assets or resources.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community; and
- supports community charities.

Responsibility to the Individual

The Company is committed to keeping private information which has been provided by employees and investors confidential and protecting it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between their personal interests and the interests of the Company.

How the Company Monitors and Ensures Compliance with its Code of Conduct

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance.

Disciplinary measures may be imposed for violating the Code.

4. DISCLOSURE OF INFORMATION

4.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- (a) A reasonable person would not expect the information to be disclosed or it is material but due to a specific valid commercial reason is not to be disclosed; and
- (b) The information is confidential; or
- (c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;
 - vi. It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
 - vii. It would harm the Company's potential application or possible patent application; or
 - viii. The information is scientific data that release of which may benefit the Company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Corporate Governance Statement

4.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company to be provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Reports;
- Half Yearly Report and Annual Report; and
- Presentations at the Annual General Meeting/General Meetings.

The Board encourages the full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

5. RISK MANAGEMENT

5.1 Identification of Risk

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

5.2 Integrity of Financial Reporting

The Company's Managing Director and Company Secretary report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

5.3 Role of Auditor

The Company's auditor is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Directors present their report on the Consolidated Entity consisting of Green Rock Energy Limited and the entities that it controlled at the end of, or during the year ended 30 June 2008.

DIRECTORS

The names and details of the Directors of Green Rock Energy Limited during the financial year and until the date of this report are:

NAME	PARTICULARS									
Adrian Larking (Managing Director)	Mr Larking holds a BSc Hons, MSc, Dip. Imperial College (Royal School of Mines, London), LLB, degrees and a Graduate Diploma in Legal Practice. Additionally, he is a Fellow of the Australian Institute of Mining and Metallurgy. He is a geologist and resources lawyer with around 30 years experience in the minerals and petroleum industries in Australia and internationally. Much of his experience was gained while working for Western Mining Corporation Limited (now owned by BHP Billiton). In the three years prior to the date of this report Mr Larking held no directorship in any other public listed company. Date of appointment as Managing Director - 25 February 2005.									
Alan Knights (Executive Director)	Mr Knights holds a Bachelor of Economics and Master of Business Administration degrees. He is a Certified Practicing Accountant with 30 years experience in the finance and mining industries. He has held the position of Group Treasurer, Company Secretary and General Manager Finance at Western Mining Corporation Limited and Chief Financial Officer of Perilya Limited. In the three years prior to the date of this report, Mr Knights held no directorship in any other public listed company. Date of appointment as Non-Executive Director – 10 May 2005. Date of appointment as Executive Director – 21 November 2005.									
Scott Spencer (Independent Non-Executive Director)	Mr Spencer holds a BA Hons, BPhil and MLitt degrees. He served in the Department of Foreign Affairs and had several senior foreign postings before appointment as Regional Director in Western Australia. He was a Non-Executive Director of Hardman Resources Limited where, as an Executive Director, he had been active in the establishment and funding of a portfolio of petroleum exploration assets. He is currently Chairman of Monitor Energy Limited, an oil and gas company. Date of appointment as a Non-Executive Director - 29 November 2005. Mr Spencer held directorships with the following public listed companies in the 3 years immediately prior to the date of this report. <table><tr><th>Name</th><th>Date Appointed</th><th>Date Resigned</th></tr><tr><td>Monitor Energy Ltd</td><td>22 December 2005</td><td>current</td></tr><tr><td>Hardman Resources Ltd</td><td>19 July 1994</td><td>12 April 2006</td></tr></table>	Name	Date Appointed	Date Resigned	Monitor Energy Ltd	22 December 2005	current	Hardman Resources Ltd	19 July 1994	12 April 2006
Name	Date Appointed	Date Resigned								
Monitor Energy Ltd	22 December 2005	current								
Hardman Resources Ltd	19 July 1994	12 April 2006								
Jörg Baumgärtner (Independent Non- Executive Director)	Dr Baumgärtner holds a Dipl. Geophysics and PhD. He is one of the World's leading experts on the development and production of geothermal energy from Enhanced Geothermal Systems (EGS) or Hot Dry Rocks. He is based in Germany and is the Chief Executive Officer of BESTEC Gmbh and BESTEC Drilling Gmbh companies actively involved in operating European geothermal power projects. He is a member of both the Management and Supervisory boards of the Soultz Geothermal project in Soultz-sous-Florets, the foremost EGS project in Europe. His experience extends to the use of micro-seismic technologies and use of chemical tracers to monitor the development of the fracture network in granites. He has had a principal role in establishing Germany's first commercial geothermal power plant. Dr Baumgärtner was a researcher at the German Continental Deep Drilling Program at the Institute of Geophysics at the Ruhr University in Bochum, Germany and carried out post doctorate research at Stanford University in Palo Alto, California and at Dowell Schlumberger Inc. at Tulsa, Oklahoma, USA. Date of appointment as Non-Executive Director – 25 April 2007. In the three years prior to this report Dr Baumgärtner held no directorship in any other public listed company.									

Directors' Report

COMPANY SECRETARY

NAME	PARTICULARS
Nigel Hodder	Mr Hodder holds a Bachelor of Commerce degree from Rhodes University (South Africa) and held the position of Corporate Secretary for the First Mutual group of companies in addition to performing executive management roles in the marketing, administration and property development divisions of the business. He was appointed Company Secretary on 4 April 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of the pursuit of geothermal energy resources and the development of low emission, base load, renewable energy.

There have been no significant changes in these activities during the financial year.

South Australia

The Company has 7 Geothermal Exploration Licences (GELs) totalling 2,897 square kilometres and 2 GEL applications (totalling 281 square kilometres) surrounding Olympic Dam Mine and the Roxby Downs township, where an underground heat anomaly is known to exist. The first four licences in this area were granted to the Company in mid 2004.

During the year (September) Green Rock Energy was granted 3 GELs in the Cooper Basin area of South Australia. These licences cover a combined area of 1,483 square kilometres and are positioned over the Patchawarra Trough in South Australia. This area contains geological formations which are prospective for high heat flows of hot geothermal water.

In November 2007 the Company was granted five GELs in the Upper Spencer Gulf of South Australia. The licences cover the area from south of Whyalla on the Eyre Peninsula north of Port Augusta and then south along the east coast of the Spencer Gulf to below Port Pirie and total 1,938 square kilometres. Two GEL applications adjoining this area have still to be decided. Parts of these tenements are underlain by the prospective Hiltaba Suite granite rocks. These granites have the potential to provide a renewable energy source for energy production and a distillation desalination plant.

Applications were lodged during the year for 11 GELs totalling 5,127 square kilometres in the Great Artesian Basin. The outcome of these applications is awaited.

Western Australia

The Company has been advised it is the preferred applicant in 14 of the 26 applications for geothermal exploration permits within the onshore Perth Basin and adjacent region which were lodged with the West Australian Government during April 2008 under that government's first scheme of geothermal acreage release. Each application is in respect of an area of approximately 300 square kilometres.

The area being released is generally prospective for hydrothermal projects.

Hungary

During the financial year a 100% owned Hungarian subsidiary Green Rock (Vulcan) Energy Kft. (previously Vulcan Energy Kft) was party to an unincorporated joint operating agreement with MOL, a Hungarian oil and gas company, and ENEX hf an Icelandic geothermal consulting and geothermal energy developer. The joint operating agreement is for a project to develop geothermal energy, for the production of renewable electricity and/or the direct sale of heat. The first project under this agreement was situated in Zala County in western Hungary.

Since the end of the financial year the three companies have strengthened their association by jointly forming a company named Central European Geothermal Energy Private Company Limited in which each company holds a one third interest with the mission to develop and produce geothermal energy in Hungary for power generation and direct heat use.

Other

The Company plans to continue to meet its obligations under the terms of its farm-in arrangement with Siberia Mining Corporation Limited in the Waukarlycarly Telfer joint venture project. Applications for exploration licences have not yet been granted.

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

REVIEW AND RESULTS OF OPERATIONS AND ACTIVITIES

Results of Operations

The consolidated loss after accounting for tax for the year ended 30 June 2008 was \$2,964,344 (2007: \$1,452,727). Revenue from continuing activities was \$149,518 (2007: \$87,222).

Corporate and Financial Position

Consolidated net assets at year end were \$12,002,204 against \$11,382,179 at the close of the prior year. Total cash held at year end was \$2,858,934 (2007: \$981,818).

Exploration Activities

Hungary

In 2006 Green Rock Energy Limited acquired Vulcan Geothermal Pty Ltd (now renamed Green Rock International Pty Ltd), which during 2007/8 held a 32% interest in an unincorporated joint venture ("Joint Venture") to establish the first geothermal power plant in Central-Eastern Europe.

The joint venture partners, in addition to Green Rock Energy Limited, were the Hungarian oil and gas company, MOL ("MOL"), and Enx hf ("Enx"), a leading Icelandic geothermal consulting and development company. The joint venture's focus was on the Pannonian Basin, an area known to have favorable geology with abundant natural geothermal water.

In this first project, existing but shut-in or out-of-use, petroleum wells were selected for flow testing following an evaluation of around 70 shut in wells owned by MOL. The first two wells (Ortaháza-3 & Ortaháza-5), located near Iklódbördöce (Zala County), in south-west Hungary, were tested for hot water production rates. The flow rates achieved were below the joint venture's requirements.

In consequence, Green Rock claimed a refund of approximately \$1.4 million, being a major proportion of the funds expended by it on this project in preparing and carrying out the production testing. This refund was paid in late December 2007 from the Geofund geological risk insurance which was provided to the project by the World Bank Group.

Work has been carried out on the selection of the next project sites which have the ingredients for commercially viable projects. The locations of two future projects have been identified. This exercise was undertaken by a combined team of structural geologists and hydrogeologists from all three joint venture companies.

Olympic Dam

In July 2007 the Company received a report from CSIRO that supported the view that the Company's geothermal licence areas are influenced by a favourable stress regime and are likely to be ideally situated for an optimal heat exchange reservoir. Following receipt of this report the next activity was to measure the actual size and orientation of the principal stress directions through a hydro fracture survey in Blanche No. 1 well drilled to nearly 2,000 metres depth.

An assessment of potential well productivity was undertaken by GeothermEx Inc, a major United States based international geothermal consulting company, following receipt of the CSIRO tectonic analyses results, together with the large area of prospective hot granites known from previous drilling and has confirmed the potential of this engineered geothermal project.

In February 2008 hydraulic fracture testing was carried out by MeSy, leading German contractors, to determine the pressure required to fracture the hot granites using slim hole wire-line hydraulic fracturing technology and was supervised by CSIRO. Thirteen zones were subjected to hydro-fracture stimulation. This exercise demonstrated that fractures can be successfully opened in the hot granite rocks. Images of the fractures opened in the well bore through the fracture stimulation were taken by a slim hole acoustic televiewer.

Results derived from this fracturing exercise have confirmed that the stress regime is compressional and that the minimum principal stress is the vertical stress. This result indicates that the creation of horizontal fractures will be favoured during stimulation operations at production depths and that the operating pressures required to open the fractures should be in the order of the minimum principal stress.

The results have provided the Company with the information to commence the design of the two deep evaluation wells. Subject to the procurement of a suitable drill rig and the finalisation of a farm-in joint venturer the Company aims to commence drilling in 2009. An assessment of the most suitable drill rig capable of drilling the deep evaluation wells is being undertaken in conjunction with some other companies in Australia with a view to sharing the cost of the well inventory and mobilisation of the rig to South Australia.

Patchawarra Geothermal Project

Modelling of the extensive geological, geophysical and well testing data from petroleum drilling undertaken in the licence area has highlighted areas of potential high heat flow and the thickness of the Patchawarra and Tirrawarra formations. The evaluation is focusing on rocks with temperatures greater than 140°C with potential high water flow capacity.

The analysis of this data will continue to further refine target areas for sub-surface testing.

Exploration Activities (continued)

Upper Spencer Gulf

A record of all drilling results in the tenements has been compiled and on-site field work will now be conducted to survey available open holes for temperature measurement. Available total magnetic intensity, gravity and radiometric datasets have been compiled and will be interpreted to assist target selection.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs of the consolidated entity during the financial year were:

- a) An increase in contributed equity of \$3,331,831 (from \$14,200,826 to \$17,532,657) as a result of:
 - Placement of 12,000,000 ordinary shares to professional investors at a price of 11 cents on 11 September 2007.
 - Conversion of 5,740,809 options at 10 cents each at various times during the year prior to their expiry on 18 April 2008.
 - A private placement on 28 April 2008 of 15,000,000 shares to Acorn Capital at a price of 10 cents per share together with 7,500,000 free options exercisable at 14 cents per option and expiring on 28 April 2010.
- b) The total number of ordinary shares on issue and the number of listed and unlisted options at 24 September 2008 were 180,381,022 (2007: 147,640,214), 0 (2007: 40,243,810) and 18,350,000 (2007: 6,500,000) respectively.

SHARE OPTIONS

Share options granted to directors, executives and company secretary

During the year the following share options were granted by the Company, for nil consideration, to directors or executives of the Company. There are no performance conditions attached to these options.

Mr Adrian Larking (Managing Director) - 1,000,000 options granted on 26 November 2007 which are exercisable at 15 cents each and expire on 26 November 2011. The options vest 50% on 26 November 2008 with the balance vesting on 26 November 2009. The grant of these options was approved by shareholders at the 2007 Annual General Meeting held on 26 November 2007.

Mr Alan Knights (Executive Director) - 750,000 options granted on 26 November 2007 which are exercisable at 15 cents each and expire on 26 November 2011. The options vest 50% on 26 November 2008 with the balance vesting on 26 November 2009. The grant of these options was approved by shareholders at the 2007 Annual General Meeting held on 26 November 2007.

Dr Jörg Baumgärtner (Non-Executive Director) - 1,000,000 options granted on 25 April 2007 which are exercisable at 11 cents each and expire on 25 April 2011. The options vest 50% on 25 April 2008 with the balance vesting on 25 April 2009. The grant of these options was approved by shareholders at the 2007 Annual General Meeting held on 26 November 2007.

Mr Scott Spencer (Non-Executive Director) - 300,000 options granted on 26 November 2007 which are exercisable at 15 cents each and expire on 26 November 2011. 50% of the options granted vest on 26 November 2008 with the balance vesting on 26 November 2009. The grant of these options was approved by shareholders at the 2007 Annual General Meeting held on 26 November 2007.

Mr Nigel Hodder (Company Secretary) - 300,000 options on 9 August 2007 with an exercise price of 15 cents each and expiring on 9 August 2011. These options vested fully on 9 August 2007.

The total number of options granted to Directors and executives during the year under review were 3,350,000.

Share options on issue

During the year, movements in un-issued ordinary shares under option were as follows:

	OPENING BALANCE	EXERCISED IN YEAR	GRANTED IN YEAR	EXPIRED IN YEAR	CLOSING BALANCE
Listed options	40,243,810	(5,740,809)	-	(34,503,001)	-
Unlisted options	6,500,000	-	11,850,000	-	18,350,000
Total	46,743,810	(5,740,809)	11,850,000	(34,503,001)	18,350,000

Option holders do not have any right by virtue of the option to participate in any share issue of the Company or any related body corporate.

Share options that expired or lapsed during the year.

34,503,001 options exercisable at 10 cents each and expiring on 18 April 2008 lapsed on that date. No options were cancelled during the course of the financial year ended 30 June 2008.

5,740,809 shares were issued during the year at 10 cents each as a result of the exercise of 18 April 2008 options.

CORPORATE STRUCTURE

Green Rock Energy Limited (ACN 094 551 336) is a company limited by shares that is incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 10 December 2003 and is assigned the code GRK.

EVENTS SUBSEQUENT TO BALANCE DATE

On the 30 July 2008, Green Rock Energy Limited signed a Shareholders Agreement and Articles of Association to establish a new geothermal energy company with MOL Hungarian Oil and Gas Plc (Hungary's principal oil and gas company) and Enx hf (a leading Icelandic geothermal consulting and development company). This joint company, Central European Geothermal Energy Private Company Limited is owned equally by the three companies.

In late August the Company was advised by the West Australian Government that it is the preferred applicant for 14 geothermal exploration permits following application for geothermal acreage in and around the Perth Basin. The Company has advised the Government it is prepared to comply with the requirements under the Native Title Act. Discussions are on-going with our joint applicants in regard to the acceptance of the grants.

No matters or circumstances, other than those referred to in the financial statements or notes thereto, have arisen since the end of the financial year, which have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration activities of entities in the consolidated entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna.

Entities in the Consolidated Entity have complied with all environmental requirements up to the date of this report.

INFORMATION ON DIRECTORS

The following table sets out each Director's relevant interest in shares or options over shares of the Company as at the date of this report:

DIRECTORS	ORDINARY SHARES			
	1 JULY 2007	OPTIONS EXERCISED	PURCHASES	24 SEPTEMBER 2008
Adrian Larking	9,500,000	984,375	-	10,484,375
Jörg Baumgärtner	-	-	-	-
Alan Knights	2,118,232	771,993	400,000	3,290,225
Scott Spencer	-	-	-	-

DIRECTORS	UNLISTED OPTIONS			
	1 JULY 2007	OPTIONS GRANTED	OPTIONS EXERCISED	24 SEPTEMBER 2008
Adrian Larking	984,375	1,000,000	(984,375)	1,000,000
Jörg Baumgärtner	-	1,000,000	-	1,000,000
Alan Knights	2,771,993	750,000	(771,993)	2,750,000
Scott Spencer	500,000	300,000	-	800,000

Directors' Report

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

During the financial year 11 Board meetings were held.

DIRECTORS	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Adrian Larking	11	11
Jörg Baumgärtner	11	10
Alan Knights	11	11
Scott Spencer	11	11

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Green Rock Energy Limited's key management personnel for the financial year ended 30 June 2008. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited. The additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* have not been audited.

Recommendation 9.2 of the *ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

This report details the amount and nature of remuneration of each Director of the Company and executive officers of the Company during the year.

Remuneration policy for directors and executives

The Board of Directors is responsible for determining and reviewing compensation arrangements for directors and the executive team.

The Board assesses the appropriateness of the nature of the amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team and that each staff member's remuneration package properly reflects that person's duties and responsibilities.

At present, the Board does not consider it appropriate to link directors' and executive's remuneration to the performance of the Company, as the Company is not currently making a profit.

Director and executive details

The Directors of Green Rock Energy Limited during the year were:

Adrian Larking	(Managing Director)	Appointed 25 February 2005
Jörg Baumgärtner	(Non-Executive Director)	Appointed 25 April 2007
Alan Knights	(Executive Director)	Appointed 10 May 2005
Scott Spencer	(Non-Executive Director)	Appointed 29 November 2005

The only group executive of Green Rock Energy Limited during the year was:

Nigel Hodder	(Company Secretary)	Appointed 4 April 2005
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Elements of director and executive remuneration

Remuneration packages contain the following key elements:

- Primary benefits – salaries / fees
- Post employment benefits - superannuation
- Share based payments

No bonuses, non monetary short term benefits, prescribed retirement benefits or other post employment benefits were paid.

The following table discloses the remuneration of the Directors and executives of the Company:

	SALARY & FEES	SUPER	SHARE OPTIONS	OTHER BENEFITS	TOTAL
	\$	\$	\$	\$	\$
2008					
Adrian Larking	206,422	18,578	43,064	-	268,064
Jörg Baumgärtner	45,871	4,129	24,860	-	74,860
Alan Knights	183,486	16,514	32,299	-	232,299
Scott Spencer	45,871	4,129	12,919	-	62,919
Nigel Hodder	122,920	11,063	31,417	-	165,400
Total	604,570	54,413	144,559	-	803,542
2007					
Adrian Larking	180,000	16,200	-	-	196,200
Jörg Baumgärtner	7,645	688	-	-	8,333
Alan Knights	160,000	14,400	52,884	-	227,284
Scott Spencer	55,046	4,954	13,221	-	73,221
Hugh Warner	34,731	3,126	-	-	37,857
Nigel Hodder	100,000	9,000	2,917	-	111,917
Total	537,422	48,368	69,022	-	654,812

Employment Contracts

The Directors and executives are employed under contracts which have no fixed term.

Contracts binding the Managing Director and the Executive Director may be terminated by the individuals or the Board by giving three months notice in writing to terminate the Employment Agreement.

The two Non-Executive Directors are both bound by contract. The contracts of the Non-Executive Directors may be terminated at any time by notice in writing or by shareholders acting by majority vote.

The contract of employment of the Company Secretary is such that he will continue in employment until either the Company or the individual give at least one months notice in writing of the desire to terminate his contract.

Directors' Report

Value of options issued to directors and executives during the financial year 2008

	OPTIONS GRANTED VALUE AT GRANT DATE \$	OPTIONS EXERCISED VALUE AT EXERCISE DATE (i) \$	OPTIONS LAPSED VALUE AT TIME OF LAPSE (ii) \$	TOTAL VALUE OF OPTIONS GRANTED EXERCISED OR LAPSED \$	VALUE OF OPTIONS INCLUDED IN REMUNERATION FOR THE YEAR \$	PERCENTAGE OF TOTAL REMUNERATION FOR THE YEAR THAT CONSISTS OF OPTIONS %
Adrian Larking	96,800	-	-	96,800	43,064	16.06
Alan Knights	72,600	-	-	72,600	32,299	13.90
Jörg Baumgärtner	35,000	-	-	35,000	24,860	33.20
Scott Spencer	29,040	-	-	29,040	12,919	20.53
Nigel Hodder	21,000	-	-	21,000	31,417	18.99
Total	254,440	-	-	254,440	144,559	

(i) No options were exercised during the year

(ii) No options lapsed during the year

Value of Options - basis of calculation

The following factors and assumptions were used in determining the fair value of options at grant date:

	MESSRS LARKING, KNIGHTS AND SPENCER	J BAUMGÄRTNER	N HODDER
Grant date share price (cents)	12.00	5.00	13.00
Exercise price (cents)	15.00	11.00	15.00
Expected volatility	123%	123%	123%
Option life	4 years	4 years	4 years
Dividend yield	-	-	-
Risk-free interest rate	6.21%	6.21%	6.21%
Fair value (cents)	9.68	3.50	7.00

1. The total value of options granted, exercised and lapsed during the year is calculated based on the following:

- Fair value of the option at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time of exercise multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed or cancelled during the year.

2. The total value of options included in remuneration for the year is calculated in accordance with AASB 124 *Related Party Disclosures* which requires the following:

- The value of options is determined at grant date and is included in remuneration on a proportionate basis from grant date to vesting date. Where options immediately vest, the full value of the option is recognised in remuneration in the current year.
- Half of the options granted to Messrs Larking, Knights and Spencer vest on 26 November 2008 and the balance one year after. The options granted to Dr Baumgärtner vest half on 25 April 2008 and the balance one year after. As such only a portion of the fair value of these options at grant date has been included in remuneration for the year.
- The options granted to Nigel Hodder vested immediately. Accordingly, the full fair value of these options at grant date has been included in remuneration for the year.

INDEMNIFYING OFFICERS AND AUDITOR

Indemnification of Officers

The Company gave indemnity and held the following liability cover in place during the course of the financial year:

1. Agreements to indemnify Mr A Larking (Managing Director), Mr A Knights (Executive Director), Mr S Spencer and Dr J Baumgärtner (Non-Executive Directors) in respect of any liabilities incurred by them while acting in the normal course of business as a Director of the entity and to insure them against certain risks they are exposed to as Directors of the Company.
2. Pursuant to the above the Company has paid premiums to insure the Directors and executive management against liabilities incurred in the conduct of the business of the Company and has provided right of access to the Company records. In accordance with common commercial practice, the insurance policy prohibits disclosure of the premium and the nature of the liability insured against.

The Company has not provided any insurance for an auditor of the Company.

AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Company's auditors Ord Partners, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 34 and forms part of this Directors' Report.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 17 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

CORPORATE GOVERNANCE

The Company's corporate governance statement is contained in the Annual Report.

Signed in accordance with a resolution of the Directors.



Adrian Larking
Managing Director

Perth, 24 September 2008

Auditors Independence Declaration

24 September 2008

To the Board of Directors of Green Rock Energy Limited

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 audit for the year ended 30 June 2008, there have been:

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

Yours faithfully
ORD PARTNERS



Ian Macpherson
Partner

O | R | D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

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Chartered Accountants

Income Statement for the year ended 30 June 2008

	NOTE	CONSOLIDATED 2008 \$	CONSOLIDATED 2007 \$	COMPANY 2008 \$	COMPANY 2007 \$
Revenue	2	149,518	87,222	116,328	64,135
Expenses					
Administration expenses		(271,388)	(93,165)	(248,812)	(93,165)
Employee benefit expense	3	(974,284)	(703,654)	(974,284)	(703,654)
Consulting expense		(451,853)	(143,407)	(427,757)	(143,407)
Depreciation and amortisation expense		(28,066)	(26,553)	(26,116)	(26,553)
Exchange losses		(41,708)	(121,744)	-	-
Exploration expenditure expensed as incurred		(257,328)	(32,781)	(257,328)	(32,781)
Exploration expenditure written-off		(932,754)	-	(38,742)	-
Debt forgiveness	3	-	-	(1,396,314)	-
Reversal of impairment of intercompany balances		-	-	195,501	(195,930)
Other expenses from ordinary activities		(366,057)	(498,712)	(351,679)	(388,732)
Total Expenses		(3,323,438)	(1,620,016)	(3,525,531)	(1,584,222)
Loss before income tax		(3,173,920)	(1,532,794)	(3,409,203)	(1,520,087)
Income tax benefit	4	209,576	80,067	224,077	67,360
Net loss attributable to members of Green Rock Energy Limited		(2,964,344)	(1,452,727)	(3,185,126)	(1,452,727)
Basic and diluted loss per share (cents per share)	21	1.84	1.54		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheet

as at 30 June 2008

	NOTE	CONSOLIDATED 2008 \$	CONSOLIDATED 2007 \$	COMPANY 2008 \$	COMPANY 2007 \$
Current assets					
Cash and cash equivalents	23	2,858,934	981,818	2,839,741	972,071
Other receivables	5	319,143	1,519,757	276,083	70,302
Other assets	6	-	10,000	-	10,000
Total current assets		3,178,077	2,511,575	3,115,824	1,052,373
Non-current assets					
Deferred exploration expenditure	8	8,850,948	8,953,576	2,126,795	1,670,591
Plant and equipment	7	67,375	80,722	67,375	78,772
Other financial assets	9	105,300	105,300	6,638,227	8,698,035
Total non-current assets		9,023,623	9,139,598	8,832,397	10,447,398
Total assets		12,201,700	11,651,173	11,948,221	11,499,771
Current liabilities					
Trade and other payables	10	148,704	250,152	135,455	98,750
Provisions	11	50,792	18,842	50,792	18,842
Total current liabilities		199,496	268,994	186,247	117,592
Total liabilities		199,496	268,994	186,247	117,592
Net assets		12,002,204	11,382,179	11,761,974	11,382,179
Equity					
Issued capital	12	17,512,225	14,180,394	17,512,225	14,180,394
Reserves	14	480,171	227,633	460,444	227,633
Accumulated losses	13	(5,990,192)	(3,025,848)	(6,210,695)	(3,025,848)
Total equity		12,002,204	11,382,179	11,761,974	11,382,179

The above balance sheets should be read in conjunction with the accompanying notes.

Statement in Changes of Equity

for the year ended 30 June 2008

CONSOLIDATED	CONTRIBUTED EQUITY \$	ACCUMULATED LOSSES \$	RESERVES \$	TOTAL EQUITY \$
At 1 July 2006	9,776,727	(1,573,121)	20,432	8,224,038
Net loss for the period	-	(1,452,727)	-	(1,452,727)
Share based payments	-	-	206,922	206,922
Share capital issued	4,403,667	-	-	4,403,667
Exchange difference arising on translation of foreign operations	-	-	279	279
At 30 June 2007	14,180,394	(3,025,848)	227,633	11,382,179
Net loss for the period	-	(2,964,344)	-	(2,964,344)
Share capital issued	3,394,081	-	-	3,394,081
Cost of share capital issued	(62,250)	-	-	(62,250)
Cost of share-based payment	-	-	233,090	233,090
Exchange difference arising on translation of foreign operations	-	-	19,448	19,448
At 30 June 2008	17,512,225	(5,990,192)	480,171	12,002,204

COMPANY	CONTRIBUTED EQUITY \$	ACCUMULATED LOSSES \$	RESERVES \$	TOTAL EQUITY \$
At 1 July 2006	9,776,727	(1,573,121)	20,432	8,224,038
Net loss for the period	-	(1,452,727)	-	(1,452,727)
Share based payments	-	-	206,922	206,922
Share capital issued	4,403,667	-	-	4,403,667
Exchange difference arising on translation of foreign operations	-	-	279	279
At 30 June 2007	14,180,394	(3,025,848)	227,633	11,382,179
Net loss for the period	-	(3,185,126)	-	(3,185,126)
Share capital issued	3,394,081	-	-	3,394,081
Cost of share capital issued	(62,250)	-	-	(62,250)
Cost of share-based payment	-	-	233,090	233,090
Exchange difference arising on translation of foreign operations	-	279	(279)	-
At 30 June 2008	17,512,225	(6,210,695)	460,444	11,761,974

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

for the year ended 30 June 2008

	NOTE	CONSOLIDATED 2008 \$	CONSOLIDATED 2007 \$	COMPANY 2008 \$	COMPANY 2007 \$
Cash flows from operating activities					
Payments to suppliers and employees		(1,815,915)	(1,261,229)	(1,705,463)	(1,299,046)
Interest received		116,422	49,222	116,331	49,135
Research and development tax concession		-	-	-	364,382
Other income		33,098	(29,360)	-	15,000
Net cash flows used in operating activities	23 (b)	(1,666,395)	(1,241,367)	(1,589,132)	(870,529)
Cash flows from investing activities					
Exploration expenditure		(1,079,949)	(2,025,176)	(719,026)	(124,797)
Payments for property, plant and equipment		(14,719)	(8,255)	(14,719)	(6,305)
Receipt of funds from World Bank		1,306,348	-	-	
Amounts received from/(advanced to) related parties		-	-	858,716	(2,282,836)
Net cash flows provided by/(used in) investing activities		211,680	(2,033,431)	124,971	(2,413,938)
Cash flows from financing activities					
Proceeds from issues of shares and options		3,394,081	4,347,630	3,394,081	4,347,630
Payment of share issue costs		(62,250)	(311,463)	(62,250)	(311,463)
Net cash flows provided by financing activities		3,331,831	4,036,167	3,331,831	4,036,167
Net increase in cash held		1,877,116	761,369	1,867,670	751,700
Cash at the beginning of the financial year		981,818	220,449	972,071	220,371
Cash at end of financial year	23 (a)	2,858,934	981,818	2,839,741	972,071

The above cash flow statements should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Consolidated Entity and Green Rock Energy Limited ("Green Rock" or "Company"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Green Rock Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange.

(a) 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 ability of the Company and the Consolidated Entity to continue as going concerns and to pay their debts as and when they fall due is dependent on the ability of the Company and the Consolidated Entity to secure additional funding which would be sufficient to fund project development and to provide adequate working capital for a further 12 months.

The Directors took steps during the year under report to ensure the Company and the Consolidated Entity continued as going concerns. These steps included:

- In September 2007 raised \$1,257,750 net via placement to institutional and sophisticated investors.
- A private placement to sophisticated investors in April 2008 raised \$1,500,000 after costs.

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.

(b) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with Australian equivalents to International Financial Reporting Standards.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors on 24 September 2008.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key estimates — impairment

The Consolidated Entities assess impairment at each reporting date by evaluating conditions specific to the Consolidated Entities that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Consolidated Entities policy on the capitalisation of exploration and evaluation expenditure is detailed in note 1(h).

Key estimates — share based payments

The Consolidated Entities measure the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

One of the inputs into the option valuation model is volatility of the underlying share price which is estimated on the one year history of the share price and has been estimated at approximately 123%.

Key judgments — doubtful debts/recovery of provision

The Directors believe that the recovery of the intercompany loan from Green Rock Energy Limited to the consolidated entities is dependent on the successful development and commercial exploitation or, alternatively, the sale of the exploration assets held by the controlled entity.

Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Green Rock Energy Limited ("Company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Green Rock Energy Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. A list of subsidiaries appears in note 22 to the financial report.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Consistent accounting policies are adopted in the preparation and presentation of the consolidated financial statements.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Green Rock Energy Limited.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill.

All intercompany balances and transactions and unrealised profits arising within the consolidated group are eliminated in full.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial report.

(d) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Green Rock Energy Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or a liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Green Rock Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Green Rock Energy Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Green Rock Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(h) Exploration Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage.

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against other expenses in the income statement.

(m) Property, Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation

Depreciable non-current assets are depreciated over their expected economic life using the straight line method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment 7.5% - 40%

(n) Provisions for Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Share-based payment transactions

The Company provides benefits to employees of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors and senior executives.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Green Rock Energy Limited ("market conditions").

The cost of equity-settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

(q) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Financial Instruments

Classification

The Consolidated Entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Notes to the Financial Statements

for the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 5) in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Consolidated Entity's management has the positive intention and ability to hold to maturity. If the Consolidated Entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Consolidated Entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Consolidated Entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

The Consolidated Entity assesses at each balance date whether there is objective evidence that a financial asset or Consolidated Entity of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Notes to the Financial Statements for the year ended 30 June 2008

- (iii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

- (iii) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. The Group will apply AASB-I 14 from 1 July 2008. Adoption of the standard is not expected to have any impact on the Group's financial statements as the Group has no defined benefit plans.

- (iv) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

2. REVENUE

	CONSOLIDATED 2008 \$	CONSOLIDATED 2007 \$	COMPANY 2008 \$	COMPANY 2007 \$
Interest income	116,422	49,222	116,328	49,135
Other income	33,096	38,000	-	15,000
	149,518	87,222	116,328	64,135

3. EXPENSES

Loss before income tax has been arrived at after charging the following specific expenses:

Operating lease rental expenses	71,688	49,716	58,038	49,716
Employee benefits expense:				
Salaries and fees	502,493	615,790	502,493	615,790
Share based payments	233,090	69,022	233,090	69,022
Post employment benefits	156,490	-	156,490	-
Other employee benefits (accrued leave)	31,950	18,842	31,950	18,842
Employment recruitment costs	50,261	-	50,261	-
	974,284	703,654	974,284	703,654
Share based payments – consultants	70,000	-	70,000	-
Debt forgiveness	-	-	1,396,314	-

Notes to the Financial Statements

for the year ended 30 June 2008

3. EXPENSES (CONTINUED)

The debt forgiveness expense within the parent entity relates to the cost of restructuring of the group's investment in the Hungarian joint venture project.

Under the previous structure the Group's joint venture share (32%) was held through a wholly owned subsidiary company in Hungary, Green Rock (Vulcan) Energy Kft. In the new structure the Group's joint venture share will be held through a Hungarian company which will be jointly owned and controlled by the three joint venture partners. This new company is Central European Geothermal Energy Private Company Limited and is in the process of being registered. The current subsidiary company Green Rock (Vulcan) Energy Kft is in the process of voluntary dissolution. The subsidiary's assets will be held by its immediate parent, Green Rock Energy International Pty Ltd until such time as they can be transferred to the new company.

4. INCOME TAX

(a) Income tax expense

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Current tax	(209,576)	(80,067)	(224,077)	(67,360)
Deferred tax	-	-	-	-
	(209,576)	(80,067)	(224,077)	(67,360)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations	3,173,920	1,532,794	3,409,203	1,520,087
Prima facie tax benefit at 30% (2007: 30%)	952,176	459,838	1,022,761	456,026
Tax effect of amounts which are deductible in calculating taxable income:				
Debt forgiveness	-	-	(418,894)	-
Research & development tax concession	(224,077)	(13,472)	(224,077)	(13,472)
Non deductible expenditure	(69,927)	(61,202)	(11,277)	(61,204)
Effect of lower rate of tax on overseas income	-	(49,820)	-	-
Movement in provisions	(12,960)	-	(12,960)	-
S40-880 deductions	32,884	-	32,884	-
Unused tax losses for which no deferred tax asset has been recognised	(887,672)	(415,411)	(612,514)	(448,710)
Income tax benefit	(209,576)	(80,067)	(224,077)	(67,360)

(c) Unrecognised deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities comprise:

Temporary differences	89,928	14,199	89,928	14,199
Exploration and evaluation	(703,665)	(734,453)	(638,039)	(501,177)
Tax losses available for offset against future taxable income	937,359	1,754,286	937,359	1,759,371
Net deferred tax asset not recognised	323,622	1,034,032	389,248	1,272,393

Notes to the Financial Statements for the year ended 30 June 2008

(d) Franking credits balance

The Company has no franking credits available as at 30 June 2008 (2007: \$Nil).

(e) Tax consolidation

Effective from 1 July 2004, for the purpose of income taxation, Green Rock Energy Limited and its 100% owned subsidiaries formed a tax consolidated group. The head entity of the tax consolidated group is Green Rock Energy Limited.

5. OTHER RECEIVABLES

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Current				
Other receivables	319,143	112,771	276,083	-
World Bank refund	-	1,406,986	-	70,302
	319,143	1,519,757	276,083	70,302

6. OTHER ASSETS

Current

Prepayments	-	10,000	-	10,000
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7. PLANT AND EQUIPMENT

Plant and office equipment				
At cost	144,761	131,992	144,761	130,042
Accumulated depreciation	(77,386)	(51,270)	(77,386)	(51,270)
	67,375	80,722	67,375	78,772

Reconciliation

Reconciliation of the carrying amounts for plant and office equipment are set out below:

Plant and office equipment				
Carrying amount at beginning of the year	80,772	99,020	78,772	99,020
Additions	14,719	8,255	14,719	6,305
Disposals	(50)	-	-	-
Depreciation	(28,066)	(26,553)	(26,116)	(26,553)
Carrying amount at the end of the year	67,375	80,772	67,375	78,772

8. CAPITALISED EXPLORATION EXPENDITURE

In the exploration phase

Cost brought forward	8,953,576	7,545,644	1,670,591	1,545,742
Expenditure incurred during the year (at cost)	830,126	1,407,932	494,946	124,849
Exploration expenditure written off	(932,754)	-	(38,742)	-
	8,850,948	8,953,576	2,126,795	1,670,591

The ultimate recoupment of exploration costs carried forward is dependent upon the successful development and/or commercial exploitation of geothermal energy sources or, alternatively, through the sale of the respective underlying licences.

Notes to the Financial Statements

for the year ended 30 June 2008

9. OTHER NON-CURRENT FINANCIAL ASSETS

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Investments in controlled entities at cost (ii)	-	-	6,505,400	6,505,400
Loan to subsidiary	-	-	27,527	2,282,836
Less: provision for impairment	-	-	-	(195,501)
Other financial assets (i)	105,300	105,300	105,300	105,300
	105,300	105,300	6,638,227	8,698,035

- (i) In compliance with the requirements of the South Australian Petroleum Act of 2000, the Company is required to lodge and maintain with the Minister, for the satisfaction of obligations arising under the Act or the Geothermal Exploration Licences (GELs) granted, security of \$100,000. The security is to be lodged in cash or an unconditional irrevocable bank guarantee or a letter of credit from a financial institution approved by the Minister.
- (ii) Detailed information on shares in controlled entities in which the Company had a direct interest at 30 June 2008 is disclosed in note 22.

10. TRADE AND OTHER PAYABLES

Current (Unsecured)

Trade creditors	116,682	233,402	107,455	82,000
Other creditors and accruals	32,022	16,750	28,000	16,750
	148,704	250,152	135,455	98,750

11. PROVISIONS

Current

Employee entitlements	50,792	18,842	50,792	18,842
Number of employees at year end	5	5	5	5

12. ISSUED CAPITAL

(a) Ordinary Shares

Fully paid ordinary shares	17,512,225	14,180,394	17,512,225	14,180,394
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The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

12. ISSUED CAPITAL (CONTINUED)

(b) Share Movements During the Year

ISSUED CAPITAL	2008 NO.	2008 \$	2007 NO.	2007 \$
Balance at beginning of financial year	147,640,214	14,180,394	59,155,465	9,776,727
Share placement 11 September 2007 (at 11 cents each)	12,000,000	1,320,000	-	-
Conversion of 18 April 2008 options (at 10 cents each)	5,740,809	574,081	-	-
Share placement 28 April 2008 (at 10 cents each)	15,000,000	1,500,000	-	-
Conversion of 31 December 2006 Options (at 20 cents each)	-	-	65,000	13,000
Share placement 10 August 2006 (at 7 cents each)	-	-	4,432,142	310,250
Acquisition of geothermal project 30 November 2006	-	-	3,500,000	367,500
Share placement 15 December 2006 (at 5 cents each)	-	-	6,700,000	335,000
Renounceable Rights issue (at 5 cents each)	-	-	73,787,607	3,689,380
Share issue costs	-	(62,250)	-	(311,463)
Balance at end of financial year	180,381,023	17,512,225	147,640,214	14,180,394

(c) Options

As at 30 June 2008, there were 18,350,000 unlisted unissued ordinary shares in respect of which options were outstanding (2007 : 40,241,810 listed and 6,500,000 unlisted unissued ordinary shares).

	OPENING BALANCE	EXERCISED IN YEAR	GRANTED IN YEAR	EXPIRED IN YEAR	CLOSING BALANCE
Listed options					
Expiring 18 April 2008 at \$0.10	40,243,810	(5,740,809)	-	(34,503,001)	-
Unlisted options					
Expiring 28 November 2008 at \$0.15	3,500,000	-	-	-	3,500,000
Expiring 21 November 2009 at \$0.25	2,500,000	-	-	-	2,500,000
Expiring 28 April 2010 at \$0.14	-	-	7,500,000	-	7,500,000
Expiring 9 August 2010 at \$0.15	-	-	1,000,000	-	1,000,000
Expiring 9 March 2011 at \$0.07	500,000	-	-	-	500,000
Expiring 25 April 2011 at \$0.11	-	-	1,000,000	-	1,000,000
Expiring 30 June 2011 at \$0.15	-	-	300,000	-	300,000
Expiring 26 November 2011 at \$0.15	-	-	2,050,000	-	2,050,000
Total	46,743,810	(5,740,809)	11,850,000	(34,503,001)	18,350,000
Weighted average exercise price	\$0.11	\$0.10	\$0.14	\$0.10	\$0.16

The weighted average remaining contractual life of options as at 30 June 2008 is 652 days (2007: 1,700 days)

Options to Directors and executives are issued under the Green Rock Energy Limited Employee Share Incentive Option Plan ("the Plan"). Further details of options issued under the Plan are set out in Note 15.

Notes to the Financial Statements

for the year ended 30 June 2008

13. ACCUMULATED LOSSES

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Accumulated losses at the beginning of the year	3,025,848	1,573,121	3,025,848	1,573,121
Net loss attributable to members	2,964,344	1,452,727	3,185,126	1,452,727
Prior year adjustment	-	-	(279)	-
Accumulated losses at the end of the year	5,990,192	3,025,848	6,210,695	3,025,848

14. RESERVES

Share option reserve (i)	158,332	158,332	158,332	158,332
Share based payments reserve (ii)	302,112	69,022	302,112	69,022
Foreign translation reserve (iii)	19,727	279	-	279
	480,171	227,633	460,444	227,633

(i) Share Option Reserve

Balance at the beginning of the year	158,332	20,432	158,332	20,432
Add: Amounts expensed in current year	-	137,900	-	137,900
Balance at the end of the year	158,332	158,332	158,332	158,332

Share Option Reserve

The share option reserve comprises options issued for the purchase of Green Rock Energy International Pty Ltd (previously Vulcan Geothermal Pty Ltd). The reserve will be reversed against share capital when the underlying share options are exercised.

(ii) Share Based Payments Reserve

Balance at the beginning of the year	69,022	-	69,022	-
Add: Amounts expensed in current year	233,090	69,022	233,090	69,022
Balance at the end of the year	302,112	69,022	302,112	69,022

Share Based Payments Reserve

The share based payments reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options are exercised.

(iii) Foreign Translation Reserve

Balance at the beginning of the year	279	-	279	-
Add: Exchange movement for the year	19,448	279	(279)	279
Balance at the end of the year	19,727	279	-	279

Foreign Translation Reserve

The foreign currency translation reserve arises on the consolidation of the Group's overseas subsidiary company, Green Rock (Vulcan) Energy Kft.

15. SHARE BASED PAYMENTS

(a) Employee Share Incentive Scheme

The establishment of the Green Rock Energy Limited Employee Share Incentive Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders of the Company held on 21 November 2006. All eligible Directors, executive officers and employees of Green Rock Energy Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

Options issued under the Plan have up to a 24 month vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3.

The fair value of options vesting during the year was \$233,090.

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following factors and assumptions were used in determining the fair value of options at grant date:

	MESSRS LARKING, KNIGHTS AND SPENCER	J BAUMGÄRTNER	N HODDER	CONSULTANTS
Grant date	26 November 2007	25 April 2007	9 August 2007	9 August 2007
Number of options		1,000,000	300,000	1,000,000
- A Larking	1,000,000			
- A Knights	750,000			
- S Spencer	300,000			
Vesting conditions and dates	50% on 26 November 2008 and 50% on 26 November 2009	50% on 25 April 2008 and 50% on 25 April 2009	9 August 2007	9 August 2007
Grant date share price (cents)	12.00	5.00	13.00	13.00
Exercise price (cents)	15.00	11.00	15.00	15.00
Expected volatility	123%	123%	123%	123%
Option life	4 years	4 years	4 years	3 years
Dividend yield	-	-	-	-
Risk-free interest rate	6.21%	6.21%	6.21%	6.21%

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

	NUMBER OF OPTIONS 2008	WEIGHTED AVERAGE EXERCISE PRICE (CENTS) 2008	NUMBER OF OPTIONS 2007	WEIGHTED AVERAGE EXERCISE PRICE (CENTS) 2007
Balance at beginning of the financial year	3,000,000	22.00	-	-
Granted during the financial year				
- Directors	3,050,000	15.00	2,500,000	25.00
- Employees	300,000	15.00	500,000	7.00
Balance at end of the financial year	6,350,000	18.31	3,000,000	22.00
Vested and exercisable at end of the financial year	4,575,000	19.50	1,250,000	25.00

Expected volatility is based on the movement of the underlying share price around its average price over the expected term of the option.

Notes to the Financial Statements

for the year ended 30 June 2008

15. SHARE BASED PAYMENTS (CONTINUED)

Exercised or forfeited during the financial year

No share options granted under the Employee Share Incentive Option Plan ("the Plan") were exercised or forfeited during the financial year.

Balance at end of the financial year

The share options outstanding and exercisable at the end of the financial year under the Plan had a weighted average remaining contractual life of 733 days. (2007: 1,700 days)

(b) Share Based Payments – Other

A total of 11,850,000 options were granted in the year of which 3,350,000 were under the Plan above.

There were an additional 1,000,000 Options granted to consultants.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (CENTS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (CENTS)
	2008	2008	2007	2007
Balance at beginning of the financial year	43,743,810	10.00	-	-
Granted during the financial year	1,000,000	14.00	46,243,810	11.00
Exercised	(5,740,809)	10.00	-	-
Lapsed	(34,503,001)	10.00	(2,500,000)	20.00
Balance at end of the financial year	4,500,000	11.00	43,743,810	10.00
Vested and exercisable at end of the financial year	4,500,000	11.00	43,743,810	10.00

16. KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of Green Rock Energy Limited during the year were:

• Adrian Larking	Managing Director	Appointed 25 February 2005
• Jörg Baumgärtner	Non-Executive Director	Appointed 25 April 2007
• Alan Knights	Executive Director	Appointed 10 May 2005
• Scott Spencer	Non-Executive Director	Appointed 29 November 2005
• Nigel Hodder	Company Secretary	Appointed 4 April 2005

Details of the remuneration of key management personnel are set out in the "Remuneration Report" section of the Directors' Report.

17. REMUNERATION OF AUDITORS

During the year the following fees were paid or were payable for services provided by the auditor of the Company, its related practices and non related audit firms:

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Audit and review	31,750	30,750	31,750	30,750
Other non-audit services	13,700	4,500	13,700	4,500
Audit and review of Hungarian subsidiary	7,800	-	-	-
	53,250	35,250	45,450	35,250

The auditor of Green Rock Energy Limited is Ord Partners, Chartered Accountants.

18. RELATED PARTY TRANSACTIONS

(i) Remuneration details for Directors and Executives are included in the Remuneration Report and have been audited.

(ii) Movement in Shares

The aggregate numbers of shares of the Company held directly, indirectly or beneficially by Specified Directors and other Key Management Personnel of the Company or their personally related entities are as follows:

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS	ORDINARY SHARES			
	1 JULY 2007	OPTIONS EXERCISED	DISPOSALS	30 JUNE 2008
Directors				
Adrian Larking	9,500,000	984,375	-	10,484,375
Jörg Baumgärtner	-	-	-	-
Alan Knights	2,118,232	1,171,993	-	3,290,225
Scott Spencer	-	-	-	-
Secretary				
Nigel Hodder	207,694	101,924	-	309,618

(iii) Movement in Options

The aggregate numbers of options of the Company held directly, indirectly or beneficially by Specified Directors and other Key Management Personnel of the Company or their personally related entities are as follows:

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS	OPTIONS			
	1 JULY 2007	OPTIONS GRANTED	OPTIONS EXERCISED	30 JUNE 2008
Directors				
Adrian Larking	984,375	1,000,000	(984,375)	1,000,000
Jörg Baumgärtner	-	1,000,000	-	1,000,000
Alan Knights	2,771,993	750,000	(771,993)	2,750,000
Scott Spencer	500,000	300,000	-	800,000
Secretary				
Nigel Hodder	601,924	300,000	(101,924)	800,000

(iv) Other Transactions with Other Related Parties:

There were no other transactions with other related parties.

19. EXPENDITURE COMMITMENTS

(a) Exploration

The Company has certain obligations to perform minimum exploration work on geothermal licences held. These obligations may vary over time, depending on the Company's exploration programs and priorities. As at balance date, total exploration expenditure commitments on licences held by the Company have not been provided for in the financial statements. These obligations are also subject to variations by farm-out arrangements or sale of the relevant licences.

Due to the nature of the Consolidated Entities operations in exploring and evaluating areas of interest, it is very difficult to forecast the nature and amount of future expenditure.

(b) Capital Commitments

The Company had no capital commitments at 30 June 2008.

Notes to the Financial Statements

for the year ended 30 June 2008

19. EXPENDITURE COMMITMENTS (CONTINUED)

(c) Operating Lease Commitments

Total operating lease expenditure contracted for at balance date, but not provided for in the consolidated financial statements, payable:

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Not later than one year	65,550	45,972	65,550	45,972
Between one and five years	139,100	35,463	139,100	35,463
More than five years	-	-	-	-
	204,650	81,435	204,650	81,435

The operating lease relates to the Company's registered office premises in West Perth. The operating lease was for an initial three year period expiring on 15 May 2008. The option to renew the term of the lease for a further period of three years after the expiry date, to 15 May 2011, was exercised. During the term of the lease the rent is reviewed annually on each successive anniversary date.

20. SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the geothermal energy and development industry. Geographically the Company operates in two segments being Australia and Hungary.

Geographical Segments

2008	AUSTRALIA	HUNGARY	ELIMINATIONS	CONSOLIDATED
Revenue				
Interest	116,409	13	-	116,422
Other income	-	1,386,396	(1,353,300)	33,096
Total revenue	116,409	1,386,409	(1,353,300)	149,518
Loss before tax	(3,464,593)	357,396	(66,723)	(3,173,920)
Income tax benefit	224,077	(14,501)	-	209,576
Loss for the year	(3,240,516)	342,894	(66,723)	(2,964,344)
Total segment assets	11,968,767	347,019	(114,086)	12,201,700
Total segment liabilities	186,247	40,567	(27,318)	199,496
Fixed asset additions	14,719	-	-	14,719
Depreciation	(28,066)	-	-	(28,066)
Cash flows from operating activities	(1,589,132)	(207,965)	130,702	(1,666,395)
Cash flows from investing activities	124,968	(130,457)	217,169	211,680
Cash flows from financing activities	3,331,831	337,163	(337,163)	3,331,831

Notes to the Financial Statements

for the year ended 30 June 2008

2007	AUSTRALIA	HUNGARY	ELIMINATIONS	CONSOLIDATED
Revenue				
Interest	49,135	87	-	49,222
Other income	15,000	23,000	-	38,000
Total revenue	64,135	23,087	-	87,222
Loss before tax	(1,452,727)	(213,504)	200,797	(1,465,434)
Income tax benefit	67,360	12,707	-	80,067
Loss for the year	(1,385,367)	(200,797)	200,797	(1,385,367)
Total segment assets	11,907,080	2,314,814	(2,570,721)	11,651,173
Total segment liabilities	117,592	2,434,314	(2,282,912)	268,994
Fixed asset additions	8,255	-	-	8,255
Depreciation	(26,553)	-	-	(26,553)
Cash flows from operating activities	(870,529)	(370,838)	-	(1,241,367)
Cash flows from investing activities	(2,413,938)	380,507	-	(2,033,431)
Cash flows from financing activities	4,036,167	-	-	4,036,167

21. LOSS PER SHARE

The following reflects the loss and share data used in the calculations of basic and diluted loss per share:

	2008 \$	2007 \$
Loss used in calculating basic and diluted loss per share	2,964,344	1,452,727
	NUMBER OF SHARES 2008	NUMBER OF SHARES 2007
Weighted average number of ordinary shares used in calculating basic and diluted loss per share:	160,961,072	94,494,912
<i>Effect of dilutive securities</i>		
Basic and Diluted loss per share (cents per share)	1.84	1.54

Non-dilutive securities

As at balance date, 18,350,000 options (30 June 2007: 46,743,810) which represent potential ordinary shares were not considered dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2008

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

Notes to the Financial Statements

for the year ended 30 June 2008

22. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

NAME OF ENTITY	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2008 %	2007 %
Parent Entity			
Green Rock Energy Limited	Australia		
Subsidiaries			
Green Heat Resources Pty Ltd	Australia	100	100
Green Rock Geothermal Pty Ltd	Australia	100	100
Green Rock Energy International Pty Ltd (previously Vulcan Geothermal Pty Ltd)	Australia	100	100
Green Rock (Vulcan) Energy Kft (previously Vulcan Energy Kft)	Hungary	100	100

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Cash at bank	2,858,934	28,027	2,839,741	18,280
Deposits at call	-	953,791	-	953,791
	2,858,934	981,818	2,839,741	972,071

(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities

Loss after income tax	(2,964,344)	(1,452,727)	(3,185,126)	(1,452,727)
Non-cash items:				
Depreciation	28,066	26,553	26,116	26,553
Exploration expenditure written-off	932,754	32,781	38,742	32,781
Share based payments	233,090	-	233,090	-
Exchange losses	41,708	-	279	-
Impairment of loan to subsidiary	-	-	(195,501)	195,930
Debt forgiveness	-	-	1,396,314	-
Change in operating assets and liabilities:				
Decrease/(Increase) in prepayments	10,000	(8,060)	10,000	342,534
Decrease/(Increase) in receivables	17,708	-	18,299	(70,302)
Increase/(Decrease) in trade creditors	(12,599)	162,598	25,455	57,214
Increase in other creditors and accruals	15,272	-	11,250	-
Increase in employee entitlements provision	31,950	(2,512)	31,950	(2,512)
Net operating cash flows	(1,666,395)	(1,241,367)	(1,589,132)	(870,529)

(c) Significant non-cash items

During the year the Company issued 4,350,000 options as share based payments which were valued at \$324,440.

24. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Capital management

The main focus of the Group's capital management policy is to ensure adequate working capital to fund the exploration and development activities of its various geothermal projects. This is done through the close monitoring of cash flow projections.

The Group's working capital as at balance date was:

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
	\$	\$	\$	\$
Cash	2,858,934	981,818	2,839,741	972,071
Other receivables	319,143	1,519,757	276,083	70,302
Other assets	-	10,000	-	10,000
Trade and other payables	(148,704)	(250,152)	(135,455)	(98,750)
Provisions	(50,792)	(18,842)	(50,792)	(18,842)
	2,978,581	2,242,581	2,929,577	934,781

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments.

Risk management is the responsibility of the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group has a significant operation in Hungary and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the Hungarian Forint.

Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group's exposure to foreign currency risk at the reporting date was as follows:

Group sensitivity

The parent entity advances funds to the Hungarian subsidiary in Australian Dollars. In practical terms the Australian Dollar is converted to the Euro and the Hungarian Forint ("HUF"). The foreign exchange risk is recognised by the Hungarian subsidiary. The Consolidated Entity's pre-tax profit for the year would have been \$34,289 higher/\$34,290 lower (2007: \$6,672 higher/ \$6,671 lower) had the Australian dollar strengthened/weakened by 10% against the Hungarian Forint.

Parent entity sensitivity

The parent entity has no exposure to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through cash and cash equivalents \$2,858,934 (2007: \$981,818).

At 30 June 2008, if the interest rates had weakened/strengthened by 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been \$28,589 lower/higher (2007: \$9,818 lower/higher) mainly as a result of interest income decreases/increases.

Notes to the Financial Statements

for the year ended 30 June 2008

24. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables and committed transactions.

Cash and cash equivalents are held with recognisable banking and financial institutions.

Other receivables are due from third parties considered credit worthy. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at note 5. The ageing analysis of receivables is as follows:

	CURRENT	> 30 DAYS	> 60 DAYS	> 90 DAYS
2008				
Consolidated				
Australian Taxation Office	254,498	-	-	-
Worsley Alumina Pty Ltd	21,584	-	-	-
Central EU Biofuels Kft	-	-	-	43,062
Company				
Australian Taxation Office	254,498	-	-	-
Worsley Alumina Pty Ltd	21,584	-	-	-
2007				
Consolidated				
World Bank Refund	1,406,986	-	-	-
Australian Taxation Office	70,302	-	-	-
Company				
Australian Taxation Office	70,302	-	-	-

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure that the Group's liabilities can be settled as and when they become due.

Maturities of financial liabilities

The tables below analyses the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	< 1 MONTH	1 - 3 MONTHS	3 - 6 MONTHS	6 - 12 MONTHS
2008				
Trade payables - consolidated	148,704	-	-	-
Trade payables - parent	135,455	-	-	-
Provisions for employee benefits - parent	4,230	8,468	12,698	25,396
2007				
Trade payables - consolidated	250,152	-	-	-
Trade payables - parent	98,750	-	-	-
Provisions for employee benefits - parent	1,570	3,140	4,710	9,422

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

25. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2008.

26. EVENTS SUBSEQUENT TO BALANCE DATE

On the 30 July 2008, Green Rock Energy Limited signed a Shareholders Agreement and Articles of Association to establish a new geothermal energy company with MOL Hungarian Oil and Gas Plc (Hungary's principal oil and gas company) and Enx hf (a leading Icelandic geothermal consulting and development company). This joint company, Central European Geothermal Energy Private Company Limited is owned equally by the three companies.

In late August the Company was advised by the West Australian Government that it is the preferred applicant for 14 geothermal exploration permits following application for geothermal acreage in and around the Perth Basin. The Company has advised the Government it is prepared to comply with the requirements under the Native Title Act. Discussions are on-going with our joint applicants in regard to the acceptance of the grants.

Except for the above no other matters or circumstances, other than those referred to in the financial statements or notes thereto, have arisen since the end of the financial year, which have significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Directors' Declaration

IN THE OPINION OF THE DIRECTORS OF GREEN ROCK ENERGY LIMITED ("THE COMPANY"):

(a) the financial statements and notes, set out on pages 35 to 59, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards in Australia and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the financial position of the Company as at 30 June 2008 and of its performance, as represented by the results of its operations, for the financial year ended on that date.

(b) there are reasonable grounds to believe that Green Rock Energy Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the financial year ended 30 June 2008.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 24th day of September 2008.



Adrian Larking
Managing Director

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GREEN ROCK ENERGY LIMITED**

We have audited the accompanying financial report of Green Rock Energy Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 30 to 32 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and remuneration disclosure contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

O | R | D
PARTNERS
CHARTERED ACCOUNTANTS

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Craig A Vivian CA

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Chartered Accountants

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Green Rock Energy Limited on 24 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

- (a) the financial report of Green Rock Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 30 to 32 of the directors' report comply with Accounting Standard AASB 124.

Inherent uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 1(a) "Going Concern" to the financial statements, the ability of the Company to continue as a going concern and meet its planned and committed expenditures including exploration expenditures is dependent upon the Company raising further working capital. In the event that the Company cannot raise further working capital, the Company may not be able to pay its debts as and when they become due and payable. Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its 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 assets nor to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

ORD PARTNERS

Chartered Accountants



Ian Macpherson
Partner

Perth, 24 September 2008

NUMBER OF HOLDERS OF EQUITY SECURITIES

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information was applicable as at 1 October 2008.

Ordinary share capital

- 180,381,023 fully paid ordinary shares are held by 2,283 individual shareholders.
- There are no partly paid ordinary shares held by any shareholder.
- All issued ordinary shares carry one vote per share.

Distribution of holders of ordinary shares

	TOTAL HOLDERS	UNITS	% ISSUED CAPITAL
1 – 1,000	35	11,799	0.01
1,000 – 5,000	229	937,855	0.52
5,001 – 10,000	503	4,316,742	2.39
10,001 – 100,000	1,289	51,264,638	28.42
100,001 and over	227	123,849,989	68.66
Total	2,283	180,381,023	100.00
Holding less than a marketable parcel (\$500) at 6.2 cents per unit	455	2,186,949	Minimum parcel size 8,065

Substantial Shareholders

ORDINARY SHAREHOLDERS	FULLY PAID		PARTLY PAID	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Perilya Limited	16,428,571	9.11	-	-
National Nominees Limited	15,189,000	8.42	-	-
PKA Investments Pty Ltd	10,484,375	5.81	-	-
	42,101,946	23.34	-	-

ASX Additional Information

Twenty largest holders of quoted equity securities

	FULLY PAID		PARTLY PAID	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Perilya Limited	16,428,571	9.11	-	-
National Nominees Limited	15,189,000	8.42	-	-
PKA Investments Pty Ltd	10,484,375	5.81	-	-
Simon Ashton	4,331,250	2.40	-	-
Alan Knights	3,090,225	1.71	-	-
Calm Holdings Pty Ltd (Clifton Superfund)	3,000,000	1.66	-	-
Bruno Nosek	2,753,125	1.53	-	-
Kirke Securities Limited	2,500,000	1.39	-	-
Calm Holdings Pty Ltd (Tide Account)	2,484,810	1.38	-	-
ANZ Nominees Limited	2,375,182	1.32	-	-
Martin Schult	1,609,094	0.89	-	-
David & Julie Waterhouse (Waterhouse Superfund)	1,280,000	0.71	-	-
Mark & Jennifer Keyser	1,185,101	0.66	-	-
Peter Knapman	1,079,817	0.60	-	-
Moreno Chiappin	1,009,569	0.56	-	-
Robert Gemelli	1,000,000	0.55	-	-
Plato Prospecting Pty Ltd	1,000,000	0.55	-	-
Ken Done & Associates Pty Ltd (Ken Done & Assoc S/F)	920,381	0.51	-	-
David Brunt (Brentwood Super Fund A/C)	800,000	0.44	-	-
Sandra Eddy	800,000	0.44	-	-
TOTAL	73,320,500	40.64	-	-

COMPANY PARTICULARS

DIRECTORS

Adrian Larking (Managing Director)
Alan Knights (Executive Director)
Jörg Baumgärtner (Non-Executive Director)
Scott Spencer (Non-Executive Director)

COMPANY SECRETARY

Nigel Hodder

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BANKERS

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Perth WA 6000

AUDITORS

Ord Partners
Level 2, 47 Colin Street
West Perth WA 6005

SHARE REGISTER

Computershare Investor Services Pty Ltd
45 St Georges Terrace
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Facsimile: +61 8 9323 2033

STOCK EXCHANGE

The Company's securities are quoted on the official list of the Australian Securities Exchange.

ASX CODE

GRK

Green Rock Energy Limited is a public company limited by shares and is domiciled in Australia.



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