ASX Announcement

Company Announcements Office
Australian Securities Exchange

By e-lodgement

8 August 2011

(ASX Code GRK)

Update on Commonwealth Government funding of geothermal projects

Highlights

- Funding Agreement for Perth Metropolitan area Project mutually terminated
- Ministerial Announcement of Emerging Renewables program indicates geothermal companies will benefit from new program design

On 16 May 2011 Green Rock announced that its priority projects for the next twelve months will be:

- the Australian conventional geothermal power venture with Pacific Hydro in the North Perth Basin and the Great Artesian Basin
- the Canning Basin hydrocarbon farm-in
- the Hungarian geothermal joint venture with MOL

In the same announcement the Company stated that, largely because of the currently unattractive project economics, it had been unable to attract joint venture partners to its Perth Metropolitan area 'direct-use' opportunity and specifically to the proposed project at the University of Western Australia. It was therefore considered highly uncertain that we would be able to meet the conditions of our funding agreement with the Commonwealth Government which required us to demonstrate funds to match the $7m offered for two wells under the Geothermal Drilling Program for that project.

The Company has submitted its report to the Commonwealth Government on the progress it has made in meeting the conditions for funding. The two key conditions under the agreement that we were unable to meet were:

- Securing the matching funding to drill two geothermal wells
- Securing a suitable drilling rig to drill the first well

On that basis the Company and the Commonwealth Government have agreed that the funding agreement will be terminated and have now executed a deed of termination. This will include the Company returning the unspent balance of approximately $250,000 out of the $350,000 first tranche received from the Commonwealth Government on signing the funding agreement in September 2010. The final amount of this balance to be returned after eligible expenditure on project activities is yet to be finally agreed and audited. No ongoing financial liability for Green Rock exists in respect to any other part of the grant.

While Green Rock believes that direct-use projects of this commercial scale in the Perth Metropolitan area may become attractive in time, current economic conditions together with the current lack of a suitable drilling rig and of Renewable Energy Certificates for geothermal direct-use projects that displace electricity mean that we will give them a low priority for at least the next twelve months.

A joint announcement from the four geothermal companies whose funding agreements have been mutually terminated is attached, together with the full text of the statement from Martin Ferguson, the Minister for Resources and Energy.

Green Rock's Managing Director Richard Beresford said "The mutual termination of our funding agreement with the Commonwealth Government allows us to now focus on securing government funding for our Mid West geothermal power project based on our extensive permits in the northern Perth Basin. We look forward to working with the Commonwealth Government under the new Emerging Renewables program and consider that the Mid West project has the necessary attributes to be a strong contender for funding."

Nigel Hodder
Company Secretary

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8 August 2011

ASX Release - Joint Company Statement

GDP FUNDING MUTUALLY TERMINATED

Australian listed geothermal explorers Torrens Energy Limited (ASX:TEY), Green Rock Energy Ltd (ASX:GRK), Greenearth Energy Ltd (ASX:GER) and Hot Rock Limited (ASX:HRL) wish to advise that they have mutually executed Deeds of Termination with the Australian Government for their Geothermal Drilling Program (GDP) grant funding.

The Companies were each competitively assessed and selected through a rigorous technical and financial merit assessment. Projects span a range of geological environments and represent some of the highest quality potential geothermal development projects in Australia. Regrettably current economic conditions over the past year combined with the agreed construct of the GDP grant has limited project recipients' ability to attract project funding and thus fulfil all the requirements of their GDP grants in the timeframes stipulated.

In July 2011 the Australian government announced its Clean Energy Future package which includes a carbon price of \$23/tonne of CO_2 and \$13.2 billion in clean energy funding initiatives. The package which includes the \$10 billion Clean Energy Finance Corporation and the 3.2 billion Australian Renewable Energy Agency (ARENA) will cut pollution and drive investment in new clean energy sources, such as geothermal.

Geothermal remains the Country's only potential large scale zero-emission renewable base-load 24/7 energy source, and this has been recognised with the announcement today by the Minister for Resources and Energy, Martin Ferguson AM MP within the Australian government's *Emerging Renewables* program.

The *Emerging Renewables* program aims to reduce the costs of new technologies, improve skills across the renewable energy industry, and leverage finance from the private sector as well as state and territory governments.

The *Emerging Renewables* program will have funding of \$126 million with geothermal companies well placed to benefit from the new program design with at least one third of the total program funding expected to be available to support the development of geothermal energy in Australia.

Please find attached a copy of today's Australian Government announcement regarding its *Emerging Renewables* program

Yours sincerely

John Canaris	Richard Beresford	Mark Miller	Mark Elliott
Managing Director	Managing Director	Managing Director	Executive Chairman
Torrens Energy	Green Rock Energy	Greenearth Energy	Hot Rock Limited

MEDIA RELEASE
MARTIN FERGUSON

Minister for Resources and Energy
Minister for Tourism

8 August 2011

APPLICATIONS OPEN FOR EMERGING RENEWABLES FUNDING

The Australian Government today opened its *Emerging Renewables* program to applications from promising renewable energy technology projects such as geothermal, solar and ocean.

The *Emerging Renewables* program aims to reduce the cost of new technologies, improve skills across the renewable energy industry and leverage finance from the private sector as well as state and territory governments.

"With this program the Government is taking on an innovative design for merit-based grant programs following the Australian Centre for Renewable Energy's (ACRE) extensive consultation with the renewable energy industry and financiers," the Minister for Resources and Energy, Martin Ferguson AM MP, said at this morning's launch..

"It allows a flexible approach to funding across the technology innovation chain, in line with stakeholder feedback to improve the sector's competitiveness.

"For emerging technologies this flexibility is critical. It will help ensure government support is tailored to the needs of industry as they evolve over time, while also putting in place the appropriate safeguards for taxpayer funded investments.

"On this basis we have also increased funding by $26 million for the *Emerging Renewables* program with funds returned from the *Geothermal Drilling Program*.

"This takes the total program funding to $126 million. Geothermal companies will benefit from the new program design with at least one-third of the total program funding expected to be available to support geothermal energy."

The program design is based on the independent ACRE Board's *Strategic Directions* and provides a streamlined applications process as well as the opportunity for greater collaboration amongst applicants. It employs a continuously open application model allowing companies to submit applications as and when they need to with no arbitrary cut off dates or set funding rounds.

ACRE will administer the program until the $3.2 billion Australian Renewable Energy Agency (ARENA) is established.

"Opening the program now is important to keep up momentum in the industry and continue providing government support for renewable energy technologies as we introduce a price on carbon and establish ARENA and the $10 billion Clean Energy Finance Corporation," Minister Ferguson said.

The *Emerging Renewables* program will fund promising renewable energy and enabling technologies under two categories: ACRE Projects and ACRE Measures. More information on these categories and a copy of the *Emerging Renewables Program Information Guide for Applicants* is available at www.acre.gov.au

Minister Ferguson opened the *Emerging Renewables* program at the launch of a new rooftop solar research project, supported by a $3.2 million Australian Solar Institute grant. The project based at the Australian National University aims to improve the efficiencies of rooftop solar by providing a cost effective, all-in-one solar energy system for heating, cooling, hot water and electricity to supply households and businesses.

"Projects such as the hybrid system launched today demonstrate that there is still a huge amount of innovation potential in solar technology for researchers and companies to develop," Minister Ferguson said.

"They will pave the way for the next generation in solar technology, and through the Government's Clean Energy Future package these next generation projects will have access to more support than ever before."

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