Interim Financial Report
for the half year ended 31 December 2012

Green Rock Energy Limited
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Interim Financial Report for the half-year ended 31 December 2012

The Directors of Green Rock Energy Limited ("the Company") submit herewith the condensed consolidated financial report for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Names of directors

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

Name	
Richard Beresford	Executive Chairman
Jeffrey Schneider	Non–Executive Director
Gabriel Chiappini	Non-Executive Director
Jörg Baumgärtner	Non-Executive Director

Directors have been in office for the entire period to the date of this report.

Review of operations

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

Geothermal

North Perth Basin

Mid West Geothermal Power Project

In August 2011 Green Rock announced the execution of a binding Memorandum of Understanding (MoU) with leading Australian renewable energy company Pacific Hydro to cooperate on the development of power projects based on geothermal exploration permits and licences held by the companies in the North Perth Basin ("NPB") in the Mid West region of WA and the Great Artesian Basin ("GAB") in South Australia. Initial power projects of at least 25MW are contemplated in both the NPB and the GAB.

The agreement defines the key steps towards first power production and the rights and obligations of Green Rock and Pacific Hydro. The parties have jointly developed an Information Memorandum (IM) for the two projects directed at potential upstream 'farm-in' partners to substantially fund drilling of the wells required to prove up the conventional geothermal resource. The IM will be marketed globally through Green Rock's, Pacific Hydro's and their advisers' networks.

Key terms in the initial joint venture agreement with the upstream partner and in the shareholders' agreement for the future power project companies are included in the MoU. Pacific Hydro will have the right to at least 51% interest in each power project company, with the buy-out of Green Rock's and the upstream partner's interests set according to a valuation formula to be agreed in the initial joint venture agreement.

During the period under report the parties agreed to extend the MoU until August 2013.

Currently Green Rock has 100% interests in 7 GEPs in the North Perth Basin. This area has been an active petroleum exploration and production province with 135 petroleum wells drilled within our permit area. The extensive well and geological information provides a strong foundation for locating and designing geothermal wells, and drilling in the area is expected to be relatively straightforward.

Progress was made during the period under review to secure government and joint venture partner funding for the Project, with the target of drilling the first well in 2013.

- **WA Government Low Emissions Energy Development (LEED) Fund**

Green Rock was advised on 25 June 2012 of the success of its application for Low Emissions Energy Development (LEED) funding for the Mid West Geothermal Power Project. The funding applied for was $5.38 million. This success will support Green Rock's case to the Commonwealth's Emerging Renewables Program which puts a strong emphasis on State support.

- **Commonwealth Government Emerging Renewables Program (ERP) Fund**

Securing LEED funding is a major step towards ERP funding for the Project. Green Rock considers that the Project is a strong contender for ERP funding and discussions with the ERP fund managers indicate that the key to securing funding will be bringing a joint venture funding partner into the Project.

Green Rock's ERP funding application was lodged with the Commonwealth Government on 11 March 2013.

- **Joint Venture Partner**

Progress was made during the period under review to secure a joint venture partner.

In early March 2013 the Company announced the signing of a Heads of Agreement between AWE Australia Pty Ltd (a subsidiary of AWE Ltd) and Mid West Geothermal Power Pty Ltd (a subsidiary of Green Rock Energy Limited) with the intention of forming a joint venture to demonstrate the development potential of the Project in the north Perth Basin.

The first stage of the project is the selection of a drilling area to maximise the probability of success of the geothermal program. The well will also provide AWE with information relevant to hydrocarbon exploration in the area.

The agreement makes provision that AWE would fund the cost of drilling the geothermal wells which is not covered by WA Government LEED and any Commonwealth Government ERP funding.

The JV's initial focus will be to secure funding for the Project from the Commonwealth's Emerging Renewables Program

- **SPA over Jingemia Area**

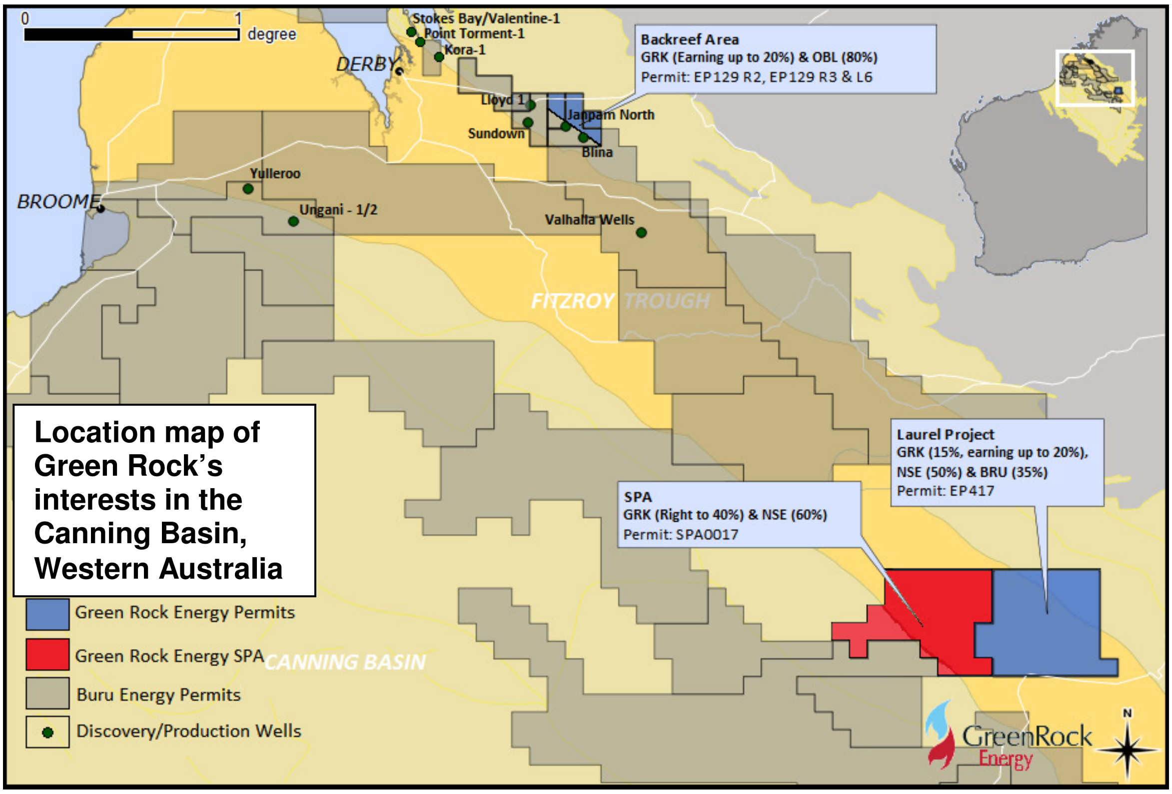
On 5 November 2012 Green Rock was awarded a Geothermal Special Prospecting Authority with acreage option for a period of six months over the Jingemia Area in the North Perth Basin.

The SPA work program was completed in November at minimal cost to Green Rock, with the results now being interpreted.

Green Rock considers that geothermal energy has the potential to extend the economic life of the Jingemia Oil Field and has been in discussions with the new operator of the field.

Oil and Gas

Canning Basin, WA



Backreef Area – Canning Basin

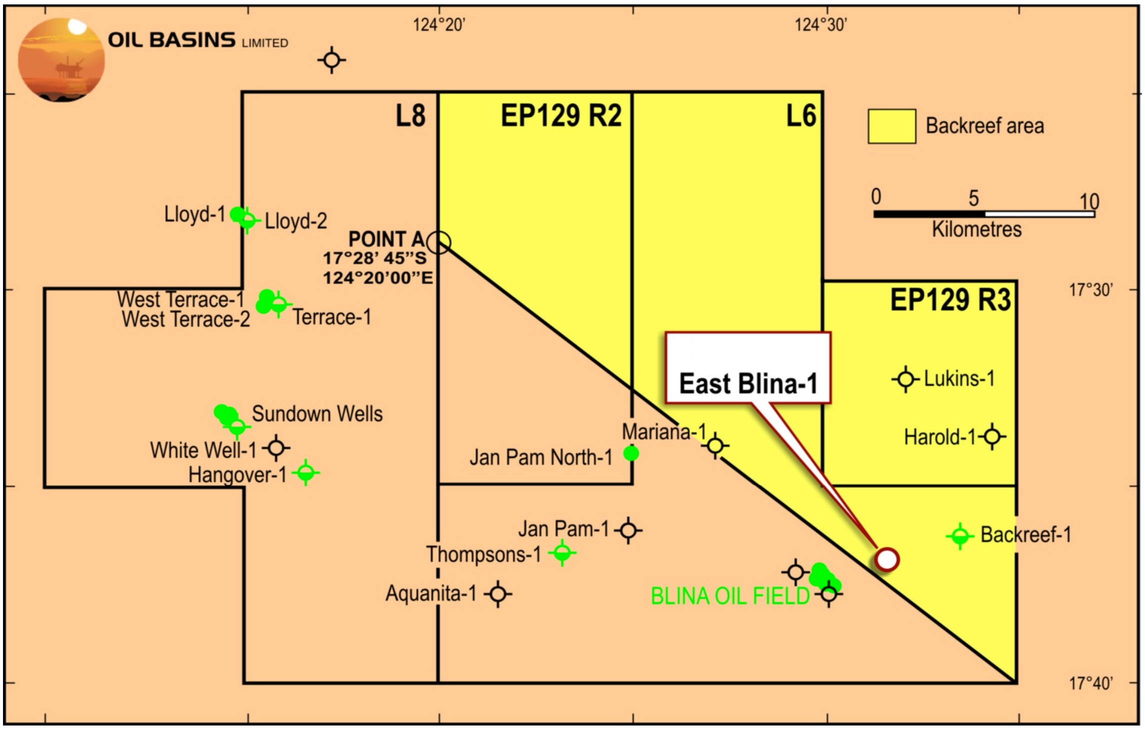
East Blina -1 well

The East Blina-1 well was completed by 31 October 2012 to complete the farm-in commitments under the Backreef Area Agreement with Green Rock earning a 20% net beneficial interest in the Backreef Area.

The primary well objective of the production tests was the highly permeable basal Yellow Drum dolomite reservoir formation which operator Oil Basins Limited (OBL) had re-interpreted and prognosed at 27 m thick at East Blina-1.

Site clearing operations commenced on 6 October and rig-up with the Dynamic Drilling Rig #17 commenced on 14 October. Spudding occurred on 17 October with no rig or equipment standby cost penalties incurred, with the expectation that the well would be completed by 31 October to meet the Backreef Area farm-in commitment. On 29 October total depth was reached.

Wireline logging operations were completed on 30 October 2012 and after analysis of the Schlumberger Quadcombo data by OBL's petrophysicist, it was determined that all zones were water wet and a MDT run was not warranted. Plug and Abandonment operation commenced 31 October and the Dynamic Drilling Rig#17 was released on 1 November 2012.



Location of East Blina -1 within Production Licence L6 (courtesy of Oil Basins Limited)

The drilling of the East Blina-1 exploration well has provided the following valuable information:

a) Preliminary analysis of the wireline logs has greatly increased the knowledge of the extent of the dolomitic reservoir interval (intra Yellow Drum reservoir) first encountered at Backreef-1.
b) Preliminary correlations of formation tops have confirmed that this porous and permeable zone within the Kimberley Downs Embayment extends from the western boundary of the Backreef Area to Backreef-1 in the east (some 3.7 km distant).
c) The Backreef Area Joint Venture has sufficient high quality stratigraphic data to enable, with further future 2D seismic, a mapping of this zone to establish future drill targets elsewhere in the Backreef Area.
d) OBL has demonstrated that, with deployment of a 'small footprint' modern mobile drilling rig, future oil exploration wells targeting Laurel / Yellow Drum reservoirs within the Backreef Area can be drilled at a reasonable cost.
e) This has potentially significant implications for future exploration in the Canning Basin where the Laurel is present

With the drilling of East Blina-1 the Backreef Play Agreement farm-in commitments are now complete.

Fitzroy Trough – Canning Basin

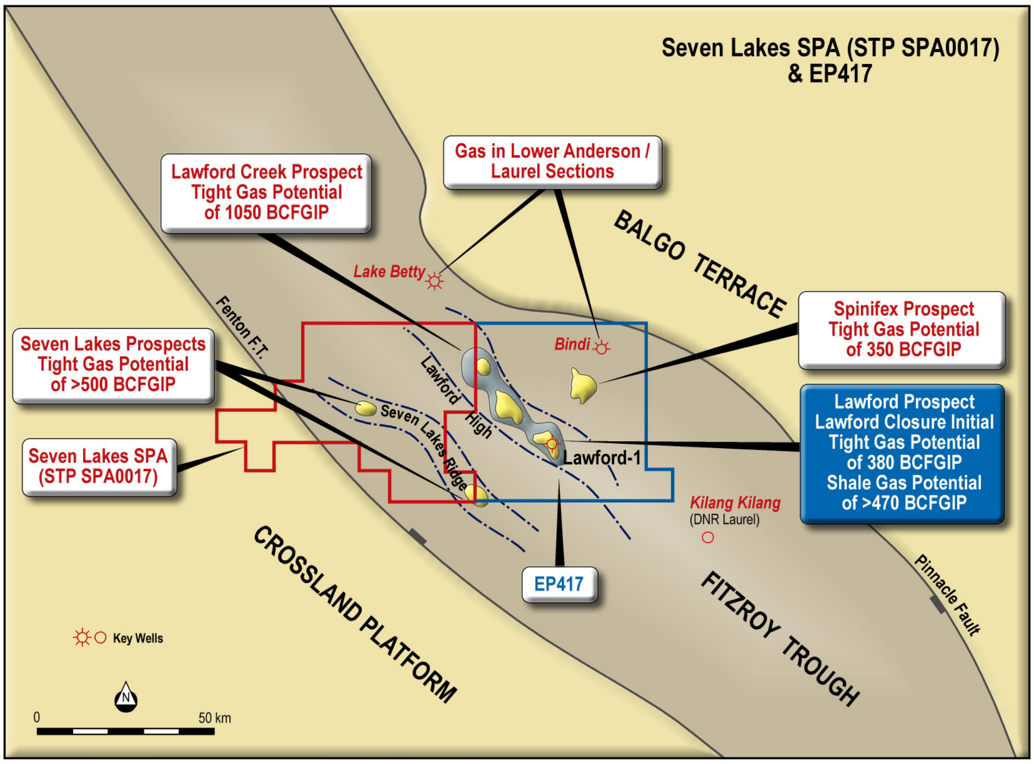
Laurel Project – EP 417, Seven Lakes SPA and Area of Mutual Interest Agreement with New Standard Energy (NSE)

Green Rock successfully earned a 15% interest in EP 417 by funding 27.5% of the first $4.0 million of costs and 15% of further well costs in the process of deepening Lawford #1.

The Company has the right to increase its interest in EP417 by funding 22.5% of the first $10 million of the costs of drilling a second well and 20% of any further costs such that after the completion of the earning phase of this farm-in arrangement, Green Rock would have a 20% interest in permit EP417.

Through the establishment of an up-stream alliance with New Standard Energy the company moved to secure additional acreage through the granting of a Special Prospecting Authority (SPA) for the Seven Lakes area in the Canning Basin. In this new acreage, Green Rock will have rights to a 40% interest.

Recent exploration success in the Canning Basin by Buru Energy Limited and the interest in the area being shown by international conglomerates such as Mitsubishi and Conoco-Phillips reinforce the value inherent in our position.



Map of Laurel Project including the Seven Lakes SPA, EP417 and various prospective targets (courtesy of NSE)

Airborne Gravity Survey Completed

The airborne gravity survey over the Seven Lakes SPA (GRK 40%) and EP417 (GRK 15%) Canning Basin was commenced on 23 August 2012, with initial results available within 40 days of the completion of data collection. The survey was completed within the estimated timeframe and in line with the pre-survey cost estimates.

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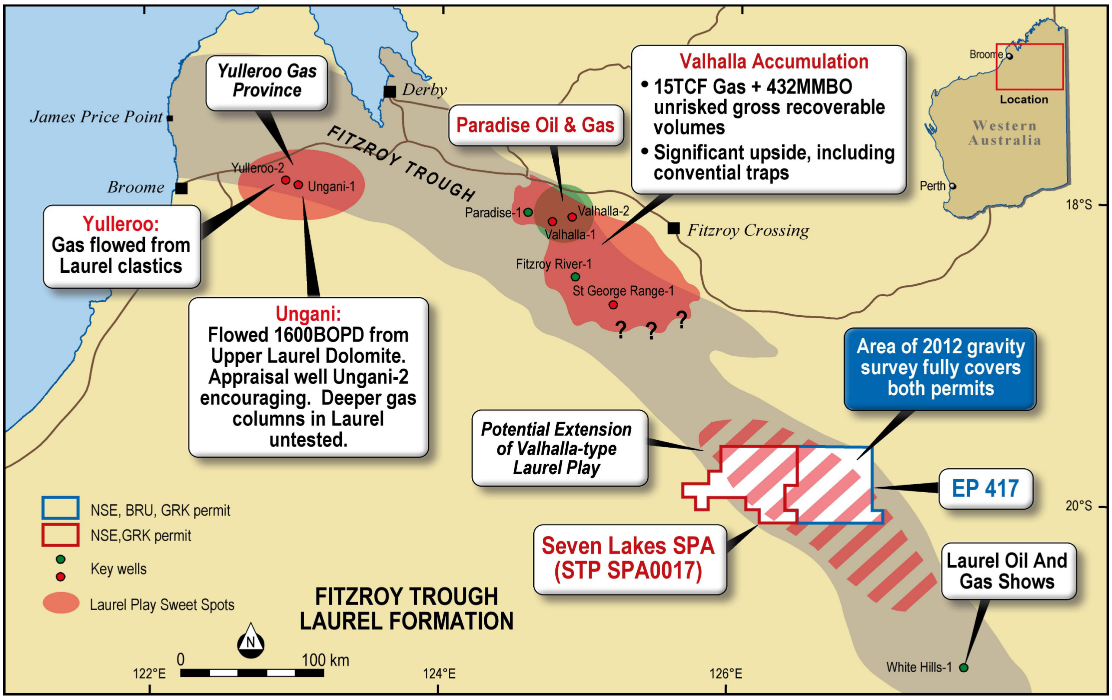


Location of Seven Lakes SPA and EP 417 showing area of Gravity Survey (courtesy of New Standard Energy Limited)

The blocks are located in the south eastern Fitzroy Trough of the Canning Basin which has strong geological similarities to Buru's recent discoveries in the Fitzroy Trough within the Laurel Formation at Valhalla, Paradise and Yulleroo. Potential for oil discoveries similar to the Ungani Field also exist given the positive oil indications in nearby wells.

The gravity survey acquired approximately 3,695 line kilometres of data, providing block wide coverage over both the Seven Lakes SPA and EP 417. The results which are currently being interpreted are expected to contribute valuable data that will be analysed together with the available seismic and well information over the area, and will be used to help define the extent of the prospective basin-centred plays in the Laurel Formation. This will assist in the selection of blocks within Seven Lakes SPA for conversion to a full Exploration Permit. This survey exceeds the minimum Work Program commitment for the SPA.

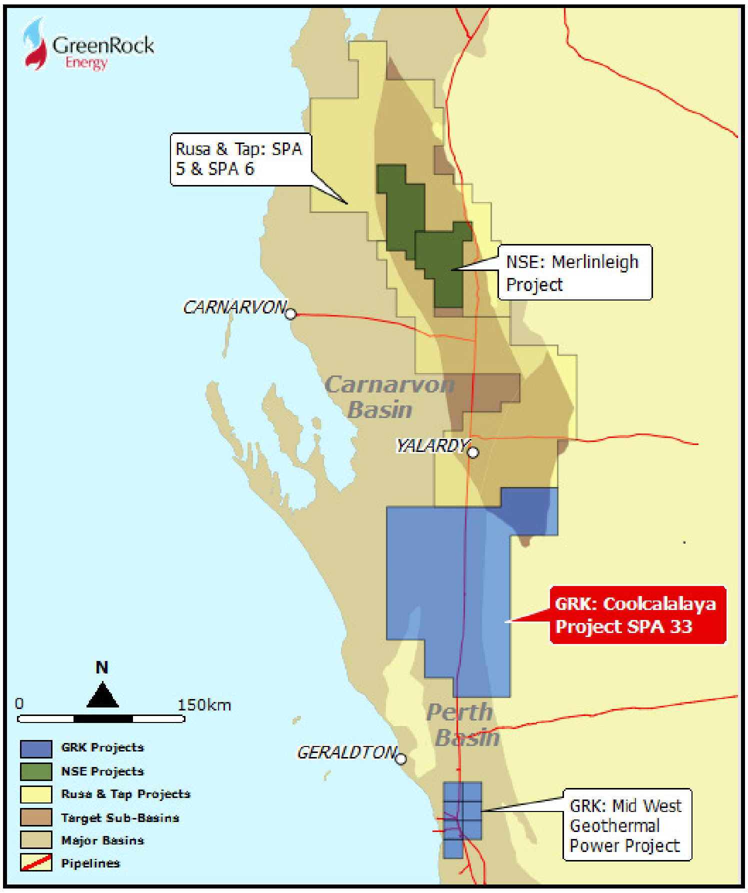
The survey will also improve the Joint Venture's understanding of the structure and stratigraphy of EP 417 area that will be incorporated in to the assessment of the results of Lawford -1 well deepening undertaken by the Joint Venture in 2011 and help guide the future exploration program in the area. The survey and associated technical studies will fulfil the 2012 and 2013 Work Program commitments for EP 417.

Carnarvon Basin, WA

Coolcalalaya Project (SPA 33)

In late November 2012 Green Rock acquired from Palatine Energy Pty Ltd a 50% interest in
SPA 33 (the Coolcalalaya Project), a large hydrocarbon exploration area located at the southern end of the prolific Carnarvon Basin in Western Australia.

Palatine's application for SPA 33 (with acreage option) has been accepted and will be awarded to Palatine on conditions including approval of the gravity survey forming the SPA work program commitment and acceptance of key environmental conditions. This strategic acquisition by Green Rock compliments the Company's existing portfolio as it increases its acreage in highly prospective hydrocarbon basins in Western Australia.



The Coolcalalaya Project location relative to selected other projects in the region

- **Project potential**

The SPA covers approximately 19,500 sq kms and includes the Coolcalalaya Sub-basin and southern part of the Byro Sub-basin of the Carnarvon Basin. The area has been identified by gravity and magnetic data as part of a series of north-south oriented sub-basins that include the Merlinleigh and Byro Sub-basins. Regional correlations suggest the exploration area has significant potential for both unconventional and conventional hydrocarbons in the Devonian sediments equivalent to the Gnueda Formation in the Merlinleigh Sub- basin and Gascoyne Platform where excellent potential source rocks have been identified. In addition, the Gogo and Virgin Hills Formations in the Canning Basin have been correlated with the oil accumulation at the Blina Field, adjacent to the Backreef Area which covers approximately 380 sq kms and in which Green Rock has a 20% interest.

Potential is also present in the early Permian formations for unconventional gas and coal seam methane. This interval is equivalent to the zone tested successfully by Norwest Energy in the Perth Basin and is one of the primary objectives in the Merlinleigh Sub-basin where both New Standard Energy and Tap Oil hold interests.

SPA 33 is favourably located close to existing infrastructure as the Dampier to Bunbury Natural Gas Pipeline runs directly through the permit area. The existing pipeline serves a large number of power generators, industrial, mining and domestic customers in Western Australia.

- **Next Steps**

Green Rock and Palatine executed a Letter of Agreement for Green Rock to farm in to SPA 33 for a 50% interest for a nominal upfront payment covering 100% of the costs of the SPA work program estimated at $200,000. Palatine will be the Operator of the SPA work program. On completion of the work program in 2013 Green Rock and Palatine expect to exercise the SPA acreage option and select up to 50% of the SPA area as a new Exploration Permit, for which Green Rock would be operator.

Hungarian Geothermal JV with MOL

In Hungary our 50% owned geothermal developer Central European Geothermal Energy Company Ltd (CEGE) is preparing for the first geothermal concession tenders in Hungary which we have been informed by the Hungarian authorities are expected to be issued in the first half of 2013. Public comment on the Environmental Impact Assessment of the target concession area closed on 15 January 2012.

From the work undertaken to date including well testing, both MOL and Green Rock are of the view that an economic geothermal resource exists in the area of focus. Data acquired from the well now owned by CEGE indicate a geothermal reservoir capacity expected to be capable of supporting several MW of power generation capacity.

Subject to securing the concession, project activity will step up later in 2013 with first power production around a year after the drilling of a second well has been completed.

Green Rock will seek to fund a large part of its interest from European investors.

Corporate Activities

Annual General Meeting

The 2012 Annual General Meeting of shareholders was held on 28 November 2012. The business before the meeting consisted of 9 resolutions all of which were approved by a show of hands. The resolutions approved were:

- the adoption of the Remuneration Report
- the re-election of Mr Jeff Schneider as a Director
- the issue of share incentive options to Directors Richard Beresford, Gabriel Chiappini and Dr Jörg Baumgärtner,
- ratification of shares and options granted to consultants
- approval of Employee Share Option Plan
- approval of ASX 7.1A facility for the ensuing year, and
- amendment of option terms

General

The net loss after accounting for income tax for the half-year ended 31 December 2012 is $1,333,376 (2011: $3,772,260).

The total number of fully paid ordinary shares (GRK) on issue at 31 December 2012 was 1,863,479,671. Listed options (GRKO) expiring on 31 March 2013 exercisable at 3.6 cents each totalled 243,949,438 (2011: 243,949,438) and listed options (GRKOB) expiring on 31 January 2015 exercisable at 1.2 cents each totalled 779,823,128 (2011: 0).

In addition there were 109,500,000 (2011: 43,600,000) unquoted incentive options on issue at 31 December 2012.

Auditor's independence declaration

The Auditor's independence declaration is included on page 12 of the condensed consolidated half-year financial report and forms part of this report.

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

On behalf of the Directors.

Richard Beresford

Richard Beresford
Executive Chairman

Perth, Western Australia, Australia.

14 March 2013

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Green Rock Energy Limited
Unit 10, 38 Colin Street
WEST PERTH WA 6005

14 March 2013

Dear Board Members

Green Rock Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Green Rock Energy Limited.

As lead audit partner for the review of the financial statements of Green Rock Energy Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the Members of Green Rock Energy Limited

We have reviewed the accompanying half-year financial report of Green Rock Energy Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 15 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Green Rock Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Green Rock Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Green Rock Energy Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity has incurred net losses of $1,333,376 (31 December 2011: $3,772,260) and experienced net cash outflows from operating and investing activities of $647,748 (31 December 2011: $3,329,299) for the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 14 March 2013

Directors' declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors.

Richard Beresford
Executive Chairman

Perth, Western Australia, Australia.

14 March 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2012

	Notes	Consolidated 31 December 2012 $	Consolidated 31 December 2011 $
Revenue			
Interest income		16,345	51,415
Total Revenue		16,345	51,415
Expenses			
Employee benefits expense	7	(183,835)	(407,742)
Administration expense		(20,686)	(52,385)
Consulting expense		(215,062)	(331,624)
Depreciation and amortisation		(13,766)	(19,163)
Exchange losses		5,367	(2,624)
Exploration expenditure expensed as incurred		(205,778)	(2,624,059)
Deferred exploration impairment		(573,497)	-
Share of net loss of associates accounted for using the equity method	6	(72,443)	(197,600)
Other expenses from ordinary activities		(70,021)	(188,478)
Total expenses		(1,349,721)	(3,823,675)
Loss before income tax benefit		**(1,333,376)**	**(3,772,260)**
Income tax benefit		-	-
Net loss for the period		**(1,333,376)**	**(3,772,260)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		2,092	(16,407)
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		**2,092**	**(16,407)**
Total comprehensive income for the period attributable to members of Green Rock Energy Limited		**(1,331,284)**	**(3,788,667)**
Loss per share:			
Basic and diluted loss per share (cents per share)		(0.07)	(0.55)

Notes to the financial statements are included on pages 19 to 24.

Condensed Consolidated Statement of Financial Position as at 31 December 2012

	Notes	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
Current assets			
Cash and cash equivalents		656,308	1,304,056
Other receivables		57,352	451,452
Other assets		5,215	4,991
Total current assets		718,875	1,760,499
Non-current assets			
Other financial assets		123,959	123,959
Deferred exploration expenditure	5	6,875,472	6,909,928
Investments accounted for using the equity method	6	998,732	1,071,175
Plant and equipment		120,567	130,886
Total non-current assets		8,118,730	8,235,948
Total assets		8,837,605	9,996,447
Current liabilities			
Trade and other payables		236,620	142,691
Provisions		35,236	37,262
Total current liabilities		271,856	179,953
Non-current liabilities			
Provisions		21,447	22,511
Total non-current liabilities		21,447	22,511
Total liabilities		293,303	202,464
Net assets		8,544,302	9,793,983
Equity			
Issued capital	3	31,217,257	31,175,632
Reserves		1,826,504	1,954,624
Accumulated losses		(24,499,459)	(23,336,273)
Total equity		8,544,302	9,793,983

Notes to the financial statements are included on pages 19 to 24.

Condensed Consolidated Statement of Changes In Equity for the half-year ended 31 December 2012

For the period ended 31 December 2012	Ordinary Shares $	Option Premium Reserve $	Share Based Payment Reserve $	Foreign Currency Reserves $	Accumulated Losses $	Total Equity $
At beginning of period	31,175,632	158,332	1,864,245	(67,953)	(23,336,273)	9,793,983
Net loss for the year	-	-	-	-	(1,333,376)	(1,333,376)
Other comprehensive income	-	-	-	2,092	-	2,092
Total comprehensive income for the period	-	-	-	2,092	(1,333,376)	(1,331,284)
Transactions with owners in their capacity as owners:						
Issued capital	41,625	-	-	-	-	41,625
Costs of capital raising	-	-	-	-	-	-
Share based payments	-	-	39,978	-	-	39,978
Options expired during the year	-	-	(170,190)	-	170,190	-
	41,625	-	(130,212)	-	170,190	81,603
At end of period	31,217,257	158,332	1,734,033	(65,861)	(24,499,459)	8,544,302

For the period ended 31 December 2011	Ordinary Shares $	Option Premium Reserve $	Share Based Payment Reserve $	Foreign Currency Reserves $	Accumulated Losses $	Total Equity $
At beginning of period	26,665,747	158,332	928,276	(53,872)	(13,598,216)	14,100,267
Net loss for the year	-	-	-	-	(3,772,260)	(3,772,260)
Other comprehensive income	-	-	-	(16,407)	-	(16,407)
Total comprehensive income for the period	-	-	-	(16,407)	(3,772,260)	(3,788,667)
Transactions with owners in their capacity as owners:						
Issued capital	14,016	-	-	-	-	14,016
Costs of capital raising	-	-	-	-	-	-
Share based payments	-	-	96,822	-	-	96,822
Options expired during the year	-	-	(198,440)	-	198,440	-
	14,016	-	(101,618)	-	198,440	110,838
At end of period	26,679,763	158,332	826,658	(70,279)	(17,172,036)	10,422,438

Notes to the financial statements are included on pages 19 to 24.

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2012

	31 December 2012 $	31 December 2011 $
Cash flows from operating activities		
Payments to suppliers and employees	(313,374)	(758,147)
Exploration expenditure	(157,398)	(2,581,455)
Research and development concession received	345,720	-
Net cash used in operating activities	(125,052)	(3,339,602)
Cash flows from investing activities		
Payments for plant and equipment	-	(473)
Payments for exploration and evaluation expenditure	(539,041)	(36,194)
Interest received	16,345	51,415
Investment in associate	-	(6,461)
Net cash provided by/(used in) investing activities	(522,696)	8,287
Cash flows from financing activities		
Proceeds from issues of shares and options	-	2,016
Payment for share issue costs	-	-
Net cash provided by financing activities	-	2,016
Net (decrease)/increase in cash and cash equivalents	(647,748)	(3,329,299)
Cash and cash equivalents at the beginning of the period	1,304,056	3,825,574
Cash and cash equivalents at the end of the period	656,308	496,275

Notes to the financial statements are included on pages 19 to 24.

Notes to the condensed consolidated financial statements for the half year ended 31 December 2012

1. Summary of accounting policies

Statement of Compliance

The condensed half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The condensed half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the Company's 2012 annual financial report for the financial year ended 30 June 2012, unless disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

For the purpose of preparing the half year report, the half year has been treated as a discrete reporting period.

New Standards and Interpretations

(a) Changes in Accounting Policies and Disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied be consolidated entity
AASB 2011-9 Amendments to Accounting Standards Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013

The adoption of these standards and interpretations have not had an impact to the consolidated entity.

(b) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2012. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

Going concern

The consolidated entity has incurred net losses after taxes of $1,333,376 (31 December 2011: $3,772,260) and experienced net cash outflows from operating and investing activities of $647,748 (31 December 2011: $3,329,299) for the half-year ended 31 December 2012.

In addition and as outlined in Note 8 the consolidated entity is required to meet minimum work commitments on permits originally estimated to be approximately $56.82 million. Approximately $56.6 million of these commitments relate to the Perth Basin and North Perth Basin permits. Applications to vary the work programs of these permits and licenses have been submitted to the appropriate authorities.

The ability of the consolidated entity to continue as a going concern is dependent upon the ability to raise additional funding, vary and/or defer commitment expenditure for at least 12 months to fund minimum exploration commitments, project development and adequate working capital.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The directors have prepared a cash flow forecast for the period ending 31 March 2014, which indicates the consolidated entity will have sufficient cash flow to meet the minimum working capital requirements through to 31 March 2014, excluding current commitments specific to Perth Basin and North Perth Basin. In respect of Perth Basin and North Perth Basin, work program variations have been applied for and if additional funding via a capital raising, government grants or Joint Venture partner cannot be secured and/or the work program commitments cannot be deferred or varied, the consolidated entity could relinquish these permits and continue with the remaining asset portfolio. The cash flow forecast assumes receipt of no less than $1.125 million from asset sales and other sources by no later than May 2013. The directors are currently in advanced discussions in regard to the former.

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above and be unable to vary or defer its minimum work commitments, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Subsequent events

On 9 January 2013, following approval by shareholders, 40,000,000 unlisted options (GRKAS) exercisable at 1.2 cents each and expiring on 31 January 2015 were converted to listed Options (GRKOB) exercisable at 1.2 cents each on or before 31 January 2015.

On 25 January 2013 the Company issued to Directors and an employee 7,500,000 unlisted share incentive Options exercisable at 0.3 cents each half of which vested immediately with the balance to vest on 28 November 2013 and all expiring on 28 Nov 2016.

On 5 March 2013 the Company announced the signing of a Memorandum of Understanding between AWE Australia Pty Ltd (a subsidiary of listed oil and gas exploration company AWE (ASX: AWE) and Mid West Geothermal Power Pty Ltd ("MWGP" a subsidiary of Green Rock) with the intention of forming a joint venture (JV) to demonstrate the development potential of geothermal power generation in hot sedimentary aquifers in the north Perth Basin in the Mid West of WA. The JV's initial focus will be on securing funding for the project from the Commonwealth's Emerging Renewables Program. The JV will identify and select a drilling target area that will be an optimal geothermal target for temperatures and flow rates sufficient for geothermal power generation.

3. Issuances, repurchases and repayments of securities

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

- 19 July 2012 issued 923,913 fully paid ordinary shares to the value of $3,188 in consideration for consulting services.
- 22 August 2012 issued 800,847 fully paid ordinary shares to the value of $2,362 in lieu of consulting fees and 5,000,000 shares to the value of $4,200, pursuant to terms of a contract for the provision of technical services.
- 29 October 2012 issued 3,731,618 fully paid ordinary shares to the value of $9,487 in consideration for consulting services.
- 19 November 2012 6,100,000 options expired.
- 28 November 2012 issued 11,439,814 fully paid ordinary shares to the value of $22,388 in consideration for consulting services.

Further details of options granted and share based payments during the half-year are disclosed in note 7.

4. Segment reporting

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the geographical location of resources being explored and evaluated for.

The Group's principal activities involves geothermal and hydrocarbon energy development operating in Australia and Hungary.

For the six months ended 31 December 2012

	Australia Geothermal	Australia Hydrocarbon	Hungary Geothermal	Consolidated
Segment revenue	16,334	-	1	16,345
Segment result	(682,542)	(573,497)	(77,337)	(1,333,376)
Segment assets	1,980,279	5,764,092	1,093,234	8,837,605

For the six months ended 31 December 2011

	Australia Geothermal	Australia Hydrocarbon	Hungary Geothermal	Consolidated
Segment revenue	51,414	-	1	51,415
Segment result	(3,569,480)	-	(202,780)	(3,772,260)
Segment assets	10,123,881	-	1,100,180	11,224,061

5. Deferred exploration costs

	31 Dec 2012	30 June 2012
Costs brought forward	6,909,928	8,710,319
Exploration expenditure capitalised during the period	539,041	6,513,289
Deferred exploration impairment	(573,497)	(8,313,680)
Cost carried forward	6,875,472	6,909,928

Total exploration costs of $205,778 were expensed.

6. Investments accounted for using the equity method

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost after adjustments for share of losses.

	31 Dec 2012	30 June 2012
Investment in Central European Geothermal Energy Private Company Limited (CEGE)	1,071,175	1,205,677
Additional investment during the period	-	116,993
Share of losses after income tax (50%)	(72,443)	(251,495)
Carrying amount at the end of the financial period	998,732	1,071,175

The Group's share of the results and aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of: Assets	Liabilities	Revenues	Profit/(Loss)
31 December 2012					
Central European Geothermal Energy Private Company Limited (CEGE)	50	1,919,279	176,047	1,758	(144,882)
30 June 2012					
Central European Geothermal Energy Private Company Limited (CEGE)	50	1,871,249	52,973	9,866	(502,990)

7. Share based payments

Included in staff costs is an amount of $39,978 relating to share based payments (December 2011: $66,822). Included in share capital is an amount of $41,625 (December 2011: $12,000) for technical and corporate advisory services provided. Over the period, a total of 16,896,192 shares with a combined value of $37,425 were issued in respect of technical advisory services received. 5,000,000 shares with a value of $4,200 were issued in payment for corporate advisory services rendered.

8. Commitments

Hydrocarbon Projects

In the Backreef Area, Green Rock earned a 20% interest in EP129 R2, L6 and EP129R3 through paying for the costs of the Backreef-1 production tests and the drilling of East Blina-1 in November 2012. The Company's farm-in commitments have been fully met along with all work program commitments. The best course for future exploration is being formulated.

Green Rock's 50% interest in the Coolcalalya SPA 33 in the Carnarvon Basin was acquired in November 2012 with a nominal payment. Green Rock has committed to meet 100% of the costs of the SPA work program (geophysical survey) estimated to be $200,000 during 2013.

In relation to Green Rock's farm-in to Exploration Permit 417 ("EP" 417) in the Canning Basin, the Company has earned its 15% equity interest in all hydrocarbon rights across EP 417 during the current period. Green Rock has committed to meeting a share of the costs of drilling a second well on EP 417 (location and timing to be agreed but targeted for 2013) to earn an additional 5% equity interest (an increase from 15% to 20%) in EP 417 through committing to funding 22.5% of the costs of drilling, coring, fracing and testing the second well subject to a cap of $10 million on total costs, over and above which any additional expenditure will be payable 20% by Green Rock. Recent airborne gravity survey undertaken over EP417 and the Seven Lakes SPA exceeds the minimum work commitment for the exploration permit.

8. Commitments (continued)

Geothermal Projects

In respect of its various South Australian geothermal projects, the Company continues to be required to maintain with the Minister security of $100,000 for the satisfaction of any obligations arising under the South Australian Petroleum Act of 2000. The security lodged with the Minister covers all current South Australian GEL's granted to the Company.

In relation to the various 14 South Australian geothermal exploration licences ("GEL's") that are currently held by the Company, in accordance with the original applications for these GEL's, a "minimum work requirement" was submitted with estimated costs to meet the minimum work requirements for the duration of the licences. In the period under review the Company successfully applied to DMITRE for substantial variations to the work programs of the GELs which are still active. Based on the now current work commitments resulting from applications to vary the minimum work requirement, the estimated total cost of meeting the work commitments of all GELs in the next 12 months is of the order $20,000.

The Western Australian geothermal exploration permits ("GEP's") which have been granted for a period of six years are each bound by a "minimum work program." Indicative costs for the work programs were given at the time of making application and the Company is currently in its fourth year of the work programs for the majority of these GEP's.

Arising out of a review of permit holdings an application to vary the work programs of GEP1 and GEP2 has been discussed with DMP and will be made. Based on the original permit applications, the indicative cost of fulfilling the work program for year 4 of these GEPs , would have been approximately $11.5 million in the next 12 months.

Concerning Western Australian Mid West Geothermal Project permits (GEPs 23 – 28 and GEP41) a work program variation application has been made and is currently under consideration by DMP. The application seeks the consolidation of the work programs applying to the 7 permits. If approved it will result in substantially reduced program cost commitment. Based on the original permit applications, the indicative cost of meeting the work program for these 7 permits in the next 12 months, would have been approximately $45.1 million.

Management will continue to routinely review all geothermal permit/licence holdings in the coming year and will seek further approvals from regulators to vary minimum work programs where appropriate. Further, it will seek relinquishment or surrender where deemed appropriate and make submissions for approval to consolidate work programs so as to manage the Company's exploration expenditure commitments.

A geothermal SPA over the Jingemia Area in the North Perth Basin was awarded to Green Rock during the period under review. The work program was fully completed in November at minimal cost.

In respect of its various South Australian geothermal projects, the Company continues to be required to maintain with the Minister security of $100,000 for the satisfaction of any obligations arising under the South Australian Petroleum Act of 2000. The security lodged with the Minister covers all current South Australian GEL's granted to the Company.