



Annual Report
for the year ended 30 June 2010

Green Rock Energy Limited
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Chairman's Letter

Review of Activities

Geothermal Energy Resources

Annual Financial Report

ASX Additional Information



Dear Shareholders,

On behalf of the Board and Management of Green Rock Energy Limited I am pleased to present to shareholders this 2010 Annual Report. Your Board is very focussed on putting in place what it believes are the keys to building a successful geothermal energy company.

In our view these are:

High Quality Geothermal Energy Assets:

Since its inception Green Rock has focussed on acquiring geothermal assets which have both a substantial energy resource and are proximate to infrastructure and markets. The Company's principal projects in Australia and Hungary have these characteristics. We are confident that the energy

resources contained in our major projects are very material and have the capacity to provide base load renewable energy at competitive prices. A key focus in the coming months is to ensure that Governments, industry, and capital markets understand the size of this energy resource.

Supportive Government Policy:

While we are very appreciative of funding support from Federal and State Governments, the absence of a price on carbon sees the economics of energy generation skewed in favour of coal and gas fired power generation. Our objective is to compete with conventional power generation without Government subsidy. However our capacity to compete on this basis is severely hampered if full lifetime costs, including environmental costs, are not considered. For the geothermal industry in Australia to prosper these policy settings need to change.

It is our belief that Governments are predisposed to support the industry. Therefore for its part the challenge on geothermal companies such as Green Rock is to demonstrate to Governments through successful pilot projects that the industry has a major role to play and is therefore worthy of political and financial support.

Energetic, Capable and Focussed Management:

Shareholders will be aware that a number of significant management changes were made earlier this year. Since then the company has been led by Richard Beresford as Managing Director and Adrian Larking as Director of Operations. It is my view that shareholders are very well served by the energy, commitment and knowledge provided by Richard and Adrian and that they will provide the leadership necessary to take the company to the next level.

Sufficient Capital to Progress our Projects:

During this year a particular focus has been to access sufficient capital from shareholders to progress one or more of our projects to the point where we can attract Joint Venture funding. In this time a total of \$4.3M has been raised from shareholders via Placements, Share Purchase Scheme and Rights Issue. The board is appreciative and mindful of the very good support provided by both new and long standing shareholders. It is our clear intention to repay this support through share-price growth as project milestones are realised. The company's projects are capital hungry. Offers of financial support from Federal and State Governments totalling \$12.4M have been made to Green Rock. These offers from Government are at present primarily in the form of matching grants. To take advantage of these offers Green Rock will need to secure funding from industry partners to supplement its own financial resources. To this end discussions with a number of potential Joint Venture Partners are being progressed.

I thank my fellow board members for their contributions since my appointment as Non-Executive Chairman in May this year and on behalf of the board express our appreciation to shareholders for their continued support for the company.

Yours faithfully,

A handwritten signature in brown ink, appearing to read "Jeff Schneider", with a large loop at the end.

Jeff Schneider

Non-Executive Chairman

CORPORATE ACTIVITY

Green Rock has built a portfolio of prospective geothermal permits in Western Australia, South Australia and Hungary close to markets and infrastructure. Now the challenge is to realize the potential of the portfolio and provide value to our shareholders by focusing on those prospects which are most likely to generate revenue in the next 2-3 years. The capital expenditure required to drill production wells and construct the plant to convert geothermal energy into a saleable product (such as electricity or chilled water) requires us to seek funding to add to what Green Rock can realistically afford to commit. Developing strong relationships with governments and funding agencies and current and potential joint venture partners is therefore critical to our success, and this was reflected in the changes to the organization announced in February 2010. Richard Beresford became Managing Director and Adrian Larking became Director of Operations. In May 2010 Jeff Schneider was appointed Non-Executive Chairman. Jeff brings to the Company considerable business and corporate development experience and proven capability as a director in the energy sector.

The Company's commercialization strategy is greatly helped by its ability to draw on the experience of our Germany-based non-executive director Dr. Jörg Baumgärtner. Jörg, through his company Bestec, has developed a commercial geothermal project at Landau in the Rhine Basin which has been operating since November 2007. A second project close by is underway. There are many similarities between the geology and the production conditions in the Rhine Basin and the Perth Basin (and to some extent the Pannonian Basin in Hungary), and the lessons learned from Germany will greatly assist Green Rock in developing its projects in WA and Hungary.

Other than the Directors, Green Rock now has two employees – Nigel Hodder (Company Secretary and Administration Manager) and Istvan Vass (Hydrogeologist based in Hungary).

During 2010 the Company also decided that it needed to develop a close relationship with a corporate adviser with a strong track record in small cap resource companies and this resulted in the agreement with Cygnet Capital announced in June 2010. Through two placements and an underwritten rights issue, Cygnet has raised \$2.6 million for the Company to enable us to pursue our commercialization strategy. We look forward to further developing our relationship with Cygnet. Given the current and, we believe, temporary lack of investor appetite for the geothermal sector in Australia, Green Rock will also review opportunities (including any sourced by Cygnet) in related sectors with more investor appeal which would draw on the experience and expertise of our directors and management.

WESTERN AUSTRALIA

In July 2009 Green Rock was granted Western Australia's first geothermal exploration permits and now holds nine Geothermal Exploration Permits (Permits) in the North Perth Basin totaling 2,600 km², four Permits in the metropolitan area of Perth totaling 684 km² and three Permits in the Collie Basin covering 879 km². All the Perth Basin Permits were primarily selected for their potential to contain hot geothermal water trapped in Hot Sedimentary Aquifers (HSA).

- The North Perth Basin Permits are located close to power infrastructure and in a region with rapid power demand and contain good geological resource potential for power generation.
- The sedimentary formations in the Permits in the metropolitan area of Perth have lower heat flows than the Permits in the North Perth Basin and accordingly have potential for direct heat uses rather than commercial scale power generation.
- The Permits in Collie are being investigated to ascertain if they have power generation potential may have potential All the Permits in the Perth Basin are wholly owned by Green Rock while the Collie Permits are held jointly with BHP Billiton Worsley Alumina Pty Ltd.

North Perth Basin (100% interest)

The focus on our nine Permits in the North Perth Basin is electricity power generation in a power hungry region. We plan to collect additional data and interpretations so that we can define drilling targets in the HSA formations where there is a high water temperature as well as natural permeability and therefore the best chance of high water flow rates.

Our work so far in the Dongara area of the North Perth Basin has confirmed a high geothermal heat flow averaging above 90mW/m² (compared to the Australian average of 65 mW/m²) which confirms the potential of the permits to produce geothermal energy at depths from 3km to 4 km with temperatures sufficient to generate electricity. In October 2010 we announced the results of a Geothermal Resource report by Hot Dry Rocks Ltd (HDR) over the seven Permits in the Dongara area. This confirmed the very large geothermal potential. The HDR report is summarized in the Geothermal Energy Resources section later in this Annual Report.

We expect to be making significant progress in the first half of 2011 towards defining drilling targets with a view to recovering sufficient geothermal energy to power the commercial generation of electricity to supply the burgeoning growth from major mining developments planned in the MidWest region. We target first production of 3-4MW of electricity possibly as early as 2013, with the potential to grow rapidly to over 100 MWe of baseload power early in the 2020's. We are in discussions with potential joint venture partners who recognise the substantial potential of our Permits in the North Perth Basin and the advantage of their location.

Perth Metropolitan area (100% interest)

The Company's permits in the Perth metropolitan area now cover the whole of Perth's northern coastal corridor between Perth and the new suburb of Alkimos where rapid residential, commercial and industrial growth is planned.

Our first project in this area is planned to be at the Crawley Campus of The University of Western Australia (UWA) in Permit GEP1. This will be a commercial demonstration project designed to replace electrically driven compression chillers with geothermal powered absorption chillers to provide the air-conditioning needs of Campus buildings. Given success the Company plans to replicate and expand the concept on a much larger scale throughout Perth. The Company took several significant steps towards these objectives during the year.

Funding: In September 2009 Green Rock signed the funding agreement with the Commonwealth Government for a \$7 million towards the project at UWA from the second round of the competitive Geothermal Drilling Program. In the same month the WA Government announced that Green Rock had been successful in its application for \$5.4 million from the third round of the competitive Low Emissions Energy Development fund. Both these funds require Green Rock to secure matching funding and we have been in discussions with several potential partners to joint venture the project.

Implementation: In June 2010 Green Rock and The University of Western Australia signed an agreement which defines the terms under which Green Rock will develop the project, subject to regulatory approvals and operational requirements. The agreement covers site access, project management and site rehabilitation and confirms the key terms of offtake and operations and maintenance agreements assuming project success. The agreement also transferred UWA's 50% interest in GEP1 to Green Rock enabling us to offer it to other parties. UWA remains on the GEP1 title.

Project development: Progress has been made towards securing a suitable drilling rig and obtaining all necessary approvals to enable drilling for the Project to commence drilling in 2011. The key activities carried out include a gravity survey, temperature measurement and a vertical seismic profile in a 208 metre deep hole drilled at UWA, temperature profiling in deep water bores within the Permit, hydrodynamic modeling of geothermal water flows and planning for drilling the two deep wells and carrying out flow testing.

Research support: In June Green Rock entered into a research collaboration agreement with the Western Australian Geothermal Centre of Excellence for the Centre to carry out collaborative research on the Company's geothermal energy projects in Perth. Geothermal Power Pty Ltd which holds 3 Permits in Perth is a co-signatory.

Follow-on projects: Success at UWA is expected to lead to multiple follow on projects. In May 2010 Green Rock announced an agreement with Leighton Contractors to jointly explore the potential of geothermal energy to the expanding QEII Medical Centre close to UWA. Discussions have also been held with proponents of other large commercial developments in our Permit areas such as Stirling City Centre. These discussions confirm that it will be critical to the commercial success of these projects that direct use geothermal will qualify for valuable Renewable Energy Certificates for the electricity displaced, and this will require a change to the current legislation.

The Company also made good progress in its other Permits in the Perth Metropolitan area. In August 2010 Green Rock announced that two of the Alkimos Permits (GEL2 and GEP39) had been estimated to contain 61,000 PJ of stored heat. The HDR report is summarized in the Geothermal Energy Resources section later in this Annual Report.

Alkimos, 40km north of the Perth CBD, is planned to become a 60,000 population carbon neutral community. WA Government corporation LandCorp appointed Delfin Lend Lease as the preferred developer for the first phase. The Company plans to further assess the geothermal energy potential of its Alkimos Permit to be ready to supply geothermal energy as the development of the community proceeds.

The Company signed an agreement with the WA Government for two grants for exploration drilling under the WA Government's Exploration Incentive Scheme. Green Rock will receive nearly \$295,000 on a dollar for basis to undertake drilling in the Perth Basin. One grant of \$145,000 is for drilling in the Alkimos Permit (GEP2) and the other grant of \$150,000 is for drilling the two Urella Permits (GEP3 & GEP4) in the North Perth Basin.

Collie Basin (varying interest)

At Collie, approximately 120km south of Perth, Green Rock is the operator of the three Permits which it holds jointly with BHP Billiton Worsley Alumina Pty Ltd. Geothermal energy here could have a range of potential market applications including industrial process use and desalination. These Permits cover all of the Collie Basin and the Worsley Alumina operations. A substantial proportion of Perth's electricity supply is generated from coal fired power stations in the Collie Basin. An agreed work program on the three permits is underway. To date the joint venture has carried out geophysical and geochemical surveys in its Permits including radiometric and gravity surveys and geochemical soil survey to delineate rocks which are sources of heat. Temperature profiles have also been measured in open drill holes in the area.

HUNGARY (50 % interest through CEGE – see sidebar)

Hungary currently has direct heat uses but no electricity production from geothermal energy. The region has significant geothermal potential. In addition to the many hot springs and relatively shallow geothermal wells, the region is known from petroleum drilling to have very favourable geology for natural geothermal water with temperatures ranging between 140°C and 200°C. These higher than normal temperatures, at reasonable depths between 3km to 4km, are due to the relative thinness of the earth's crust in parts of Hungary compared to the global average. Hungary has a feed-in-tariff pricing system and also a widespread high voltage electricity transmission network. Geothermal energy is expected to be a major contributor to Hungary meeting its renewable energy target of 13% by 2020 given that its wind, solar and hydro resources are limited

Over 5,000 wells have been drilled in Hungary by our joint venture partner Hungarian Oil and Gas Company MOL, many of which intersected hot geothermal water reservoirs up to around 200°C. Our initial aim there is to recover geothermal water known from existing wells to generate electricity for distribution and sale into nearby power grids.

CEGE's technical team has identified and has analysed several promising geothermal prospect areas where production could be achieved in the shortest time frame and at lowest cost using existing technologies and existing wells which have intersected hot geothermal water.

During 2010 CECE, with the help of Dr. Jörg Baumgärtner and his team, has been planning the acquisition of a comprehensive data set from a former petroleum well owned by MOL close to existing power infrastructure. In October Green Rock announced that the newly-acquired well data is encouraging and will be further evaluated with the purpose of determining if the reservoir is technically and economically viable for the production of geothermal energy. The target is to commence power production in 2012, subject to CECE obtaining the geothermal concession for the area under legislation being introduced by the Government of Hungary. CECE has also negotiated with MOL an option to purchase the well. The total cost to Green Rock for data acquisition and purchase of the well is expected to be about A\$1 million

Government grants for renewable energy applications are available in Europe. CECE is preparing to apply for grants appropriate for its Hungarian projects.

CEGE (*Central European Geothermal Energy*) is owned by MOL (50%) and Green Rock (50%). It was established in 2008 to explore and develop geothermal energy in Hungary and surrounding countries. Based in Budapest, CECE currently has a staff of four, including one secondee from Green Rock.

MOL (*BSE: MOL*) is Hungary's largest company, with a market capitalisation of over US\$10 billion. It is a leading integrated oil and gas company in Central & Eastern Europe, with the following core activities:

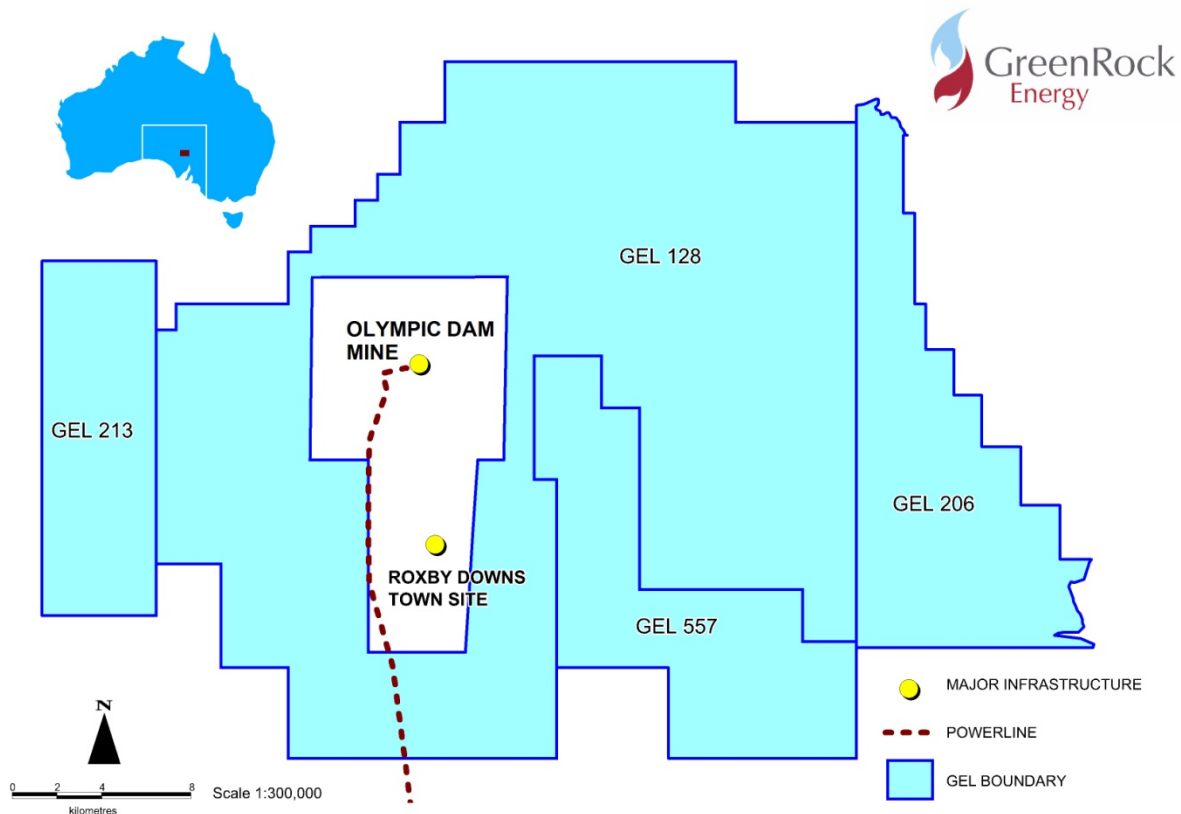
- exploration and production of crude oil, natural gas and gas products;
- refining, transportation, storage and distribution of crude oil products, both retail and wholesale;
- transmission of natural gas;
- production and sales of olefins and polyolefins;
- production of electricity and thermal energy from gas and renewable resources.

SOUTH AUSTRALIA

Activity in South Australia continues to be carried out at a level sufficient to maintain our Geothermal Exploration Licences (Licences) in good standing. There are continuing discussions with potential joint venture partners for our Olympic Dam and other projects in South Australia but there is unlikely to be any significant progress until the results of other geothermal companies’ drilling activities in South Australia are announced over the next several months.

Olympic Dam Project (100% interest)

Green Rock now holds around 2,406 km² in three Licences at Olympic Dam. During the year five contiguous Licences (GEL 128, 129, 161, 162, 163) at Olympic Dam were renewed for a new term of five years with new work programs after being consolidated into one new Licence (GEP 128) which covers around 1,457km². The other two Licences are GEL 206 (494km²) and 213 (206km²). In addition a new Licence GEL 557 (249 km²) was granted. The map below shows the current Licence holding.



Great Artesian Basin (100% interest)

Green Rock holds 11 Licences totalling 5,038km² over the deeper parts of the Basin where temperatures should be highest. Flow rates at the surface in some locations can be up very high without the requirement of pumping.

Regional geology and geophysical studies have been carried out to locate target areas in the Licences having the highest temperatures and geothermal water flow rate potential for power generation on a large scale.

Patchawarra (100% interest)

Green Rock holds 3 Licences totalling 1,483 km². Determination of target areas in the Licences progressed to locate Hot Sedimentary Aquifers which are prospective for high flows of hot geothermal water and which are potentially suitable for generation of geothermal electricity. Work carried out in previous years included collation and review of existing geophysical, drilling, thermal and hydro-geological data for geothermal exploration. In particular seismic data and temperature data, geophysical logs and drill stem tests (DSTs) from petroleum wells were collected and analysed to determine heat flows, depth and thickness of key sedimentary formations and their porosity and permeability and temperature distributions and the expected depth of the hot areas. Significant areas were found where the top of the hotter zone was close to 3000m depth. Successful development in the Licences will require the future construction of a high voltage electrical transmission line linking the Cooper Basin to the national power grid.

Spencer Gulf (100% interest)

Last year low cost temperature logging was carried out in accessible shallow drill holes in our 3 Licence areas on the western side of the Spencer Gulf. This confirmed the anomalous temperatures in the area which are likely to be due to the presence of thermally anomalous Hiltaba Suite granites, the same type of granite which is the main heat source at our Olympic Dam project. Since then further temperature mapping has been carried out in existing bores holes on the Company's 2 Licences bordering the eastern shore of the Upper Spencer Gulf. The results are currently being analysed.



Geothermal Power Plant of the type Green Rock expects to build in the North Perth Basin (courtesy of Ormat Technologies Inc.)

Olympic Dam Geothermal Energy Project, South Australia (100% owned)

Green Rock Energy holds 4 Geothermal Exploration Licence (GEL) areas at the Olympic Dam mining operation in South Australia, approximately 550km NNW of Adelaide. The area has EGS development potential with potential to support a large Hot Dry Rock (HDR) geothermal electrical power generation project. Inferred resources have been estimated for only one of these GELs (GEL128) where one deep exploration well (Blanche No 1) has been drilled to nearly 2km and fracture stimulation carried out in Blanche No 1 deep close to BHP Billiton Ltd's Olympic Dam Special Mining Lease.

Olympic Dam Geothermal Energy Project (GEL 128)	Estimated thermal energy in place (PJ)		Additional Notes
	3 June 2009	30 Jun 2010	
Inferred Geothermal Resources	120,000	120,000	1, 2, 3
Competent Person Statement			
<p>The information in this report and the full Statement of estimated Geothermal Reserves and Resources report, released to the ASX on 3 September 2008, was prepared under the direction of James Vincent Lawless, who consented in writing to this announcement. No further work on resource definition in the Olympic Dam GELs has been carried out since then. Mr Lawless is 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. Mr Lawless is a member of the Australian Institute of Mining and Metallurgy (AusIMM). 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.</p>			

Perth Permit, Western Australia (100% owned)

The Perth Permit (GEP 1) is an area of 143 km² within the Perth Metropolitan area with potential to recover geothermal energy from hot sedimentary aquifers to provide thermal power for district heating and cooling systems. Geothermal licence GEP 1 within the central part of the 1,000 km long Perth Basin was jointly applied for by Green Rock Energy Limited (GRK) and the University of Western Australia (UWA). By agreement with UWA Green Rock Energy now holds the right to explore for, develop, produce and sell 100% of the geothermal energy recovered from the Permit area.

Perth Permit (GEP 1)	Estimated thermal energy in place (PJ)		Additional Notes
	28 July 2009	30 June 2010	
Inferred Geothermal Resource	30,000	30,000	4, 5, 6
Competent Person Statement			
<p>The information in this table that relates to the estimation of Geothermal Resources is a summary of a report compiled by Dr Graeme Beardsmore, an employee of Hot Dry Rocks Pty Ltd. Dr Beardsmore has over 15 years experience in the measurement and estimation of crustal temperatures and stored heat for the style of geothermal play under consideration. He is a member of the Australian Society of Exploration Geophysicists and abides by the Code of Ethics of that organization.</p> <p>Dr Beardsmore qualifies as a Competent Person as defined by the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Dr Beardsmore has consented in writing to the public release of this table in the form and content in which it appears.</p> <p>Entities associated with Dr Graeme Beardsmore hold shares in Green Rock Energy Limited.</p>			

Alkimos Project, Western Australia (100% owned)

The Alkimos Project comprises 2 Geothermal Exploration Permits (GEP 2 and GEP 39) covering a total of 340 km² within the Perth Metropolitan area with potential to recover geothermal energy from hot sedimentary aquifers to provide thermal power for district heating and cooling systems and desalination of water.

Alkimos Project (GEP 2 and GEP 39)	Estimated thermal energy in place (PJ)		Additional Notes
	30 June 2009	9 Aug 2010	
Inferred Geothermal Resource	0	61,000	7, 8
<p>Competent Person Statement</p> <p>The information in this table that relates to the estimation of Geothermal Resources is a summary of a report compiled by Dr Graeme Beardsmore, an employee of Hot Dry Rocks Pty Ltd. Dr Beardsmore has over 15 years experience in the measurement and estimation of crustal temperatures and stored heat for the style of geothermal play under consideration. He is a member of the Australian Society of Exploration Geophysicists and abides by the Code of Ethics of that organization.</p> <p>Dr Beardsmore qualifies as a Competent Person as defined by the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Dr Beardsmore has consented in writing to the public release of this table in the form and content in which it appears.</p> <p>Entities associated with Dr Graeme Beardsmore hold shares in Green Rock Energy Limited.</p>			

North Perth Basin Project, Western Australia (100% owned)

The North Perth Basin Project comprises 7 GEPs (GEP 23, 24, 25, 26, 27, 28 and GEP41 covering 2,100 km² with potential to recover geothermal energy from hot sedimentary aquifers and crystalline basement to provide thermal power for conversion to electrical energy.

North Perth Basin Project (GEPs 23–28 and GEP 41)	Estimated thermal energy in place (PJ)		Additional Notes
	30 June 2009	28 October 2010	
HSA Reservoirs			
Total Stored Heat	0	336,859	9, 11
HSA Geothermal Play:	0	77,182	
1. Indicated Geothermal Resource	0	26,000	
2. Inferred Geothermal Resource	0	51,000	
Basement EGS Geothermal Play			
Inferred Geothermal Resource	0	660,000	10, 11
<p>Competent Person Statement</p> <p>The information in this table that relates to the estimation of Geothermal Resources is a summary of a report compiled by Dr Graeme Beardsmore, an employee of Hot Dry Rocks Pty Ltd. Dr Beardsmore has over 15 years experience in the measurement and estimation of crustal temperatures and stored heat for the style of geothermal play under consideration. He is a member of</p>			

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Entities associated with Dr Graeme Beardsmore hold shares in Green Rock Energy Limited.

ADDITIONAL NOTES

Olympic Dam (GEP 128)

1. The following key assumptions underpin this Geothermal Resource assessment:
 - a. The inferred resource was estimated from an area of 460 km² within GEL 128 (i.e. 16% of total area of Olympic Dam GEL's 128, 206, 213 and 557.)
 - b. Thermal to electrical conversion efficiency (gross) – 12%
 - c. In-house power consumption and losses (pumping etc) – 20%
 - d. Power scheme net electrical output – 400MWe
 - e. Plant capacity factor – 0.9
 - f. Project life – 30 years
2. 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.
3. There is no change in the resource estimate since the last annual report.

Perth Permit (GEP 1)

4. The Geothermal Resources summarised in this table are the total estimated Resources for Permits GEP 1. By agreement with joint owner, UWA, Green Rock Energy holds the right to explore for, develop, produce and sell 100% of the geothermal energy recovered from the Permit.
5. The following key assumptions underpin this Geothermal Resource assessments:
 - a. The geothermal energy is to be used primarily as a source of thermal power for district heating and cooling systems.
 - b. Cut-off temperature = 75°C. Base temperature = 55°C.
 - c. Maximum depth of reservoir = 130°C isotherm.
 - d. Reservoir density = 2,580 kg/m³; Reservoir specific heat = 1,039 J/kgK at 102.5°C.
 - e. The stated Geothermal Resource does not include any additional heat that might conduct or advect into the reservoir volume during production.
 - f. The stated Geothermal Resource assumes that advective (including convective) processes within the Geothermal Play transfer no significant heat. There is no evidence from any previous drilling or other investigations that convection plays a significant role in heat transfer within this Geothermal Play. However, if present, such processes tend to suppress geothermal gradients and reduce the stored heat resource.
 - g. The heat is stored within a combination of the matrix of the reservoir rock and the contained fluid. The calculations assume an average proportion of 5% fluid.

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CORPORATE DIRECTORY**DIRECTORS**Jeffrey Schneider
*Non-Executive Chairman*Richard Beresford
*Managing Director*Adrian Larking
*Director of Operations*Jörg Baumgärtner
*Non-Executive Director***COMPANY SECRETARY**

Nigel Hodder

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LISTING**The Company's shares are quoted
on the Australian Securities Exchange (ASX)
The Home Exchange is Perth.**ASX CODE**

GRK - ordinary shares

This statement outlines the main corporate governance practices in place for the financial year, which comply with the ASX Corporate Governance Principles and 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” or “Green Rock Energy”) 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:

- 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.
- 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.
- 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.
- Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- 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.

- Company Finances - approving and monitoring acquisitions, divestitures and financial and other reporting.
- 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.
- 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.
- 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.

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 strategic and compliance 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.

2.4 Performance Evaluation

Given the size and nature of the Company a formal process for evaluating performance has not been developed.

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;
- 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; and
- 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 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 their 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 the 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.

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.

While the Company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks.

In order to maintain current rights of tenure to exploration permits/licences the consolidated entity is required to perform minimum exploration work to meet the requirements set out in individual permits/licences and as specified by various State governments.

Compliance with standards and requirements is monitored both by the consolidated entity and its appointed tenement management service providers. Tenement managers are contracted to produce a quarterly report of all licences/permits under management and set-out future obligations. This is so as to comply with the terms and conditions of the work program of each licence, annual reporting of work undertaken and expenditure incurred together with such aspects as relate to licence renewal, relinquishment of acreage and incident reporting.

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 2010.

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
Jeffrey Schneider (Non-Executive Chairman)	Mr Schneider holds a degree in commerce. He has over 35 years experience in the Australian energy industry including 24 years at Woodside Petroleum Limited culminating in the role of Director – Australian Gas. His roles at Woodside included General Manager Commercial, accountable for business and strategic planning, mergers and acquisitions as well as business performance of Woodside's North West Shelf development.

Mr Schneider held directorships with the following public listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Strike Energy Ltd	5 November 2002	19 August 2010
Comet Ridge Ltd	28 August 2003	current

Date of appointment as Non-Executive Chairman – 1 May 2010

Richard Beresford (Managing Director)	Mr Beresford holds a BSc in Mechanical Engineering and an MSc in Technology and Development from Imperial College, London and is also a Fellow of the Australian Institute of Company Directors. Mr Beresford has an engineering background and in excess of 25 years experience in renewable energy. This includes corporate experience with British Gas (now BG) in the UK and Indonesia, Woodside in Australia and China Light and Power (CLP) in Hong Kong. Mr Beresford has been a director and company chairman of several listed and unlisted companies. He is currently non-executive director of LNG Limited and Eden Energy Limited.
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Mr Beresford held directorships with the following public listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Eden Energy Ltd	8 May 2007	current
Liquefied Natural Gas Ltd	12 February 2004	current

Date of appointment as Non-Executive Director - 30 September 2008

Date of appointment as Managing Director – 2 February 2010

Adrian Larking (Director Operations)	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).
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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.

Date of appointment as Director of Operations – 2 February 2010

Name

Particulars

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, BESTEC Services 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-Forets, 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.

Dr Baumgartner held directorship with the following public listed company in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Pfalzwerke geofuture GmbH	1 July 2010	Current

Date of appointment as Non-Executive Director – 25 April 2007.

Alan Knights
(Director – Finance and Administration)

Mr Knights holds 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.

Date of appointment as Director – Finance and Administration – 2 February 2010

Date of retirement – 23 April 2010

Scott Spencer
(Independent Non-Executive Director)

Mr Spencer holds a BA Hons, BPhil and MLitt degrees and is also a member of the Australian Institute of Company Directors.

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.

Mr Spencer held directorships with the following public listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Monitor Energy Ltd	22 December 2005	current

Date of appointment as a Non-Executive Director - 29 November 2005.

Date of retirement – 31 January 2010

COMPANY SECRETARY

Name	Particulars
Nigel Hodder	<p>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.</p> <p>He was appointed Company Secretary on 4 April 2005.</p>

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.

Western Australia

In 2008 the Company applied for and was granted eleven geothermal exploration permits (GEPs) in the Perth Basin, Western Australia. Subsequent to this it applied for and has been granted a further three permits. The permits are grouped as follows:

- Seven Permits in the northern part of the basin around the petroleum fields (GEPs 23 – 28 and 41) and two in the Enneabba area (GEP 3 and GEP4)
- Four Permits in metropolitan Perth being the central Perth permit (GEP 1) which incorporates the Perth Urban Geothermal Project, GEP 4 covering the Wanneroo area, and the two Alkimos permits (GEP 2 and 39) in the northern suburbs.
- Three Permits over the Collie Basin area with Worsley Alumina Pty Ltd (GEPs 10 -12)

The area released in the Perth Basin is generally prospective for hydrothermal projects.

Hungary

In late 2008 the Company established Central European Geothermal Energy Kft (CEGE), in joint, 50%, ownership with Hungary's principal petroleum and energy company, MOL plc. which holds the largest hydrocarbon tenements in Hungary. CEGE's aim is to become the market leader in geothermal energy in Hungary.

CEGE identified a number of potential geothermal projects in Hungary and undertook seismic interpretation to complete the detailed hydro-geological modelling to select the appropriate project sites. These projects are considered prospective for both electricity production and district heating and are near existing power transmission lines. Work continued on selection of an existing petroleum well for geothermal flow testing planned for October 2010. This Project area was selected where production could be achieved in the shortest time frame and at lowest cost using an existing well and technology.

South Australia

The Company has four Geothermal Exploration Licences (GELs) totalling 2,233 square kilometres and two GEL applications (totalling 281 square kilometres) surrounding Olympic Dam Mine and the Roxby Downs township, where an underground heat anomaly is known to exist. Five of the GELs which were under voluntary suspension while amendments to the Petroleum and Geothermal Energy Act proceeded through the South Australian Parliament have now been consolidated and two thirds of the areas renewed as GEL 128 and as a contiguous area to cover the most prospective parts of these GELs. Additionally, a new licence GEL 557 covering 249 square kilometres has been granted and is located south east of Olympic Dam.

In November 2007 the Company was granted five GELs in the Upper Spencer Gulf area 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 licence areas 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.

PRINCIPAL ACTIVITIES (continued)

Green Rock Energy was granted three GELs in the Cooper Basin area of South Australia in 2007. 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 from hot sedimentary aquifer reservoirs.

Granted in 2008 were eleven GELs in the Great Artesian Basin covering 5,028km². The Company intends to locate areas in the licences with maximum water temperatures and good natural flow rates for emission free, renewable base load electricity generation.

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 2010 was \$2,779,091 (2009: \$2,330,023). Revenue from continuing activities was \$19,367 (2009: \$103,086).

Corporate and Financial Position

Consolidated net assets at year end were \$10,147,020 against \$9,831,678 at the close of the prior year. Total cash held at year end was \$926,515 (2009: \$638,204).

Exploration Activities

Western Australia

In mid 2009 Green Rock Energy was granted the first Geothermal Exploration Permits in Western Australia. It now holds eleven permits in the Perth Basin in its own right and three in the Collie Basin jointly with BHP Billiton Worsley Alumina Pty Ltd. The Company is the holder of the largest number of tenements in the Perth Basin.

The prospective projects are:

Perth Urban (100% Interest)

In the Perth Permit (GEP 1) the Company is undertaking the Perth Urban Geothermal Project with the object of using geothermal energy contained in part of the Permit area to replace UWA's electricity needs for air-conditioning the main campus. This first project in the Permit area (GEP 1) initially aims to produce up to 10 MWth to supply part of the University's energy requirements.

With success the Company intends to replicate the project to supply the needs of other major commercial and industrial users in Perth. This includes hospitals, shopping centres and industrial estates. Government and industry support will be sought to assist project funding.

Work carried out has enabled Hot Dry Rocks Pty Ltd, a leading Australian geothermal consulting company, to report that the Perth Permit, covering 143 square kilometers, is estimated to contain Inferred Geothermal Resources of 30,000 PJ of stored heat (equivalent to 950,000 MWth yrs) for the purpose of a district cooling project. This stored heat is more than sufficient to supply the energy requirements of many direct heat projects in the Perth Metropolitan area.

Activities and studies undertaken enabled the Company to submit an application for funding under the second round of the Commonwealth Government's Geothermal Drilling Program. Under this Program applicants may apply for a grant of up to \$7 million per project. Green Rock submitted an application in respect of the Perth Urban Geothermal Project. The Company was advised in mid December 2009 that its application had been successful.

Work carried out thus far includes evaluation of existing seismic data, a gravity survey near the proposed well sites, compilation of temperature measurements taken in existing petroleum wells and water bores, re-measurement of

temperatures in deep water bores, shallow drilling to 208 metres at the UWA campus for temperature measurement and a vertical seismic profile to confirm heat flows and depths of target horizons. The water bore confirmed the heat flow at the campus was within the range estimated from previous measurements from water bores within the permit but outside the campus.

Hydrodynamic modeling has shown that production could be sustained over 30 years without any substantial temperature drop of the geothermal water produced.

Initial well design and well site selection and planning drilling down to depths of up to 3,000 meters was undertaken and discussions progressed with drilling companies to secure a suitable drilling rig.

Alkimos (100% interest)

Alkimos is planned to be an environmentally friendly city 40 kilometres north of Perth which the Government, through LandCorp, intends to develop as the next major Perth suburb. LandCorp states that its vision is to create a master-planned coastal community of global significance that is moving towards carbon-neutral living. Green Rock Energy's objective is to prove and tap the geothermal energy potential of the sedimentary aquifers in its Alkimos Permit to supply the air-conditioning and heating needs for the Alkimos development.

The Company has recorded temperature profiles in eight deep water bores within the two Geothermal Exploration Permits (GEP 2 & GEP 39) at Alkimos. This information was used by Hot Dry Rocks Pty Ltd who were commissioned to determine surface heat flow distributions and to carry out a geothermal resource assessment of the Permit areas. The two Permits occupy around 340 square kilometres and encompass the Alkimos development area where LandCorp on 20 July 2010 signed a development agreement with Delfin Lend Lease to begin the first stage and master planning of the Alkimos project. The 710 hectare community will include a major regional town centre and coastal village centre.

The Company intends to use the \$145,000 drilling grant awarded to it from the State's Exploration Incentive Scheme to assist it to drill two wells to around 500 metres deep each in GEP 2 to determine temperature profiles and carry out down hole geophysics. This information will assist in planning the deep geothermal wells targeted to recover geothermal energy from aquifers 2,000 to 3,000 metres deep near the developments planned for Alkimos.

Over the next two years the Company plans to assess the geothermal energy potential of its Alkimos Permits with a view to meeting LandCorp's development time table. Given success it would implement the development of geothermal energy in the Permit area progressively.

North Perth Basin (100% interest)

The Company's Permit areas in the northern Perth Basin (GEP 23 – 28) and the recently awarded GEP 41 coincide with oil and gas producing areas, infrastructure and power lines and cover what the Company believes to be the most economically prospective hot sedimentary aquifers for electricity production in the Perth Basin, and in locations which could be commercialised quickly.

This region has been shown by an independent analysis commissioned by Western Australia's Department of Mines and Petroleum to have some of the Perth Basin's highest heat flows. This analysis, which was not available at the time of applying for the Permit areas, together with further heat flow studies commissioned by the Company using other data from our Permit areas and data contributed by petroleum company Australian Worldwide Exploration Limited has further enhanced the Company's assessment of the geothermal energy prospectivity of the Permits. These surface heat flows measured from petroleum wells in the area have an average value of 95 mW/m² and confirms the potential for sufficient temperatures in our Permit areas at suitable depths for electricity generation.

Since acquisition of the exploration permits, temperature profiles have been measured in over 25 deep water bores within the Company's 9 permits in the North Perth Basin area where fractured hot sedimentary aquifers are targeted.

Work in the Urella Fault area covered by GEPs 3 and 4 has confirmed a geothermal heat flow extending above 100mW/m² with estimated temperatures in excess of 160°C at 3km to 4km depth.

The Company's objective is to prove sufficient geothermal energy can be recovered from areas in the North Perth Basin to target first production of 3-4MW possibly as early as 2013, with the potential to grow rapidly to over 100 MW of base-load power early in the 2020's.

With success the Company will be well placed to target the growth of power needed to supply major infrastructure and mining developments planned for the Mid-West. Discussions with potential JV partners for the North Perth Basin Permits are progressing.

The Company intends to use the \$150,000 drilling grant from the State's Exploration Incentive Scheme to carry out surveys to assist with identifying the hottest locations within the two Urella Fault Permits for subsequent deeper drilling, to recover geothermal energy for power generation.

Collie Basin (varying % interest)

Three Geothermal Exploration Permits were granted in September 2009 jointly to the Company and BHP Billiton Worsley Alumina Pty Ltd. These Permits cover all of the Collie Basin and the Worsley Alumina operations. The Company holds a 50% interest in permits GEP 10 and GEP 11 and a 10% interest in GEP 12. Green Rock Energy is appointed operator for all three permits.

An agreed work program for the three permits (GEP 10 -12) has commenced. This work included a gravity survey and soil gas analysis over all three Permits. Analysis of the data is underway and is expected to be reported in 2010.

Geothermal energy in the Collie Basin could have a range of potential market applications including industrial process use and desalination. A substantial proportion of Perth's electricity supply is generated from power stations in the Collie Basin.

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 to establish the first geothermal power plant in Central-Eastern Europe.

The joint venture partners, in addition to Green Rock Energy International Pty Ltd, 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 July 2008 Green Rock Energy International Pty Ltd established a new geothermal company Central European Geothermal Energy Company with MOL and Enx hf. In January 2009 Green Rock Energy International Pty Ltd took the opportunity to increase its interest in CEGE to 50% with the other 50% held by Hungarian oil and gas company MOL. CEGE's aim is to be the market leader in geothermal energy in Hungary through the exploration and development of geothermal power plants and the subsequent production and sale of geothermal sources of electricity into the Hungarian market.

The joint technical team has selected several geothermal prospect areas where production could be achieved in the shortest time frame and at lowest cost using existing technologies and existing wells which have recorded geothermal water.

A well testing program has been designed and application for the approvals required to carry out the testing submitted. Testing of the well is planned for October 2010. Given success with the testing of this well a second well will be drilled and the electricity produced from the wells will be sold into the nearby power grid under Hungary's feed in tariff system which does not require a power purchase agreement.

Hungary is considered to have the best geological potential for geothermal energy resources at reasonable depths in Europe outside of the volcanic area.

South Australia

Exploration activities in South Australia have been sufficient to maintain all Geothermal Exploration Licences held by the Company in good standing.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- a) Private placement of 26,000,000 shares at 5.5 cents per share in August 2009 raised \$1,430,000.
- b) Issue and grant of 5,850,000 options, for no consideration, on 18 November 2009. These options have a fair value of \$274,950, are exercisable at 8 cents and vest on 18 November 2012. These options all expire on 18 November 2014. 300,000 of these options with a fair value of \$14,100 were cancelled.
- c) Private placement of 13,650,000 shares at 3 cents per share in April 2010 to unrelated parties raised \$409,500 and on the same date private placement of 5,000,001 shares at 3 cents to related parties raised \$150,000.
- d) Issue of 36,483,261 shares at 3 cents per share on 30 April 2010 through the Share Purchase Plan raised \$1,094,500.

The total number of ordinary shares on issue and the number of listed and unlisted options at 24 September 2010 were 331,514,284 (2009: 206,381,022), 0 (2009: 0) and 16,500,000 (2009: 21,250,000) respectively.

SHARE OPTIONS

Share options granted to directors 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 Richard Beresford (Managing Director) – 300,000 options granted on 18 November 2009 which are exercisable at 8 cents each and expire on 18 November 2014. The options granted vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

Mr. Adrian Larking (Director of Operations) – 1,500,000 options granted on 18 November 2009 which are exercisable at 8 cents each and expire on 18 November 2014. The options vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

Mr. Alan Knights (Director – Finance and Administration) – 1,500,000 options granted on 18 November 2009 which are exercisable at 8 cents each and expire on 18 November 2014. The options vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

Dr Jörg Baumgärtner (Non-Executive Director) - 300,000 options granted on 18 November 2009 which are exercisable at 8 cents each and expire on 18 November 2014. The options vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

Mr Scott Spencer (Non-Executive Director) - 300,000 options granted on 18 November 2009 which are exercisable at 8 cents each and expire on 18 November 2014. The options granted vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

Mr Nigel Hodder (Company Secretary) - 500,000 options on 18 November 2009 with an exercise price of 8 cents each and expiring on 18 November 2014. These options vest on 18 November 2012. The grant of these options was approved by shareholders at the 2009 Annual General Meeting held on 18 November 2009.

The total number of options granted to Directors and executives during the year under review were 4,400,000.

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 / cancelled in year	Closing Balance
Listed options	-	-	-	-	-
Unlisted options	21,250,000	-	5,850,000	(10,600,000)	16,500,000
Total	21,250,000	-	5,850,000	(10,600,000)	16,500,000

The value of the options granted during the year is \$274,950.

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.

2,500,000 options exercisable at 25 cents each and expiring on 21 November 2009 lapsed on that date. 7,500,000 options exercisable at 14 cents each and expiring on 28 April 2010 lapsed on that date. 600,000 options issued to an employee were cancelled as they are no longer employed by the Company.

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

Capital Raising – Private Placement – Tranche 1

In late June 2010 Green Rock Energy entered into funding arrangements with stockbroking and corporate advisory firm Cygnet Capital Pty Ltd (Cygnet) on the following terms:

- Cygnet will lead a Placement of 70 million ordinary shares to raise a total of \$1.05 million before issue related costs at 1.5 cents per share split across two tranches; and
- Cygnet will underwrite a non-renounceable Rights Issue of approximately 110,504,761 shares to shareholders on a one-for-three basis at 1.5 cents per share to raise approximately \$1.6 million.

The first tranche of the Placement (30 million shares) to raise \$450,000 was issued within the Company's existing 15% capacity on 6 August 2010.

Substantial Inferred Geothermal Resource for Alkimos Permits

On 6 August 2010 Hot Dry Rocks Pty Ltd (HDR), a leading Australian geothermal consulting company commissioned by Green Rock Energy, submitted a Geothermal Resource estimate for the Company's wholly owned Alkimos Permits GEP 2 and GEP 39 north of Perth.

HDR reports that the Permits, covering 340 square kilometres, contain estimated Geothermal Resources amounting to 61,000 PJ of stored heat (equivalent to 1.9 million MWth.yrs). This estimate was determined specifically for the purpose of a potential district cooling project. However, the production of stored heat could be used for other direct use purposes including district heating, sea-water desalination and purification of waste water by distillation.

Further definition of the resource and targeting of the best production locations will be assisted by the drilling of two 500m exploration holes which will be 50% funded by the WA Government this year through its Exploration Incentive Scheme. Green Rock announced this award on 2 June 2010.

General Meeting of Shareholders

A general meeting of shareholders was held on 20 August 2010. The resolutions before the meeting were

- the ratification of allotment and issue of 30,000,000 shares on 9 August 2010 within the Company 15% capacity to raise \$450,000 so as to refresh the Company's placement ability under Listing Rule 7.1
- approval of the proposed allotment and issue of 40,000,000 shares to raise \$600,000 as part of the placement announced in June 2010. This approval so that the issue of these shares is not included in the Company's placement ability under Listing Rule 7.1
- the approval of the proposed issue of 25,000,000 options to Cygnet Capital Pty Ltd, expiring on 30 June 2013 with an exercise price of 2 cents per option. This approval to ensure the grant of options is not counted towards the Company's capacity to issue further shares within Listing Rule 7.1 15% limit during the next 12 months.

All resolutions before the meeting were passed on a show of hands.

Capital Raising – Private Placement – Tranche 2

On 1 September 2010 the Company announced the issue and allotment of 40,000,000 shares to raise \$600,000 before associated raising costs being the second tranche of the private placement lead by Cygnet Capital Pty Ltd and which was the subject of Resolution 2 approved at the General Meeting on 20 August 2010.

Non Renounceable Rights Issue

On 2 September 2010 the Prospectus of a pro-rata non renounceable rights issue to eligible shareholders of approximately 110,504,761 New Shares on the basis of one (1) New Share for every three (3) shares held at the Record Date (13 September 2010), at an issue price of \$0.015 per New Share for the purposes of raising \$1,657,571 was lodged with ASIC and ASX .

The rights issue is fully underwritten by Cygnet Capital Pty Ltd, opens on 17 September 2010 and closes on 1 October 2010.

Geothermal Drilling Program – Funding Agreement signed

On 23 September 2010 a wholly owned subsidiary of the Company signed a Funding Agreement with the Commonwealth Government for \$7 million under the Geothermal Drilling Program. Signing of the Funding Agreement allows Green Rock to start drawing down on the funds for the project to prove the concept of direct use of geothermal energy in the Perth metropolitan area.

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					24 September 2010
	1 July 2009	Options Exercised	Purchases	Sales	Other Changes	
Jeffrey Schneider	-	-	2,212,212	-	-	2,212,212
Richard Beresford	50,000	-	1,666,667	-	-	1,716,667
Adrian Larking	10,584,375	-	1,666,667	(100,000)	-	12,151,042
Jorg Baumgartner	-	-	-	-	-	-
Alan Knights	3,290,225	-	-	-	(3,290,225)	-
Scott Spencer	-	-	-	-	-	-

Directors	Unlisted Options				24 September 2010
	1 July 2009	Options Granted	Options Expired	Other Changes	
Jeffrey Schneider	-	-	-	-	-
Richard Beresford	1,000,000	300,000	-	-	1,300,000
Adrian Larking	2,500,000	1,500,000	-	-	4,000,000
Jorg Baumgartner	1,300,000	300,000	-	-	1,600,000
Alan Knights	4,250,000	1,500,000	(2,000,000)	(3,750,000)	-
Scott Spencer	1,100,000	300,000	(500,000)	(900,000)	-

Resolutions to allow Alan Knights and Scott Spencer to retain their options despite retirement were passed on 29 January and 17 June 2010 respectively.

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 7 Board meetings were held.

Directors	Number eligible to attend	Number Attended
Jeffrey Schneider	1	1
Richard Beresford	7	7
Adrian Larking	7	7
Jörg Baumgärtner	7	6
Alan Knights	6	6
Scott Spencer	3	2

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 2010. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited.

Recommendation 8.1 of the *ASX Corporate Governance Council's Corporate Governance Principles and 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.

Director and executive details

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

Jeremy Schneider	(Non-Executive Chairman)	Appointed 1 May 2010
Richard Beresford	(Managing Director)	Appointed 30 September 2008
Adrian Larking	(Director Operations)	Appointed 25 February 2005
Alan Knights	(Director – Finance and Administration)	Appointed 10 May 2005 Retired 23 April 2010
Jörg Baumgärtner	(Non-Executive Director)	Appointed 25 April 2007
Scott Spencer	(Non-Executive Director)	Appointed 29 November 2005 Retired 31 January 2010

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:

- Short term 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:

	Short term employee benefits	Post employment benefits	Share based payment	Other benefits	Total
	\$	\$	\$	\$	\$
2010					
Jeffrey Schneider	7,645	688	-	-	8,333
Richard Beresford	115,167	7,740	15,325	-	138,232
Adrian Larking	175,000	50,000	42,948	-	267,948
Alan Knights	140,463	13,371	40,482	-	194,316
Jörg Baumgärtner	45,872	4,128	6,903	-	56,903
Scott Spencer	-	29,167	9,576	-	38,743
Nigel Hodder	125,000	11,244	11,027	-	147,271
Total	609,147	116,338	126,261	-	851,746
2009					
Richard Beresford	37,500	-	12,727	-	50,227
Adrian Larking	157,564	67,436	62,961	-	287,961
Alan Knights	183,486	16,514	51,994	-	251,994
Jörg Baumgärtner	45,872	4,128	13,672	-	63,672
Scott Spencer	22,936	27,064	16,979	-	66,979
Nigel Hodder	125,000	11,250	9,392	-	145,642
Total	572,358	126,392	167,725	-	866,475

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.

Where the Company terminates the contract of the Managing Director, it may at its discretion in lieu of part or all of the notice period, pay an amount equal to a portion of the payments due. The Managing Director is entitled to receive all accrued entitlements up to the expiry of notice.

Where the Company terminates the contract of the Executive Director he is entitled to receive 6 months salary from the date of termination.

The two Non-Executive Directors are bound by contract. The contracts of the Non-Executive Directors may be terminated at any time by them 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. Payment in lieu of notice applies to both parties. The Company Secretary is entitled to payment of accrued entitlements up to expiry of notice.

Value of options issued to directors and executives during the financial year 2010

	Options granted Value at grant date \$	Options exercised Value at exercise date (i) \$	Options lapsed Value at time of lapse (ii) \$	Value of options included in Remuneration for the year \$	Percentage of total remuneration for the year that consists of options %
Jeremy Schneider	-	-	-	-	-
Richard Beresford	14,100	-	-	15,325	11.09
Adrian Larking	70,500	-	-	42,948	16.03
Alan Knights	70,500	-	-	40,482	20.83
Jörg Baumgärtner	14,100	-	-	6,903	12.13
Scott Spencer	14,100	-	-	9,576	24.72
Nigel Hodder	23,500	-	-	11,027	7.49
Total	206,800	-	-	126,261	

(i) No options were exercised during the year

(ii) No options lapsed during the year

Share based payments arrangements

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

	Grant date	Date vested and exercisable	Expiry date	Exercise Price	Fair value per option at grant date
Jeffrey Schneider	-	-	-	-	-
Richard Beresford	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
Adrian Larking	26 Nov 07	26 Nov 08	26 Nov 11	\$0.15	\$0.0968
	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	19 Nov 08	19 Nov 10	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
Alan Knights	26 Nov 07	26 Nov 08	26 Nov 11	\$0.15	\$0.0968
	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	19 Nov 08	19 Nov 10	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
Jörg Baumgärtner	26 Nov 07	25 Apr 09	25 Apr 11	\$0.11	\$0.0350
	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	19 Nov 08	19 Nov 10	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
Scott Spencer	26 Nov 07	26 Nov 08	26 Nov 11	\$0.15	\$0.0968
	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	19 Nov 08	19 Nov 10	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
Nigel Hodder	26 Nov 07	26 Nov 08	26 Nov 11	\$0.15	\$0.0968
	19 Nov 08	19 Nov 09	19 Nov 12	\$0.06	\$0.0279
	19 Nov 08	19 Nov 10	19 Nov 12	\$0.06	\$0.0279
	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470

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;
 - Fair value of the option at the time of exercise multiplied by the number of options exercised during the year;
 - 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 2 Share Based Payments 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.

The options granted during the year vest on 18 November 2012. As such only a portion of the fair value of these options at grant date has been included in remuneration for the year.

END OF REMUNERATION REPORT

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. J Schneider (Non-Executive Chairman), Mr R Beresford (Managing Director), Mr. A Larking (Director - Operations) and Dr. J Baumgärtner (Non-Executive Director) 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 307C of the *Corporations Act 2001* requires the Company's auditors Deloitte Touche Tohmatsu, 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 26 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 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
Director of Operations

Perth, 24 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Green Rock Energy Limited
33 Colin Street
WEST PERTH WA 6005

24 September 2010

Dear Board Members

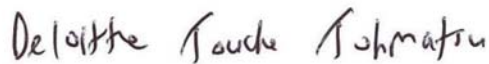
Green Rock Energy Limited

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 and its controlled entities.

As lead audit partner for the audit of the financial statements of Green Rock Energy Limited for the financial year ended 30 June 2010, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

		Consolidated	
		2010	2009
		\$	\$
	Note		
Revenue	2	19,367	103,086
Expenses			
Administration expenses		(66,856)	(136,443)
Employee benefit expense	3	(1,012,019)	(988,487)
Consulting expense		(362,774)	(370,468)
Depreciation and amortisation expense		(35,008)	(24,174)
Exchange losses		(5,677)	(21,804)
Exploration expenditure		(821,012)	(253,275)
Other expenses from ordinary activities		(498,304)	(389,240)
Share of net profits/(losses) of associates	22(b)	(377,921)	(333,849)
Total Expenses		(3,179,571)	(2,517,740)
Loss before income tax		(3,160,204)	(2,414,654)
Income tax benefit	4	381,113	84,631
Net loss for the period		(2,779,091)	(2,330,023)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(53,224)	(24,773)
Income tax on other comprehensive income		-	-
Other comprehensive income for the year, net of income tax		(53,224)	(24,773)
Total comprehensive income for the year attributable to members of Green Rock Energy Limited		(2,832,315)	(2,354,796)
Basic and diluted loss per share (cents per share)	21	1.74	1.29

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated	
		2010 \$	2009 \$
Current assets			
Cash and cash equivalents	24	926,515	638,204
Other receivables	5	493,220	193,005
Other assets	6	13,391	12,047
Other financial assets	9	-	-
Total current assets		1,433,126	843,256
Non-current assets			
Deferred exploration expenditure	8	8,672,024	8,908,129
Plant and equipment	7	264,030	80,678
Other financial assets	9	105,300	105,300
Investments accounted for using the equity method	22	92,185	127,814
Total non-current assets		9,133,539	9,221,921
Total assets		10,566,665	10,065,177
Current liabilities			
Trade and other payables	10	319,610	148,063
Provisions	11	71,892	54,251
Total current liabilities		391,502	202,314
Non-current liabilities			
Provisions	11	28,143	31,185
Total non-current liabilities		28,143	31,185
Total liabilities		419,645	233,499
Net assets		10,147,020	9,831,678
Equity			
Issued capital	12	20,513,942	17,512,225
Reserves	14	648,884	639,668
Accumulated losses	13	(11,015,806)	(8,320,215)
Total equity		10,147,020	9,831,678

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated	Contributed Equity	Accumulated Losses	Option Premium Reserve	Share Based Payment Reserve	Foreign Currency Reserves	Total Equity
	\$	\$	\$	\$		\$
At 1 July 2008	17,512,225	(5,990,192)	158,332	302,112	19,727	12,002,204
Net loss for the year	-	(2,330,023)	-	-	-	(2,330,023)
Other comprehensive income	-	-	-	-	(24,773)	(24,773)
Total comprehensive income for the year	-	(2,330,023)	-	-	(24,773)	(2,354,796)
Transactions with owners in their capacity as owners:						
Share capital issued	-	-	-	-	-	-
Cost of share capital issued	-	-	-	-	-	-
Cost of share based payments	-	-	-	184,270	-	184,270
At 30 June 2009	17,512,225	(8,320,215)	158,332	486,382	(5,046)	9,831,678
Net loss for the year	-	(2,779,091)	-	-	-	(2,779,091)
Other comprehensive income	-	-	-	-	(53,224)	(53,224)
Total comprehensive income for the year	-	(2,779,091)	-	-	(53,224)	(2,832,315)
Transactions with owners in their capacity as owners:						
Share capital issued	3,083,998	-	-	-	-	3,083,998
Cost of share capital issued	(82,281)	-	-	-	-	(82,281)
Cost of share based payments	-	-	-	145,940	-	145,940
Options expired during the year	-	83,500	-	(83,500)	-	-
At 30 June 2010	20,513,942	(11,015,806)	158,332	548,822	(58,270)	10,147,020

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

	Note	Consolidated	
		2010 \$	2009 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,611,711)	(1,607,089)
Exploration expenditure		(818,512)	(253,277)
Research and development tax concession		84,632	224,077
Net cash flows used in operating activities	24 (b)	(2,345,591)	(1,636,289)
Cash flows from investing activities			
Exploration expenditure		(30,860)	(194,275)
Payments for property, plant and equipment		(14,028)	(37,477)
Interest received		19,367	103,086
Amounts received from/(advanced to) related parties		-	-
Investment in associate		(342,292)	(480,644)
Net cash flows used in investing activities		(367,813)	(609,310)
Cash flows from financing activities			
Proceeds from issues of shares and options		3,083,998	-
Payment of share issue costs		(82,283)	-
Net cash flows provided by financing activities		3,001,715	-
Net increase/(decrease) in cash held		288,311	(2,245,599)
Cash at the beginning of the financial year		638,204	2,858,934
Exchange movement		-	24,869
Cash at end of financial year	24 (a)	926,515	638,204

The above statement of cash flows 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 basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated entity has incurred net losses after taxes for the year ended 30 June 2010 of \$2,779,091 and the consolidated entity has cash assets of \$926,515 and net current assets of \$1,041,623 as at 30 June 2010. The consolidated entity also has minimum work program requirements on its various geothermal exploration permits in WA of approximately \$1.78 million as disclosed in note 19(a).

Subsequent to year end, the company has completed a private placement with the issue of 70,000,000 ordinary shares at an issue price of 1.5 cents raising \$1,050,000 (before capital raising costs).

On 2 September 2010 the Prospectus was lodged with ASIC and ASX for a pro-rata non renounceable rights issue to eligible shareholders of approximately 110,504,761 New Shares on the basis of one (1) New Share for every three (3) Shares held at the Record Date (13 September 2010), at an issue price of \$0.015 per new share for the purposes of raising \$1,657,571 (before capital raising costs). The rights issue is fully underwritten by Cygnet Capital Pty Ltd, opens on 17 September 2010 and closes on 1 October 2010.

The directors have prepared a cash flow forecast for the period ending 30 September 2011 which indicates based upon the capital raisings obtained subsequent to year end, the consolidated entity will have sufficient cash flows to meet all working capital requirements and its contractual commitments.

Based on the cash flow forecasts and capital raisings achieved, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a 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.

(b) Basis of Preparation

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

In accordance with Accounting Standard AASB 101 Presentation of Financial Statements, compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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

The financial report was authorised for issue by the Directors on 24 September 2010.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Basis of Preparation (continued)**

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 105%.

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.

(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 2010 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 23 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. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of changes in equity, 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses in profit or loss 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 statement of comprehensive income, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(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 or substantively enacted by reporting date. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(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 permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted 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.

(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 impairment are reviewed for possible reversal of the impairment at each reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(k) Cash and Cash Equivalents**

Cash and short-term deposits in the statement of financial position 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 Statement of Cash Flows, 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 statement of comprehensive income 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 statement of comprehensive income.

(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 inflows, 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%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(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.

Liabilities for long service leave and other noncurrent employee entitlements expected to be settled in more than 12 months of the reporting date are recognised in other noncurrent 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.

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, senior executives and staff.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(r) Earnings per share (continued)***(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 statement of financial position.

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.

(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 statement of financial position.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(t) Financial Instruments (continued)***(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 statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(u) Investments in Associates

Investments in associate companies are recognised in the consolidated financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) New accounting standards and interpretations

The Group has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards have had an impact on the group:

AASB 101: Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101. (effective from 1 January 2009)

The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards. The Group has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.

AASB 8: Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8. (effective from 1 January 2009)

This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB. The Group has revised its disclosure requirements in accordance with AASB 8, for the Group's operating segments, as described in Note 20.

AASB 123: Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12. (effective from 1 January 2009)

This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements. The adoption of this standard had no impact on the Group.

AASB 2008-1: Amendments to AASB 2 "Share Based Payments" (effective from 1 January 2009)

The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of this standard had no impact on the Group.

AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from 1 January 2009)

This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The adoption of this standard had no impact on the Group.

AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127 (effective from 1 July 2009)

This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards changes affect the valuation of non controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations. These standards are applied prospectively and had no material impact on prior business combinations. The adoption has amended the accounting policy of business combinations for the Group.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process; AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process (effective from 1 July 2009)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(v) New accounting standards and interpretations**

These make amendments to various Australian Accounting Standards which have led to a number of terminology changes, but have had no material effect. The adoption of this standard had no material impact on the Group.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group has considered the impact of these new standards and interpretations, with details of those changes that are likely to impact on the Group set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The amendments are not expected to have a significant impact on the financial statements of the Group.

2. REVENUE

	Consolidated	
	2010 \$	2009 \$
Interest income	19,367	102,547
Other income	-	539
	19,367	103,086

3. EXPENSES

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

Operating lease rental expenses	94,721	88,323
Employee benefits expense:		
Salaries and fees	719,746	644,179
Equity settled share based payments	145,939	171,543
Post employment benefits	128,735	132,855
Other employee benefits (accrued leave)	14,599	34,643
Payroll Tax	-	5,267
Employment recruitment costs	3,000	-
	1,012,019	988,487
Other share based payments – consultants	23,497	12,727

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 is held through a Hungarian company which is jointly owned and controlled by two of the three initial joint venture partners. This company is Central European Geothermal Energy Private Company Limited. 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 or disposed of for value.

4. INCOME TAX

(a) Income tax expense

	Consolidated	
	2010 \$	2009 \$
Current tax	(381,113)	(84,631)
Deferred tax	-	-
	(381,113)	(84,631)

No current or deferred tax has been recognised directly in equity.

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

Loss from continuing operations	(3,160,204)	(2,414,654)
Prima facie tax benefit at 30% (2009: 30%)	(948,061)	(724,396)
Tax effect of amounts which are deductible in calculating taxable income:		
Research & development tax concession	(25,784)	67,705
Non deductible expenditure	43,782	55,281
Movement in provisions	5,879	9,493
S40-880 deductions	(37,821)	(32,884)
Unused tax losses for which no deferred tax asset has been recognised	580,892	540,170
Income tax benefit	(381,113)	(84,631)

(c) Recognised deferred tax assets and liabilities

Recognised deferred tax assets comprise:

Other temporary differences	54,662	63,822
Tax losses available for offset against future taxable income	595,325	656,997
	649,987	720,819

Recognised deferred tax liabilities comprise:

Exploration and evaluation	649,987	720,819
	649,987	720,819

Unrecognised deferred tax assets

Unused tax losses for which no deferred tax asset has been recognised are \$4,858,873 (2009: \$2,716,993). Potential tax benefit is \$1,457,662 (2009: \$815,098)

(d) Franking credits balance

The Company has no franking credits available as at 30 June 2010 (2009: \$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	
	2010 \$	2009 \$
Current		
Other receivables	493,220	193,005
	493,220	193,005

6. OTHER ASSETS

Current		
Prepayments	13,391	12,047

7. PLANT AND EQUIPMENT

Plant and office equipment		
At cost	400,598	182,238
Accumulated depreciation	(136,568)	(101,560)
	264,030	80,678

Reconciliation

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

<i>Plant and office equipment</i>		
Carrying amount at beginning of the year	80,678	67,375
Additions	14,028	37,477
Disposals	-	-
Depreciation	(35,008)	(24,174)
Hungarian assets reallocated	204,332	-
Carrying amount at the end of the year	264,030	80,678

8. CAPITALISED EXPLORATION EXPENDITURE

In the exploration phase

Cost brought forward	8,908,129	8,850,948
Expenditure incurred during the year (at cost)	24,171	57,181
Hungarian assets reallocated	(204,332)	-
Exchange movements	(55,944)	-
Exploration expenditure written off	-	-
	8,672,024	8,908,129

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.

9. OTHER FINANCIAL ASSETS

	Consolidated	
	2010 \$	2009 \$
Non-Current		
Other financial assets	105,300	105,300
	105,300	105,300

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.

10. TRADE AND OTHER PAYABLES

Current (Unsecured)		
Trade creditors	285,014	120,326
Other creditors and accruals	34,596	27,737
	319,610	148,063

Included in trade creditors is an amount of \$208,852 (2009: \$39,075) relating to exploration expenditure.

11. PROVISIONS

Current		
Employee entitlements	71,892	54,251
Number of employees at year end	6	8
Non-Current		
Employee entitlements	28,143	31,185

12. ISSUED CAPITAL

(a) Ordinary Shares		
Fully paid ordinary shares	20,513,942	17,512,225

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	2010 No.	2010 \$	2009 No.	2009 \$
Balance at beginning of financial year	180,381,022	17,512,225	180,381,022	17,512,225
Share placement 25 August 2009 (at 5.5 cents each)	26,000,000	1,430,000	-	-
Share placement 16 April 2010 (at 3 cents each)	13,650,000	409,500	-	-
Share purchase plan 30 April 2010 (at 3 cents each)	36,483,261	1,094,500	-	-
Share placement 23 June 2010 (at 3 cents each)	5,000,001	150,000	-	-
Share issue costs	-	(82,283)	-	-
Balance at end of financial year	261,514,284	20,513,942	180,381,022	17,512,225

(c) Options

As at 30 June 2010, there were 16,500,000 unlisted unissued ordinary shares in respect of which options were outstanding (2009 : 21,250,000).

	Opening Balance	Exercised in year	Granted in year	Expired in year	Closing Balance
Listed options					
Unlisted options					
Expiring 21 Nov 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 9 August 2011 at \$0.15	300,000	-	-	-	300,000
Expiring 26 Nov 2011 at \$0.15	2,050,000	-	-	-	2,050,000
Expiring 19 Nov 2012 at \$0.06	6,400,000	-	-	(300,000)	6,100,000
Expiring 18 Nov 2014 at \$0.08	-	-	5,850,000	(300,000)	5,550,000
Total	21,250,000	-	5,850,000	(10,600,000)	16,500,000
Weighted average exercise price	\$0.13	-	\$0.08	\$0.16	\$0.09

The weighted average remaining contractual life of options as at 30 June 2010 is 960 days (2009: 656 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.

13. ACCUMULATED LOSSES

	Consolidated	
	2010 \$	2009 \$
Accumulated losses at the beginning of the year	8,320,215	5,990,192
Net loss attributable to members	2,779,091	2,330,023
Transfer from share option reserve	(83,500)	-
Accumulated losses at the end of the year	11,015,806	8,320,215

14. RESERVES

Share option reserve (i)	158,332	158,332
Share based payments reserve (ii)	548,822	486,382
Foreign translation reserve (iii)	(58,270)	(5,046)
	648,884	639,668

(i) Share Option Reserve

Balance at the beginning of the year	158,332	158,332
Add: Amounts expensed in current year	-	-
Balance at the end of the year	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	486,382	302,112
Add: Amounts expensed in current year	145,939	184,270
Less: Options expired	(83,500)	-
Balance at the end of the year	548,822	486,382

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.

14. RESERVES (continued)

(iii) Foreign Translation Reserve

Balance at the beginning of the year
Add: Exchange movement for the year
Balance at the end of the year

Consolidated	
2010	2009
\$	\$
(5,046)	19,727
(53,224)	(24,773)
(58,270)	(5,046)

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 initially approved by special resolution at a General Meeting of shareholders of the Company held on 21 November 2006 and approval renewed by shareholders on 18 November 2009. All eligible Directors, executive officers and employees of Green Rock Energy Limited 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.

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

The share based payment expense during the year was \$145,939.

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 Beresford, Larking, Knights, Baumgärtner and Spencer	N Hodder	Employee	Consultants
Grant date	18 November 2009	18 November 2009	18 November 2009	18 November 2009
Number of options		500,000	450,000	1,000,000
- R Beresford	300,000			
- A Larking	1,500,000			
- A Knights	1,500,000			
- J Baumgärtner	300,000			
- S Spencer	300,000			
Vesting conditions and dates	18 November 2012	18 November 2012	18 November 2012	18 November 2012
Grant date share price (cents)	6.20	6.20	6.20	6.20
Exercise price (cents)	8.00	8.00	8.00	8.00
Expected volatility	105%	105%	105%	105%
Option life	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-
Risk-free interest rate	5.20%	5.20%	5.20%	5.20%

15. SHARE BASED PAYMENTS (continued)

Share based payment arrangements relating to employees and directors.

Grant date	Expiry date	Exercise price	Number of options at the beginning of the year	Options granted this year	Options Expired/Lapsed this year	Options cancelled this year	Number of Options at the end of the year	Options Exercisable at the end of the year
21 Nov 2006	21 Nov 2009	\$0.25	2,500,000	-	(2,500,000)	-	-	-
9 March 2007	9 March 2011	\$0.035	500,000	-	-	-	500,000	500,000
9 Aug 2007	9 Aug 2011	\$0.07	300,000	-	-	-	300,000	300,000
26 Nov 2007	25 April 2011	\$0.11	1,000,000	-	-	-	1,000,000	1,000,000
26 Nov 2007	26 Nov 2011	\$0.15	2,050,000	-	-	-	2,050,000	2,050,000
19 Nov 2008	19 Nov 2012	\$0.06	5,400,000	-	-	(300,000)	5,100,000	2,550,000
18 Nov 2009	18 Nov 2014	\$0.08	-	4,850,000	-	(300,000)	4,550,000	-

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

	2010		2009	
	Number of options	Weighted Average Exercise price (Cents)	Number of options	Weighted Average Exercise price (cents)
Balance at beginning of the financial year	11,750,000	15.00	6,350,000	18.31
Granted during the financial year				
• Directors	3,900,000	8.00	4,600,000	6.00
• Employees	950,000	8.00	800,000	6.00
Forfeited / Expired	(3,100,000)	25.00	-	-
Balance at end of the financial year	<u>13,500,000</u>	<u>9.00</u>	<u>11,750,000</u>	<u>15.00</u>
Vested and Exercisable at end of the financial year	<u>6,400,000</u>	<u>10.00</u>	<u>6,350,000</u>	<u>6.00</u>

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

Exercised or forfeited during the financial year

600,000 share options granted under the Employee Share Incentive Option Plan ("the Plan") were forfeited during the financial year and 2,500,000 share options expired.

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 range of exercise prices from 6 to 25 cents and a weighted average remaining contractual life of 808 days. (2009 : 606 days)

(b) Share Based Payments – Other

A total of 5,850,000 options were granted in the year of which 4,850,000 were under the Option Plan above.

There were an additional 1,000,000 Options granted to consultants. The factors and assumptions of determining fair value at grant date is noted above.

15. SHARE BASED PAYMENTS (continued)

Share based payment arrangements relating to consultants.

Grant date	Expiry date	Exercise price	Number of options at the beginning of the year	Options granted this year	Options Expired/Lapsed this year	Options cancelled this year	Number of Options at the end of the year	Options Exercisable at the end of the year
9 Aug 2007	9 Aug 2010	\$0.15	1,000,000	-	-	-	1,000,000	1,000,000
19 Nov 2008	19 Nov 2012	\$0.06	1,000,000	-	-	-	1,000,000	500,000
18 Nov 2009	18 Nov 2014	\$0.08	-	1,000,000	-	-	1,000,000	-

	2010		2009	
	Number of options	Weighted Average Exercise price (Cents)	Number of options	Weighted Average Exercise price (cents)
Balance at beginning of the financial year	2,000,000	11.00	4,500,000	11.00
Granted during the financial year	1,000,000	8.00	1,000,000	6.00
Exercised	-	-	-	-
Forfeited / Expired	-	-	(3,500,000)	15.00
Balance at end of the financial year	3,000,000	10.00	2,000,000	11.00
Vested and Exercisable at end of the financial year	1,500,000	7.00	-	11.00

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 range of exercise prices from 6 to 15 cents and a weighted average remaining contractual life of 838 days. (2009 : 50 days)

16. KEY MANAGEMENT PERSONNEL REMUNERATION

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

- Jeffrey Schneider Non-Executive Chairman Appointed 1 May 2010
- Richard Beresford Non-Executive Director Appointed 30 September 2008
Managing Director Appointed 2 February 2010
- Adrian Larking Managing Director Appointed 25 February 2005
Director - Operations Appointed 2 February 2010
- Jörg Baumgärtner Non-Executive Director Appointed 25 April 2007
- Alan Knights Executive Director Appointed 10 May 2005
Director - Finance & Administration Appointed 2 February 2010
Retired 23 April 2010
- Scott Spencer Non-Executive Director Appointed 29 November 2005
Retired 2 February 2010
- Nigel Hodder Company Secretary Appointed 4 April 2005

16. KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Details of the remuneration of key management personnel are set out as follows:

	Short term employee benefits	Post employment benefits	Share based payment	Other benefits	Total
	\$	\$	\$	\$	\$
2010					
Jeffrey Schneider	7,645	688	-	-	8,333
Richard Beresford	115,167	7,740	15,325	-	138,232
Adrian Larking	175,000	50,000	42,948	-	267,948
Alan Knights	140,463	13,371	40,482	-	194,316
Jörg Baumgärtner	45,872	4,128	6,903	-	56,903
Scott Spencer	-	29,167	9,576	-	38,743
Nigel Hodder	125,000	11,244	11,027	-	147,271
Total	609,147	116,338	126,261	-	851,746
2009					
Richard Beresford	37,500	-	12,727	-	50,227
Adrian Larking	157,564	67,436	62,961	-	287,961
Alan Knights	183,486	16,514	51,994	-	251,994
Jörg Baumgärtner	45,872	4,128	13,672	-	63,672
Scott Spencer	22,936	27,064	16,979	-	66,979
Nigel Hodder	125,000	11,250	9,392	-	145,642
Total	572,358	126,392	167,725	-	866,475

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	
	2010 \$	2009 \$
Audit and review		
Ord Partners Chartered Accountants	-	17,629
PKF Chartered Accountants/ Deloitte Touche Tohmatsu	15,227	22,384
Other non-audit services		
Ord Partners Chartered Accountants	-	600
PKF Chartered Accountants	1,998	4,700
Deloitte Touche Tohmatsu	-	-
Audit and review of Hungarian subsidiary		
M Audit	10,996	2,148
	42,826	47,461

The auditor of Green Rock Energy Limited is Deloitte Touche Tohmatsu.

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 Directors and other Key Management Personnel of the Company or their personally-related entities are as follows:

Key Management Personnel Equity Holdings	Ordinary Shares					30 June 2010
	1 July 2009	Options Exercised	Purchases	Sales	Other Changes	
Directors						
Jeffrey Schneider	-	-	2,212,212	-	-	2,212,212
Richard Beresford	50,000	-	1,666,667	-	-	1,716,667
Adrian Larking	10,584,375	-	1,666,667	(100,000)	-	12,151,042
Jorg Baumgartner	-	-	-	-	-	-
Alan Knights	3,290,225	-	-	-	(3,290,225)	-
Scott Spencer	-	-	-	-	-	-
Secretary						
Nigel Hodder	309,618	-	33,333	-	-	342,951

Key Management Personnel Equity Holdings	Ordinary Shares					30 June 2009
	1 July 2008	Options Exercised	Purchases	Sales	Other changes	
Directors						
Richard Beresford	50,000	-	-	-	-	50,000
Adrian Larking	10,484,375	-	-	-	-	10,484,375
Alan Knights	3,290,225	-	-	-	-	3,290,225
Jorg Baumgartner	-	-	-	-	-	-
Scott Spencer	-	-	-	-	-	-
Secretary						
Nigel Hodder	309,618	-	-	-	-	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						Vested during the year
	1 July 2009	Options Granted As Remuneration	Options lapsed	Other changes	30 June 2010	Vested at 30 June 2010	
Directors							
Jeffrey Schneider	-	-	-	-	-	-	-
Richard Beresford	1,000,000	300,000	-	-	1,300,000	500,000	500,000
Adrian Larking	2,500,000	1,500,000	-	-	4,000,000	1,750,000	1,250,000
Alan Knights	4,250,000	1,500,000	(2,000,000)	(3,750,000)	-	1,500,000	1,125,000
Jorg Baumgartner	1,300,000	300,000	-	-	1,600,000	650,000	150,000
Scott Spencer	1,100,000	300,000	(500,000)	(900,000)	-	450,000	300,000
Secretary							
Nigel Hodder	1,300,000	500,000	-	-	1,800,000	800,000	250,000

No options were exercised during the year.

18. RELATED PARTY TRANSACTIONS (continued)

All options are exercisable once vested.

Key Management Personnel Equity Holdings	Options					
	1 July 2008	Options Granted As Remuneration	Options lapsed	30 June 2009	Vested at 30 June 2009	Vested during the year
Directors						
Richard Beresford	-	1,000,000	-	1,000,000	-	-
Adrian Larking	1,000,000	1,500,000	-	2,500,000	500,000	500,000
Alan Knights	2,750,000	1,500,000	-	4,250,000	1,375,000	375,000
Jorg Baumgartner	1,000,000	300,000	-	1,300,000	500,000	500,000
Scott Spencer	800,000	300,000	-	1,100,000	400,000	150,000
Secretary						
Nigel Hodder	800,000	500,000	-	1,300,000	-	250,000

(iv) Other transactions with Other Related Parties:

An interest free loan of \$821,929 (2009: \$478,628) has been made by the parent entity to Green Rock Energy International Pty Ltd. The loan is an at call loan. The Company has elected not to call the loan and there is currently no specified repayment date.

An interest free loan of \$27,527 (2009: \$27,527) has been made by the parent entity to Green Rock (Vulcan) Energy Kft. The loan is an at call loan. The Company has elected not to call the loan and there is currently no specified repayment date.

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 or relinquishment.

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.

In respect of its various South Australian 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 South Australian GEL's granted to the Company.

The 13 recently acquired 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". The minimum work program accepted by the Department of Mines for the various GEP's has an indicative total cost of approximately \$1.7 million in the first year and \$0.5 million in the second year.

(b) Capital Commitments

The Group has a capital commitment of \$106,000 (2009: \$140,000) due by 23 July 2010 for payment of shares in CEGE.

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	
	2010 \$	2009 \$
Not later than one year	70,774	77,908
Between one and five years	-	71,415
	<u>70,774</u>	<u>149,323</u>

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

2010	Australia	Hungary	Inter Company Items	Consolidated
Revenue				
Interest	19,349	18	-	19,367
Other income	-	-	-	-
Total revenue	<u>19,349</u>	<u>18</u>	<u>-</u>	<u>19,367</u>
Loss before tax (continuing operations)	(2,760,784)	(16,498)	(5,001)	(2,782,283)
Share of loss from associates	-	(377,921)	-	(377,921)
Income tax benefit	381,113	-	-	381,113
Loss for the year	<u>(2,379,671)</u>	<u>(394,419)</u>	<u>(5,001)</u>	<u>(2,779,091)</u>
Total segment assets	11,496,903	217,575	(1,147,823)	10,566,665
Total segment liabilities	1,236,979	28,255	(845,589)	419,645
Fixed asset additions	14,028	-	-	14,028
Depreciation	35,008	-	-	35,008
Non-current assets	9,115,144	306,204	(287,810)	9,133,539
Interest in associates	-	92,185	-	92,185

20. SEGMENT INFORMATION (continued)

2009	Australia	Hungary	Inter Company Items	Consolidated
Revenue				
Interest	102,517	30	-	102,547
Other income	539	-	-	539
Total revenue	103,056	30	-	103,086
Loss before tax (continuing operations)	(2,059,506)	(22,640)	1,341	(2,080,805)
Share of loss from associates	-	(333,849)	-	(333,849)
Income tax benefit	84,631	-	-	84,631
Loss for the year	(1,974,875)	(356,489)	1,341	(2,330,023)
Total segment assets	10,578,575	291,124	(804,522)	10,065,177
Total segment liabilities	708,705	32,083	(507,289)	233,499
Fixed asset additions	37,477	-	-	37,477
Depreciation	24,174	-	-	24,174
Non-current assets	9,111,954	397,777	(287,810)	9,221,921
Interest in associates	-	127,814	-	127,814
		<u>2010</u>	<u>2009</u>	
		\$	\$	

21. LOSS PER SHARE

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

Loss used in calculating basic and diluted loss per share	2,779,091	2,330,023
	<u>Number of Shares</u>	<u>Number of Shares</u>
	<u>2010</u>	<u>2009</u>
Weighted average number of ordinary shares used in calculating basic and diluted loss per share:	<u>261,514,284</u>	<u>180,381,022</u>
Basic and Diluted loss per share (cents per share)	1.74	1.29

*Non-dilutive securities

As at balance date, 16,500,000 options (30 June 2009: 21,250,000) 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 2010

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.

22. INVESTMENTS ACCOUNTED FOR USING 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.

Name of entity	Country of incorporation	Ownership interest	
		2010 %	2009 %
Central European Geothermal Energy Private Company Ltd	Hungary	50	50

(a) Movements during the year in equity accounted investment in associated companies

	Consolidated	
	2010 \$	2009 \$
Balance at beginning of the financial year	127,814	-
Investment in Central European Geothermal Energy Private Company Limited (CEGE)	342,292	461,665
Share of loss after income tax	(377,921)	(333,849)
Carrying amount at the end of the financial year	92,185	127,814

The Group acquired a one third share in Central European Geothermal Energy Private Company Limited (CEGE) on 30 July 2008. On 2 February 2009 the Group acquired an additional interest in CEGE. The geothermal company incorporated in Hungary is now jointly owned by Green Rock Energy International Pty Ltd and MOL Plc. As at 30 June 2010 the Group held a one half interest in CEGE.

(b) Equity accounted profits of associates are broken down as follows:

	Consolidated	
	2010 \$	2009 \$
Share of associate's loss before income tax expense	377,921	333,849
Share of associate's income tax expense	-	-
Share of associate's loss after income tax	377,921	333,849

(c) Summarised presentation of aggregate assets, liabilities and performance of associates

Current assets	139,263	559,793
Non-current assets	20,828	25,778
Total assets	160,091	585,571
Current liabilities	95,269	240,211
Non-current liabilities	-	-
Total liabilities	95,269	240,211
Net assets	64,822	345,360
Revenues	18,846	6,778
Profit/(Loss) after income tax of associates	(755,842)	(748,010)

22. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

(d) Ownership interest in Central European Geothermal Energy Private Company Limited (CEGE) at that company's balance date was 50%. The reporting date of Central European Geothermal Energy Private Company Limited (CEGE) is 31 December. The principal activity of Central European Geothermal Energy Private Company Limited (CEGE) is the development of geothermal resources in Hungary and the subsequent production and sale of geothermal generated electricity to the Hungarian market.

(e) Capital and other expenditure commitments

The Group had a capital commitment of \$106,000 due by 23 July 2010 for payment of shares in CEGE.

(f) Contingent liabilities

There are no contingent liabilities at 30 June 2010.

23. GROUP ENTITIES

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

Name of entity	Country of incorporation	Ownership interest	
		2010 %	2009 %
<i>Parent Entity</i>			
Green Rock Energy Limited	Australia		
<i>Subsidiaries (Consolidated)</i>			
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
GRE WA Geothermal 1 Pty Ltd	Australia	100	-
GRE UWA Corporation Pty Ltd	Australia	100	-
Geothermal Operations (UWA) Pty Ltd	Australia	100	-
<i>Associates (Equity accounted)</i>			
Central European Geothermal Energy Private Company Ltd	Hungary	50	50

24. 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 statement of financial position as follows:

	Consolidated	
	2010 \$	2009 \$
Cash at bank	926,515	638,204
Deposits at call	-	-
	926,515	638,204

24. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

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

	Consolidated	
	2010 \$	2009 \$\$
Loss after income tax	(2,779,091)	(2,330,023)
<i>Non-cash items:</i>		
Depreciation	35,008	24,174
Research & development refund	(296,481)	-
Share based payments	145,939	184,270
Exchange losses	5,677	21,804
Interest income	(19,367)	(103,086)
Share of loss from associate	377,921	333,849
<i>Change in operating assets and liabilities:</i>		
Decrease/(Increase) in prepayments	(1,344)	(12,047)
Decrease/(Increase) in receivables	-	210,770
Increase/(Decrease) in trade creditors	164,690	3,641
Increase in other creditors and accruals	6,859	(4,285)
Increase in employee entitlements provision	14,598	34,644
Net operating cash flows	(2,345,591)	(1,636,289)

(c) Significant non-cash items

During the year the Company issued 5,550,000 options as share based payments which were valued at \$260,850.

25. 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. However, the Company does not hold any complex financial instruments. The financial instruments of the Company are all disclosed on an amortised cost basis.

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	
	2010 \$	2009 \$
Cash	926,515	638,204
Other receivables	493,220	193,005
Other assets	13,391	12,047
Other financial assets	-	-
Trade and other payables	(319,610)	(148,063)
Provisions	(71,892)	(54,251)
	1,041,624	640,942

25. FINANCIAL INSTRUMENTS (continued)

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 recognized by the Hungarian subsidiary. The consolidated entity's pre-tax profit for the year would have been \$2,366 higher/\$2,366 lower (2009 \$11,472 higher/ \$11,472 lower) had the Australian dollar strengthened/weakened by 10% against the Hungarian Forint.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through cash and cash equivalents \$926,515 (2009: \$638,204).

At 30 June 2010, 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 \$9,265 lower/higher (2009: \$6,382 lower/higher) mainly as a result of interest income decreases/increases.

(iii) Price Risk

The Group is not exposed to price risk.

(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:

25. FINANCIAL INSTRUMENTS (continued)

	Current	> 30 days	> 60 days	> 90 days
<u>2010</u>				
Consolidated				
Australian Taxation Office	410,273	-	-	-
BHP Billiton	68,975	-	-	-
<u>2009</u>				
Consolidated				
Australian Taxation Office	99,001	-	-	-
Central European Geothermal Energy	79,471	-	-	-

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 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
<u>2010</u>				
Trade payables - consolidated	285,014	-	-	-
Other creditors	2,883	5,766	8,649	17,298
<u>2009</u>				
Trade payables - consolidated	120,324	-	-	-
Other creditors	2,311	4,623	6,933	13,870

(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.

26. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2010.

In compliance with the requirements of the South Australian Petroleum Act of 2000 the Company is required to 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. The security lodged by the Company covers all South Australian GELs granted to the Company.

If on expiry of the GELs they are not renewed and the Minister is satisfied that there are no further obligations under the licences or the Act, the Minister will return the security to the Company.

27. EVENTS SUBSEQUENT TO BALANCE DATE**Capital Raising – Private Placement – Tranche 1**

In late June 2010 Green Rock Energy entered into funding arrangements with stockbroking and corporate advisory firm Cygnet Capital Pty Ltd (Cygnet) on the following terms:

- Cygnet will lead a Placement of 70 million ordinary shares to raise a total of \$1.05 million before issue related costs at 1.5 cents per share split across two tranches; and
- Cygnet will underwrite a non-renounceable Rights Issue of shares to shareholders on a one-for-three basis at 1.5 cents per share to raise approximately \$1.6 million.

The first tranche of the Placement (30 million shares) to raise \$450,000 was issued within the Company's existing 15% capacity on 6 August 2010.

Substantial Inferred Geothermal Resource for Alkimos Permits

On 6 August 2010 Hot Dry Rocks Pty Ltd (HDR), a leading Australian geothermal consulting company commissioned by Green Rock Energy, submitted a Geothermal Resource estimate for the Company's wholly owned Alkimos Permits GEP2 and GEP39 north of Perth.

HDR reports that the Permits, covering 340 square kilometres, contain estimated Geothermal Resources amounting to 61,000 PJ of stored heat (equivalent to 1.9 million MW_{th}.yrs). This estimate was determined specifically for the purpose of a potential district cooling project. However, the production of stored heat could be used for other direct use purposes including district heating, sea-water desalination and purification of waste water by distillation.

Further definition of the resource and targeting of the best production locations will be assisted by the drilling of two 500m exploration holes which will be 50% funded by the WA Government this year through its Exploration Incentive Scheme. Green Rock announced this award on 2 June 2010.

General Meeting of Shareholders

A general meeting of shareholders was held on 20 August 2010. The resolutions before the meeting were

- the ratification of allotment and issue of 30,000,000 shares on 9 August 2010 within the Company 15% capacity to raise \$450,000 so as to refresh the Company's placement ability under Listing Rule 7.1
- approval of the proposed allotment and issue of 40,000,000 shares to raise \$600,000 as part of the placement announced in June 2010. This approval so that the issue of these shares is not included in the Company's placement ability under Listing Rule 7.1
- the approval of the proposed issue of 25,000,000 options to Cygnet Capital Pty Ltd. This approval to ensure the grant of options is not counted towards the Company's capacity to issue further shares within Listing Rule 7.1 15% limit during the next 12 months.

All resolutions before the meeting were passed on a show of hands.

27. EVENTS SUBSEQUENT TO BALANCE DATE (Continued)

Capital Raising – Private Placement – Tranche 2

On 1 September 2010 the Company announced the issue and allotment of 40,000,000 shares to raise \$600,000 before associated raising costs being the second tranche of the private placement lead by Cygnet Capital Pty Ltd and which was the subject of Resolution 2 approved at the General Meeting on 20 August 2010.

Non Renounceable Rights Issue

On 2 September the Prospectus of a pro-rata non renounceable rights issue to eligible shareholders of approximately 110,504,761 New Shares on the basis of one (1) new share for every three (3) shares held at the Record Date (13 September 2010), at an issue price of \$0.015 per new share for the purposes of raising \$1,657,571 was lodged with ASIC and ASX.

The rights issue is fully underwritten by Cygnet Capital Pty Ltd, opens on 17 September 2010 and closes on 1 October 2010.

Geothermal Drilling Program – Funding Agreement signed

On 23 September 2010 a wholly owned subsidiary of the Company signed a Funding Agreement with the Commonwealth Government for \$7 million under the Geothermal Drilling Program. Signing of the Funding Agreement allows Green Rock to start drawing down on the funds for the project to prove the concept of direct use of geothermal energy in the Perth metropolitan area.

28. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Green Rock Energy Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Company	
	2010 \$	2009 \$
Current assets	2,268,549	1,317,663
Non-current assets	8,903,414	8,900,224
Total assets	11,171,963	10,217,887
Current liabilities	386,906	198,891
Non-current liabilities	28,142	31,185
Total liabilities	415,048	230,076
Contributed equity	20,513,942	17,512,225
Reserves	707,155	644,714
Accumulated losses	(10,464,182)	(8,169,128)
Total equity	10,756,915	9,987,811
Loss for the year	(2,378,552)	(1,958,433)
Other comprehensive loss	-	-
Total comprehensive loss for the year	(2,378,552)	(1,958,433)

Commitments

Refer to Note 19 for Expenditure Commitments of the Parent Entity

Contingent Liabilities

Refer to Note 26 for Contingent Liabilities of the Parent Entity

In the opinion of the Directors of Green Rock Energy Limited ("the Company"):

- (a) the financial statements and notes and the Remuneration report in the Directors Report, set out on pages 20 to 24 and 27 to 62, 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;
 - (ii) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2010 and of its performance, as represented by the results of its operations, for the financial year ended on that date.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b); and
- (c) 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 2010.

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

Signed at Perth this 24th day of September 2010



Adrian Larking
Director of Operations

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

Report on the Financial Report

We have audited the accompanying financial report of Green Rock Energy Limited and its controlled entities, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 27 to 63.

Directors' Responsibility for the Financial 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 the Australian Accounting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

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. Those 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 of the financial report that gives a true and fair view, 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.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

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Auditor's Opinion

In our opinion:

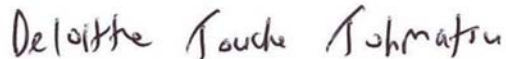
- (a) the financial report of Green Rock Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 24 of the director's report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Green Rock Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 24 September 2010

ASX Additional Information

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 30 September 2010.

ORDINARY SHARE CAPITAL

331,514,285 fully paid ordinary shares are held by 2,388 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	51	12,325	0.00
1,001 – 5,000	183	749,608	0.23
5,001 – 10,000	420	3,626,205	1.09
10,001 – 100,000	1,275	53,078,141	16.01
100,001 and over	459		82.67
Total	2,388	331,514,285	100.00

Holdings less than a marketable Parcel (\$500) at \$0.019 per unit 1,163 13,608,216 Minimum parcel size 26,316

SUBSTANTIAL SHAREHOLDERS

<u>Ordinary Shareholders</u>	<u>Fully Paid</u>	
	<u>Number</u>	<u>Percentage</u>
NIL	NIL	NIL

Twenty Largest Holders of Quoted Equity Securities as at 30 September 2010

<u>Rank</u>	<u>Name</u>	<u>Units</u>	<u>% of Units</u>
1	Perilya Limited	13,445,000	4.06
2	PKA Investments Pty Ltd	12,151,042	3.67
3	Mr I L Campbell	9,333,333	2.82
4	Deck Chair Holdings Pty Ltd	6,000,000	1.81
5	Mahsor Holdings Pty Ltd	5,953,892	1.80
6	Calm Holdings Pty Ltd	5,050,000	1.52
7	Nutsville Pty Ltd	4,241,066	1.28
8	Mr F & Mrs N Grasby	4,176,166	1.26
9	I E Properties Pty Ltd	3,950,157	1.19
10	Mr S M Ashton	3,631,250	1.10
11	Katone Investments Pty Ltd	3,566,666	1.08
12	Sievad Investments Pty Ltd	3,500,000	1.06
13	Flue Holdings Pty Ltd	3,491,250	1.05
14	Mr D P Wise	3,491,250	1.05
15	J P Morgan Nominees Australia Ltd	3,333,333	1.01
16	Calm Holdings Pty Ltd <Tide a/c>	3,204,810	0.97
17	Mr A R Knights	3,090,225	0.93
18	Absolute Investment Funds SPC	3,000,000	0.90
19	Mr B Nosek	2,753,125	0.83
20	KSL Corp Pty Ltd	2,750,000	0.83
	<u>Total</u>	<u>100,112,565</u>	<u>30.20%</u>