



ASX Announcement

Company Announcements Office
Australian Securities Exchange

By e-lodgement

4 August 2011

(ASX Code GRK)

Green Rock and Pacific Hydro sign binding agreement to develop conventional geothermal resources for power projects

Highlights

- The binding Memorandum of Understanding covers Green Rock's North Perth Basin permits in the energy-hungry Mid West region of Western Australia and Pacific Hydro's and Green Rock's licences in the Great Artesian Basin in South Australia
- Initial power projects of at least 25MW are contemplated in both the North Perth Basin and the Great Artesian Basin, leading to hundreds of MW of generation from each Basin over the coming decade.
- Green Rock and Pacific Hydro will jointly promote the opportunity to upstream investors to farm-in and substantially fund drilling to prove the resources.

Green Rock announced on 11 May 2011 the agreement of a Letter of Intent with leading Australian renewable energy company Pacific Hydro to cooperate on the development of power projects based on geothermal exploration permits and licences held by the companies in the North Perth Basin ("NPB") and the Great Artesian Basin ("GAB"). Maps of the two Basins are attached. Initial power projects of at least 25MW are contemplated in both the NPB and the GAB leading to hundreds of MW from each Basin connected into WA's South West Interconnected System and the National Electricity Market respectively.

The parties have now signed a binding agreement outlining the key steps towards first power production and the rights and obligations of Green Rock and Pacific Hydro.

Green Rock and Pacific Hydro will jointly develop an Information Memorandum (IM) on the two projects directed at potential upstream 'farm-in' partners to substantially fund drilling of the wells required to prove up the conventional geothermal resource. The IM will be marketed globally through our and our advisers' networks. Potential upstream partners may choose to fund one or both of the projects. A flyer for the IM is attached.

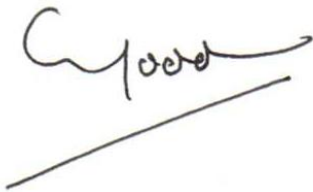
On executing an initial joint venture agreement with an upstream partner Green Rock (for a project in Pacific Hydro's licences in the GAB) or Pacific Hydro (for a project in the NPB or Green Rock's licences in the GAB) will have the right to pay \$100,000 for a 5% free carried interest in the project up to financial close of a power project. The upstream partner will then fund a substantial part of the drilling program to prove up sufficient geothermal resource to underpin the initial power project of at least 25MW in the NPB or 50MW in the GAB.

Green Rock and Pacific Hydro will have similar rights to further projects up to a total of 250MW in each Basin, but with the free carry no longer applying.

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

Green Rock's Managing Director Richard Beresford said "We believe that working together in this way to provide full capability and experience from geothermal exploration through to power plant operation on extensive and highly prospective conventional geothermal basins should be very attractive to potential upstream investors. We anticipate drilling the first well in one or both basins next year."

Lane Crockett, Pacific Hydro's General Manager, Australia, said "We believe there is a compelling opportunity for conventional geothermal to supply Australia with nationally significant renewable baseload generation. Pacific Hydro is delighted to partner with Green Rock and to combine the strong, complementary capabilities of our two companies towards the realisation of this goal."

A handwritten signature in black ink, appearing to read 'Nigel Hodder', is written above a solid black horizontal line.

Nigel Hodder
Company Secretary

Investors and Media: Green Rock

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Media: Pacific Hydro

T: Georgina Downey (Communications Manager) 03 8621 6310

SUMMARY OF KEY TERMS OF THE MEMORANDUM OF UNDERSTANDING

1. If an upstream partner selects a project in the NPB or in Green Rock's licences in the GAB and on executing a joint venture agreement between the parties, Pacific Hydro will have the right on payment of \$100,000 for a 5% free carried interest in the project in the exploration and drilling phases up to the time of financial close on the first power project (of at least 25MW). Pacific Hydro will also have the right to 51% of the power project with the buy-out of Green Rock's and the funding partner's interest according to a valuation formula agreed in the initial joint venture agreement. Pacific Hydro will then lead the development, project financing, construction and operation of the power project. Pacific Hydro will also have the right to future projects in the same Basin up to a total capacity of 250MW but their 5% interest in the exploration and drilling phases would be on a paying (not free carried) basis.
2. Reciprocally, if an upstream partner selects a project in the Pacific Hydro's licences in the GAB and on executing a joint venture agreement between the parties, Green Rock will have the right on payment of \$100,000 for a 5% free carried interest in the project in the exploration and drilling phases up to the time of financial close on the first power project (of at least 50MW). Pacific Hydro will also have the right to 51% of the power project with the buy-out of Green Rock's and the funding partner's interest according to a valuation formula agreed in the initial joint venture agreement. Pacific Hydro will then lead the development, project financing, construction and operation of the power project. Green Rock will also have the right to future projects in Pacific Hydro's licences in the GAB up to a total capacity of 250MW but our 5% interest in the exploration and drilling phases would be on a paying (not free carried) basis.
3. The joint venture between Green Rock, Pacific Hydro and the upstream partner for the exploration and drilling phases of the project will be an unincorporated joint venture governed by a Joint Venture Agreement (JVA). The key terms of the JVA will include:
 - The role of each party in the joint venture and how the joint venture will be managed
 - The participating interests of each party
 - The process of agreeing work programs, budgets and cash calls
 - Free carry rights of Green Rock or Pacific Hydro
 - Pre-emption rights over a party seeking to sell or transfer its interest
 - Sole risk provisions if one or more parties decline to participate in a work program
 - The process of developing a Bankable Feasibility Study (BFS) for the generation phase of the project
 - The process from a BFS that confirms feasibility through to financial close of a power project including board approval by each party
 - The obligations of those parties wishing to proceed with the generation phase of the project including:
 - The acquisition of the assets of the JV (i.e. the geothermal wells) by the company established to own the generation phase of the project
 - The right of Pacific Hydro to a 51% interest in generating company if it chooses to participate
 - The right of Green Rock and the upstream partner to the remaining 49% in proportion to their respective interests in the exploration and drilling joint venture

- The formula to be used in the acquisition by the generating company of the JV assets and in any transfer between the parties
4. . The joint venture between Green Rock, Pacific Hydro and the upstream partner for the generation phase of the project will be an incorporated Joint venture governed by a generating company Shareholder Agreement (GSA). The key terms of the GSA will include:
- Right of director nominations
 - Board and Shareholder requirements including matters that will require greater than a majority decision
 - Equity contributions against milestones in the work program
 - Pre-emption rights over a party seeking to sell or transfer its interest
 - Rights and obligations of Pacific Hydro as operator of the generation phase of the project

ABOUT PACIFIC HYDRO

Pacific Hydro is a leading renewable energy company producing clean power from wind and water.

For nearly 20 years, Pacific Hydro has lived its vision – powering a cleaner world – by identifying, delivering and operating clean energy projects and providing premium carbon abatement products and services to its customers across the globe.

With hydro power and wind farm projects at varying stages of development, construction and operation in Australia, Brazil and Chile, it continues to provide strong returns for the environment, local communities and investors.

Pacific Hydro is also active in the booming carbon market, with proven success in the production and trading of carbon credits from its run-of-river hydro projects registered under the Clean Development Mechanism of the Kyoto Protocol.

In Australia, the capital value of Pacific Hydro's assets is in excess of \$1bn. The company has interests in large scale solar PV, geothermal, hydro and wind energy. Operating projects in Western Australia include the 30MW Ord hydro scheme which provides clean energy to the East Kimberly and local diamond mine, and in Victoria and South Australia wind farms with a combined generating capacity of 260MW.

Pacific Hydro is a wholly owned subsidiary of the Industry Funds Management (IFM) Australian Infrastructure Fund. IFM is an investment management company specialising in the management of investment products across private equity, infrastructure, debt and listed equities portfolios, and is wholly owned, through Industry Super Holdings Pty Ltd, by a large number of Australian superannuation funds.

Through its ownership structure, Pacific Hydro provides sustainable infrastructure investment opportunities for around 5 million Australian members of Industry Superannuation Funds.

For more information visit www.pacifichydro.com.au

ATTACHMENTS

- 1 – Flyer marketing the Information Memorandum to potential upstream investors
- 2 – Pacific Hydro's and Green Rock's Geothermal Energy Licences in the Great Artesian Basin, SA
- 3 – Green Rock's Geothermal Energy Permits in the Dongara area of the North Perth Basin, WA



Australian
CONVENTIONAL GEOTHERMAL
Development Alliance



A Joint Venture
Between



GEOTHERMAL POWER GENERATION PROJECT DEVELOPMENT OPPORTUNITIES

- Strategically Located Portfolio of Conventional Geothermal Assets in Australia
- Highly Experienced Partners in Geothermal Exploration and Renewable Energy Development
- Potential to Develop Hundreds of Megawatts of Baseload Renewable Energy Generation Capacity
- Geothermal Portfolio Well Positioned to Benefit from Changes to Carbon Policy in Australia

The Projects

The partners of the recently established Australian Conventional Geothermal Development Alliance (ACGDA) have matured two highly prospective conventional geothermal project opportunities in Australia to the geothermal resource appraisal stage.

>> More on the ACGDA, overleaf.

The Mid West and Great Artesian Basin geothermal projects are located in two large geological basins, the North Perth and the Great Artesian basins respectively.

These basins have been demonstrated to contain significant reserves of hot geothermal fluids over an extensive area and have been successfully exploited in the Great Artesian Basin by an operating geothermal power plant in South West Queensland, since the 1990's.

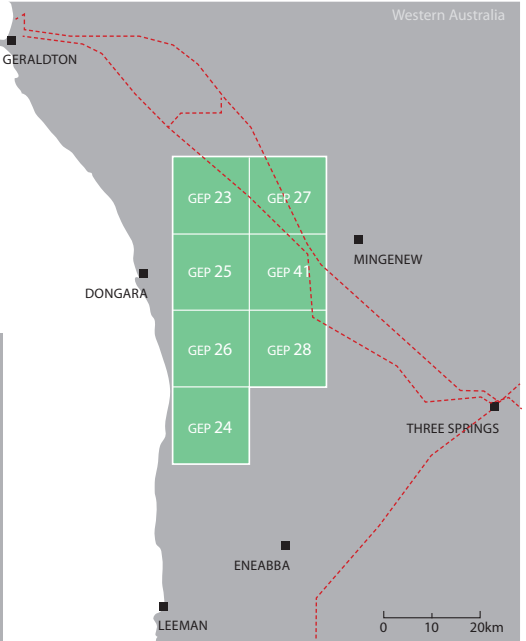
>> Project information available by request.



Mid West Geothermal Power Project MW-GPP

The MW-GPP project involves the appraisal and development of conventional geothermal resources in close proximity to transmission infrastructure in the Mid West region of Western Australia.

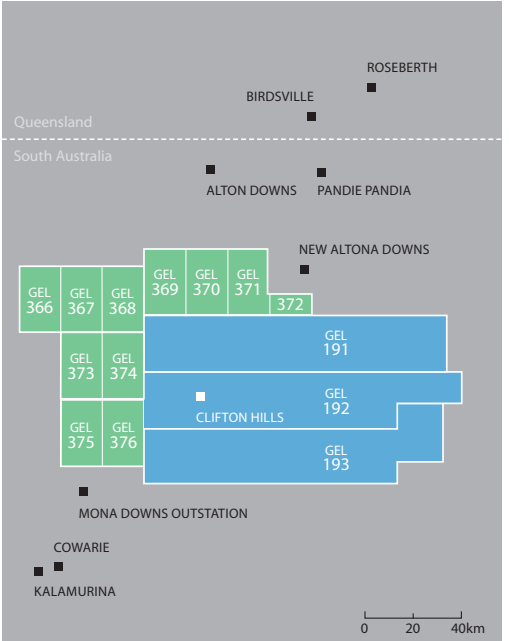
- Independent geothermal resource assessment available for MW-GPP
- Extensive reservoir information obtained from regional petroleum activity



Great Artesian Basin Geothermal Power Project GAB-GPP

The GAB-GPP involves the appraisal and development of conventional geothermal resources from the extensive and highly prospective Great Artesian Basin in the North East of South Australia.

- Very large and relatively shallow geothermal resource
- Operating geothermal plant less than 50km from GAB-GPP



Legend:

- Green Rock Energy Geothermal Exploration Permits (WA) and Licences (SA)
- Pacific Hydro Geothermal Exploration Licences
- Populated Township
- - - Major Powerlines
- - - State Boundary

Australian
CONVENTIONAL GEOTHERMAL
Development Alliance



A
Joint Venture
Between



The Opportunity

The ACGDA is currently seeking Expressions of Interest from suitably qualified parties interested in joining the alliance partners in drilling appraisal and production wells at either or both of the geothermal projects during 2012. Upon drilling success, the partners plan to immediately commence the preparation of a front-end engineering design (FEED) for an initial 25-50 MWe binary geothermal development and if feasible, commence power plant construction, shortly thereafter.

This opportunity may potentially be suitable for existing power producers (IPP's), drilling companies wishing to vertically integrate their activities, resource companies interested in hedging their exposure to future carbon policies, or equity investors interested in gaining exposure to the Australian renewable energy sector.

Additional Information

For additional information about the ACGDA, the geothermal projects, or to obtain a copy of a detailed Information Memorandum outlining the opportunity, please contact Activated Logic and outline the nature of your interest.

Additional information on and instructions for the submission of Expressions of Interest may also be obtained by contacting Activated Logic and quoting project reference no: AL02/466/01.

Intl: +61 7 5561 7282

Email: geothermal@activatedlogic.com



ACGDA

Information Memorandum

Available to suitably qualified parties who have submitted a qualifying expression of interest, as assessed by the ACGDA and Activated Logic.

IMPORTANT INFORMATION

This document contains certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements. Neither Activated Logic or the partners of the ACGDA accept any responsibility to update any person regarding any error or omission or change in the information in this document or any other information available to a person or any obligation to furnish the person with further information. The distribution of this document in various jurisdictions may be restricted by law. Any recipient of this must seek advice on and observe any such restrictions. Neither Activated Logic or the ACGDA is under any obligation to provide any additional information to any party under any circumstances.

The information contained in this presentation is for general information purposes only and does not constitute an offer to issue, or arrange to issue, securities or other financial products.

About the ACGDA

The ACGDA is an innovative collaboration between Australian geothermal company Green Rock Energy and leading renewable energy company, Pacific Hydro. The alliance combines the strategic conventional geothermal assets held by both companies, with the geothermal appraisal experience of Green Rock Energy and the renewable energy project development experience of Pacific Hydro to create a **unique geothermal project development platform** in Australia.



Pacific Hydro

Pacific Hydro is a leading renewable energy company developing, delivering and operating projects in Australia, Brazil and Chile. Pacific Hydro has over 850 MW of operating hydro and wind assets and a further 2,000+ MW in its project development pipeline.

Pacific Hydro is a wholly owned subsidiary of the Industry Funds Management Australian Infrastructure Fund.

>> For more information, visit:

www.pacifichydro.com



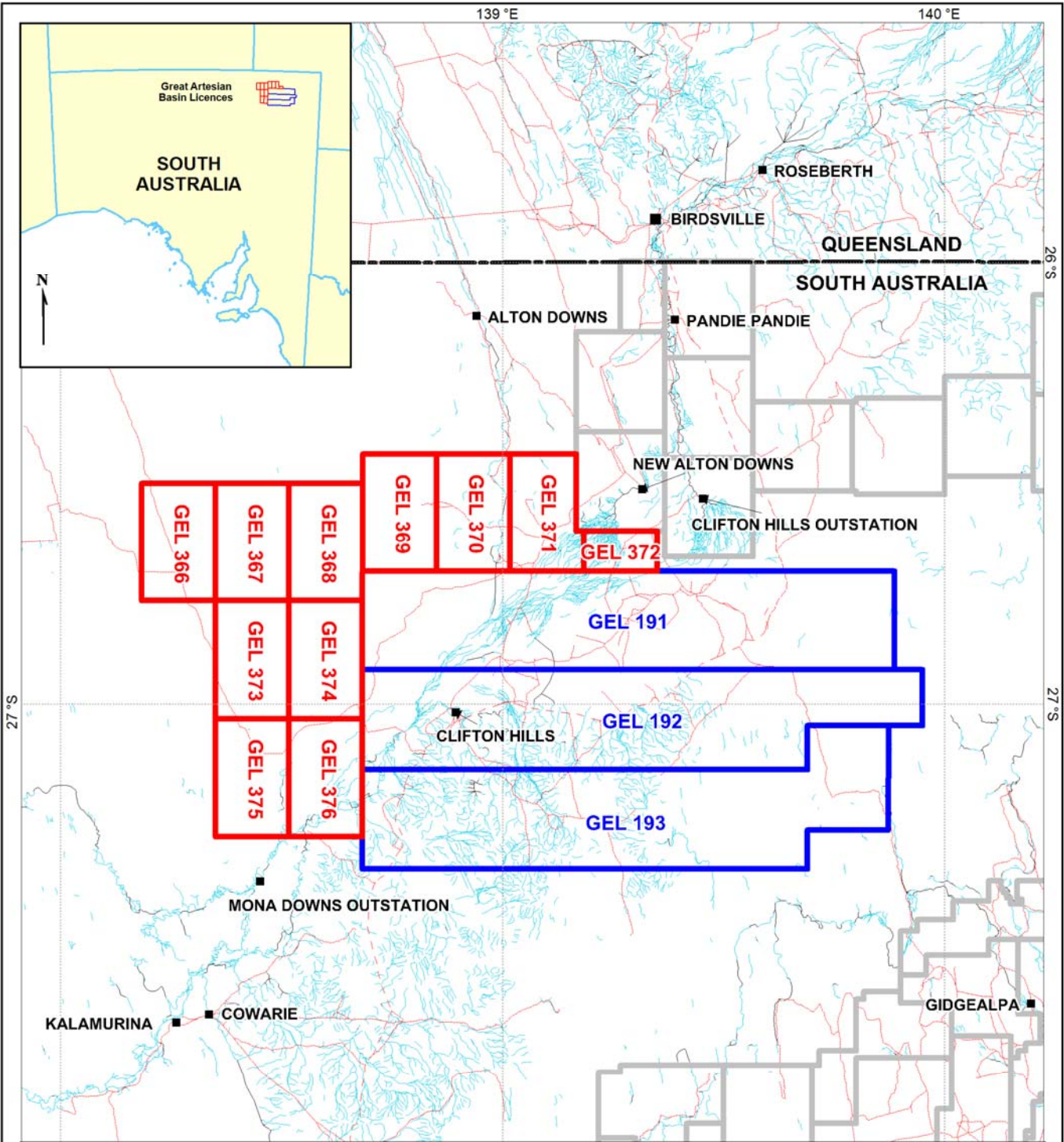
Green Rock Energy

Green Rock Energy Limited is an Australian energy exploration and development company with a portfolio of strategic geothermal assets in South Australia, Western Australia and Hungary. Green Rock directors collectively have over 100 years of international resource development experience.

Green Rock is an Australian Securities Exchange (ASX) listed company (ASX: GRK).

>> For more information, visit:

www.greenrock.com.au



- Homestead
- Small Town
- └┐ Green Rock Energy GAB GEL
- └┐ Pac Hydro GEL
- └┐ GEL held by others
- - - Unsealed Road or Track
- ~ Water Course
- · - · State Border

**Great Artesian Basin
Geothermal Project**

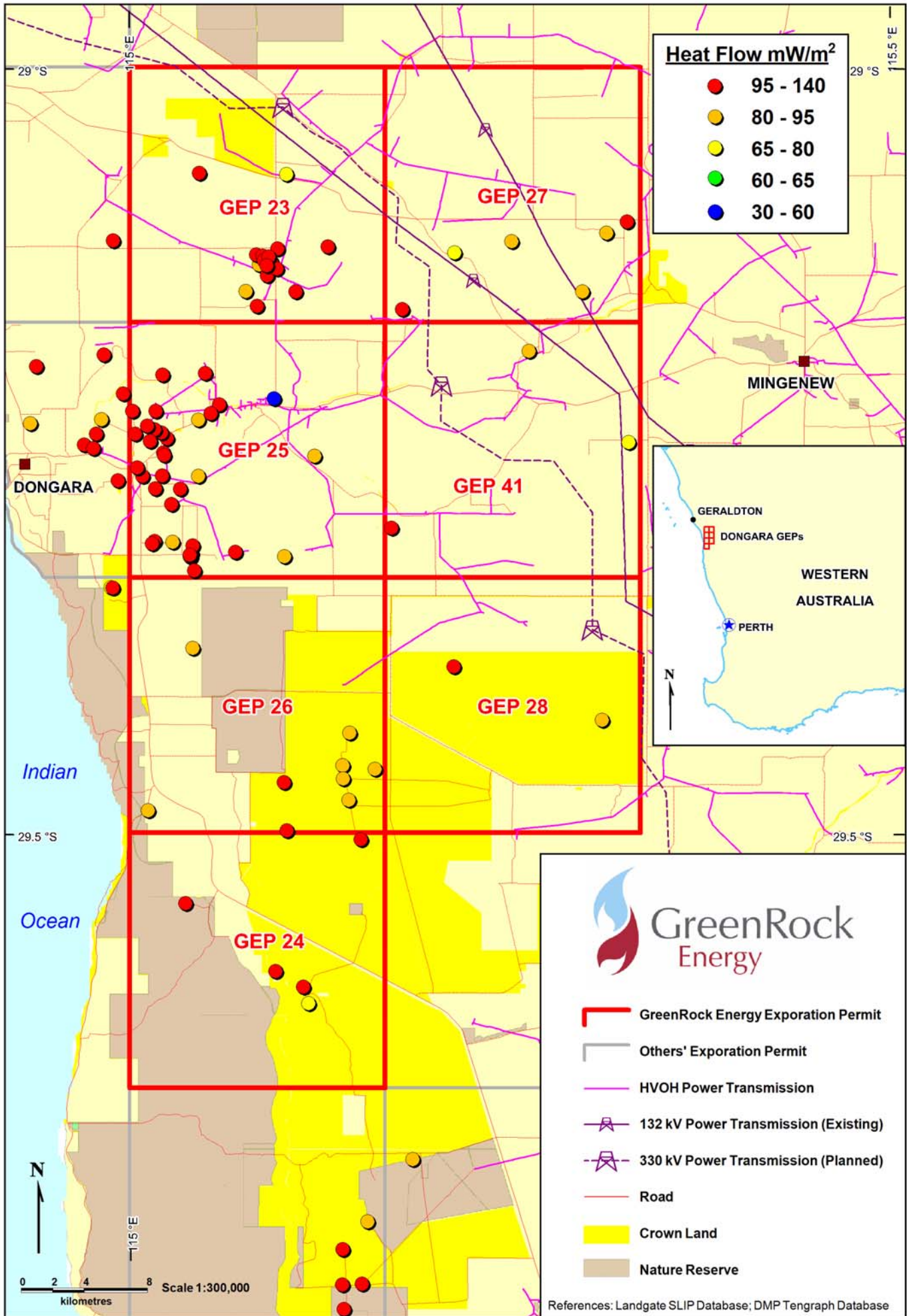
References:
 - PIRSA SARIG Database
 - Geoscience Australia 250K Topography



Projection: Longitude/Latitude (GDA94)



**GEOTHERMAL
EXPLORATION
LICENCES
(GEL)**



29°S

115°E

29°S

115.5°E

GEP 23

GEP 27

GEP 25

GEP 41

MINGENEW

DONGARA

GEP 26

GEP 28

GERALDTON

DONGARA GEPs

WESTERN AUSTRALIA

PERTH

Indian Ocean

29.5°S

29.5°S

Ocean

GEP 24



115°E

0 2 4 8 kilometres Scale 1:300,000