



GreenRock  
Energy

## Interim Financial Report for the half year ended 31 December 2010

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# Interim Financial Report for the half-year ended 31 December 2010

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## Directors' report

The Directors of Green Rock Energy Limited ("the Company") submit herewith the condensed consolidated financial report for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Names of directors

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

#### Name

Jeffrey Schneider	Non-Executive Chairman
Richard Beresford	Managing Director
Adrian Larking	Director of Operations
Jörg Baumgärtner	Non-Executive Director

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

### Review of operations

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

#### Perth Basin

- **Alkimos Area**

In early August Green Rock announced the results of an Inferred Geothermal Resource estimate for its Alkimos Permits GEP2 and GEP39 by Hot Dry Rocks Pty Ltd (HDR), a leading Australian geothermal consulting company.

HDR reported that the Permits, covering 340 square kilometers, contain estimated Geothermal Resources amounting to 61,000 PJ of stored heat (equivalent to 1.9 million MW<sub>th</sub>.yrs). While this estimate was determined specifically for the purpose of a potential district cooling project, production of the stored heat could be used for other direct use purposes including district heating, sea-water desalination and purification of waste water by distillation.

Ten production projects of 10MW<sub>th</sub> each running for 50 years would use less than one per cent of the stored heat beneath the major new community development at Alkimos.

The WA Government announced on 20<sup>th</sup> July that the Development Agreement had been signed 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 a coastal village centre.

- **North Perth Basin**

On 28 October 2010 Green Rock announced the results of an Inferred and Indicated Geothermal Resource estimate for seven of its North Perth Basin Permits GEP23, 24, 25, 26, 27, 28 and GEP41 (Permits) by Hot Dry Rocks Pty Ltd . The Permits covering 2100 km<sup>2</sup> are near the Dongara, Hovea, and Mt Horner oil and gas fields, 275 to 330 kms north of Perth and close to power infrastructure and in a region with rapidly growing electricity demand.

HDR has estimated stored heat Resources in the Permits to total just over 1,000,000 petajoules thermal (PJ<sub>t</sub>) contained in Hot Sedimentary Aquifer (HSA) and Engineered Geothermal System (EGS; also known as 'hot rock') reservoirs. HDR's estimate was determined specifically for the purpose of electricity generation by industry-standard binary cycle technology or similar, but could also be used for other uses if suitable markets become available.

For the purposes of identifying the most prospective targets so that Green Rock can be ready to drill in its North Perth Basin Permits in 2011, it is the Indicated Geothermal Resource in the selected Hot Sedimentary Aquifer reservoir units (described

below) of 26,000 PJ<sub>t</sub> that is the most relevant. Data from five wells provided direct and reliable indications of temperatures greater than 125°C in the selected reservoir units. The Indicated Geothermal Resource of 26,000 PJ<sub>t</sub> is equivalent to over 820,000 MW<sub>t</sub>.yrs. To put this into context, if only 5% of the Indicated Geothermal Resource in these seven Green Rock Permits was produced, for an assumed project life of 25 years, a power conversion efficiency of 10% and a parasitic load of 25%, this would approximate 123 MWe of power generation capacity.

HDR estimated that the seven Permits contain stored heat with temperatures over 125°C in HSA reservoirs amounting to 336,859 PJ<sub>t</sub> (equivalent to 10.68 million MW<sub>t</sub>.yrs). HDR has also estimated Inferred Geothermal Resources of stored heat with temperatures over 150°C within the basement down to a depth 5,000m in the Permits to total 663,923 PJ<sub>t</sub> (equivalent to 20.93 million MW<sub>t</sub>.yrs). This stored heat in the basement represents an EGS Inferred Geothermal Resource.

Of the estimate of 336,859 PJ<sub>t</sub> of stored heat in HSA reservoirs only the portion amounting to 77,182 PJ<sub>t</sub> (equivalent to 2.45 million MW<sub>t</sub>.yrs) contained within four reservoir units nominated by Green Rock has been classified by HDR as a HSA Geothermal Resource. These sandstone units containing natural geothermal water are the Upper Permian Sandstone equivalents, Carynginia Formation, Irwin River Coal Measures and High Cliff Sandstone. HDR has further classified this HSA Geothermal Resource into both Inferred Geothermal Resources amounting to 51,000 PJ<sub>t</sub> (equivalent to 1.62 million MW<sub>t</sub>.yrs) and Indicated Geothermal Resources amounting to 26,000 PJ<sub>t</sub>. Green Rock intends to investigate if any portion of the substantial quantity of stored heat in the HSA formations within the Permits, which has not yet been classified as a HSA Geothermal Resource, may in future be classified as a Geothermal Resource recoverable from natural fractures in the sedimentary formations.

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 our North Perth Basin Permits are being progressed with the objective of securing a JV partner by the end of the first quarter of 2011.

- **Progress with UWA project**

During the period under review Green Rock made substantial progress in funding its proposed project at The University of Western Australia's Crawley Campus. This project is designed to prove the concept of the direct use of geothermal energy for building cooling and heating in the Perth metropolitan area.

- On 23 September Green Rock announced that a wholly owned subsidiary of the Company has signed a Funding Agreement with the Commonwealth Government for \$7 million under the Geothermal Drilling Program (GDP).  
  
Signing the Funding Agreement allows Green Rock to start drawing down the funds for the project when it is ready to do so. This funding is on a 1:1 basis – each dollar from the fund must be matched by dollar from other sources – and is subject to Green Rock achieving agreed milestones.
- On 29 September Green Rock welcomed the announcement by WA Environment Minister Donna Faragher and Energy Minister Peter Collier of Green Rock Energy Limited's successful application for \$5.4 million from the 3<sup>rd</sup> round Low Emissions Energy Development (LEED) Fund, subject to final agreement. This funding would be on a 1:3 basis – each dollar from the fund must be matched by three dollars from other sources.

The GDP and LEED funds are complementary. To complete the funding for the project, Green Rock is in discussions with potential joint venture partners in the project and the GEP1 geothermal exploration permit covering 143km<sup>2</sup> of the Perth metro area. Key to this will be the inclusion of direct use geothermal which displaces electricity being eligible for Renewable Energy Certificates under the Commonwealth Government's Mandatory Renewable Energy Target legislation.

Once the concept has been proved, several other commercial projects are expected to follow within the GEP1 area and the other permits held by Green Rock in the rapidly growing coastal corridor to the north of the city.

Green Rock continues to evaluate options to secure a drilling rig for the project. The cost of drilling will have a significant impact on the economics of the completed project. To this end Green Rock is in contact with drilling rig contractors, drilling project management companies, other geothermal and petroleum companies and the WA Department of Mines and Petroleum (DMP). DMP is exploring the potential for pooling the commitments of geothermal and petroleum exploration companies onshore WA in a way that would deliver more effective and economic drilling projects.

- **Collie Basin**

Field work continued in the three Permits held jointly with BHP Billiton Worsley Alumina Pty Ltd and operated by Green Rock. This work included temperature measurements in existing drill holes, a gravity survey and soil gas survey over all three Permits. Analysis of the data is underway and, based on these results, follow up shallow drilling and geochemical surveys are planned to be completed by the end of the first quarter of 2011.

A market study on the Collie Permits commenced during the quarter. This is collecting the costs, volumes and other attributes of existing and potential energy users in the Permit areas that could be serviced by geothermal energy. This information, together with the locations of potential resource 'hot spots', will help determine deep drilling targets.

### **South Australian Activities**

- **Olympic Dam Geothermal Project**

Activity in South Australia continues to be carried out at a level sufficient to maintain our permits in good standing.

At the Olympic Dam Geothermal Project a new GEL 557 occupying 249 km<sup>2</sup> and adjacent to GEL128 and GEL206 was granted to the Company.

There is unlikely to be any significant progress in the Company's Olympic Dam Licence areas until the results of other geothermal companies' drilling activities in South Australia are announced over coming months.

- **Upper Spencer Gulf**

The Company undertook a survey to measure temperatures in drill holes in the GELs held by Green Rock bordering the eastern boundary of the Upper Spencer Gulf. Results are being evaluated.

### **Hungary**

In October 2010 Green Rock announced that its 50% owned Hungarian geothermal developer CEGE had acquired a comprehensive data set from a former petroleum well owned by MOL close to existing power infrastructure. MOL holds the other 50% in CEGE. CEGE 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.

Since October, additional well temperature and pressure measurements have been taken and the data set acquired has been further evaluated and interpreted by CEGE, MOL and BESTEC experts. BESTEC GmbH is the German geothermal power generation developer and operator managed by Green Rock non-executive director Dr. Jörg Baumgärtner. The experts' conclusion is that the well data indicates a sizeable geothermal reservoir which should be capable of supporting several MW of power generation capacity.

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 CEGE obtaining the geothermal concession for the area under legislation being introduced by the Government of Hungary.

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.

### **Corporate Activities**

A General Meeting of shareholders was held on 20 August 2010. The business before the meeting was:

- the ratification of the allotment and issue of 30,000,000 shares being the first tranche of a placement facilitated by Cygnet Capital. This ratification restored the right of the Company to issue further shares within Listing Rule 7.1's 15% limit during the next 12 months
- the approval of the proposed allotment and issue of 40,000,000 shares being the second tranche of a placement by Cygnet and the proposed issue of 25,000,000 options to Cygnet

All resolutions were all passed on a show of hands.

The two placement tranches raised \$ 1,050,000 before costs and the options approved by shareholders are to be issued in consideration for the corporate advisory services provided by Cygnet in respect of the placements and Rights Issue.

The 2010 Annual General Meeting of shareholders was held on 16 November 2010. The business before the meeting was:

- the re-election of Adrian Larking as a director
- the appointment of Deloitte Touche Tohmatsu as Auditors
- the issue of share incentive options to Directors Richard Beresford, Adrian Larking and Dr Jörg Baumgärtner

All resolutions were passed on a show of hands.

- **Capital Raising**

On 6 September 2010 the Company issued a Prospectus 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 on the Record Date, at an issue price of \$0.015 per New Share, for the purpose of raising \$1,657,571 before expenses. The rights issue was underwritten by Cygnet Capital.

The rights issue opened on 17 September 2010 and closed on 1 October 2010. Approximately 710 shareholders exercised their rights and applications for additional shares were received from 185 shareholders. Allocations of additional shares were made in consultation with Cygnet and scaled such that over 77% of the applicants for additional shares received their full request.

- **Share Incentive Options**

In November the Company issued 5,050,000 share incentive options which vest 50% on 16 November 2010 and the balance vesting on 16 November 2011, with expiry on 16 November 2014 and are exercisable at 4 cents per share to directors, staff and consultants.

The net loss after accounting for income tax for the half-year ended 31 December 2010 is \$1,616,025 (2009: \$1,727,655).

The total number of fully paid ordinary shares on issue at 31 December 2010 were 442,019,045.

In addition there were 45,550,000 (2009: 24,600,000) unquoted incentive options on issue at 31 December 2010.

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**Auditor's independence declaration**

The Auditor's independence declaration is included on page 7 of the condensed consolidated half-year financial report and forms part of this report.

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

On behalf of the Directors.

A handwritten signature in black ink that reads "Richard Beresford".

**Richard Beresford**  
**Managing Director**

**Perth, Western Australia, Australia.**  
**10 March 2011**

**Deloitte.**

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The Board of Directors  
Green Rock Energy Limited  
Unit 6, 38 Colin Street  
WEST PERTH WA 6005

10 March 2011

Dear Board Members

**Green Rock Energy Limited**

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

As lead audit partner for the review of the financial statements of Green Rock Energy Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Green Rock Energy Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 19.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Green Rock Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Auditor's Independence Declaration*

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

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Member of Deloitte Touche Tohmatsu Limited

## Deloitte.

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity has incurred net losses of \$1,616,025 and experienced net cash outflows from operations of \$792,549 for the half-year ended 31 December 2010. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the ordinary course of business, and at amounts that differ from those stated in the financial report.



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants  
Perth, 10 March 2011

## Directors' declaration

In accordance with a resolution of the directors of Green Rock Energy Limited state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity as set out on pages 11 to 19 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standards AASB 134 'Interim Financial Reporting' and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors.



**Richard Beresford**  
Managing Director

**Perth, Western Australia, Australia.**  
**10 March 2011**

## Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2010

	Notes	Consolidated	
		31 December 2010 \$	31 December 2009 \$
<b>Revenue</b>			
Interest income		27,596	9,950
<b>Total Revenue</b>		<b>27,596</b>	<b>9,950</b>
<b>Expenses</b>			
Employee benefits expense	7	(515,375)	(511,813)
Administration expense		(53,358)	(35,774)
Consulting expense		(349,479)	(214,274)
Depreciation and amortisation		(14,276)	(17,856)
Exchange gains/(losses)		(1,410)	(1,951)
Exploration expenditure expensed as incurred		(298,500)	(471,430)
Share of net loss of associates accounted for using the equity method	6	(275,098)	(187,106)
Other expenses from ordinary activities		(136,125)	(297,401)
<b>Total expenses</b>		<b>(1,643,621)</b>	<b>(1,737,605)</b>
<b>Loss before income tax benefit</b>		<b>(1,616,025)</b>	<b>(1,727,655)</b>
Income tax benefit		-	-
<b>Net loss for the period</b>		<b>(1,616,025)</b>	<b>(1,727,655)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences for foreign operations		(10,983)	(17,283)
Income tax on other comprehensive income		-	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>(10,983)</b>	<b>(17,283)</b>
<b>Total comprehensive income for the period attributable to members of Green Rock Energy Limited</b>		<b>(1,627,008)</b>	<b>(1,744,938)</b>
<b>Loss per share:</b>			
Basic and diluted loss per share (cents per share)		(0.45)	(0.87)

Notes to the financial statements are included on pages 15 to 19.

## Condensed Consolidated Statement of Financial Position as at 31 December 2010

		Consolidated	
		31 December 2010	30 June 2010
		\$	\$
	Notes		
<b>Current assets</b>			
Cash and cash equivalents		1,496,084	926,515
Other receivables		371,705	493,220
Other assets		-	13,391
<b>Total current assets</b>		<b>1,867,789</b>	<b>1,433,126</b>
<b>Non-current assets</b>			
Other financial assets		105,300	105,300
Deferred exploration expenditure	5	8,683,039	8,672,024
Investments accounted for using the equity method	6	990,821	92,185
Plant and equipment		246,775	264,030
<b>Total non-current assets</b>		<b>10,025,935</b>	<b>9,133,539</b>
<b>Total assets</b>		<b>11,893,724</b>	<b>10,566,665</b>
<b>Current liabilities</b>			
Trade and other payables		257,093	319,610
Provisions		80,091	71,892
Other liabilities		350,000	-
<b>Total current liabilities</b>		<b>687,184</b>	<b>391,502</b>
<b>Non-current liabilities</b>			
Provisions		30,167	28,143
<b>Total non-current liabilities</b>		<b>30,167</b>	<b>28,143</b>
<b>Total liabilities</b>		<b>717,351</b>	<b>416,645</b>
<b>Net assets</b>		<b>11,176,373</b>	<b>10,147,020</b>
<b>Equity</b>			
Issued capital	3	22,744,997	20,513,942
Reserves		993,207	648,884
Accumulated losses		(12,561,831)	(11,015,806)
<b>Total equity</b>		<b>11,176,373</b>	<b>10,147,020</b>

Notes to the financial statements are included on pages 15 to 19.

## Condensed Consolidated Statement of Changes In Equity for the half-year ended 31 December 2010

For the period ended 31 December 2010	Ordinary Shares \$	Option Premium Reserve \$	Share Based Payment Reserve \$	Foreign Currency Reserves \$	Accumulated Losses \$	Total Equity \$
At beginning of period	20,513,942	158,332	548,822	(58,270)	(11,015,806)	10,147,020
<b>Net loss for the year</b>	-	-	-	-	(1,616,025)	(1,616,025)
<b>Other comprehensive income</b>	-	-	-	(10,983)	-	(10,983)
<b>Total comprehensive income for the period</b>	-	-	-	(10,983)	(1,616,025)	(1,627,008)
<b>Transactions with owners in their capacity as owners:</b>						
Issued capital	2,707,571	-	-	-	-	2,707,571
Costs of capital raising	(476,516)	-	-	-	-	(476,516)
Share based payments	-	-	425,306	-	-	425,306
Options expired during the year	-	-	(70,000)	-	70,000	-
	2,231,055	-	355,306	-	70,000	2,656,361
<b>At end of period</b>	22,744,997	158,332	904,128	(69,253)	(12,561,831)	11,176,373
<b>For the period ended 31 December 2009</b>						
At beginning of period	17,512,225	158,332	486,382	(5,046)	(8,320,215)	9,831,678
<b>Total comprehensive income for the period</b>	-	-	-	(17,283)	(1,727,655)	(1,744,938)
<b>Transactions with owners in their capacity as owners:</b>						
Issued capital	1,430,001	-	-	-	-	1,430,001
Costs of capital raising	(67,283)	-	-	-	-	(67,283)
Share-based payments	-	-	88,789	-	-	88,789
	1,362,718	-	88,789	-	-	1,451,507
<b>At end of period</b>	18,874,943	158,332	575,171	(22,329)	(10,047,870)	9,538,247

Notes to the financial statements are included on pages 15 to 19.

## Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2010

	31 December 2010 \$	31 December 2009 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,241,888)	(840,936)
Interest received	27,596	9,950
Government grant received	350,000	-
Research and development concession received	71,743	-
Net cash used in operating activities	<u>(792,549)</u>	<u>(830,986)</u>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(9,188)	(10,956)
Payments for exploration and evaluation expenditure	(11,015)	(486,488)
Investment in associate	(1,173,734)	(252,014)
Net cash used in investing activities	<u>(1,193,937)</u>	<u>(749,458)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and options	2,707,571	1,430,001
Payment for share issue costs	(151,516)	(67,283)
Net cash provided by financing activities	<u>2,556,055</u>	<u>1,362,718</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	569,569	(217,726)
<b>Cash and cash equivalents at the beginning of the half-year</b>	926,515	638,204
<b>Cash and cash equivalents at the end of the half-year</b>	<u>1,496,084</u>	<u>420,478</u>

Notes to the financial statements are included on pages 15 to 19.

## Notes to the condensed consolidated financial statements for the half year ended 31 December 2010

### 1. Summary of accounting policies

#### Statement of Compliance

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

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

#### Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the company's 2010 annual financial report for the financial year ended 30 June 2010, unless disclosed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

#### New Standards and Interpretations

##### *(a) Changes in Accounting Policies and Disclosures*

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

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project:
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2010. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

### Going concern

The consolidated entity has incurred net losses after taxes of \$1,616,025 (2009: \$1,727,655) and experienced net cash outflows from operations of \$792,549 (2009: \$830,986) for the half-year ended 31 December 2010.

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

The ability of the consolidated entity to continue as a going concern is dependent upon the ability of the consolidated entity to raise additional funding, sufficient to fund exploration commitments, project development and to provide adequate working capital for a further 12 months from the date of signature of this half year financial report. This funding is expected to include direct funding by joint venture partners in permits and projects.

The directors took steps during the period under review to ensure that the consolidated entity continued as a going concern including conducting a private placement and a non-renounceable rights issue to raise a total of \$2.7 million (before costs) as detailed in Note 3.

The directors intend to raise additional capital of approximately \$1.5 million (net of costs) by no later than September 2011 to meet the consolidated entity's requirements..

The directors are confident of their ability to raise additional capital as necessary and have prepared a cash flow forecast for the period ending 31 March 2012 which indicates, based upon intended capital raising, the consolidated entity will have sufficient cash flows to meet all working capital requirements.

Based on the cash flow forecasts and achieving future funding, 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.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

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

## 2. Subsequent events

### Option to Purchase Hungarian Well Exercised by CEGE

During the period, CEGE undertook additional well temperature and pressure measurements and further evaluation and interpretation of the acquired data set by CEGE, MOL and BESTEC. The experts' conclusion is that the well data indicates a sizeable geothermal reservoir which should be capable of supporting several MW of power generation capacity. In January 2011, CEGE therefore exercised the option to purchase the well.

The target is to commence power production in 2012, subject to CEGE obtaining the geothermal concession for the area under legislation being introduced by the Government of Hungary.

The total cost to Green Rock for data acquisition and purchase of the well is estimated to be A\$1 million.

On 19 January 2011 a short term revolving credit facility agreement, expiring on 30 June 2011, was entered into with CEGE with a 50 million Hungarian Forint facility. In terms of this agreement an amount of 45 million HUF was released to CEGE in late January. The loan amount will be repaid with interest in two tranches commencing in March and will be fully repaid by the end of June 2011. This is to meet CEGE's requirements up to June 2011.

On 4 March 2011 the shareholders of CEGE agreed to increase the share capital of CEGE by the issue of 80 new shares with par value of 100,000 Hungarian Forint (HUF) and issue value of 775,000 HUF each and to pay the issue value to CEGE by 11 March 2011. Green Rock's commitment is to subscribe for 40 new shares with issue value of approximately \$163,000.

### 3. Issuances, repurchases and repayments of securities

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

- 4 August 2010 issued 30,000,000 fully paid ordinary shares to sophisticated and institutional investors to raise \$450,000 working capital.
- 2 September 2010 issued 40,000,000 fully paid ordinary shares to sophisticated and institutional investors to raise \$600,000 working capital.
- 5 October 2010 issued 62,049,895 fully paid ordinary shares pursuant to a Non-Renounceable Rights Issue to raise \$930,748 to progress the commercialisation of key projects, the investigation of new opportunities and for working capital.
- 29 October 2010 issued 48,454,866 fully paid ordinary shares pursuant to a Non-Renounceable Rights Issue to raise \$726,823 to progress the commercialisation of key projects, the investigation of new opportunities and for working capital.
- 16 November 2010 issued 3,500,000 options to acquire ordinary shares at an exercise price of 4 cents each expiring on 16 November 2014 to Directors. 50% of these options vest immediately and the balance on 16 November 2011.
- 16 November 2010 issued 500,000 options to acquire ordinary shares at an exercise price of 4 cents each expiring on 16 November 2014 to the Company Secretary. 50% of these options vest immediately and the balance on 16 November 2011.
- 16 November 2010 issued 300,000 options to acquire ordinary shares at an exercise price of 4 cents each expiring on 16 November 2014 to an employee. 50% of these options vest immediately and the balance on 16 November 2011.
- 16 November 2010 issued 750,000 options to acquire ordinary shares at an exercise price of 4 cents each expiring on 16 November 2014 to consultants. 50% of these options vest immediately and the balance on 16 November 2011.
- 24 November 2010 issued 25,000,000 options to acquire ordinary shares at an exercise price of 2 cents each expiring on 30 June 2013 in consideration for corporate advisory services. These options vest immediately.

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

#### 4. Segment reporting

The Company operates predominantly in two geographical segments, being Australia and Hungary, and one business segment, the development of geothermal energy projects.

##### *For the six months ended 31 December 2010*

	Australia	Hungary	Consolidated
Segment revenue	27,591	5	27,596
Segment result	(1,336,931)	(279,094)	(1,616,025)
Segment assets	10,700,818	1,192,906	11,893,724

##### *For the six months ended 31 December 2009*

Segment revenue	9,939	11	9,950
Segment result	(1,532,804)	(194,851)	(1,727,655)
Segment assets	9,580,866	261,138	9,842,004

#### 5. Deferred exploration costs

	31 Dec 2010	30 June 2010
Costs brought forward	8,672,024	8,908,129
Exploration expenditure capitalised during the period	11,015	24,171
Hungarian assets reallocated	-	(204,332)
Exchange movements	-	(55,944)
Cost carried forward	8,683,039	8,672,024

Total exploration costs of \$298,500 were expensed.

#### 6. Investments accounted for using the equity method

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

	31 Dec 2010	30 June 2010
Investment in Central European Geothermal Energy Private Company Limited (CEGE)	92,185	127,814
Additional investment during the period	1,173,734	342,292
Share of losses after income tax (50%)	(275,098)	(377,921)
Carrying amount at the end of the financial period	990,821	92,185

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

	Ownership Interest %	Group's share of:			
		Assets	Liabilities	Revenues	Profit/(Loss)
<b>31 December 2010</b>					
Central European Geothermal Energy Private Company Limited (CEGE)	50	2,657,251	680,923	19,787	(550,197)
<b>30 June 2010</b>					
Central European Geothermal Energy Private Company Limited (CEGE)	50	160,091	95,269	18,846	(755,842)

## 7. Share based payments

Included in staff costs is an amount of \$100,307 relating to share based payments (December 2009: \$88,789).

Included in capital raising costs is an amount of \$325,000 relating to a share based payment of placement costs (December 2009: \$0).

Share based payments is the fair value of options issued and expensed over the vesting period. The fair value of the equity-settled share options granted is independently estimated as at the date of grant using a Binomial model taking into account the terms and conditions upon which the options are granted. Expected volatility is based on the movement of the underlying share price around its average price over the expected term of the option.

On 16 November 2010, three consultants, one employee, the Company Secretary Nigel Hodder and Directors, Richard Beresford, Adrian Larking and Jörg Baumgärtner were granted options with the details shown on page 19:

	<b>Unlisted options exercisable at 4 cents per share on or before 16 November 2014</b>
<b>Grant date</b>	16 November 2010
<b>No of options issued</b>	5,050,000
<b>Vesting conditions</b>	50% vesting immediately and the balance on 16 November 2011
<b>Fair value at grant date</b>	1.40 cents
<b>Share price</b>	2.10 cents
<b>Exercise price</b>	4 cents
<b>Volatility</b>	110%
<b>Risk free rate</b>	5.18%

On 24 November 2010, Cygnet Capital were granted options with the following details:

	<b>Unlisted options exercisable at 2 cents per share on or before 30 June 2013</b>
<b>Grant date</b>	24 November 2010
<b>No of options issued</b>	25,000,000
<b>Vesting conditions</b>	Vesting immediately
<b>Fair value at grant date</b>	1.30 cents
<b>Share price</b>	2.00 cents
<b>Exercise price</b>	2 cents
<b>Volatility</b>	110%
<b>Risk free rate</b>	5.17%

## 8. Commitments

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 16 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" in which indicative costs for the minimum work program were established. Green Rock Energy are currently in their second year of the work program for the majority of these GEP's. Green Rock's share of the indicative costs of the minimum work program accepted by the Department of Mines for the various GEP's is a total of approximately \$2.0 million for the second year of the work programs.