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**Company Announcements Office
Australian Stock Exchange**

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**QUARTERLY REPORT ON EXPLORATION ACTIVITIES
for the PERIOD ENDED 31 MARCH 2006**

HIGHLIGHTS

- Mini-fracture testing to be undertaken in Blanche No.1
- Planning underway for a second exploratory well
- Both the South Australian Government and BHP Billiton expressed their interest in purchasing electricity from the proposed pilot power plant
- Discussions progressed with major energy companies for participation in the Olympic Dam HDR Project
- RFC Corporate Finance Limited appointed financial advisor

BACKGROUND

Green Rock Energy Limited ("Green Rock Energy") is undertaking the evaluation and development of a hot dry rock ("HDR") geothermal reservoir and associated pilot power plant, on its geothermal exploration leases in central South Australia. This undertaking is in preparation for the construction of a series of HDR geothermal reservoirs that will provide the heat energy to power a base load 400MWe power plant to supply the current and proposed electricity needs of BHP Billiton's copper operation at Olympic Dam and the surrounding area. The Olympic Dam geothermal energy project ("Project"), located within 10 kms of BHP Billiton's Olympic Dam mine and only 5 kms from a 275kV and a 132 kV power transmission line connected to the Eastern Australian power grid, is situated on the most economically prospective hot dry rock geothermal energy ground in Australia. In addition, its location will enable the Project to grow in a prudent and logical stepwise manner, from the initial exploratory geothermal drilling right through to an ultimate electricity power plant of up to 1,000MWe of capacity.

Production of Energy from Hot Dry Rocks

Geothermal energy is extracted from hot dry rocks by drilling deep into the hot crystalline rocks (usually granites) and pumping water at high pressure down an injection well to create a permeable reservoir in the rocks. The water pressure forces open a permeable network of pre-existing joints and fractures in the hot rocks at depth

to create the geothermal reservoir. This process is known as fracture stimulation. The injected water gathers heat and becomes superheated as it flows through the fracture network and back to the surface through nearby production wells. This recovered heat will be used to generate long life base load electricity with zero emissions of carbon dioxide.

The Time is Right

Earlier this month top executives of six major companies (BP, Insurance Australia Group, Origin Energy, Swiss Re - a giant insurance company, Visy Industries and Westpac), which launched the Australian Business Roundtable on Climate Change, called for business and government to respond more rapidly to rising world temperatures and for the implementation of a "national, market-based carbon pricing mechanism". Such a mechanism would provide added incentive for industry to develop new renewable energy resources. Based on information derived from CSIRO research, these business leaders suggested climate change is a major business risk and any delay in the implementation of the means to reduce the factors causing the climate change could be costly.

With record world petroleum prices and growing public concern over greenhouse gas emissions expected to exert further upward pressure on the need to bring alternative energy sources on stream, geothermal energy will become increasingly attractive as a clean, sustainable source of electric power.

HDR geothermal energy will provide long life base load power, yet it is environmentally benign. Electricity generated from hot dry rocks, by continuously circulating water underground through the hot source rocks, produces zero emissions of pollutants and greenhouse gases and has a smaller footprint than other forms of renewable energy. In HDR systems the hot water that is brought to the surface is reinjected and recirculated continuously after the heat is removed. Moreover, unlike other renewables which rely on intermittent sources of energy, such as wind, waves or sunshine, geothermal energy delivers base load electricity round the clock without any need for storage or backup sources of power.

The attractiveness of geothermal energy relative to other sources of energy continues to increase in line with the cost of fossil fuel, public awareness of the impact of greenhouse gas emissions, and as the improvements in drilling and power generation efficiencies further lower the cost of recovering geothermal energy.

COMPANY ACTIVITIES

Green Rock Energy drilled its first exploratory diamond cored geothermal well, Blanche No. 1, at Olympic Dam in the second half of 2005, following the issue of its first five geothermal exploration licences in June 2004. This drill hole confirmed hot homogeneous granite host rock with appropriate reservoir and fracturing qualities, suitable temperatures for the generation of electricity and a potential geothermal energy resource in excess of 1,000 MWe, all within close proximity and easy access to the national electricity grid.

The Company's activities during the quarter were undertaken to set the foundation for the Pilot Stage leading to recovering energy at the surface for power generation. The Pilot Stage is designed to establish a reservoir at depth in the hot rocks and test a water circulation system through the reservoir to harness the geothermal energy. This stage will entail the design and procurement of drilling equipment and consumables, drilling of two deep geothermal wells, one an injection well and the other a production well, reservoir fracture stimulation, water flow testing including micro-seismic monitoring and tracer analysis, and evaluation of performance of the production wells. Preparation for this stage has commenced with the identification and assembling of top HDR geothermal expertise. Subject to drill rig availability, it is planned to commence drilling the first of the two deep geothermal wells in the last quarter of 2006 or the first quarter of 2007.

During the quarter both the South Australian Government and BHP Billiton advised Green Rock Energy of their interest in purchasing power from the pilot power plant.

Prior to drilling the two deep geothermal production wells, a second exploratory diamond cored hole is to be drilled and a mini-frac program is to be completed in Blanche No 1.

Second exploratory diamond hole

A second diamond hole, to be drilled about 4 kms west of Blanche No. 1, will test the insulating properties of the much thicker (approximately 1.7 kms compared to 0.7 kms at Blanche No. 1) blanketing sediments to refine the location of the deeper production wells. It is planned to drill this exploratory well in the September quarter. The South Australian Government's \$68,000 PACE grant will assist the funding of this well.

Mini-frac in Blanche No. 1

A down-hole mini hydraulic fracturing ("mini-frac") program will be undertaken in the exploratory geothermal well Blanche No. 1. The mini-frac program will provide an understanding of the magnitude and direction of the ambient stress field and the fracturing properties of the hot granites which will assist in the design of the hydraulic fracture stimulation program for the two deeper production wells planned for later this year.

Hydraulic fracturing entails the injection of relatively small volumes of water, under pressure, into the hot granites surrounding open sections of the well-bore. This water injection will cause fractures to open in the surrounding granites.

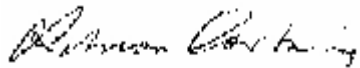
Other Geothermal Projects

On April 12 the Victorian Government released 31 geothermal exploration permits for tender under Victoria's new geothermal energy legislation. Green Rock Energy will review the geothermal energy potential in these permit areas to determine whether or not to apply for title to any of them.

The Company is also investigating two other Hot Dry Rock geothermal projects which are complementary to the Olympic Dam geothermal energy project and which will utilise expertise developed from that project.

CORPORATE ACTIVITIES

Green Rock Energy is seeking the participation, in the Olympic Dam geothermal energy project, of a major energy company. Discussions with several companies are progressing. RFC Corporate Finance Limited, a Sydney based resource and energy focused investment bank, has been commissioned to provide assistance with these discussions and overall financial advice.



Adrian Larking
Managing Director

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