



**GREEN ROCK ENERGY LIMITED  
(ABN 59 094 551 336)**

**MANAGING DIRECTOR'S ADDRESS DELIVERED AT 2.30 PM (WST) TO THE ANNUAL  
GENERAL MEETING OF GREEN ROCK ENERGY LIMITED  
HELD AT THE UNIVERSITY CLUB, UNIVERSITY OF WESTERN AUSTRALIA  
ON 27 NOVEMBER 2006**

**LADIES AND GENTLEMEN,**

I am pleased to welcome you all this afternoon, to Green Rock Energy's Annual General Meeting. This is only the second since your Company changed its direction last year to pursue its aim of becoming a major producer of clean renewable geothermal energy. This is in line with our objective to build a portfolio of attractive geothermal projects close to strong markets for power and in locations where energy prices will provide attractive returns. These critical factors will enable the projects to be scaled up in stages as the geothermal resources are tapped.

The main thrust for the financial year has been the drilling and analysis of Blanche No 1 as the first step in the evaluation of the geothermal power generation potential to supply the massive Olympic Dam mining project in South Australia.

The geothermal exploration well, situated only 8 kilometres from the Olympic Dam mine, was drilled to a depth of 1,934.6 metres including coring through 1, 218 metres of massive homogeneous hot fractured granite underlying more than 700 metres of blanketing sediments. Results of this work have confirmed the area near Blanche No 1 has suitable geology and geothermal properties and a huge hot rock energy source with potential for the development of commercial geothermal power on a very large scale.

Since the end of the financial year, we have taken our first step outside Australia by extending our activities into Europe at a time when European and global concern about carbon dioxide emissions has accelerated markedly, and there is increasing focus on procuring clean energy from renewable energy sources. We did this by acquiring an attractive interest in a joint venture with two major international energy companies for the development of geothermal energy in Hungary for electricity generation and industrial uses. Success will lead to the first geothermal power plant in Central and Eastern Europe.

Other notable events in the last financial year towards this transformation of your Company include:

- In September 2005 a Geothermal Exploration Licence (GEL 213), comprising 206 square kilometres abutting the western boundary of the Company's existing geothermal exploration licences at Olympic Dam, was granted.

- Application was made for six new geothermal energy exploration licences covering a substantial area bordering the coast in the Upper Spencer Gulf region of South Australia.
- Green Rock Energy was admitted as a member of the Geothermal Implementing Agreement (GIA), established under the auspices of the International Energy Agency to provide broad international co-operation between member countries in geothermal research and development, and which seeks to overcome barriers to the development of geothermal energy utilization.

The Company is pleased that it has continued its good record of health, safety and environmental compliance with no reports of lost time injuries for employees or contractors and no breaches of health and safety and environmental compliance requirements.

### **Hungarian Project**

Let me explain the Hungarian Project in more detail.

Since the end of the financial year the most significant development has been the acquisition of the Hungarian project. It is a joint venture between Vulcan Energy Kft (32% interest), a wholly owned subsidiary of Green Rock Energy Ltd, the Hungarian oil and gas company, MOL (36%), Hungary's largest company which is also the operator of the Joint Venture, and Enex (32%), a leading Icelandic geothermal consulting and development company. MOL is similar in size to the Australian oil and gas company Woodside.

The Hungarian Project will test existing, but shut in, or out-of-use, petroleum wells for the generation of geothermal energy.

The first phase of this project, known as the Ortaháza Project located in Zala County, in western Hungary, involves re-entering two existing wells, drilled to around 3,000 metres into naturally hot water, and carrying out production testing to determine the sustainable flow rates of the natural geothermal waters which will be recovered from the Triassic limestone reservoirs. Each joint venturer will pay for its own equity share of costs.

The two wells selected for the first project in Hungary have demonstrated excellent reservoir potential and a suitable water temperature. Site preparation for the testing program has been completed and the actual production testing will commence in the middle of December and should be completed around July next year.

Following the production testing program we will complete a feasibility study for development of a geothermal power plant and direct heat supply for industry. This study will determine the optimum development size which will be based upon the quantity and sustainability of the flow rate of the geothermal water from the first two wells.

The project is strategically located close to the existing power grid and potential industrial energy users, and the joint venturers expect that success will lead to fast commercialisation and expansion of the project, and duplication of the concept elsewhere in Hungary, using other existing wells owned by MOL.

Hungary is an attractive destination for supply of electricity sourced from geothermal energy. Hungary has legislated to assure access to Hungary's power grid for geothermal base load electricity and to provide electricity prices for generators which are at least three times higher than electricity prices typically obtained by generators of electricity in Australia.

The Hungarian project has also received the support of the World Bank, which has approved a sum of US\$3.7 million for technical risk insurance. This is the first project anywhere to obtain this risk insurance from the Geothermal Energy Development Program, also referred to as the Geofund. The Geofund has been set up to assist geothermal developments in Europe and Central Asia. The Geofund is funded by the Global Environment Facility Trust Fund and implemented jointly by the World Bank and the IFC.

The World Bank Geofund risk insurance provides a refund of the major costs associated with the testing of the wells if the water flow rates do not achieve agreed desired levels, reducing the financial risk associated with this project.

I would just like to briefly outline two other matters:

- During the current year we plan to carry out a mini-fracture stimulation program in Blanche No. 1 at Olympic Dam, to obtain information about the magnitude and orientation of the prevailing stress field at depth. This information will be used to plan the design and drilling of two deeper wells, and the program to fracture stimulate the hot granites in those wells. The two deep evaluation wells and associated water flow testing will then provide the confidence to commit to the commercial development of the Olympic Dam geothermal power project.
- On the minerals front, we are still awaiting the grant of the two exploration licence applications in the Pilbara at the Telfer Waukarlycarly project before exploration activities can commence in the licence areas. The ground is considered to be prospective for uranium, gold and copper. CRA had identified the uranium mineral carnotite in channels in the ground. Our funding requirements are negligible until the applications are granted but we would like to see exploration activity commence on this ground.

### **Corporate Matters**

Two important changes to our corporate structure during the year were the appointment of Alan Knights as Executive Director and Scott Spencer as non-Executive Director. Alan has more the 30 years experience in the finance and mining industries, and has held the positions of Group Treasurer, Company Secretary and General Manager Finance at WMC Limited. Scott played an integral part in the growth of Hardman Resources from its early market capitalisation of about \$5 million to its current capitalisation which is in excess of \$1 billion.

During the financial year the sum of \$575,000 (net of costs) was raised via a shareholder purchase plan and subsequently the company raised \$310,215 by placement to sophisticated investors.

To enable the Company to move forward with its plans for this year, we are in the discussions with several organisations to raise further funds in the short term.

Once again we would like to thank our team of capable employees and key consultants for their valuable contributions and dedication. To recognise their ability and contributions to the success of the Company and to assist the Company to attract and retain competent staff in this climate where skills shortages have become an issue for many industries we have proposed, for the approval of the shareholders at this AGM, to introduce an employee share option scheme.

**To summarise** – I am happy to report that substantial progress has been made in the past year towards Green Rock Energy's aim to become a major producer of clean renewable geothermal energy. As mentioned in the Annual Report, our timing is excellent, with accelerating global concern about carbon dioxide emissions and increasing focus on procuring clean energy from renewable energy sources. Our project locations are ideally placed for market access. In Hungary we are positioned near power grids in a part of Central Europe that has a shortage of renewable, base load electricity and provides strong incentives to geothermal energy via strong electricity prices and access to the power grid. Work there will start during December. Moreover, we have the support of the World Bank for our Hungary project. In Australia we are alongside a very substantial potential customer at Olympic Dam, and also with close access to the national power grid. Our results from drilling at Blanche No 1 have produced encouraging results.

I am happy to be able to report so much progress in our maiden year as Green Rock Energy. I thank you for your past support, and I am confident we can all look forward to a very exciting future.

Adrian Larking

Managing Director