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Company Announcements Office  
Australian Stock Exchange

*By e-Lodgement*

## Quarterly Report for the period ending 30 September 2006

During the quarter, Green Rock Energy entered into the Hungarian Geothermal Energy Project, a project that should provide Green Rock Energy with a positive cash flow by around the end of 2008. The Company also commenced preparation for a down-hole mini hydraulic fracturing program in Blanche No.1 exploratory well at the Olympic Dam Geothermal Energy Project and continues to see the recognition of the global need, and the move towards, renewable energy.

Although the pace of recognition of the global need for renewable energy continues to accelerate, this fact, and the Company's progress in South Australia and Hungary, is not currently being reflected in the Company's share price. The underlying value of the Olympic Dam and Hungarian geothermal energy projects provides scope for a significant increase in the Company's share price.

The Olympic Dam Geothermal Project has the potential to be developed into one of the largest low cost electric power generators in Australia and all from an environmentally clean energy source that provides continuous base load electricity. Drilling has indicated a geological regime that comprises a hot, dry, homogenous granite with horizontal fracturing, well suited to hot dry rock technology; and the project has a substantial potential electricity market on its door-step.

The Hungarian Geothermal Energy Project should provide the Company with early geothermal energy production and near term cash flows in a country that financially supports the generation of electricity from renewable energy sources.

### **Hungary Geothermal Energy Project**

During the quarter Green Rock Energy completed negotiations and entered into an agreement to acquire **Vulcan Geothermal Pty Ltd**, which holds a 32% interest in a joint venture ("Hungarian Joint Venture") to establish the first geothermal power plant in Central-Eastern Europe.

Hungary has a strong and growing demand for clean, green, renewable energy, and has existing power infrastructure and electricity pricing incentives for renewable energy which make geothermal projects commercially attractive.

The joint venturers in the Hungarian Joint Venture, in addition to Green Rock, are Hungary's largest company, the Hungarian oil and gas company, **MOL** ("MOL"), which is also the operator of the Joint Venture, and **Enex hf** ("Enex"), a leading Icelandic geothermal consulting and development company.

The Joint Venture is testing existing, but shut in, or out-of-use, petroleum wells for the generation of geothermal energy. The first two wells have been selected following the evaluation of around 70 shut in wells owned by MOL out of thousands of petroleum wells drilled in Hungary.

The first two wells (Ortaháza -3 & Ortaháza -5), located near Iklódbördöce (Zala County), in south-west Hungary, will be tested for hot water production rates over the next 8 months to determine the optimum development. During the testing one well will be used for thermal water production and the other well for injecting the water back into a separate water-bearing horizon. The testing will gather detailed data on the wells and water-bearing zones for the subsequent construction and operation of the planned geothermal power plant.

The size of the development will depend on the quality and sustainability of the water flow rate. The aim of this first project is to initially install a 2-5 MW geothermal power plant, to be commissioned in 2008. In addition, after passing through the power plant the geothermal water will provide heat for industrial purposes and a multi-acre greenhouse agricultural operation. This output may be expanded by additional drilling. Following this first project, the aim is to undertake similar geothermal projects in Hungary, by utilizing some of the other prospective petroleum wells identified by MOL and Enex.

The consideration for Vulcan will be the issue of 3.5 million fully paid ordinary Green Rock Energy shares and 3.5 million options to acquire Green Rock Energy shares at an exercise price of 15 cents per share. Approval of the issue of the shares and options will be sought at the Company's Annual General Meeting on Monday 27 November 2006.

Green Rock's entry into the Hungarian market is an important step in the Company's strategy to become a major developer of geothermal energy projects and should provide the Company with a positive cash flow from the end of 2008. It gives the Company an advantageous position in a highly attractive market, as well as a valuable relationship with two major international energy companies.

The Company is also participating in an unincorporated joint venture with the Icelandic company, Enex, to investigate the potential for commercial exploitation of geothermal energy in various countries.

### **Olympic Dam Geothermal Energy Project**

BHP Billiton are currently drilling several deep drill holes to around 2.5 kilometres at Olympic Dam as part of the process in the proposed expansion of the massive copper mine. Green Rock Energy is measuring the down hole temperature with its Kuster gauge, designed to be used in slim drill holes, for both BHP Billiton and Green Rock Energy, to further understand the heat flows around the Olympic Dam area.

In 2007 the Company will undertake the mini hydraulic fracturing program in the exploratory geothermal well in preparation for the drilling of the two deep production wells and the establishment of the underground permeable reservoir connecting the wells and testing the water circulation through the reservoir. The Company is seeking a joint venture partner to assist in the funding of the two deep production wells.

### **Australian Government Renewable Energy Business Mission to China**

In early October Green Rock Energy participated in the Renewable Energy Business Mission to China led by Commonwealth Minister for the Environment and Heritage, Senator Ian Campbell. China is in desperate need of renewable energy, not only to replace the significant quantity of fossil fuel sourced electricity currently being generated but also for the significant forecast

increase in electricity demand and to reduce home grown pollution. China has set a target of 15% renewable energy. Potential opportunities were identified and will be followed up in the months ahead.

### **Corporate Activities**

During the quarter the Company raised \$310,250 through the issue of 4,432,132 shares at an issue price of 7 cents per share. The funds were obtained from several major investors including Perilya Limited which holds around 25% of the Company's shares.

With the assistance of RFC Corporate Finance Limited, a Sydney based resource and energy focused investment bank, Green Rock Energy is seeking funding for the Olympic Dam, Hungary and other projects.

### **Annual General Meeting**

The Company's Annual General Meeting will be held at The University Club of Western Australia, Hackett Drive, Crawley, Western Australia on Monday 27 November 2006 at 2.30pm.

Nigel Hodder  
Company Secretary

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