Green Rock welcomes funding application success for Mid West Geothermal Power Project

Highlights

- Green Rock’s application successful for $5.38 million LEED funding for the Mid West Geothermal Power Project
- Strengthens case for Commonwealth Emerging Renewables funding
- The Mid West Geothermal Power Project is based on very large geothermal resources close to infrastructure and a rapidly growing electricity market
- Builds on alliance with Pacific Hydro on the development of conventional geothermal power and agreement with New World Energy to jointly develop geothermal exploration permits in the Mid West
- Good progress being made to select the most prospective drilling location targeting the first well in 2013

Green Rock welcomes being advised today by the Hon Bill Marmion MLA, Minister for Environment and Water in the Government of Western Australia of the success of its application for Low Emissions Energy Development (LEED) funding for its Mid West Geothermal Power Project. The funding applied for was $5.38 million and this success will strengthen the case Green Rock has made to the Commonwealth’s Emerging Renewables Program which puts a strong emphasis on State support.
Green Rock’s Executive Chairman Richard Beresford said:

“This announcement represents a substantial step towards commercialising the very large hot sedimentary aquifer geothermal resources in our Mid West exploration permits. We look forward to working with the State Government so that geothermal power can make a significant contribution to the State’s electricity demand.

We consider the project to be a strong contender for the Commonwealth’s Emerging Renewables funding and our objective is to have the majority of at least the first well costs covered by LEED and Emerging Renewables Program funds. This would address the lack of private investor appetite in Australia for the drilling necessary to demonstrate commercial production of geothermal energy. However, once demonstrated in the Mid West, we are confident that industry and utility investors will recognise the value of the very large geothermal resource and its proximity to existing power infrastructure and a rapidly-growing energy market in the Mid West Region.”

The Mid West Geothermal Power Project is also the focus of previous Green Rock announcements on its alliance with Pacific Hydro for geothermal power generation and its agreement with New World Energy to jointly develop both companies’ geothermal exploration permits in the Mid West.

About the conventional geothermal power alliance with Pacific Hydro

In August 2011 a binding Memorandum of Understanding (MoU) 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”) in the Mid West region of WA and the Great Artesian Basin (“GAB”) in South Australia was signed. Initial power projects of at least 25MW are contemplated in both the NPB and the GAB.

The agreement defines the key steps towards first power production and the rights and obligations of Green Rock and Pacific Hydro.

The parties have jointly developed an Information Memorandum (IM) for the two projects directed at potential upstream ‘farm-in’ partners to substantially fund the drilling of the wells required to fully prove up the conventional geothermal resource once the potential for commercial production has been demonstrated. The IM is being marketed globally through Green Rock’s and its advisers’ networks.

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

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1 An Inferred Geothermal Resource Statement and competent persons statement is included in the Company’s Annual Report 2011.
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.

About the agreement with New World Energy on joint development of Mid West geothermal exploration permits

In October 2011 the Company announced the execution of a binding agreement with New World Energy Pty Ltd to jointly develop both companies geothermal exploration permits (GEPs) in the North Perth Basin in the Mid West region of Western Australia. A map of the combined permit areas is attached.

This agreement will give the joint venture the dominant position for geothermal power development in the Mid West which is the fastest growing electricity market in the State. Magnetite mining and processing projects in the region will require many hundreds of Megawatts of baseload electricity over the coming years.

New World Energy is an unlisted dedicated geothermal energy exploration and development company based in Perth and focussed on Australia and the Asia-Pacific region. The company is the largest geothermal energy landholder in WA with permits covering the prospective areas in the Pilbara and Mid West regions, and is actively acquiring significant projects throughout the Asian ring of fire. In September 2011 it announced the acquisition by its Philippines subsidiary Geoenergy Inc of five high-potential geothermal projects in the Philippines.

Currently Green Rock has 100% interests in 9 GEPs in the North Perth Basin and New World Energy has 100% interest in 8 GEPs. The agreement contemplates the parties joint venturing across all the Permits subject to certain conditions being met:

- Green Rock and New World Energy being satisfied that the work programs and conditions imposed by the Government for the Permits, as may be amended, for the New World Energy Permits and Green Rock Energy Permits respectively are acceptable to each of them
- Green Rock and New World Energy being satisfied with arrangements between them for recovery of past expenditures on the Permits
- New World Energy agrees to the terms of the MoU between Green Rock and Pacific Hydro (announced on 4th August 2011) which includes the Mid West Geothermal Power Project, and Green Rock procures Pacific Hydro consent to farm-out Permit interests to New World Energy

Green Rock will be the initial operator of the joint venture.

The agreement with New World Energy gives Green Rock exposure to a much larger resource footprint and a second potentially attractive drilling target area while reducing its expenditure commitments to explore and develop geothermal resources. The joint venture will focus on identifying the most prospective location for drilling two wells with the objective of an initial ~5MW of power generation capacity connected to existing power infrastructure.
Current Status of Project

Green Rock is planning for drilling the first well in 2013 and is working with other companies with plans for petroleum wells on the North Perth Basin to secure a suitable drilling rig.

The work to locate in the third quarter of 2012 the most prospective drilling target is focusing on identification of zones where natural fractures are likely to provide sufficient permeability for the flow rates necessary for commercial geothermal fluid production. Green Rock’s permits benefit from the availability in the public domain of several 3D seismic surveys over areas identified as having good geothermal prospectivity. New techniques such as automated fracture detection enable the identification of areas with favourable natural fault orientations and densities that will significantly increase the chances of intersecting suitable conduits for geothermal fluid production and ensure the potential for a successful geothermal power project.

Nigel Hodder  
Company Secretary

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About Green Rock Energy Limited

Listed on the ASX in 2005, Green Rock (GRK) is a geothermal and hydrocarbons explorer and developer with geothermal interests in Western Australia, South Australia and Hungary and hydrocarbons interests in Western Australia. Its key projects are:

- A 15% interest in EP417 in the Canning Basin with a right to earn up to 20% through a farm-in agreement with New Standard Energy (NSE) together with an Area of Mutual Interest Agreement for other potential opportunities including the Seven Lakes Special Prospecting Area awarded to NSE
- The beneficial right to a 20% JV interest in the Backreef Area in the Canning Basin operated by Oil Basins Limited (OBL)
- An alliance with leading Australian renewable power developer Pacific Hydro for conventional geothermal power generation in GRK’s permits in the Mid West of WA and GRK’s and Pacific Hydro’s licences in the Great Artesian Basin in SA
- A joint venture with MOL in Hungary for geothermal power generation (GRK 50%)