

**GREEN ROCK ENERGY LIMITED  
(TO BE RENAMED  
BLACK ROCK MINING LIMITED)  
ACN 094 551 336**



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## **PROSPECTUS**

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For an offer of up to 50,000,000 Shares at an issue price of \$0.05 per Share to raise up to \$2,500,000 along with one (1) free attaching Option for every four (4) Shares subscribed for and issued (**Offer**).

The Offer under this Prospectus is conditional upon the passing of certain resolutions at the General Meeting of the Company to be held on 15 December 2014. Refer to Section 4.8 of this Prospectus for further information.

This Prospectus also serves as a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

### **IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

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## IMPORTANT NOTICE

This Prospectus is dated 4 December 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities which are the subject of this Prospectus should be considered highly speculative.

A copy of this Prospectus can be downloaded from the Company's website at [www.greenrock.com.au](http://www.greenrock.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Other than as otherwise stated in this Prospectus, no document or information included on the Company's website is incorporated by reference into this Prospectus. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 16 (Glossary) of this Prospectus and also within its body. The asset depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

All amounts are in Australian dollars unless otherwise specified.

## **Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

## **Foreign Investors**

No action has been taken to register or qualify the Securities, or the Offer, or otherwise to permit the public offering of the Securities, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

## **Photographs and Diagrams**

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## **Conditional Offer**

The Offer is subject to a number of conditions. Refer to Section 4.8 for further details.

In the event that these conditions are not satisfied, the Offer will not proceed and no Securities will be issued under this Prospectus. Applicants will be reimbursed their application monies (without interest).



## **Risks**

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company and the Securities offered under this Prospectus must be regarded as a speculative investment. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section 7 of this Prospectus for details relating to risk factors.

## **Exposure Period**

This Prospectus is not subject to an Exposure Period.

## **Consolidation**

Unless otherwise stated, all references to Securities in this Prospectus are on a post-consolidation basis.

At the Company's General Meeting to be held on 15 December 2014, the Company is seeking the approval of Shareholders to consolidate the Company's existing Securities on issue on a 20 to 1 basis.

## **Competent Person's Statement**

*The information in this section that relates to Exploration Results is based on information compiled by Mr Steven Tambanis and Mr Brendan Cummins, who are members of Australian Institute of Mining and Metallurgy (AUSIMM) and Australian Institute of Geoscientists (MAIG), respectively. Mr Tambanis is the current Interim Chief Executive Officer of Green Rock Energy Limited while Mr Cummins is a consultant to Green Rock Energy Limited. Both Mr Tambanis and Mr Cummins have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tambanis and Mr Cummins consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

The key information relating to the projects are set out in Section 6.4.

## **Consolidation**

Unless otherwise stated, all references in this Prospectus are made on the basis that the Consolidation, for which shareholder approval will be sought at the General Meeting has taken effect.

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## 1. CORPORATE DIRECTORY

### Directors

Mr Richard Beresford  
(Chairman)

Mr Gabriel Chiappini  
(Non-Executive Director)

Mr Barnaby Egerton-Warburton  
(Non-Executive Director)

### Proposed Directors

Mr Stephen Copulos  
(Proposed Non-Executive Chairman)

Mr Steve Tambanis  
(Proposed Managing Director)

### Company Secretary

Mr Gabriel Chiappini

### Registered Office

Level 9, The Quadrant Building, 1 William  
Street, Perth, WA 6000

Phone: +61 8 9327 1766

Fax: +61 8 9327 1778

Website: [www.greenrock.com.au](http://www.greenrock.com.au)

### Share Registry\*

Computershare Investor Services Pty Limited  
Level 2

45 St Georges Terrace  
Perth WA 6000

Telephone (in Aust): 1300 850 505

Telephone (outside Aust): +61 3 9415 4000

**Current ASX Code:** GRK

**Proposed new ASX Code:** BKT

### Solicitors

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

### Auditor

Deloitte Touche Tohmatsu  
Level 14, Woodside Plaza  
240 St Georges Terrace  
Perth WA 6000

### Lead Manager

Cygnit Capital Pty Ltd  
50 Ord Street  
West Perth WA 6005

### Investigating Accountant

Deloitte Corporate Finance Pty Ltd  
Level 14, Woodside Plaza  
240 St Georges Terrace  
Perth WA 6000

### Corporate Advisor

Cygnit Capital Pty Ltd  
50 Ord Street  
West Perth WA 6005

### Independent Geologist

ARC Resources Pty Ltd  
143 Angelo St  
South Perth, WA 6151

\*These parties are included for information purposes only. They have not been involved in the preparation of the Prospectus.

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**2. TIMETABLE**

<b>Action</b>	<b>Date*</b>
Lodgement of Prospectus with ASIC Offer opens	4 December 2014
General Meeting	15 December 2014
Offer Closing Date	19 December 2014
Consolidation of securities	22 December 2014
Anticipated completion of the Transaction and issue of Securities under the Offer	22 December 2014
Anticipated date of re-instatement to trading on ASX	29 December 2014

\*These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

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### 3. CHAIRMAN'S LETTER

Dear Investor

Green Rock Energy Limited (the **Company**), would like to offer you the opportunity to participate in this Prospectus offer to raise up to \$2,500,000 through the issue of up to 50,000,000 shares at an issue price of \$0.05 per share, along with one (1) free attaching option, exercisable at \$0.10 within eighteen (18) months of issue, for every four (4) Shares subscribed for and issued.

The Company is currently going through an exciting time with a new management team and a refreshed focus on mineral resource exploration in Tanzania. Since announcing the initial acquisition of the Mahenge North Graphite Project in July 2014, the Company has assembled an exciting portfolio of mineral exploration tenements covering in excess of 1,500km<sup>2</sup> in Tanzania.

With a focus on identifying a significant graphite resource, we have undertaken two geophysical, sampling and trenching field programmes that have returned very encouraging results. Through these field exploration programmes we have identified two key prospects for an initial drilling programme to commence in January 2015.

#### **PRIORITY OFFER TO EXISTING SHAREHOLDERS**

To thank our valued Shareholders for their continued support, the Company would like to offer all existing Eligible Shareholders the opportunity to participate in the Offer through a priority allocation of 10,000,000 shares and 2,500,000 options (**Priority Offer**).

Applications for Priority Offer Shares and Options must be for a minimum of 40,000 Shares (with 10,000 accompanying Options) and thereafter in multiples of 4,000 Shares. The Priority Offer is made inclusive of one (1) free attaching option for every four (4) shares applied for.

In the event that the Company receives applications from eligible shareholders in excess of 10,000,000 shares, all applications will be processed on a first-come-first-served basis. The board of directors reserves the right to accept applications in excess of 10,000,000 shares subject to approval and consent of Lead Manager, Cygnet Capital Pty Ltd.

For further details and to complete a share application, please refer to this Prospectus.

I thank you for your time and encourage you to review this Prospectus carefully and in its entirety. 2015 will be an exciting time for the Company as we aim for exploration success and development on the new Tanzanian Projects. On behalf of the Board, I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely

Richard Beresford  
Chairman

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## **4. INVESTMENT OVERVIEW**

This Section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### **4.1 The Company**

The Company is a public company listed on ASX (current ASX code: GRK).

The Company has historically held geothermal projects in Australia and Europe and petroleum projects in Western Australia; however it is now in the process of relinquishing these and is proposing to transition to a hard rock, predominantly graphite focussed, resource vehicle.

In July and August 2014, the Company announced that it had entered into two acquisition agreements relating to the acquisition of prospective graphite projects in Tanzania, the Mahenge North Graphite Project and Mahenge Graphite Project (together the **Projects**). The agreements by which the Company will acquire its interest in the Projects are outlined in Section 13 of this Prospectus.

The Company subsequently convened the General Meeting to seek the approval of its Shareholders to the change in focus from its geothermal and petroleum projects to the new Projects based in Tanzania. At the General Meeting, Shareholders will consider resolutions relating to the change in the nature and scale of the Company's activities, as well as resolutions relating to the completion of the Acquisitions and the approval for the undertaking of the Offer.

The General Meeting will be held on 15 December 2014, and the transition from its historical geothermal focus remains subject to Shareholders approving the relevant resolutions at that General Meeting.

### **4.2 Change of Name**

It is proposed that the Company will also change its name to 'Black Rock Mining Ltd' following the successful completion of the Acquisitions and close of the Offer.

### **4.3 Objectives**

The Company's strategy is to grow Shareholder value through the successful identification, exploration and subsequent definition and development of significant mineral resources in Tanzania, initially through the exploration and development of the Projects.

In addition, the Company also intends to continue to seek to identify and secure additional mineral exploration permits (or interests in permits) in Tanzania that the directors consider could add value to Shareholders. This may include additional prospective graphite projects, or projects prospective for other minerals within the geographical region of Tanzania.

On completion of the Offer, the Board believes the Company will have sufficient capital to achieve the objectives. However, an investment in the Company is speculative and investors are encouraged to read and consider the risk factors outlined in Section 7 of this Prospectus.

#### **4.4 Business Model**

Initially, the Company will conduct exploration programmes on its new prospective graphite permits in Tanzania over the 2 years following the completion of the Offer and the Acquisitions. Details of the initial proposed exploration programmes are set out in Section 6 of this Prospectus.

The Company's long term growth plan post completion of the Offer and the Acquisitions is to explore and exploit the graphite permits in Tanzania with the aim of developing those assets into income generating assets of the Company through the mining and sale of graphite. In addition, the Company intends to continue to consider and investigate ongoing opportunities to acquire additional exploration and mining permits for the purpose of adding new potential opportunities for growth to the Company. These opportunities may include additional graphite exploration areas, but may also include areas prospective for additional minerals in Tanzania.

#### **4.5 Key Investment Highlights**

The Directors of the Company are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:

- The flagship Mahenge North Graphite Project in Tanzania is located in a known Graphitic mineralised zone and is adjacent and just north of an existing known graphite project.
- The permits to be acquired by the Company are largely underexplored and have potential to host significant graphitic mineralisation. The Company's interest in the Mahenge Province following the completion of the Acquisitions will be approximately 1,500 km<sup>2</sup>.
- The Company's Mahenge North Graphite Project abuts and is along strike of Kibaran's Epanko Graphite Project.
- Trenching of the newly discovered Cascade Zone at the Mahenge North Tenement returned best intervals of 24m @7.89% TGC and 18m @6.17% TGC from a 75m trench that is still open in both directions. Results support previously reported assays of 56m @ 11.58% TGC and 23m @ 11.46% TGC from trenches at Epanko North. Full details of the trenching results are outlined in the Independent Geologist's Report in Section 8.
- The Offer is being supported by the Company's existing largest Shareholder, the Copulos Group, who has committed, subject to Shareholder approval, to providing \$1,000,000 under the Offer.
- The Company's Projects are located in Tanzania, which has a mining friendly Government policy with good Infrastructure and rail and port access. The Mahenge North Project is 70kms by road from the nearest train line (the TAZARA Line) that runs to Dar es Salaam.
- The management team has a diversified spread of professional and extensive experience in mineral and resource exploration in Australia and in emerging markets.

## 4.6 Key Risks

The business, assets and operations of the Company will be subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company. An investment is not risk free and prospective investors should consider the risk factors described in Section 7 before deciding whether to apply for Shares pursuant to this Prospectus.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed or mitigated may be limited.

Set out in section 7 are some specific key risks which relate to the Company's business. The risks identified may have a material impact on the financial performance of the Company and the market price of the Shares. The risks set out in section 7 are not intended to be an exhaustive list of the risks faced by the company.

## 4.7 Offer

The Company invites applications for up to 50,000,000 Shares at an issue price of \$0.05 per Share to raise up to \$2,500,000, along with one (1) free attaching Option for every four (4) Shares subscribed for and issued.

The minimum subscription in relation to the Offer is \$2,000,000 (**Minimum Subscription**).

The Offer comprises two separate offers under this Prospectus:

(a) the Priority Offer; and

(b) the General Offer.

### **Priority Offer**

Pursuant to this Prospectus, the Company offers Eligible Shareholders the opportunity to subscribe for up to 10,000,000 Shares each at an issue price of 5 cents per Share to raise up to \$500,000 together with 1 new Option for every 4 Shares issued, being 2,500,000 Options.

Applications under the Priority Offer will be limited to a total of 10,000,000 Shares and 2,500,000 Options. In the event that the Company receives Applications from Eligible Shareholders for in excess of this amount, all Applications will be processed on a first-come-first-served basis. The board of directors reserves the right to accept Applications in excess of 10,000,000 shares subject to approval and consent of the Lead Manager, Cygnet Capital Pty Ltd.

For the purpose of the Priority Offer **Eligible Shareholders** will be all Shareholders on the register of the Company as at 3 December 2014 with an address in Australia or New Zealand.

### **General Offer**

The General Offer will consist of a minimum of 40,000,000 Shares at 5 cents per Share, together with 10,000,000 Options on the basis of 1 Option for every 4

Shares issued, with the balance of any Shares and Options not applied for under the Priority Offer also forming part of the General Offer.

The key information relating to the Offer is set out in section 5.

#### 4.8 Conditions of Offer

Completion of the Offer is subject to the approval by Shareholders of certain resolutions at the General Meeting to be held on 15 December 2014 together with the conditional approval from ASX of the re-instatement to trading of the Company following the completion of the Offer and the Acquisition. The required resolutions relate to:

- (a) the approval of the change in nature and scale of the activities of the Company;
- (b) the approval of the consolidation of the Company's existing Shares on issue on a 20 to 1 basis, with the corresponding amendment to the terms and conditions of all Options on issue;
- (c) approval to issue the Shares and Options the subject of the Offer; and
- (d) approval of the issue of Shares to enable the Company to complete the Acquisitions.

If either Shareholders do not pass the relevant resolutions, or ASX refused to grant the conditional approval to the re-instatement of the Company to trading on ASX, then the Offer will not proceed and the Company will not issue any Shares or Options under this Prospectus. In this instance, the Company will return all application funds to each Applicant (without interest).

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

#### 4.9 Key Terms of Attaching Option

All free attaching Options will be subject to a number of conditions, including:

- (a) Each Option entitles the holder to subscribe for one Share upon exercise of the Option;
- (b) Subject to paragraph (j) below, the amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**);
- (c) Each Option will expire at 5:00 pm (WST) on the date that is 18 months from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (e) The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.



- (f) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) Within 15 Business Days after the Exercise Date, the Company will:
  - (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
  - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
  - (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (h) Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (i) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (l) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (m) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

#### **4.10 Use of Funds**

Together with existing funds of approximately \$641,000, the Company intends to use funds raised under the Offer to undertake a drilling programme on the Company's Projects, continuation of the exploration programme on the Company's Projects, pay expenses of the Offer, corporate administrative overheads, general administration costs, working capital costs, marketing expenses and corporate staff expenses. The specific allocation of funds and other details are set out in Section 5.5.

## 4.11 Consolidation

At the General Meeting, the Directors will seek Shareholder approval to consolidate the number of Shares on issue on a 20 to 1 basis and to adjust the terms and conditions of all Options on issue accordingly (**Consolidation**). The Consolidation is required to ensure the capital of the Company is appropriate for the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

If the Consolidation resolution is passed, the total number of Shares and Options on issue will be reduced in accordance with the table set out in Section 4.12. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option. Further, the exercise price of the Options on issue as at the time the Consolidation becomes effective will be increased by a multiple of 20.

## 4.12 Capital Structure

The capital structure of the Company following the Offer and the Acquisition be as set out in the table below. Information relating to each of the proposed issued is set out in the Company's Notice of Meeting for the General Meeting:

	Shares	Options <sup>1</sup>	Shares	Options <sup>1</sup>
	\$2.5m raising		\$2m raising	
Current issued capital	2,202,273,091	861,223,128	2,202,273,091	861,223,128
Issue pursuant to acquisition of Mahenge Resources	80,000,000	-	80,000,000	-
Issue pursuant to acquisition of Mahenge North Graphite Project	166,666,667	-	166,666,667	-
Issue to Westoria Capital <sup>2</sup>	16,666,667	-	16,666,667	-
Issue of Options		66,000,000		66,000,000
<b>Sub total</b>	<b>2,465,606,425</b>	<b>927,223,128</b>	<b>2,465,606,425</b>	<b>927,223,128</b>
Capital following Consolidation (1 for 20)	123,280,321	46,361,156	123,280,321	46,361,156
Issue of Shares for Capital Raising	50,000,000	12,500,000	40,000,000	10,000,000
Options to be issued under Lead Manager Mandate <sup>3</sup>	-	12,500,000	-	10,000,000
Options issued to Cygnet	-	12,500,000	-	12,500,000
<b>Total</b>	<b>173,280,321</b>	<b>83,861,156</b>	<b>163,280,321</b>	<b>78,861,156</b>

### Notes:

1. Comprising Options on the following terms:

- (a) 819,823,128 quoted Options (ASX Code: GRKOB) exercisable at \$0.012 (pre-Consolidation) on or before 31 January 2015;

- (b) 1,900,000 unlisted Options exercisable at \$0.02 (pre-Consolidation) on or before 15 November 2015;
  - (c) 30,000,000 unlisted Options exercisable at \$0.015 (pre-Consolidation) on or before 18 March 2015;
  - (d) 2,000,000 unlisted Options exercisable at \$0.008 (pre-Consolidation) on or before 11 June 2016; and
  - (e) 7,500,000 unlisted Options exercisable at \$0.003 (pre-Consolidation) on or before 28 November 2016.
2. As set out in the Notice of Meeting, the Company is required to issue these Options to Westoria Capital for services provided to the Company prior to the date of the General Meeting.
  3. Under the Lead Manager Mandate (summarised in Section 13.8), the Company may be obliged to issue Options to parties that provide lead manager Options to the lead manager, Cygnet Capital Pty Ltd on the basis of firm commitments that the Lead Manager receives prior to the closure of the Prospectus. The figures shown are the maximum Options that may be issued under this obligation.

#### **4.13 Restricted Securities**

Subject to the Company completing the Offer and being admitted to the Official List, certain Shares may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to ASX full details (quantity and duration) of the Shares required to be held in escrow prior to the Shares commencing trading on ASX.

#### **4.14 Directors and Management**

It is proposed that upon completion of the Transaction:

- (a) Mr Tambanis and Mr Copulos will be appointed to the board of the Company;
- (b) Mr Egerton-Warburton and Mr Beresford intend to resign as Directors; and
- (c) Mr Chiappini will remain on the Board.

Biographical details of the Directors and proposed Directors are set out in section 12.1 and 12.2 of this Prospectus. Details of their interests in the securities of the Company are set out in section 12.3.

#### **4.15 Agreements with Directors, Related Parties or Substantial Shareholders**

The Company is a party to the following agreements with Directors, related parties or substantial shareholders:

- (a) Mr Gabriel Chiappini, who currently serves the Company as a Director and Company Secretary and also provides corporate, financial and administrative services has an Executive Services Contract;
- (b) Non-Executive Letters of Appointment with Mr Richard Beresford and Mr Barnaby Egerton-Warburton; and

- (c) Deeds of Indemnity, Insurance and Access entered into with each of the current Directors.

Summaries of each of these agreements are contained in Section 13 and 14 of this Prospectus.

In addition to the above, the Company remains in the process of negotiating the executive service agreements with each of the proposed Directors, Mr Steven Tambanis and Mr Stephen Copulos, however the general terms pursuant to which each of those proposed Directors have agreed to act as Directors are set out in Section 12 of the Prospectus.

#### **4.16 Director participation in the capital raising**

The Company is seeking the approval of Shareholders at the General Meeting to enable each of the existing Directors to subscribe under the Offer for Shares and Options up to the following amounts:

- (a) Gabriel Chiappini - \$25,000 (being 500,000 Shares and 125,000 Options;
- (b) Richard Beresford - \$10,000 (being 200,000 Shares and 50,000 Options); and
- (c) Barnaby Edgerton-Warburton - \$10,000 (being 200,000 Shares and 50,000 Options).

In addition, approval is being sought for the Copulos Group, associated with proposed Director Stephen Copulos, to subscribe for \$1,000,000 in Shares and Options under the Offer, representing 20,000,000 Shares and 5,000,000 Options. Approval is being sought from Shareholders, as the participation of the Copulos Group in the Offer will increase its relevant interest (and the relevant interest of Stephen Copulos) in the Company above 20%, as shown in Section 5.15. Mr Steven Tambanis has also indicated his intention to subscribe for Shares under the Offer, up to \$100,000 (being 2,000,000 Shares and 500,000 Options). If all of the Directors and proposed Directors participate in the Offer up to the amounts outlined above, the Company will raise approximately \$1,145,000 from the Directors and proposed Directors.

Any participation of the Directors and proposed Directors in the Offer will be on the same terms and conditions as all other Applicants.

#### **4.17 Corporate Governance**

To the extent applicable, commensurate with the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

The departures from ASX Corporate Governance Principles and Guidelines as at the date of this Prospectus are set out in Annexure 1. The Company's full Corporate Governance Plan is available on the Company's website [www.greenrock.com.au](http://www.greenrock.com.au).

In addition, the Company's full Corporate Governance Plan may be requested from the Company Secretary on +61 8 9426 4521.

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## **5. DETAILS OF THE OFFER**

### **5.1 The Offer**

Pursuant to this Prospectus, the Company invites applications for up to 50,000,000 Shares at an issue price of \$0.05 per Share, to raise up to \$2,500,000 along with one (1) free Option for every four (4) Shares subscribed for and issued.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Please refer to section 14.2 for further information regarding the rights and liabilities attaching to the Shares. The terms of the Options are set out in Section 4.9 of this Prospectus.

The Offer consists of:

- (a) a Priority Offer; and
- (b) a General Offer.

### **5.2 Priority Offer to Eligible Shareholders**

Part of the Offer includes a Priority Offer to Eligible Shareholders of up to 10,000,000 Shares and 2,500,000 Options on the basis of 1 Option for every 4 Shares subscribed for and issued. Applications under the Priority Offer will be allocated on the basis of the date of the receipt of the Application, and Eligible Shareholders are therefore encouraged to return their Application under the Priority Offer as soon as possible.

### **5.3 General Offer**

The General Offer will consist of a minimum of 40,000,000 Shares and 10,000,000 Options on the basis of 1 Option for every 4 Shares subscribed for and issued, together with all Shares and Options not subscribed for under the Priority Offer.

Applications for Shares must be for a minimum of 40,000 Shares (and 10,000 Options) and thereafter in multiples of 4,000 Shares and payment for the Shares must be made in full at the issue price of \$0.05 per Share.

### **5.4 Minimum Subscription**

The minimum subscription of the Offer is \$2,000,000. If the minimum subscription has not been raised within 3 months after the date of this Prospectus, the Company will not issue any Shares and will repay all application money for the Shares within the time prescribed under the Corporations Act, without interest.

### **5.5 Purpose of the Offer**

The purpose of the Offer is to provide funds to enable the Company to:

- (a) Meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules (a condition precedent to completion under the Transaction);
- (b) Complete the capital raising under this Prospectus (a condition precedent to completion of the Acquisitions);

- (c) To provide additional funds to enable the Company to fund its objectives and related activities after completion of the Acquisitions, being those activities set out in Section 6;
- (d) Pay the costs of the Offer; and
- (e) Provide adequate general working capital for the growth of the business of the Company following completion of the Transaction.

## 5.6 Use of Funds

The Company currently has existing cash reserves of approximately \$641,000. The table below sets out the intended application of funds raised under the Prospectus together with its existing cash reserves over a two year period (from the date of reinstatement to trading on the ASX).

<b>Funds available</b>	<b>Full Subscription (\$2,500,000)</b>	<b>Percentage of Funds (%)</b>	<b>Minimum Subscription (\$2,000,000)</b>	<b>Percentage of Funds (%)</b>
Existing cash reserves of the Company <sup>1</sup>	\$641,000	16.42%	\$641,000	18.84%
Funds raised from the Offer	\$2,500,000	64.06%	\$2,000,000	58.78%
Funds received from the sale of Ocean Hill Asset <sup>2</sup>	\$300,000	7.69%	\$300,000	8.82%
Funds received from repayment of Sunbird loan <sup>3</sup>	\$461,509	11.82%	\$461,509	13.56%
<b>Total</b>	<b>\$3,902,509</b>	<b>100%</b>	<b>\$3,402,509</b>	<b>100%</b>
<b>Allocation of funds</b>	<b>Total</b>	<b>Percentage of Funds (%)</b>	<b>Total</b>	<b>Percentage of Funds (%)</b>
Exploration on the Projects	\$2,000,000	51.25%	\$2,000,000	58.78%
Conduct of due diligence investigations on Remaining Graphite Options	\$200,000	5.12%	\$100,000	2.94%
Expenses of the Offer	\$242,908	6.23%	\$210,680	6.19%
Working capital <sup>4</sup>	\$1,459,601	37.4%	\$1,091,829	32.09%
<b>Total</b>	<b>\$3,902,509</b>	<b>100%</b>	<b>\$3,402,509</b>	<b>100%</b>

### Notes:

- These funds represent existing cash held by the Company at or around the 31<sup>st</sup> of October 2014. The Company expects to incur costs within the ordinary course of its business which will diminish this amount prior to close of the Offer.

2. On 22 October 2014, the Company announced that it had entered into an agreement to sell its interest in its Ocean Hill oil and gas asset. The Company will receive this amount when the sale is settled together with 40,000,000 shares in Eneabba Gas Ltd, which is expected to occur following the completion of the re-instatement to trading of the Company on ASX.
3. As previously announced to ASX by the Company, the Company has entered into a loan facility to provide \$400,000 to Sunbird Energy Limited. The loan attracts interest at 20% per annum and is repayable on 10 March 2014. Terms of the loan arrangement are set out in Section 13 of this Prospectus.
4. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, directors' fees, rent and other associated costs.

In the event that more than the Minimum Subscription, but less than the full subscription is subscribed for and issued, the Company will put any excess funds towards the expenses of the Offer and then to working capital.

The table above is a statement of current intentions of the Board as of the date of this Prospectus. As with any budget, intervening events (including delays in contract negotiations and permitting) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

## 5.7 Applications under the Offer

Applications for Securities under the Offer must be made using the Application Form. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms and accompanying cheques, made payable to **"Green Rock Energy Limited"** and crossed **"Not Negotiable"**, must be mailed to the address set out on the Application Form so that they are received by no later than the Closing Date.

Applications under the Offer must be accompanied by payment in full in Australian currency.

The Company reserves the right to close the Offer early.

Completed Application Forms and accompanying cheques should, at any time after the Opening Date but before 5.00pm (WST) on the Closing Date, be provided to the Company as follows:

### By Delivery to:

Computershare Investor Services  
Pty Limited  
Level 2  
45 St Georges Terrace  
Perth WA 6000

### By Post to:

Computershare Investor Services  
Pty Limited  
GPO Box 505  
Melbourne VIC 3001

The Company reserves the right to extend the Offer or close the Offer early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque for the application funds, constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Securities.

If the Application Form is not completed correctly, or if the accompanying payment of the application funds is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid, and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application funds.

## **5.8 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules**

The Company's Securities will be suspended from trading commencing on the morning of the General Meeting, subject to Shareholder approval of the Transaction, and will not be reinstated to Official Quotation until the ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, which will not occur until completion of the Transaction has occurred.

In the event that the Company does not receive conditional approval for re-compliance on the ASX, it will not proceed with the Offer and will repay all application monies received, without interest.

## **5.9 Allotment**

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application funds shall be held by the Company on trust. The Company, irrespective of whether the allotment of Securities takes place, will retain any interest earned on the application funds.

The Directors reserve the right to allot Securities in full for any Application or to allot any lesser number or to decline any Application. Where the number of Securities allotted is less than the number applied for, or where no allotment is made, the surplus applications funds will be returned by cheque to the applicant within 7 days of the allotment date.

## **5.10 ASX listing**

Application for Official Quotation by the ASX of the Shares and Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares and Options are not admitted to Official Quotation by the ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and Options will repay all application monies for the Shares and Options within the time prescribed under the Corporations Act, without interest.

The fact that the ASX may grant Official Quotation to the Shares and Options is not to be taken in any way as an indication of the merits of the Company or the Shares and Options now offered for subscription.



## **5.11 Issue**

Subject to the satisfaction of the conditions set out in Section 4.8, the issue of the Shares under the Offer will take place as soon as practicable.

Pending the issue of the Shares and Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of the Shares and Options under the Offer in their sole discretion. The Directors reserve the right to reject any Application or to allocate any applicant fewer Shares and Options than the number applied for. Where the number of Shares and Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the relevant Closing Date.

## **5.12 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

## **5.13 Not Underwritten**

The Offer is not underwritten. Cygnet Capital has been appointed Lead Manager to the Offer. A summary of the lead manager agreement is set out in Section 14 of this Prospectus.

## **5.14 Forecast Financial Information**

Given the speculative nature of mineral exploration and development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

## 5.15 Restricted Securities

ASX may classify certain Shares to be allotted upon acquisition of the Graphite Projects (as opposed to those to be issued under this Prospectus) as being subject to the restricted securities provisions of the Listing Rules. If so classified, such Shares would be required to be held in escrow for a period determined by ASX and would not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the prior approval of ASX.

***None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.***

The Company has no voluntary escrow arrangements in place.

## 5.16 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

***As at the date of the Prospectus (on a pre-Consolidation basis)***

Shareholder	Shares	%
Copulos Group <sup>1</sup>	376,154,763	17.08%

**Notes:**

1. 121,333,333 Shares are held by Supermax Pty Ltd, 117,254,940 Shares are held by HSBC Custody Nominees (Australia) Ltd as custodian for Eyeon No 2 Pty Ltd, and 137,566,490 are held by Eyeon Investments Pty Ltd.

***On completion of the Offer and the Acquisition (Post-Consolidation)***

Shareholder	Minimum Subscription (\$2,000,000)		Full Subscription (\$2,500,000)	
	Shares	%	Shares	%
Copulos Group	38,807,738 <sup>1</sup>	23.76%	38,807,738	22.40%

**Notes:**

1. At the General Meeting, the Company is seeking approval to allow associates of the Copulos Group to subscribe for 20,000,000 Shares under the Offer (representing \$1,000,000). If Shareholders approve this resolution, the interest of the Copulos Group will increase above 20% to the amount shown above.
2. The interests above assume that no securities are issued prior to completion of the Offer.

The Company will announce to the ASX details of its top 20 holders of Shares and quoted Options (following completion of the Offer), prior to the Quoted Securities re-commencing trading on the ASX.

## 5.17 Withdrawal of Offer

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) as soon as practicable.

## 5.18 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential

investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### **5.19 Dividend Policy**

The Company anticipates that significant expenditure will be incurred in the exploration and evaluation of the Projects. These activities, together with the Company's existing activities, are expected to dominate the two-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

#### **5.20 Privacy Statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended) and the Corporations Act. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

#### **5.21 Queries**

Any queries regarding the Offer should be directed to Green Rock director Mr Gabriel Chiappini, on +61 8 9426 4521.

Any queries regarding the Application Form should be directed to Computershare on 1300 850 505 (in Australia) or +61 3 9415 4000 (outside Australia).

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## 6. COMPANY AND PROJECT OVERVIEW

### 6.1 Company Background

Historically, the Company has been primarily focussed on exploration in the energy generation field, notably oil and gas and geothermal exploration. Details of the Company's most recent activities in these areas are set out in its Annual Report lodged on ASX on 30 September 2014.

On 7 July 2014, the Company announced to ASX that it had entered into an option agreement to investigate, with the option to acquire, ground prospective for graphite exploration in Tanzania (**Mahenge North Graphite Project**). Subsequently, on 22 August 2014, the Company announced that it had entered into an additional option agreement over additional prospective graphite ground in Tanzania (**Mahenge Graphite Project**).

On 18 September 2014, the Company announced that it had exercised each of the options over the Mahenge North Graphite Project and the Mahenge Graphite Project and would move to satisfy the conditions precedent to the settlement of the acquisition of the interest under each of the agreements.

Finally, on 6 October 2014, the Company announced it had entered into two further option agreements over additional prospective graphite permits in Tanzania. The Company does not currently propose to exercise these two options prior to re-instatement to trading on ASX (**Remaining Graphite Options**).

The Company initially intends to focus its exploration activities on the Mahenge North Graphite Project and the Mahenge Graphite Project.

On 22 October 2014, the Company announced the sale of its remaining Hydrocarbon asset – Ocean Hill to Eneabba Gas Limited. Completion of the sale is subject to satisfaction of a single condition precedent that the Company is in the process of finalising.

As disclosed in the Company's 2014 annual report, the Company has also relinquished and surrendered or is in the process of relinquishing and surrendering all of its Geothermal Assets, except for its Hungarian interest it owns via a joint venture in the Jászberény area in eastern central Hungary. The Company will be seeking to divest its interest in the Jászberény permit in an orderly process.

### 6.2 Tanzania

The Projects are located within the United Republic of Tanzania, in East Africa, which covers an area of 945,000 km<sup>2</sup> between longitudes 29°E – 41°E and latitudes 1°S – 12°S. It is bounded on the north by Kenya and Uganda, on the east by the Indian Ocean, on the south by Mozambique, Malawi and Zambia, and on the west by The Democratic Republic of Congo, Burundi, and Rwanda (Map 1). Three of Africa's largest lakes, Victoria in the north, Tanganyika in the west, and Nyasa in the south, lie within Tanzania. Mount Kilimanjaro (5,895m), located in northern Tanzania, is the highest point on the African continent.

**Map1- Political Map of Tanzania**



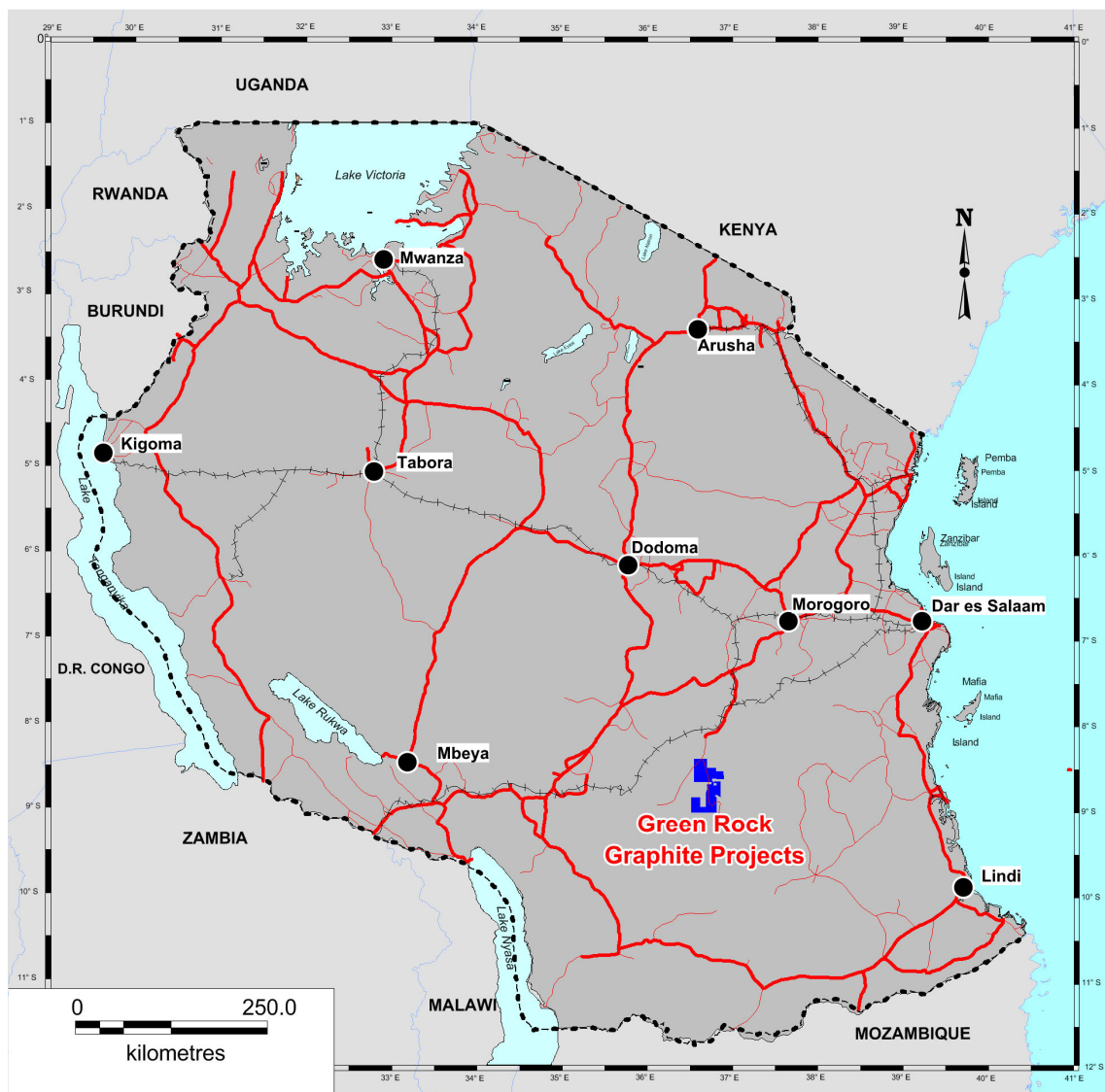
Tanzania is one of the least urbanised countries in sub-Saharan Africa with agriculture providing some 60% of GDP in 2007 and employing about 80% of the workforce. Mining is becoming increasingly important to the Tanzanian economy, especially with the opening of the major Geita (Anglogold/Ashanti), Bulyanhulu (Barrick) gold mines in 2000 and 2001, plus North Mara (Barrick) and Buzwagi (Barrick) in 2005 and 2009 respectively.

Gold sales comprised about 86% of the total mineral exports of about US\$886.5 million in 2007, with the balance coming mainly from diamonds and other precious stones.

### 6.3 The Projects

This section contains a brief summary only of the Company's Projects. Potential investors are referred to the Independent Geologist Report in section 8 of this Prospectus, where the Projects and exploration programmes are outlined in detail.

**Map 2 – Location of Company Projects in Tanzania**



### **Mahenge North Graphite Project**

The Mahenge North Graphite Project is located in southern central Tanzania approximately 245km south-west of Morogoro. The project consists of one (1) granted Prospecting Licence covering an area of 292km<sup>2</sup> and is prospective for graphite mineralisation.

<b>Agreement</b>	<b>License Number</b>	<b>Area km<sup>2</sup></b>
<u>Mahenge North</u>	PL 7802/2012	292.41

Previous exploration has outlined two significant areas of graphite mineralisation, Ndololo and Epanko North. Historic RC drilling and rock chip sampling has confirmed the presence of large flake moderate to high-grade graphite mineralisation with favourable metallurgical properties.

In particular, previous exploration work conducted at Ndololo in 1945 reported results of 15.5% Carbon and 97.5% recovery of flake graphite. Recent

metallurgical work completed at the project has verified the early exploration results and confirmed the potential for a premium coarse flake size product. Detailed information on the Mahenge North Graphite Project is referred to in the Independent Geologist Report in section 8 of this Prospectus. The material terms of the Mahenge North Graphite Project agreement are summarised in Section 13.1.

### **Mahenge Graphite Project**

The Mahenge Graphite Project, consist of Prospecting Licence Applications HQ P28539 and HQ P28540 and Prospecting Licence PL10111/2014.

<b>Agreement</b>	<b>License Number</b>	<b>Area km<sup>2</sup></b>
Mahenge Resources Ltd	PL 10111/2014	24.83
Mahenge Resources Ltd	HQ-P28539	154.96
Mahenge Resources Ltd	HQ-P28540	208.67

A number of mapped bands of graphite schist mineralisation have been mapped by the Tanzanian Geological Survey published from QDS Map-sheet 251 – Mahenge dated 1960. The bands extend beyond the boundaries of the Mahenge Graphite Project. Within the Mahenge Graphite Project, 3 bands of graphite schist have been mapped that have strike lengths of 4000m, 1750m and 900m with mapped widths ranging from 90 to 400m. The purpose of the Company's geological due diligence program has been to confirm the length, width and grade range potential of the mapped graphite bands.

In addition, the Company believes it has identified a number of stratigraphic horizons totalling 50km in length that are highly prospective for graphite schist mineralisation as either outcrop or buried under shallow cover within valleys. The Company will also be evaluating this potential by conducting a number of targeted traverses looking for graphite in outcrop, sub-crop or residually within the soils profile. Should the potential be validated then the Company is confident it significantly expands the potential of the Mahenge Region to host large scale graphite mineralisation. The material terms of the acquisition agreement are summarised in Section 13.2.

### **Remaining Graphite Options**

The exploration licences covered under the Company remaining graphite options include five (5) existing permits over which the Company has secured the graphite mineral rights (**GML Permits**). The material terms of the options agreements are summarised in Section 13.4

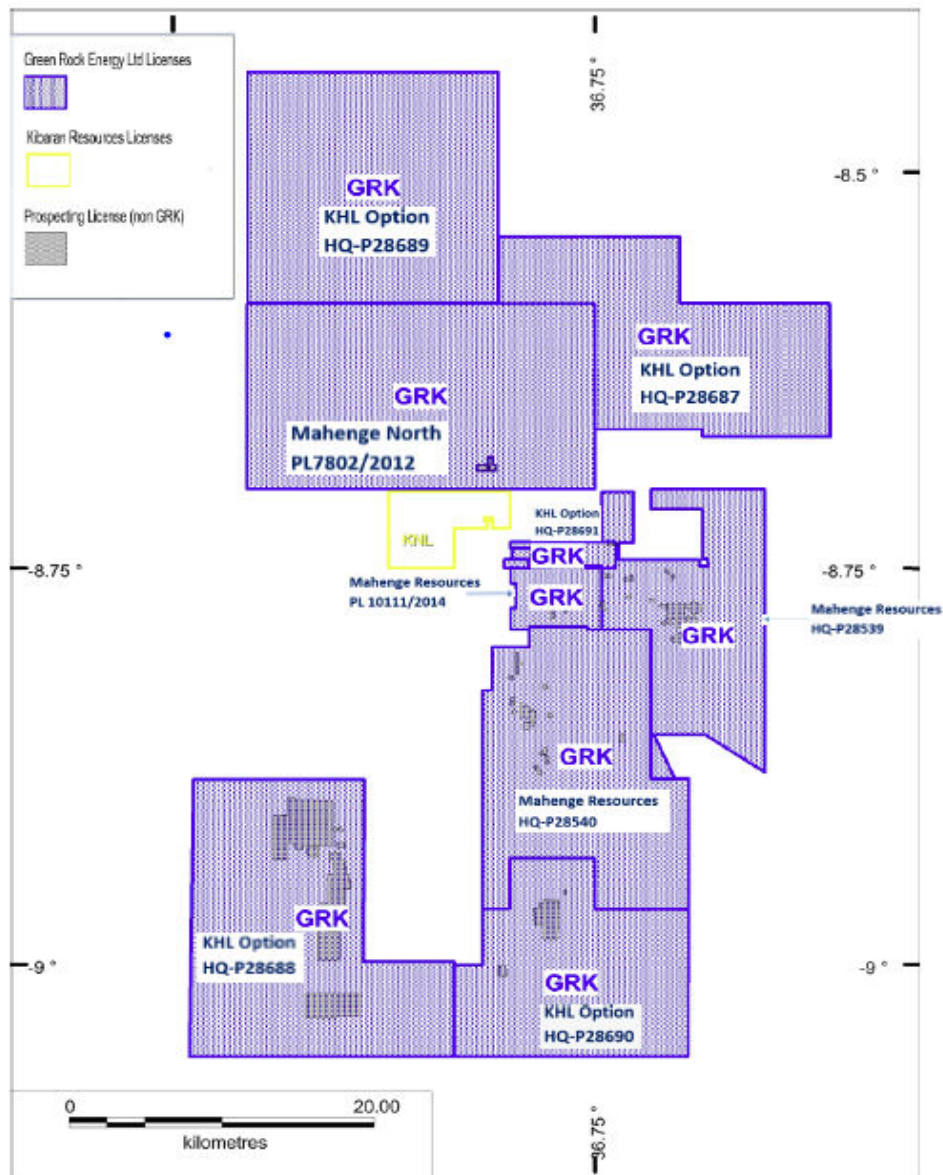
<b>Agreement</b>	<b>License Number</b>	<b>Area km<sup>2</sup></b>
KHL Option	HQ-P28687	192.79
KHL Option	HQ-P28688	225.78
KHL Option	HQ-P28689	262.51

KHL Option	HQ-P28690	172.03
KHL Option	HQ-P28691	7.3

As at the date of this Prospectus and as a result of the Company's legal due diligence regarding the Graphite Mineral rights attached to the GML permits, the Company did not proceed with the payment of the USD\$50,000 option fee. The Company will retain the right to this option post being re-instated to trading on ASX and will make a decision in relation to the exercise of these options within the terms of these option agreement.

Therefore, the completion of the acquisition of the five (5) GML permits covering approximately five (5) square kilometres will not occur in accordance with the terms and conditions of the original agreement. The Company will be revisiting the acquisition of the GML Option agreement in 2015.

**Map 3 – Green Rock Tenements Mahenge Region**





## 6.4 Corporate Strategy and Objectives

As outlined in this Prospectus, the Company's strategy is to grow Shareholder value through the successful identification, exploration and subsequent definition and development of significant mineral resources.

The Company initially plans to achieve this objective by focussing its exploration activities on the Projects. The Company notes that in the event that its exploration activities prove successful, the Company will likely require additional funding in order to achieve its objective to further develop and exploit any of its mineral resources. Such funding may be in the form of further equity funding or debt funding as is deemed appropriate by the Directors exercising their discretion at the appropriate time.

The Company's immediate intentions in relation to the exploration of the Projects is as follows:

### (a) Immediate programme

Expected to be completed in December 2014 or early 2015, the programme will consist of the following activity:

- Focus on Epanko north lodes already trenched including the Epanko west and middle zones in addition to Cascade and Cascade NE. Additional trenching along strike to confirm the graphitic horizons grade and continuity;
- Mapping and trenching at Ndololo in the northern portion of the Mahenge North tenement to follow up on previously reported rock chip;
- Three geologists and an expanded the field crew are working onsite to maximize the field time prior to the onset of the wet season; and
- Objective is to define a series of drill-worthy targets that show tonnage and grade potential.

### (b) Advanced Drilling programme

At Epanko North, Mahenge North permit (PL 7802/2012) and the Kituti-Ruaha area located within the Mahenge Southwest tenement (HQ-P28540).

Subject to the results of the initial programme, the drilling programme is likely to consist of approximately 1,500 metres of reverse circulation (RC) drilling and 500m of diamond core drilling (DD). The drilling programme is subject to favourable weather conditions and availability of drilling rigs and crew during the Christmas and early New Year period.

### (c) Additional Exploration Programme

Whilst the Company's immediate aim is the attainment of a maiden Graphite JORC resource, large parts of its highly prospective ground is under-explored and/or un-explored. It is our objective to undertake a wide reconnaissance exploration and mapping programme to identify new areas of graphitic mineralisation with economic potential.

## **6.5 Non Core Projects**

The Company previously held assets associated within its geothermal division. As part of the Company's transition to a graphite focused exploration company, it is in the process of relinquishing all of its geothermal assets. As a result, the Company has surrendered all of its geothermal permits within Australia, these are currently subject to processing by relevant Government bodies for relinquishment. This relinquishment process has assisted the Company with managing its lease and expenditure obligations attached to the geothermal permits.

On 22 October 2014, the Company announced that it had entered into an agreement to sell its interest in its Ocean Hill oil and gas asset. The proceeds from the sale when the conditions precedent have been met will be \$300,000 together with 40,000,000 shares in Eneabba Gas Ltd. The Company received a \$30,000 signing fee on the date of the contract. Settlement of the Ocean Hill transaction is expected to occur following the completion of the re-instatement to trading of the Company on ASX.

The Company has also undertaken to divest the minority interest (35% joint venture with MOL, Hungary) it currently holds in the Jászberény geothermal concession, which covers an area of 396 km<sup>2</sup> and includes several areas previously drilled by MOL looking for petroleum initiated action.

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## **7. RISK FACTORS**

### **7.1 Introduction**

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business which are contained in Section 4.6. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares and the value of Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions both generally within the financial services industry.

### **7.2 Company Specific Risks**

#### **(a) Risks associated with operating in Tanzania**

The Projects are located in Tanzania, which is considered to be a developing country and as such subject to emerging legal and political systems compared with the system in place in Australia. Investing and operating in foreign jurisdictions carry political, economic and other uncertainties, including, but not limited to, changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual risk, foreign exchange restrictions, currency exchange rate fluctuation, royalty and tax increase and other risks arising out of foreign government sovereignty over the areas in which the Company's operations will be conducted. Any of these factors could result in conditions that delay or in fact prevent the Company from exploring or ultimately developing any of the foreign projects.

If the Acquisition is successful, the Company will be exposed to the risks of operating in such a jurisdiction, including, without limitation:

- (i) Political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (ii) A higher degree of discretion held by various government officials or agencies;
- (iii) The lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (iv) Inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or

- (v) Relative inexperience of the judiciary and court in matters affecting the Company.

The commitment to local business people, government officials and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

No assurance can be given regarding future stability in these or any other country in which the Company may have an interest.

(b) **Reinstatement to ASX's official list**

It is anticipated that the Company's Shares will be suspended or placed in a trading halt prior to market open on the date of the Meeting. In the event the Transaction Resolutions are approved at the Meeting, it is anticipated that the Company's securities will remain suspended until Completion of the Transaction, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its listed Securities may consequently remain suspended from quotation.

(c) **Additional requirements for capital risk**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations and scale back its mining and exploration programmes as the case may be.

(d) **Going Concern Risk**

In the Company's annual report, announced to ASX on 31 October 2014, the Company's auditor noted that the circumstances surrounding the Company indicated a question as to the ability of the Company to continue as a going concern, while noting the Company's intention to undertake the Acquisitions and a capital raising.

The Directors consider that the completion of the Offer will satisfy the concerns raised by the auditor by providing the Company with the funding needed for the exploration and development of the new Projects and to meet the Company's ongoing financial commitments.

(e) **Acquisition Risk**

The Company's objectives include the acquisition of the Projects and the consideration of additional projects as outlined in this Prospectus. The Directors of the Company will use their expertise and experience in the resources sector to assess the value of potential projects that have characteristics that are likely to provide returns to Shareholders.

There can be no guarantee that any new project acquisition or investment will eventuate from these pursuits, or that any acquisitions will result in a return for Shareholders.

(f) **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, and plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration of its mineral interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(g) **Exploration and development risks**

The business of graphite exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) The discovery and/or acquisition of economically recoverable reserves;
- (ii) Access to adequate capital for project development;
- (iii) Design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) Securing and maintaining title to interests;
- (v) Obtaining consents and approvals necessary for the conduct of exploration, development and production; and
- (vi) Access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the existing projects or the new assets, undergoing an exploration and development program depends on successful exploration and establishment of production facilities. Factors including costs and reliability and commodity prices affect successful project development and operations.

Mining activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment.

Industry operating risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown and environmental hazards such as accidental spills or leakages, or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(h) **Contractual Risk**

Pursuant to the Transaction Agreements, the key terms of which are summarized in Section 13, the Company has agreed to acquire 100% of the Projects subject to the fulfillment of the Conditions, including the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of the ASX.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their respective obligations under the Transaction Agreements. If the parties default in the performance of its obligations, the Transaction Agreements may be terminated and it may be necessary for the Company to approach the Court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will ultimately be granted on appropriate terms.

(i) **Dilution risk**

The Company currently has 2,202,273,091 Shares and 861,223,128 Options on issue (on a pre-Consolidation basis) equivalent to 110,113,655 Shares and 43,061,156 Options (on a post-Consolidation basis) and will issue up to a further 63,166,667 Shares and up to a further 37,500,000 Options (on a post-Consolidation basis) if the Acquisition is completed.

Upon issue of these securities and the minimum subscription of the Shares under the Prospectus (assuming no exercise of Options), the existing Shareholders will retain approximately 67% of the issued capital of the Company, new Shareholders investing via this Prospectus will hold approximately 24% with the Vendors holding 9% of the issued capital of the Company respectively.

(j) **Reliance on key personnel and the need to attract qualified staff**

The Company's success depends on the core competencies of its Directors and management team to operate in the resource and mining industry. The loss of one or more of these persons could adversely affect the growth prospects, operating results and financial performance of the Company.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

(k) **Competition risk**

The Company will be participating in a highly competitive market, however there are few if any specific competitors who have a dominant market share and dictate the structure or practices in the market.

The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that the Company can position and differentiate itself to gain market share. There is no certainty that the Company will be successful in this market.

(l) **Tenure and access for tenement in Tanzania**

Mining and exploration tenements in Tanzania are subject to periodic renewal. Where a licensee has met the terms of the grant, renewal will not be denied. However, if development conditions are not met there is no guarantee that current or future tenements or future applications for production tenements will be approved.

(m) **Compulsory work obligations for tenements in Tanzania**

Tenements in Tanzania are subject to expenditure and work commitments which must be met in order to keep such tenements in good standing. If there is a failure to meet the commitments, this could lead to forfeiture of the particular tenement.

(n) **Environmental and other regulatory risks**

Environmental legislation is evolving in a manner which will likely require stricter standard and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulations in Tanzania, if any, will not materially and adversely affect the Company's business, prospects, financial condition and results of operations.

Various governmental approvals and permits will also be required in connection with various aspects of the Company's operations from time to time. To the extent such approvals or permits are required and not obtained; the Company may be delayed or prevented from proceeding with planned exploration or development.

### **7.3 General risks**

(a) **Potential acquisitions risk**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(b) **Economic risks**

General economic conditions and movements in interest, inflation and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(c) **Market conditions risk**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (ii) general economic outlook;
- (iii) interest rates and inflation rates;
- (iv) currency fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular.

(d) **General economic and political risks**

Changes in the general economic and political climate in Australia, Tanzania and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any financial services activities that may be conducted by the Company.

(e) **Competition Risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(f) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(g) **Regulatory risk**



Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(h) **Insurance risk**

Insurance against all risks associated with the Company's activities is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(i) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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**8. INDEPENDENT GEOLOGIST'S REPORT**

(commences on following page)

# Arc Resources

ARC RESOURCES PTY LTD

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6 November, 2014

The Directors  
Green Rock Energy Limited  
Level 9, The Quadrant Building,  
1 William Street  
PERTH, WESTERN AUSTRALIA 6000

Dear Sirs,

## **INDEPENDENT GEOLOGISTS REPORT – GREEN ROCK ENERGY LIMITED**

At your request Arc Resources Pty Ltd (“ARC”) has prepared this Independent Geological Report on a group of mineral licences in which Green Rock Energy Limited (“GRK”) is acquiring an interest through the proposed purchase of a 100% shareholding in the companies holding the licences in the Mahenge group of projects. The licenses are located in Tanzania and were primarily acquired for their potential to host graphite mineralisation.

This report has been prepared for inclusion in a compliance Prospectus to be issued by GRK in support of a change of activity on the Australian Securities Exchange (“ASX”). GRK plans to offer up to 50,000,000 Shares at an issue price of \$0.05 per Share, to raise up to \$2,500,000, along with one (1) free attaching Option for every four (4) Shares subscribed for and issued. The funds raised will be used for the purpose of exploration and evaluation of the mineral properties being acquired by GRK.

This is not an independent valuation report and as such, serves only to comment on the geological and technical aspects and proposed exploration programs on the properties. ARC has not been asked to comment on the potential economic value or financial considerations pertaining to the value of shares or assets held by GRK in relation to these properties.

This geological report has been prepared by ARC strictly in the role of independent consulting geologist. The legal status and tenure of the licenses comprising the Projects have not been considered in this report while issues of Native Title (if any) and the regulatory, political or legal jurisdiction are noted only.

### *Relevant Codes and Guidelines*

This report has been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2012. The JORC is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and ASX which pertain to Independent Expert Reports, most notably ASIC Regulatory Guides 111, 112 and 55).

### *Qualifications*

This report has been prepared by Mr. Steven Boda who is the Principal Consultant of ARC and a qualified geologist with 25 years’ experience in the minerals industry and a member of the Australian Institute of Geoscientists, (AIG). Mr. Boda has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”, (“JORC”).

The information in this report that relates to exploration results from GRK is based on data compiled or reviewed by, or collated under the supervision of Mr. Boda.

#### *Sources of Information*

The Independent Geologist's Report has been prepared on information available up to and including 27 October 2014. Information used in the preparation of this report has been compiled by ARC from GRK data, publically available information (including Open File and Government reports) and the author's previous experience of and knowledge of the regions in which the projects are located.

Since the project is at an early stage and only limited exploration activity was completed, a site visit to the licenses was deemed to be feasible but unnecessary to confirm the information and data supplied by GRK. The author has relied on the information described above and his general knowledge of the region in which the project is located.

GRK has warranted to ARC that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by GRK has been specified as being confidential and not to be disclosed in the report.

In providing this report ARC:

- a) have assumed the information, reports and search results provided by various Government agencies in Tanzania and Australia are accurate and correctly reflect the particulars of the licences to which this report relates;
- b) cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the information we have used, and
- c) note that the holding of the licenses is subject to continued compliance with the terms and conditions and the provisions of the relevant state or national legislation under which they were granted.

#### *Declaration*

Neither the author nor ARC have any material interest either direct or indirect in GRK nor in any of the mineral assets included in this report nor in any other GRK asset nor has any such interest existed previously. No commercial relationship has existed between ARC and GRK prior to their appointment to prepare this report.

Fees for the preparation of this report are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the outcome of the release of this report for GRK.

#### *Consent*

For the purpose of Sections 731 to 733 of the Corporations Act 2001, ARC was involved in the preparation of the Independent Geologists Report and have authorised or caused the issue of this part of the Prospectus only. ARC has given consent in writing to the issue of the Prospectus with this Independent Review included in the form and context it was provided and has not withdrawn that consent before the lodgement of the Prospectus with ASIC.

Yours sincerely,



Mr. Steven Boda  
BSc(Hons), MAIG, MGSA, MSEG

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## 1. EXECUTIVE SUMMARY

Arc Resources Pty Ltd (“ARC”) has been commissioned by Green Rock Energy Limited (“GRK”) to prepare an Independent Geologist’s Report on the company’s mineral assets located in Tanzania for the purposes of including this report in a compliance Prospectus and submission to the Australian Securities Exchange (“ASX”) in support of a change of activity.

GRK’s Tanzanian mineral properties comprise a 100% equity interest to be acquired in the Mahenge Graphite Project (or the “Project”), which includes the Mahenge North Project, Makonde Project and various other licenses. The combined projects total 1,583.7 km<sup>2</sup> in 14 semi-contiguous licenses. GRK has had two licences granted following an option period, while the remaining licenses are under option that vary in length according to the agreement. These licenses are summarised by project in Table 1.

Table 1. Current Leases in GRK Portfolio; Granted and under Option Agreements						
Project Reference	Project Name	Licence Type	License Number	Owner	Option Agreement	Area km²
Mahenge Graphite Project	Mahenge North Project	Graphite	PL 7802/2012	ASAB	ASAB	292.41
	Makonde Project	Graphite	PL 10111/2014	MAKONDE	Mahenge	24.83
	Mahenge East Project	Graphite	HQ-P28539	MAHENG	Mahenge	154.96
	Mahenge Southwest Project	Graphite	HQ-P28540	MAHENG	Mahenge	208.67
	GML Licenses	Gemstones	GML 294/2008	INTERSTATE	Gemstone	1
		Gemstones	GML 295/2008	INTERSTATE	Gemstone	1
		Gemstones	GML 296/2008	INTERSTATE	Gemstone	1
		Gemstones	GML 297/2008	INTERSTATE	Gemstone	1
		Gemstones	GML 298/2008	INTERSTATE	Gemstone	1
	New (HQ) Licenses	Graphite	HQ-P28687	MAHENG	Gemstone	199.13
		Graphite	HQ-P28688	MAHENG	Gemstone	256.14
		Graphite	HQ-P28689	MAHENG	Gemstone	262.53
		Graphite	HQ-P28690	MAHENG	Gemstone	172.03
		Graphite	HQ-P28691	MAHENG	Gemstone	8
Total Area						1,583.7
Licence Coding: <b>PL</b> – Granted, <b>HQ</b> – Application, <b>GML</b> – Gemstone Mineral Licences over which Graphite Mineral Rights exist						

This report relies on GRK’s publically available information (including Open File and Government reports), field data and the company’s internal report as well as the author’s previous experience and knowledge of the regions in which the projects are located. A site visit was not undertaken by ARC as information supplied by GRK was mostly early stage and raw field based data.

GRK is an Australian listed company whose business focus has grown to include graphite while retaining its previous interests in hydrocarbons in the North Perth Basin and geothermal power in the Perth Basin, Western Australia, South Australia and Hungary. The mineral properties can be classified as exploration projects as defined by the ASX Code and are therefore considered speculative in nature.

The Company’s main focus is on confirming the known graphite mineralisation and exploring for additional graphite mineralisation within the licenses that have either been granted as exploration licenses, or are currently under option agreements.

The project areas are significantly underexplored in relation to graphite mineralisation, with the country’s industrial minerals industry relatively underdeveloped. Historically the main focus has been for gold, base metals and nickel.



The region in which Company's project areas are located has been the subject of renewed exploration interest with high grade graphite rock chip sampling having been reported by other companies working in the area.

The Mahenge Graphite Project shares a similar geological setting and style of mineralisation as Kibaran's Epanko Deposit where a JORC compliant mineral resource estimate of 22.7Mt at 9.8% TGC for 2.22Mt contained graphite has been identified which remains open along strike and at depth.<sup>5b</sup> The trend of Kibaran's Epanko resource continues north into GRK's Mahenge North License.

GRK's exploration program is at an early stage and predominantly involved mapping, rock chip sampling and trenching. High grade, outcropping graphite mineralisation has been encountered at Mahenge North Project associated with gneiss and schist bands in structurally complex settings. Highlights of the trench intervals and assays received to date are shown in Table 2.

<b>Table 2. Mahenge Graphite Prospect trench assay highlights</b>		
<b>Trench_ID</b>	<b>Prospect</b>	<b>Significant Trench Intervals</b>
TREPM01	Epanko North	56m @ 11.58%TGC from start including 22m @ 13.35m from 6m , and 20m @ 14.90% TGC from 33m
TREPM01A	Epanko North	28m @ 9.59 from start Including 23m @ 11.46% TGC from start
TREPW04	Epanko North	30m @ 3.84% TGC from start
TREPW03	Epanko North	76m @ 7.45% TGC from start including 21m @ 9.17% TGC from 11m , and 3m @ 10.02% TGC from 35m , and 3m @ 10.49% TGC from 52m , and 6m @ 7.91% TGC from 57m , and 6m @ 10.12% TGC from 69m
TREPW05	Epanko North	52m @ 0.78% TGC from start
TREPM03	Epanko North	25m @ 10.03% TGC from start including 7m @ 17.12% TGC from 5m , and 9m @ 14.03% TGC from 16m (trench ended in 7.47% TGC)
TREPM02	Epanko North	28m @ 3.40% TGC from start 12m @ 6.46% TGC from 11 (trench ended in 8.52% TGC)
TRMKW01	Makonde	84m @ 3.80% TGC from 50m (trench started in 5.09% TGC) 81m @ 0.77%TGC from 175m 37m @ 0.98% TGC from 249608E; 9031930N running west
TRMKW02	Makonde	81m @ 3.33% TGC from 249484E; 9029943N running east 33m @ 2.13% TGC from 249484E; 9029943N running west
TREPC01	Cascade	75m @ 4.47% TGC (trench started in 3.99% TGC) including 18m @ 6.17% TGC from 15m , and 24m @ 7.88% TGC from 51m

There has been no metallurgical test work reported from any of GRK licenses.

### Prospectivity

In terms of prospectivity, ARC considers the Project licenses:

- to be well positioned to cover known mineralised zones, such as those identified in Kibaran's licenses, that might continue into the current GRK licenses,
- encompass significant lengths of mineralisation extending throughout the licenses,
- have the correct rocktypes that hosts graphite mineralisation.
- exhibit high grade graphite mineralisation at surface with significant depth extent which is potentially open pit.

### Target mineralisation

The main type of target for graphite mineralisation at the Project include schist and gneiss hosted, syngenetic flake graphite, stratigraphically confined within a structurally complex system. Graphite in this setting is classified as medium to large flake ranging in size between 1.5mm and 8.5mm. This size range is based on information from the nearby Kibaran Resources's Epanko Deposit.

In addition the district may hold some potential for other styles of mineralisation such as metamorphic hosted gold deposits. There has been no systematic exploration or an understanding of the geology within the project areas to confirm or refute such occurrences.

### Exploration program

GRK's proposed exploration programs and expenditure over two years are summarised in Table 3 and reflect the exploration stage of each project. They may be altered subject to ongoing exploration results and review of priorities.

The proposed programs comprise soil, trench and rock chip sampling combined with limited ground geophysics and relatively shallow drilling to confirm stratigraphy and specific mineralised targets. This budget aims to confirm the prospectivity and styles of mineralisation at the Project prior to proceeding into the resource definition and Feasibility Study stages, subject to exploration success and ongoing funding.

<b>Table 3. Proposed exploration budget for AUD\$2.5 million raised</b>			
Project	Year 1 A\$	Year 2 A\$	Total A\$
Exploration programs	\$ 1,010,000	\$ 620,000	\$ 1,630,000
Field Expenses	\$ 60,000	\$ 50,240	\$ 110,240
Tanzania admin and travel	\$ 90,000	\$ 80,000	\$ 170,000
Miscellaneous	\$ 125,000	\$ 60,000	\$ 185,000
Sub-Total	\$ 1,285,000	\$ 810,240	\$ 2,095,240
5% Contingency	\$ 64,250	\$ 40,510	\$ 104,760
<b>Total</b>	<b>\$ 1,349,250</b>	<b>\$ 850,750</b>	<b>\$ 2,200,000</b>

### Opinion

Arc Resources is of the opinion that:

1. The Tanzanian projects are at an early stage of exploration but results to date have been encouraging and justify the geological interpretations suggesting they are prospective for hosting open pit, medium to large tonnage graphite mineralisation both near surface and at depth;
2. The Projects are located in an underexplored region where recent exploration results reported by other public companies has confirmed the prospectivity of GRK's projects for graphite

- mineralisation. Their proximity and similar geological settings to GRK's projects suggests the potential for GRK to discover major graphite deposits in this new mineral province;
3. GRK has satisfactorily and clearly defined exploration and expenditure programs which are reasonable having regard to its stated objectives;
  4. Sufficient exploration work and assessment has taken place to justify the budgeted exploration and expenditure program,
  5. The proposed exploration programs and budget are appropriate and suitable to meet GRKs objectives at the Mahenge Graphite Project and should significantly advance the understanding and estimation of the mineralisation within the Project.
  6. Under the definition provided by the ASX and in the JORC Code, these properties are classified as 'exploration projects', which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development programs proposed by GRK.



**Mahenge Project Location in Tanzania**

## 2. PREAMBLE

Arc Resource Pty Ltd (“ARC”) has been commissioned by Green Rock Energy (“GRK”) to prepare an Independent Geologist’s Report on the company’s Mahenge Graphite Project, which comprises 14 semi-contiguous licenses covering a total of 1,583.7 km<sup>2</sup> located in central south Tanzania.

The company’s main focus is on exploring for graphite which outcrops within these licenses.

The properties are classified as exploration projects as defined by the Australian Securities Exchange (ASX) and are therefore considered speculative in nature.

No site visit was undertaken for the purposes of this report since the projects are considered to be at an early exploration stage. This report relies on the data supplied by GRK, the experience and discussions with Westoria Capital Pty Ltd (“Westoria”) who are the consultancy group managing the project on behalf of GRK and the author’s own expertise and familiarity with the general region.

## 3. INTRODUCTION TO GRAPHITE

Graphite is a type of crystalline carbon that comes in three natural forms: 1) amorphous; 2) flake; and 3) vein. The three forms of graphite are distinguished by differences in grade, carbon content, particle size, and purity. The uses for natural graphite is illustrated in Figure 1.

*Amorphous graphite* is the most abundant type and is formed by the metamorphism of previously existing anthracite coal seams. Amorphous graphite is used for lower value products, such as pencils, brake pads, and rubber additives, and is the lowest priced graphite. The grade of amorphous graphite ranges from 20-40% in Cg (graphite content), and the purity varies between 70-85% carbon after refining. Large amorphous graphite deposits are found in China, Mexico and United States.

*Flake graphite* is the type occurring at GRK’s Mahenge Graphite Project and a less common form of natural graphite. It is of higher quality than amorphous graphite and formed in metamorphic rocks or calcareous sedimentary rocks. The grade of flake graphite ranges from 10-12% Cg, and the purity varies from 85-95% carbon after refining. The primary use of flake graphite includes, batteries, and fuel cells. China, Brazil, Canada are the largest producers of flake graphite.

*Vein graphite* is the rarest and highest quality form of natural graphite, forming from the direct deposition of solid, graphitic carbon from hydrothermal, high temperature fluids. The grade of vein graphite is typically above 90% Cg, with a purity of 95-99% carbon without refining. Vein graphite has higher thermal and electrical conductivity. Sri Lanka is the only country that currently produces vein graphite.<sup>4</sup>

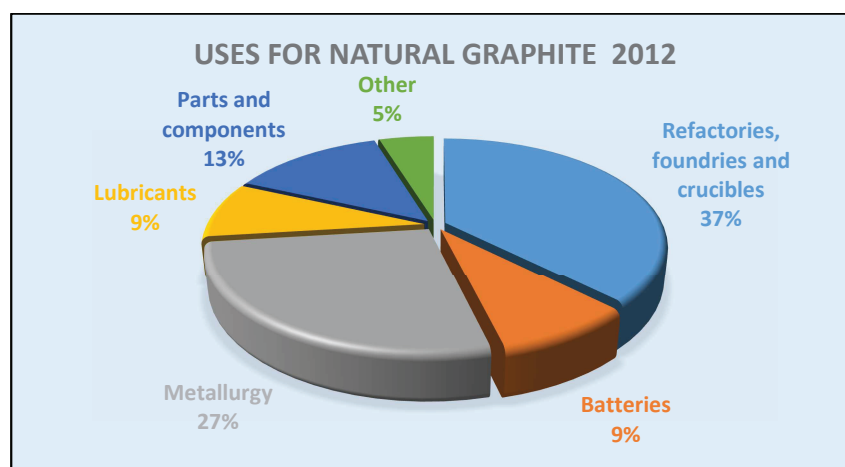


Figure 1. Market usage for natural graphite in 2012 (source Industrial Minerals 2012)

### 3.1 Supply and Demand

China and Brazil currently dominates the graphite supply, with ~80% of total production worldwide in 2013. The country's supply accounts for 90% of global amorphous production and 60% of flake production. Global mine production is shown in Figure 2.

Recently, the Chinese government recognised graphite as a strategic mineral and aimed to shift the graphite industry from low value raw material exports to specialised value added products. The government had issued a new set of rules for graphite mining, outlining higher requirements for reserve size and environmental protection. According to Industrial Minerals, as many as 190 graphite mines had been closed on environmental and resource-protection grounds in the prolific Lutang mine district in 2013. Production of amorphous fell from 600,000 tpa to a capped 510,000 tpa after the consolidation.<sup>3,4</sup>

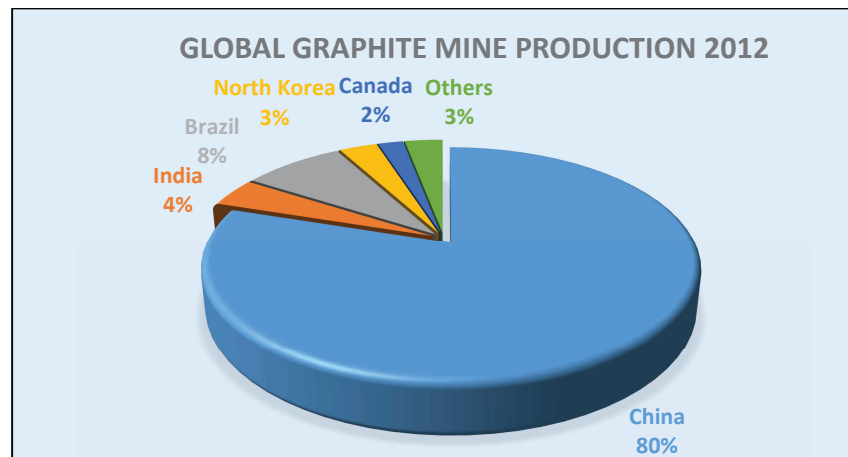


Figure 2. Graphite market share by country. Graph indicates which countries are producing natural graphite regardless of graphite type, (source Industrial minerals 2012)

In 2008, China introduced a 20% graphite export tax and a 17% value added tax, along with an export licensing system. Meanwhile, the domestic demand remains strong. There is expected to be a limited supply from China for export markets.

### 3.2 Prediction for graphite

Graphite has been in the market focus in the past few years and with additional development in the technology industry, the demand has increased steadily. This growth in demand is seen to be running parallel to the green energy technology economy.

While current graphite consumption is around 1.1 million tonnes per annum (Mtpa) the forecasts indicate that this may increase to 2.5Mtpa to 3Mtpa from 2016.9

The demand for flake graphite is buoyed by the lithium battery industry which is predicted to grow between 30% and 40%, with a 20% growth in the electric car market. With this type of growth, additional resources are required to sustain the growth of the industry.

## 4. INTRODUCTION TO TANZANIA

The Mahenge Graphite Project is located within the United Republic of Tanzania, in East Africa, which covers an area of 945,000 km<sup>2</sup> between longitudes 29°E – 41°E and latitudes 1°S – 12°S. It is bounded on the north by Kenya and Uganda, on the east by the Indian Ocean, on the south by Mozambique, Malawi and Zambia, and on the west by The Democratic Republic of Congo, Burundi, and Rwanda (Figure 3). Three of Africa's largest lakes, Victoria in the north, Tanganyika in the west, and Nyasa in the south, lie within Tanzania. Mount Kilimanjaro (5,895m) located in northern Tanzania is the highest point on the African continent.<sup>15</sup>





Figure 3. Political Map of Tanzania

The country achieved independence on December 9, 1961, and became a republic one year later. Zanzibar achieved independence in December 1963 and the two countries merged on April 26, 1964 to form the United Republic of Tanganyika (renamed the United Republic of Tanzania in October 1965).<sup>6</sup>

Tanzania is divided into 27 administrative regions, each headed by a Regional Commissioner and subdivided into districts administered by a District Commissioner. Twenty-one of the regions cover the mainland, comprising a total of 86 districts. Tanzania's population is approximately 35 million with 95% of Bantu origin. The largest tribal group, the Sukuma, comprises 13% of the population with the balance made up of about 120 smaller tribal groups.<sup>6, 15</sup>

Approximately one third of Tanzanians are Moslem, another third Christian with most of the remainder following traditional beliefs.<sup>16</sup>

The main urban centres include Dar es Salaam, which is the largest city (population 3 million) and port on the Indian Ocean and the country's commercial capital and seat of government although Dodoma is the official capital.

Tanzania is one of the least urbanised countries in sub-Saharan Africa with agriculture providing some 60% of GDP in 2007 and employing about 80% of the workforce. Mining is becoming increasingly important to the Tanzanian economy, especially with the opening of the major Geita (Anglogold/Ashanti), Bulyanhulu (Barrick) gold mines in 2000 and 2001, plus North Mara (Barrick) and Buzwagi (Barrick) in 2005 and 2009 respectively.<sup>14</sup>

Gold sales comprised about 86% of the total mineral exports of about US\$886.5 million in 2007, with the balance coming mainly from diamonds and other precious stones.<sup>8</sup>

## Tanzanian Mining Regulations

The Mineral Resources Department (MRD) is part of the Ministry of Energy and Minerals (MEM) and consists of the Mines and Minerals Development Divisions. The Mines Division is responsible for health and safety standards in mines, enforcement of environmental regulations and standards, production statistics and services to mineral producers, particularly to small-scale miners.

The Minerals Development Division issues mineral licences, maintains the mineral rights registry and the mineral occurrence database and archive, and is responsible for mineral sector promotion and review of minerals policy.

The Tanzania Geological Survey is an executive agency within the MEM, and consists of the Regional and Engineering Geology, Economic Geology and Geophysics, and Laboratory Services and Research Directorates. The Survey's headquarters are in Dodoma and it is responsible for undertaking reconnaissance mineral exploration and basic regional geological mapping of the country, preparation and publication of geological maps, reports and drawings, analysis of rocks, soils, water and minerals, provision of mineral processing services, maintenance of mineral resources databases and investigating and assessing earthquakes, volcanic activity, landslides etc.

The revision of the Mining Act in 1998 and the Mining Regulations in 1999 were directed at attracting private sector investment in the exploration, mining development, mineral beneficiation and marketing of Tanzania's mineral resources.<sup>13</sup>

#### *Mining Title and License Categories*

Title to minerals in the ground is vested in the United Republic of Tanzania and no prospecting or mining operations can be carried out without the appropriate mineral rights licence granted by the government. Of the various levels of licensing available to local companies working in mineral exploration (which may be wholly-owned by a foreign company such as GRK), almost all companies work under a Prospecting Licence (PL) in the exploration stage and a Mining Licence (ML) in the exploitation stage.

Under the Tanzanian Mining Act of 2010 (the Act), there are the following categories of licences:

- a. Primary Mining License (PML): less than 10 ha and only available to citizens of Tanzania.
- b. Prospecting license (PL): with sub-categories for metallic and energy mineral (<10 km<sup>2</sup>), industrial minerals (<1 km<sup>2</sup>) and building materials
- c. Mining License (ML): with sub-categories for metallic and energy mineral (<10 km<sup>2</sup>), gemstones (GML, <1 km<sup>2</sup>) and kimberlitic diamonds. Greater than USD100,000 capital investment is the minimum requirement
- d. Special Mining Licences (SML): 70 km<sup>2</sup> for superficial and 35 km<sup>2</sup> for other deposits. Greater than USD100,000,000 capital investment for an SML.
- e. Retention Licence: lodged over the area within a PL to be mined

GRK's Tanzanian licences under option comprise granted Prospecting Licences (PL) or applications for Prospecting licenses (HQ) and Primary Licenses for Gemstones over which the rights to graphite mineralisation have been assigned. The following licence conditions apply:

- A Prospecting Licence will be granted for an initial period not exceeding four years (rent US\$100/km<sup>2</sup> per annum), and then for two successive periods of renewal for up to 9 years in total. The first renewal period shall not exceed three years (rent US\$150/km<sup>2</sup> per annum) and the final renewal period shall not exceed two years (rent US\$200/km<sup>2</sup> per annum). Both renewals require a 50% relinquishment of the licence area.
- Prospecting Licence holders may apply for a Retention Licence where "material deposits of potential commercial significance have been identified but cannot be immediately developed". Retention Licences can be granted for up to five years.
- Gemstone Mining License is granted for 10 years with a rent of US\$3,000/km<sup>2</sup> per annum and is renewable

A Mining Licence can be granted for a period not exceeding 10 years, renewable for a period of up to 10 years, on presentation of a suitable feasibility study, environmental impact study and employment plan.

In the Investment Act of 1997 Tanzania recognises the investor's need to recover exploration and development costs, to achieve a rate of return commensurate with risk, to repatriate dividends and to meet financial obligations with creditors and suppliers. The 1998 Mining Act and Regulations are also designed to deter hoarding of data on new discoveries and speculative freezing of exploration lands. The

State does not participate directly in exploration or mining operations. Royalties payable to the government are 3% of net-revenue for minerals, and 5% of net-revenue for diamonds.<sup>13, 14</sup>

## 5. TANZANIAN PROJECTS - OVERVIEW

### 5.1 Introduction and Summary

Subject to a successful fundraising, GRK will acquire 100% equity in and become operator of the Mahenge Graphite Project in accordance with various option agreements involving a series of payments in the form of cash and shares. This report assumes that GRK will successfully acquire the Projects under these option agreements, hence all references to GRK's projects are of either the Mahenge Graphite Project which is the collective name for Mahenge North, Makonde, Mahenge East, Mahenge Southwest and the Graphite Minerals Rights held over the Gemstone Mining Licenses (GML), or reference will be made to the individual Projects as required.

GRK and associated companies have been operating and exploring in Tanzania since mid-2014 where they are focussed on their newly acquired Mahenge North license and are currently reviewing their options on the Mahenge Project.

### 5.2 Project Location and Access

The Mahenge Graphite Project is located 245 km southwest of the city of Morogoro and 358 km SW of the country's capital Dar es Salaam. The Projects lie between 800 and 1200 metres above sea level with topography comprising of undulating to steep hills and incised valleys throughout the exploration license areas. Figure 4 shows a physical map of Tanzania with the project location.

The Projects are located 330 km from Dar es Salaam by sealed highway (A7), via the city of Morogoro, before driving 122 km along a gravel track towards the township of Ifakara and eventually Mahenge village. A total of 452 km of road is negotiated to arrive at the project location. There is a major river crossing at the Kilombero River by ferry, which operates subject to driver availability or mechanical issues, and will be replaced by a bridge planned for completion in 2015.



Figure 4. Physical Map of Tanzania showing the Mahenge Graphite Project Location

The GRK projects are located close to the townsite of Mahenge where there is easy access to power, water and communications. Beyond the town of Mahenge the small villages lack basic facilities apart from mobile phone communications with water and power supplied from petrol generators.

On site, the terrain can be traversed outside of the wet season and work programs are not unduly hampered by issues of access or climate. However access to site does involve crossing a river using a ferry that is subject to closure when flooding occurs. A bridge is planned for completion in 2015 to address this.

### 5.3 Climate and Physiography

The Mahenge Projects are located in south-central Tanzania which enjoys a tropical climate with regional variations due to the effects of topography. The temperatures rarely fall below 20 °C with the hottest



period between November and February (25–31 °C) and the coldest between May and August (15–20 °C).

The southern, western, and central parts of the country experience one wet season that continues from October through to April or May.

Well-developed soil profiles resulting from the tropical conditions, consist of Fe-rich loamy clays overlying bleached zones and saprolitic clays and are common throughout the licenses. Open woodlands, scrubs and grasslands dominate over the weathered sediments, with the typical soil profile developing 1-5 metres in thickness over topographic highs. The topography is strongly controlled by the sediments and structural settings around the folded plateau, with incised rivers forming the majority of topographic change. Strong karst style weathering within the marble units has formed prominent sharp ridges and valleys on a small scale.

Subsistence farming in the area include maize, rice and beans. The area is also mined for gems, particularly rubies. Illegal logging is active within the nearby Mahenge Scarp Catchment Forest Reserve.<sup>15</sup>

## 5.4 License Details and Agreements

The Mahenge Graphite Project comprise 14 licenses, two of which are granted PL Licenses while the remaining seven HQ Licenses are under application with an additional 5 granted GML. The area covered by the granted licenses is 317.24 km<sup>2</sup> and license applications totals 1261.46 km<sup>2</sup>. The GMLs are 1 km<sup>2</sup> each and total 5 km<sup>2</sup>. Combined total licence area is 1583.7 km<sup>2</sup>.<sup>2c</sup>

Details for all GRK licenses are provided in Table 4 and in Figure 5. ARC has not undertaken a legal assessment regarding tenure or associated legal agreements.

Table 4. Current Licenses in GRK Portfolio; Granted and under Option Agreements								
Type	License Number	Owner	Option Agreement	Application Date	Granted Date	Expiry Date	Area km <sup>2</sup>	Annual Rent
Graphite	PL 7802/2012	ASAB	ASAB	15/12/2011	3/04/2012	2/04/2012	292.41	\$29,241
Graphite	PL 10111/2014	MAKONDE	Mahenge	18/06/2012	13/08/2014	12/08/2014	24.83	\$2,483
Graphite	HQ-P28539	MAHENG	Mahenge	19/08/2014			154.96	
Graphite	HQ-P28540	MAHENG	Mahenge	19/08/2014			208.67	
Gemstones	GML 294/2008	INTERSTATE	Gemstone	15/11/2007	2/05/2008	1/05/2008	1	\$3,000
Gemstones	GML 295/2008	INTERSTATE	Gemstone	15/11/2007	2/05/2008	1/05/2008	1	\$3,000
Gemstones	GML 296/2008	INTERSTATE	Gemstone	15/11/2007	2/05/2008	1/05/2008	1	\$3,000
Gemstones	GML 297/2008	INTERSTATE	Gemstone	15/11/2007	2/05/2008	1/05/2008	1	\$3,000
Gemstones	GML 298/2008	INTERSTATE	Gemstone	15/11/2007	2/05/2008	1/05/2008	1	\$3,000
Graphite	HQ-P28687	MAHENG	Gemstone	7/10/2014			199.13	
Graphite	HQ-P28688	MAHENG	Gemstone	7/10/2014			256.14	
Graphite	HQ-P28689	MAHENG	Gemstone	7/10/2014			262.53	
Graphite	HQ-P28690	MAHENG	Gemstone	7/10/2014			172.03	
Graphite	HQ-P28691	MAHENG	Gemstone	7/10/2014			8	
Total							1583.7	
Code for vendor and current license holder: ASAB - ASAB Resources (T) Ltd (100%), MAKONDE - Makonde Resorts Ltd (100%), MAHENG - Mahenge Resources Ltd (100%), INTERSTATE - Interstate Mining , and Minerals (T) Ltd (100%),								
Licence Prefix Coding: PL – Granted, HQ – Application, GML – Gemstone Mining Licences with Graphite Mineral Rights								

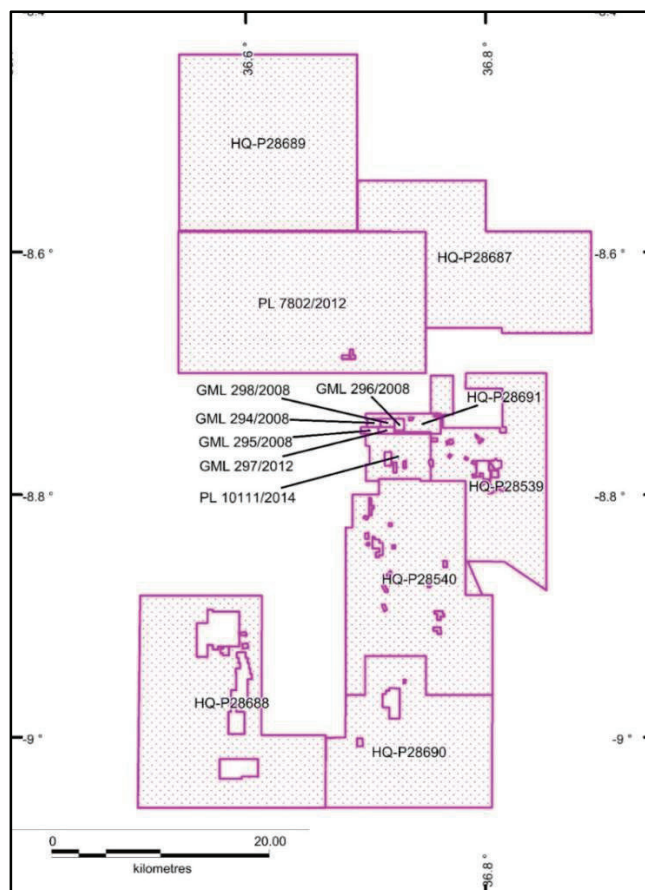


Figure 5. Plan of Mahenge Graphite Project licences.

The acquisition of the GML and HQ licenses by GRK will be initially by option agreements, then if a decision to purchase the licenses 100% from each vendor, which are the Tanzanian companies holding the respective licenses. As part of the option agreements, GRK will be required to issue shares to the vendors and commit to spending a minimum amount over a set period of months, according to the option terms and agreements.

Additional payments and shares are to be issued once a decision to purchase is made, along with a minimum expenditure as per the option terms are summarised in Table 5.

<b>Table 5. Key Terms of acquisition for the various Licenses</b>		
<b>Mahenge North Project Option Agreement</b>		
Option Terms	Option Fee	USD\$50,000 (non-refundable) + 33,333,333 GRK Shares
	Option Term	4 Months + min spend of USD\$100,000
Purchase Terms	Minimum Expenditure	USD\$500,000 first 12 months + issue 166,666,667 shares to vendor
	Milestone Payments	Yes - refer to text
<b>Mahenge Projects Option Agreement</b>		
Option Terms	Option Fee	USD\$50,000 (non-refundable) + 8,000,000 GRK Shares
	Option Term	4 Months + min spend of USD\$20,000
Purchase Terms	Minimum Expenditure	USD\$500,000 first 12 months + issue 80,000,000 shares to vendors (an acquisition price of USD\$110,000 is required for one license, which goes towards the min. expend.)
	Milestone Payments	Yes - refer to text

Graphite Mineral Rights (GML)		
Option Terms	Option Fee	USD\$50,000 (non-refundable)
	Option Term	6 Months
Purchase Terms	Minimum Expenditure	Nil
	Consideration for acquisition of Graphite Mineral Rights	USD\$20,000
	Consideration for Total ownership over all Mineral Rights excluding gemstones	1% Net Smelting Royalty on production
	Milestone Payments	Nil
Condition	Key condition prior to option fee payment	1) GRK obtains advice regarding the transfer of a separate class on minerals rights (graphite) which can easily and efficiently be completed without time delays or significant compliance costs; 2) Verification of ownership and no adverse claims by 3 <sup>rd</sup> parties

New Licence Applications		
Option Terms	Option Fee	USD\$45,000 (non-refundable)
	Option Term	8 Months
Purchase Terms	Minimum Expenditure	Nil
	Consideration for acquisition of Graphite Mineral Rights	USD\$60,000 + USD\$60,000 GRK Shares
	Milestone Payments	Yes - Refer to text
Condition	Key condition prior to option fee payment	Verification of ownership, good standing and no adverse claims by 3 <sup>rd</sup> parties.

In some cases, there are milestone payments to be met once the options terms are met and GRK elects to proceed with the purchase of the licenses. These are as follows;

***Mahenge North Milestone;***

1. \$250,000 cash or equivalent number of fully paid Green Rock shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 250,000 tonnes of contained graphite at >7% TGC is announced. Issue price of shares to be calculated based on the preceding seven (7) day VWAP;
2. \$250,000 cash or equivalent number of fully paid Green Rock shares (at the election of the vendor) to be paid when the Green Rock share price exceeds a VWAP of \$0.005 (or equivalent price allowing for share capital reconstruction) for a period of at least ten (10) consecutive trading days. The final number of shares issued to be calculated based on \$0.005 per share; and
3. \$500,000 cash or equivalent number of fully paid Green Rock shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 1,000,000 tonnes of contained graphite at >7% TGC. Issue price of shares to be calculated based on the preceding five (5) day VWAP.<sup>2c</sup>

***Mahenge Graphite Project milestone;***

1. \$250,000 cash or equivalent number of fully paid Green Rock shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 250,000 tonnes of contained graphite at >9% TGC is announced. Issue price of shares to be calculated based on the preceding seven (7) day VWAP; and
2. AUD\$375,000 cash and the equivalent value (AUD\$375,000) in GRK Shares to be paid when a JORC compliant Resource with greater than 1,000,000 tonnes of contained graphite at >9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK

Shares is to be calculated based on the VWAP of GRK Shares in the 5 days prior to the relicense of the announcement.<sup>2c</sup>

*New Application Licenses Milestone;*

1. AUD\$150,000 cash or, at the sole election of the vendor, subject to compliance with the ASX Listing Rules, the equivalent value in GRK Shares to be paid when GRK announces a JORC compliant Resource with greater than 250,000 tonnes of contained graphite at >9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK Shares is to be calculated based on the volume weighted average price (VWAP) of GRK Shares in the 5 trading days prior to the relicense of the announcement.
2. AUD\$125,000 cash and the equivalent value of AUD\$125,000 in GRK Shares to be paid when GRK announces a JORC compliant Resource with greater than 1,000,000 tonnes of contained graphite at >9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK Shares is to be calculated based on the volume weighted average price (VWAP) of GRK Shares in the 5 trading days prior to the relicense of the announcement.<sup>2c</sup>

## 6. REGIONAL GEOLOGICAL SETTING

The Mozambique Orogenic Belt is one of many Pan-African orogenic belts formed in the Proterozoic. It extends along the eastern border of Africa from Ethiopia, Kenya and Tanzania. It consists of high-grade mid-crustal rocks with Neoproterozoic metamorphic overprint. The Mozambique Belt is separated into the Western Granulites and Eastern Granulites which are separated by flat-lying thrust zones and younger sedimentary basins (Figure 6).<sup>12</sup>

The Mahenge Graphite Projects are located within the Eastern Granulites, which are interpreted to be the uppermost structural layers of the Pan-African nappe pile. The Eastern Granulites are divided into a basal unit composed of meta-igneous enderbites and granitoid gneisses and meta-anorthosites, which grades into mafic granulites. Sedimentary succession occurs structurally higher up with basal paragneisses, meta-pelites and schists followed by a thick marble unit.<sup>1</sup>

According to Fritz *et al* 2005, the Mahenge area had undergone granulite facies metamorphism that can be seen preserved in mafic granulite lenses which has then retrogressed to amphibolite facies metamorphism.

Karoo sediments formed during the Permian to Lower Jurassic, overlapping the Eastern Granulites to the east and southeast of Mahenge.

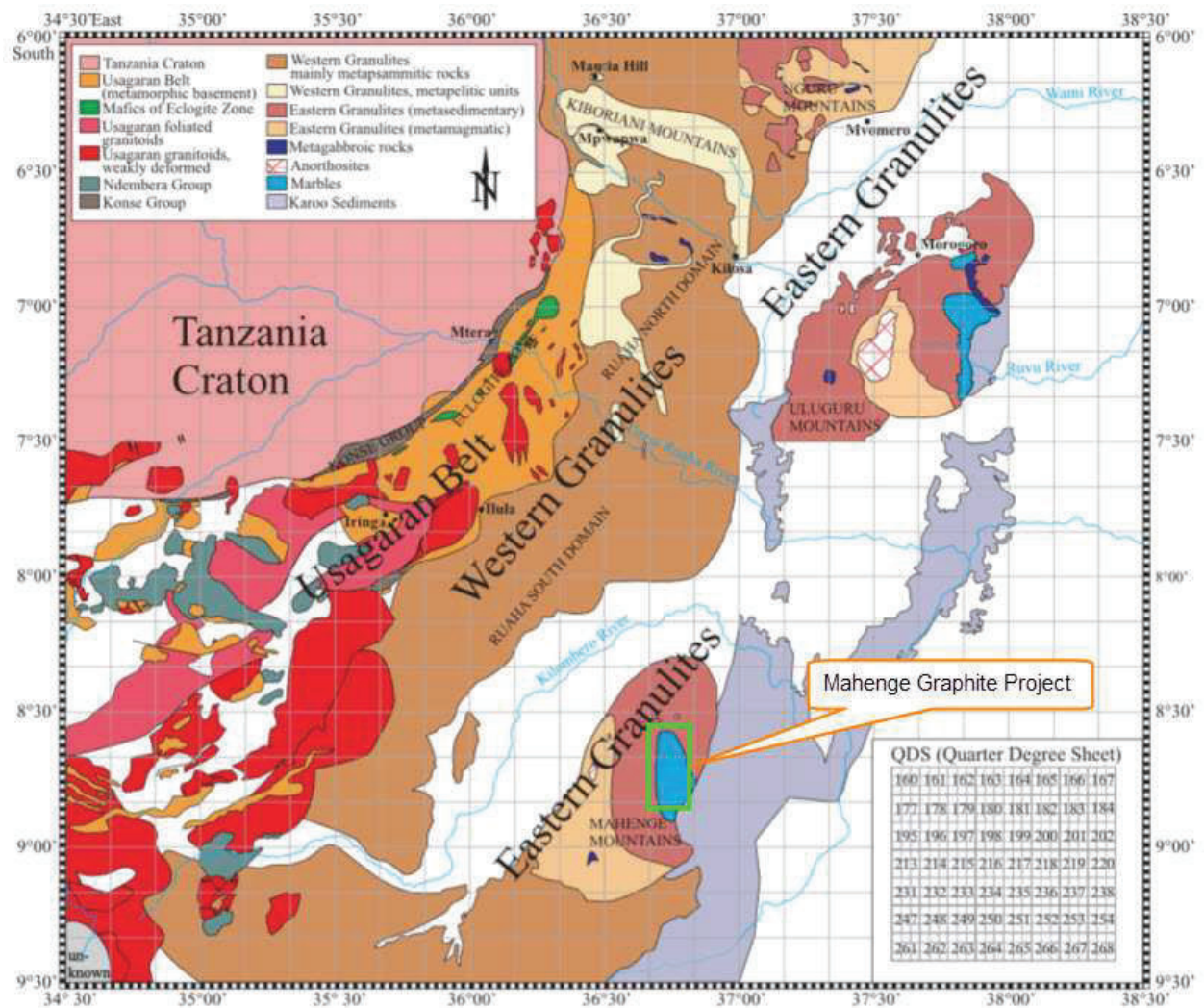


Figure 6. Lithological units related to the regional geology of the Mahenge Graphite Project areas. The Projects are located within the Eastern Granulites, which forms part of the Pan-African Mozambique Fold Belt, from Fritz *et al* 2005. Location of Mahenge Graphite Project shown as green outline.



## 6.1 Local Geological Setting

The local geology at Mahenge has been mapped by the Geological Survey of Tanzania (GST) in 1962 and is published on Quarter Degree Sheet 251 – Mahenge. The GRK licenses are hosted within the Proterozoic Eastern Granulites<sup>1</sup> comprising foliated gneiss, which represent the original semi-pelitic, pelitic and calcareous sediments (Figure 7). All these rocks have undergone recrystallisation by intense regional metamorphism to upper amphibolite facies. The upper sequence of the Eastern Granulites comprise the crystalline limestone group of Mahenge, composed of interbedded dolomitic marbles and gneiss.

Graphite mineralisation is generally found within foliated gneiss, containing variable amounts of biotite and lesser muscovite, often adjacent to clean crystalline units of marble. The district is also well known for its jewellery quality gemstones such as ruby, spinel, sapphire, tourmaline and garnet. Apart from the quarrying of marble there are no significant mines for other resources at Mahenge.<sup>14</sup>

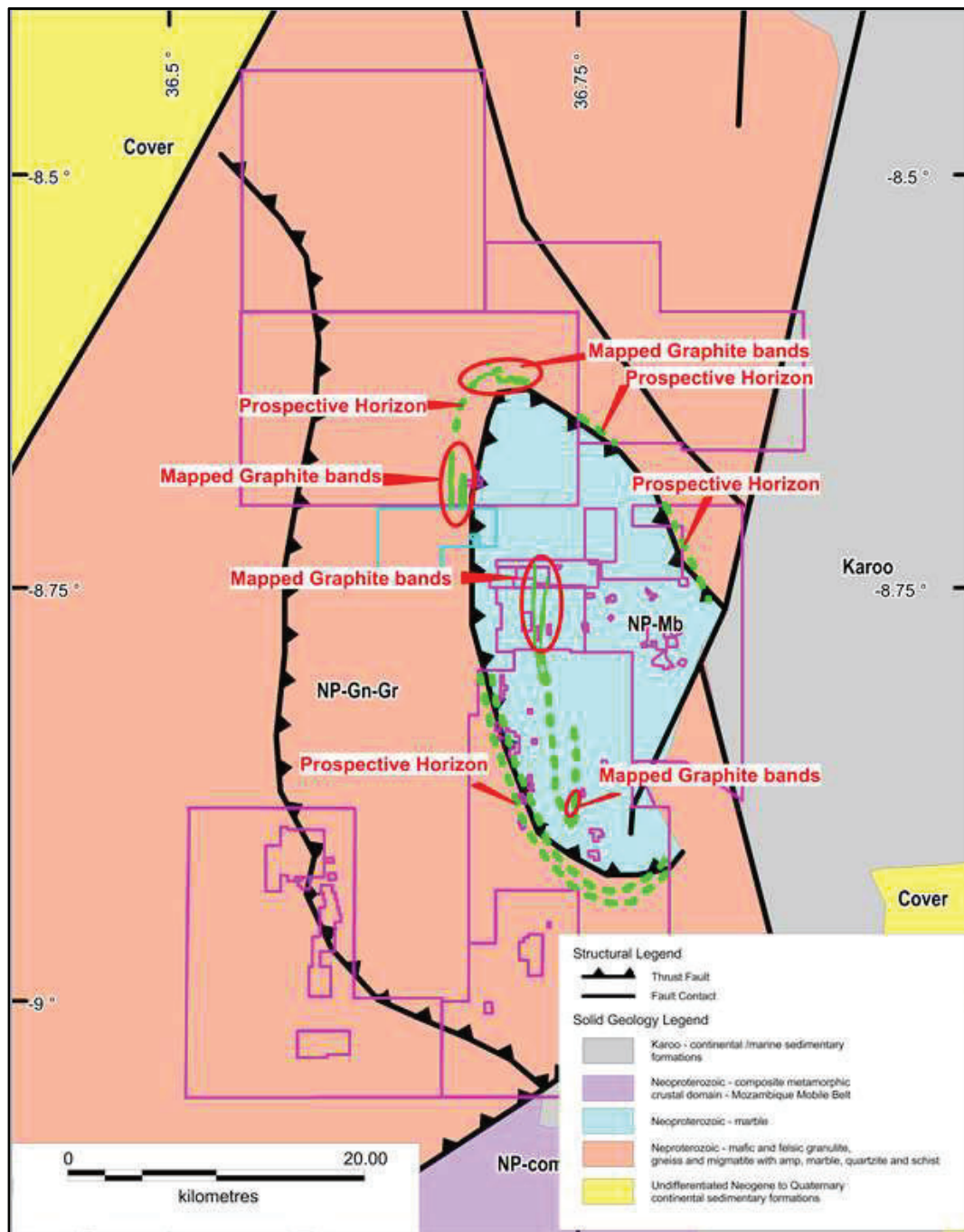


Figure 7. Simplified local geological setting for the Mahenge Area, (modified from Tanzania 1:20,000 scale map sheet Tanzanian Geology survey)



## 6.2 Local Structural Setting

The Mahenge licenses are centred over the Mahenge Synform, interpreted to be a tightly, poly-phase folded sequence of marbles, gneisses and schists of the Eastern Granulites. From the geological maps and Landsat imagery, gneiss, schists and marbles trace the outline of what appears to be transecting fold hinges, with the eastern limb thicker than the west, indicating an inclined syncline with the fold axial plane running north-northwest. Termination of fold hinges are noted within the body of the main fold structure, giving rise to 'sickle' shapes that may be an indication of 'Type-3' convergent-divergent interference folding.<sup>10</sup>

A common occurrence in the fold limbs is the presence of transpose and hook folds, giving rise to thicker fold noses that trail away to thinner terminating limbs. To the south, it appears that these units form an opposing fold closure, creating a double-plunging inclined synform, or basin structure which can be seen in Figure 8.

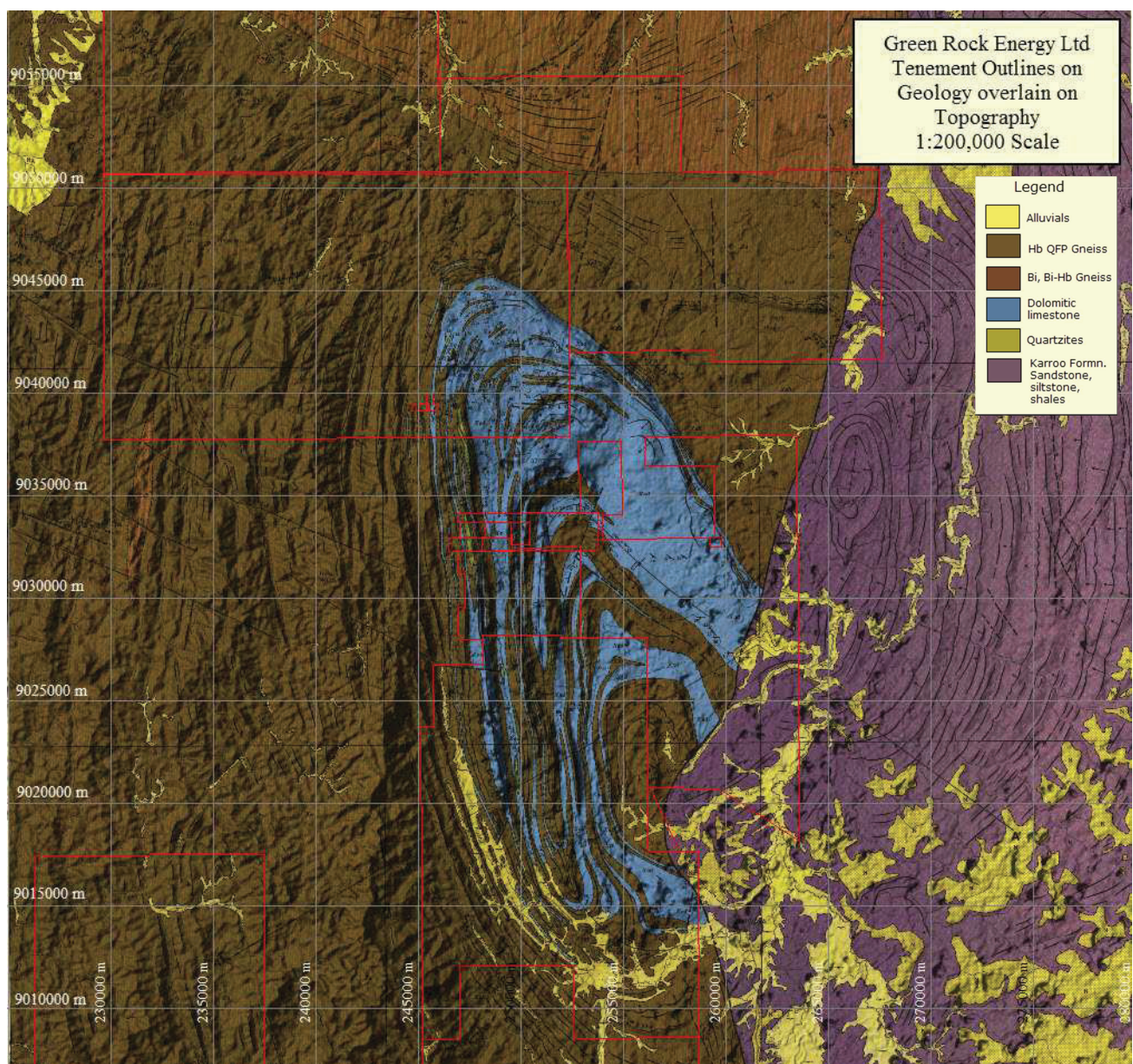


Figure 8. Image showing the convoluted nature of the folding of the Mahenge Synform. Note the 'sickle' shaped hook folding, most prominent on the western limb of the synform. The lower southern section of the synform appears as a basin. Other dome and basin features are noted to the northeast along the contact, (red lines are license outlines)

## 7. PREVIOUS EXPLORATION

Whilst exploration and mining companies are required to submit summary reports detailing the work completed after each quarter and at license relinquishment, this requirement is rarely enforced in Tanzania. Therefore, access to previous exploration reports and data over areas of new tenure can be limited.

Other sources of geoscientific data can be obtained from the Geological Survey of Tanzania (GST) which has conducted geological surveys and research activities country-wide for the past 80 years generating and storing substantial amount of geoscientific data and information.

In the 1940's, a government geologist named GM Stockley, is reported to have visited the Mahenge area and mapped the Ndololo graphite exposure on the main road located within the Mahenge North License. Assay and metallurgical samples were acquired and described in a report titled Mineral Resources Pamphlet No.44, *The Ndololo Graphite Deposit, Mahenge Scarp* available from the Tanzanian Geological survey.

Stockley concluded that the Ndololo graphite lode graded 15.75% graphite, was amenable to concentration (95.7% recovery to concentrate) and suitable for refractory applications. However, the site was too remote until rail infrastructure was established. It appears that Stockley's work was focussed on Ndololo and he did not examine any of the southern graphitic lodes that are the current focus of Kibaran Nickel and Green Rock Energy.<sup>14</sup>

### 7.1 Kibaran Resources – ASAB Resources tenure (May 2012 – March 2013)

The original data and reports associated with past exploration on the licences listed in this IGR could not be located. In particular the original exploration results for rock chip sampling, mapping and RC drilling completed by Kibaran Resources (KNL) on license PL 7802/2012, prior to GRK undertaking the option agreement have not been located at the time of writing this report.

Consequently, GRK has used information in the public domain. This data is incomplete but does provide some general guidance. While rock chip sampling was undertaken, no assay data has been made available although RC drilling completed by KNL in September 2012 was released.

KNL completed RC drilling on PL 7802/2012 at four prospect locations; Kasita, Ndololo Western, Ndololo Central and Ndololo Eastern the highlights of which were released and are summarised in Table 6. The total drill program comprised 21 holes for 2510m for an average depth of 120m and illustrated in Figure 9. These prospects are located on GRK's PL7808/2012 (Figure 11).<sup>14</sup>

GRK has located all drill collars or drill pads in the field with the exception of MHRC\_015 and 016 which could not be found due to heavy vegetation growth in the areas preventing access. KNL originally located the collar coordinates in WGS 84 Zone 36 datum which had been incorrectly reported as Zone 37 datum. These discrepancies have now been corrected and the collar co-ordinates tabulated in Table 6 are in ARC60, Zone 37.

The KNL collars were located in positions that were designed to intersect sub- to outcropping graphite mineralisation. Figure 10 shows the cemented collar for MHRC\_008.

KNL encountered some high grade intersects at the Ndololo eastern prospect where holes MHRC\_25 and 026 encountered 13m @ 10.8 %TGC and 11m @ 11.2% TGC respectively.<sup>5d</sup> Rock chip samples taken by GRK from the area confirm high grade graphite exists at Ndololo.



**Table 6. Kibaran Resources drill locations and assay results**

Hole_ID	E_ARCZ37	N_ARCZ37	Survey Method	Dip	Azi	Depth	From	Selected Intersect	Prospect
MHRC_001	250294.1	9038225.6	ASX -report converted	-90	360	70	48	7m @ 3.6% TGC from 48m	Kasita
MHRC_002	250286	9038230.5	ASX -report converted	-60	270	140		No significant Results	Kasita
MHRC_003	250346.5	9038320.4	ASX -report converted	-90	360	50	0	10m @ 3% TGC from surface	Kasita
MHRC_004	250533.9	9038595	ASX -report converted	-60	270	51		No significant Results	Kasita
MHRC_005	250202.1	9037975.5	ASX -report converted	-60	360	50	0	11m @ 4.3% TGC from surface and 9m @ 4.3% from 18m	Kasita
MHRC_006	250271.3	9038083.4	ASX -report converted	-60	270	80	49	7m @ 3.2% TGC from 49m	Kasita
MHRC_007	250470.2	9038516.1	ASX -report converted	-60	270	70	2	32m @ 5.7% TGC from 2m	Kasita
MHRC_008	245664.9	9045993.4	GPS pickup	-60	325	80	12	26m @ 5.7% TGC from 12m inc 4m @ 10.5% from 12m	Ndololo Western
MHRC_009	245734.7	9046059.8	GPS pickup	-60	325	80	19	5m @ 2.8% TGC from 19m	Ndololo Western
MHRC_010	245626.6	9045882.7	GPS pickup	-60	325	105		No significant Results	Ndololo Western
MHRC_011	245679.4	9045982.8	GPS pickup	-60	325	179	23	25m @ 4.7% TGC from 23m inc 3m @ 11.9% from 23m	Ndololo Western
MHRC_012	245840	9046154.4	GPS pickup	-60	325	200		No significant Results	Ndololo Western
MHRC_013	246452.3	9047135.8	GPS pickup	-90	270	146	1	5m @ 5.7% TGC from 1	Ndololo Western
MHRC_014	246491.3	9047120.2	GPS pickup	-90	340	143	8	3m @ 2.1% TGC from 8	Ndololo Western
MHRC_015	246393.9	9046365.4	Approx.	-90	80	212	9	2m @ 2% TGC from 9	Ndololo Central
MHRC_016	246464.8	9046405.8	Approx.	-90	350	220	0	33m @ 3.5% TGC from surface	Ndololo Central
MHRC_017	246726.8	9046655.8	GPS pickup	-60	320	155	0	18m @ 3.4% TGC from surface	Ndololo Central
MHRC_018	246768.5	9046566.2	GPS pickup	-60	320	159	0	12m @ 2.4% TGC from surface	Ndololo Central
MHRC_025	248088.3	9046052.5	GPS pickup	-90	340	70	5	33m @ 5.8% TGC from 5m inc 13m @ 10.8% from 7m	Ndololo Eastern
MHRC_026	248092.3	9046048.5	GPS pickup	-90	160	100	12	29m @ 6.8% TGC from 12m inc 11m @ 11.2% from 12m	Ndololo Eastern
MHRC_027	247793.1	9046043.7	GPS pickup	-60	55	150	12	4m @ 3.4% from 12m, 8m @ 2.6% from 26m, 8m @ 3.8% from 39m 10m @ 2.4% from 70m	Ndololo Eastern
					<b>Total</b>	<b>2510</b>			

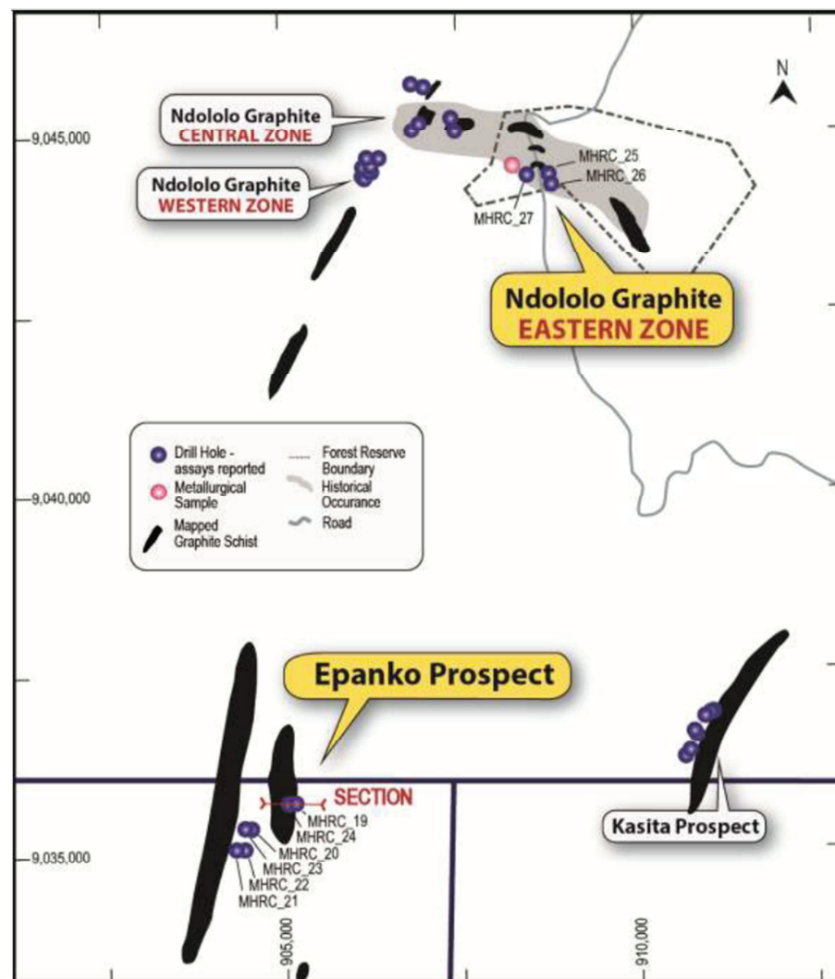


Figure 9. KNL drill hole and prospect locations



Figure 10. Typical drill collar from KNL drill programs on PL7802/2012



## 8. MAHENGE GRAPHITE PROJECT AREAS

This section details the recent exploration completed on the licenses held by GRK, including those currently in application, but excluding GML licenses. The raw assay data for rock chip samples, trench logs and compiled assays were made available to ARC. Selected figures of trench cross-sections are shown below.

### 8.1 Mahenge North Prospect Areas

A total of four graphite prospects have been identified within the Mahenge North licence, the locations of which are shown in Figure 11. Three of those were previously identified by KNL whilst the Cascade prospect was a new discovery by GRK.

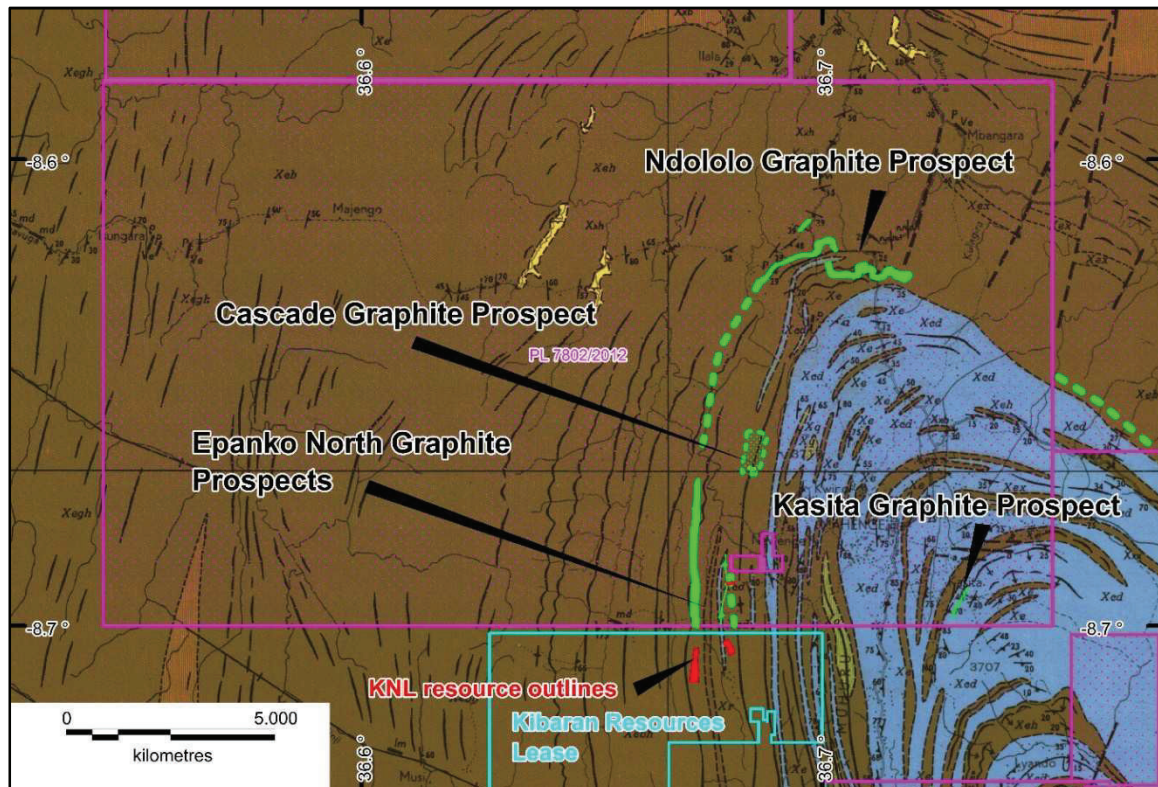


Figure 11. Mahenge North (ASAB) license graphite prospect locations on map sheet QDS 251. Solid green lines are mapped graphitic units, dashed green lines are inferred positions. Rock type colour codes are; Brown – Hornblende gneiss, Quartzo-feldspathic gneiss, Blue – Crystalline dolomitic limestone, Olive - Quartzite

#### 8.1.1 Epanko North Prospect

At Epanko North two units of graphitic gneiss running parallel to each other have an average strike of  $191^{\circ}$  and dip  $60-80^{\circ}$  to the east. These are currently named the West and Middle Graphite Units. A third unit is proposed to the east and has been observed close to the southern license boundary with KNL but it appears to either rapidly pinch out or is covered by colluvium. The two main graphitic units are associated with northerly trending topographic highs that seem to lose elevation the further they trend to the north.

Mapping to date by GRK, has traced both units from the southern license boundary, with the western unit mapped intermittently for 5.8 km north along strike with potential for extension, while the middle unit extends 2.2 km north and is also open along strike. The units' surface expression is variable and can include outcropping gneiss but more often, the graphitic units are marked by a noticeable increase in graphite flakes in the soils above the gneissic units.

Weathering is variable along the schistose units and is largely dependent on the ratio of quartz to feldspar in the gneiss. The gneiss is typically medium grained, moderately to highly strained with flake sizes ranging sub 1mm up to 3 to 4mm in some of the outcrops. A hand sample specimen taken from the outcrop is shown in Figure 12.

The graphitic gneiss units are bounded by marble to the east and both grade into hornblende-biotite gneiss to the west. Width is variable along strike, with the western unit showing 60-100m width in places while the exposed middle unit averages 20 metres.

Three trenches were completed across the western unit and a further four trenches across the middle unit. Previous trenching by KNL was located within 250 metres of the southern boundary of the license and rehabilitated but was found to be unsuitable for sampling. Other trenches were also attempted during the field program but geologists on site were not confident that saprock was encountered so sampling was not undertaken. No evidence of any exploration activity is seen north of the Epanko North area until the RC drilling completed by KNL at Ndindo, located west of Ndololo.



Figure 12. Sample GRKR001 returned 9.96% TGC from the eastern unit of the Epanko North prospect

#### 8.1.1.1 Epanko North Trenching

A total of seven trenches for 295m of new trenching was conducted on two of the three bands of graphite mineralisation at the Epanko North prospects. The most western band of mineralisation trench sampled with three trenches (TREPW03-05) while the middle unit was tested with four trenches (TREPW01, 01A, 02 and 03). Results for the trenches are presented in Table 7.

Good results were received for trench TREPW03 on the western graphite unit that shows wide zones of mineralisation with internal intervals of higher grades (Figure 13). Extending the trench to the west may increase the overall width of the mineralisation and intersect additional high grade mineralisation.

Trenching results further to the north of TREPW03 were generally lower grade and not as wide. It seems further work is required to understand if the location of the higher grade graphite schist has been offset between TREPW03 and TREPW04. There is strike potential of 1.3 km from the southern boundary of the Mahenge North license to trench TREPW03 which is the direct extension of the western Epanko Resource defined by KNL.

There is strong evidence in the soil profiles that graphite mineralisation is likely to exist in this area but deep weathering has prevented trenching to penetrate to saprock. The potential can now only be determined with systematic drilling. Some drill pads have been already been cut into the western band of the Epanko mineralisation.

Trenches TREM01 and TREPM01A (Figure 14 shows the section for trench TREPM01A) were excavated at the same locality. TREPM01 was not trenched at an optimal angle to the strike direction of the graphite gneiss while TREPM01A was positioned at right angles to the strike of the graphite gneiss and is close to true thickness.

While trench TREPM01 has a mineralised interval 56m long and TREPM01A has a 23m long mineralised interval the average grade of both trenches is similar – 11.58% TGC and 11.46% TGC respectively. However there was more than expected variability in the grades on a metre by metre scale. The western end of trench TREPM01A ends in 9.89% TGC material so it could be extended in future trenching programs.

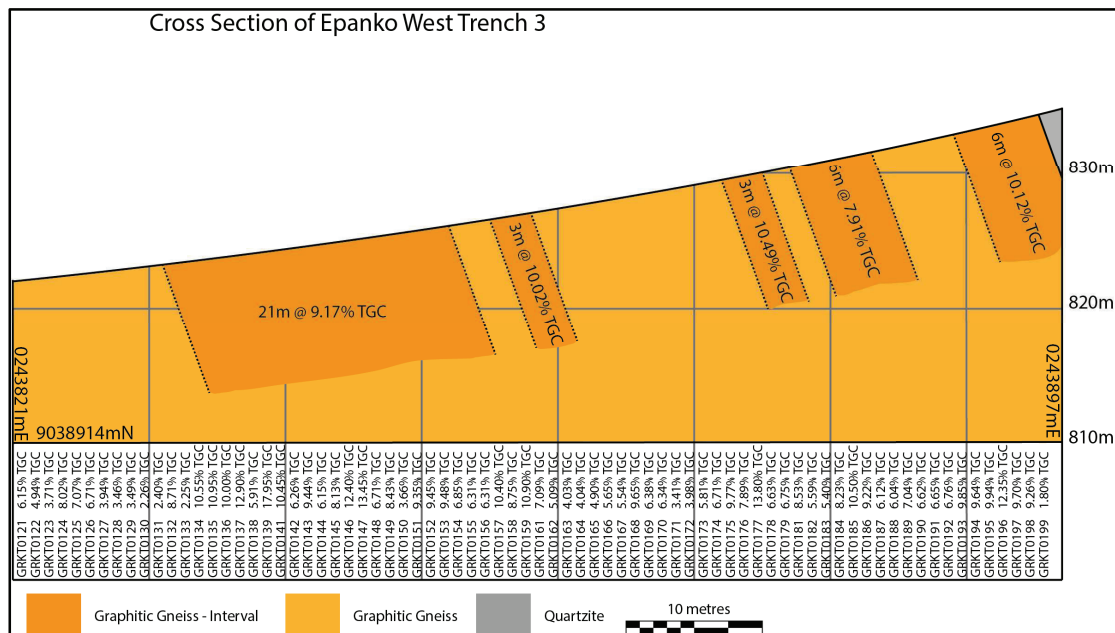


Figure 13. Epanko North Prospect: cross-section of trench TREPW03

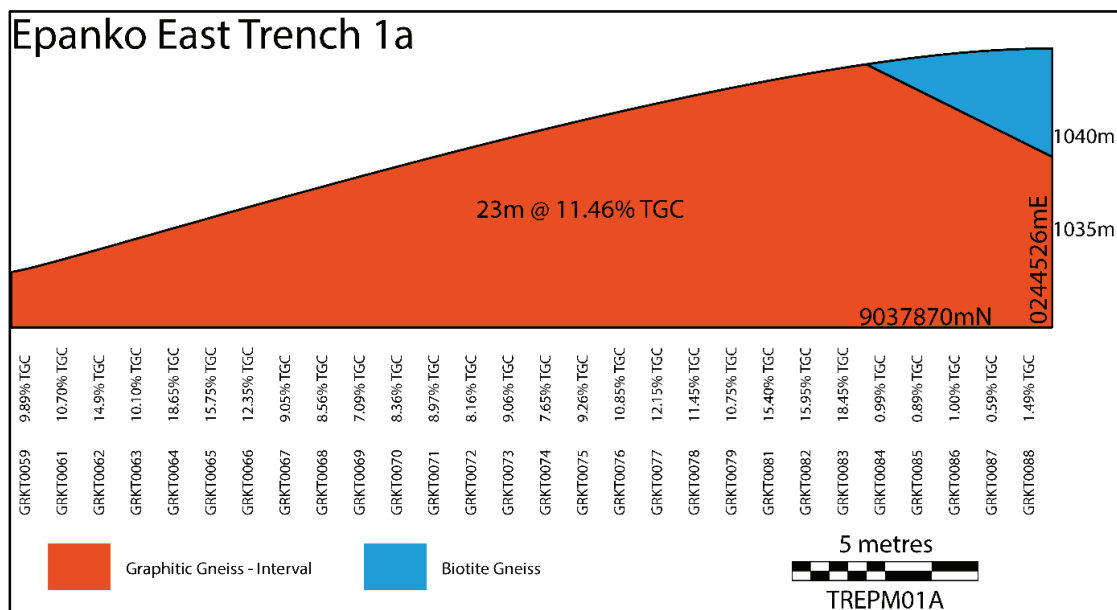


Figure 14. Epanko North area Middle graphite unit: TREPM01A assay results



Immediately to the south of the Middle Graphite Units, KNL has defined a small resource of high grade mineralisation as part of the Epanko Resource. This mineralised unit can be traced back into the GRK license area by trenches that are located further north of this small resource. This zone represents a high priority drill target.

Further along strike from TREPM01 and 01A an additional two trenches TREPM02 and 03 (Section for trench TREPM03 is shown in Figure 15) have been excavated. The strike tested by these trenches is 1.46 km with trenches located about every 500 metres along the horizon. Moderate grade results were received for TREPM02. The location of trench TREPM02 appears to deviate to the east from the predicted location of the higher grade horizon located 700m to the south.

Further to the north TREPM03 encountered 25m @ 10.03 TGC from the start and included a very high grade zone of 7m @ 17.12% TGC. The trenches eastern margin ended in 7.47% TGC so the trench remains open in that direction.

This grade range and width is similar to that of TREPM01 and 01A which are clearly important high grade horizons. Additional work is required in this area to map and test this middle horizon of graphite mineralisation.

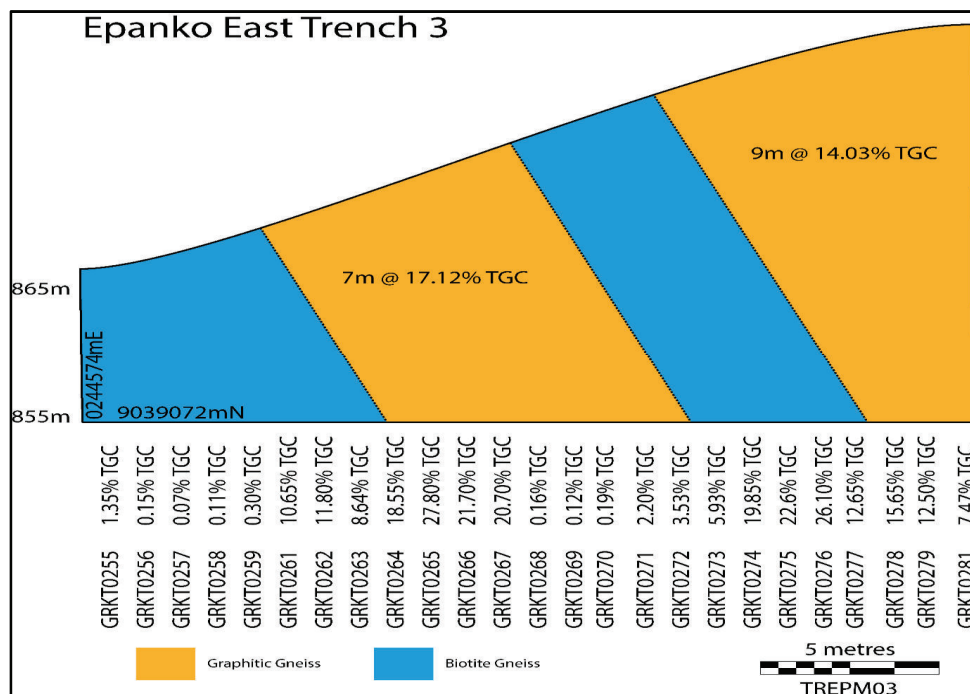


Figure 15. Epanko North area Middle graphite unit: TREPM03 assay results

The most eastern graphite horizon at the Epanko North prospect was not trenched. A number of deep pits were completed but they failed to encounter any mineralisation. Due to the location of this horizon within a valley and lack of mineralised outcrop, this area is considered to be lower priority. One trench was rehabilitated to the south close to the border with KNL but it did not encounter saprock or lower saprolite and was not sampled.

Table 7. Trench results from the first round of sampling at the Epanko North						
Trench_ID	East start	North start	Azim	Length (m)	Prospect	Total Trench intervals and selected significant intervals
TREPM01	244485	9037838	226	0-56	Epanko North	(0-56m @ 11.58%TGC from start including 22m @ 13.35m from 6m , and including 20m @ 14.90% TGC from 33m
TREPM01A	244498	9037870	110	0-28	Epanko North	28m @ 9.59 from start including 23m @ 11.46% TGC from start

**Table 7. Trench results from the first round of sampling at the Epanko North**

<b>Trench_ID</b>	<b>East start</b>	<b>North start</b>	<b>Azim</b>	<b>Length (m)</b>	<b>Prospect</b>	<b>Total Trench intervals and selected significant intervals</b>
TREPW04	243865	9039946	86	0-30	Epanko North	30m @ 3.84% TGC from start
TREPW03	243821	9038914	95	0-76	Epanko North	76m @ 7.45% TGC from start including 21m @ 9.17% TGC from 11m , and including 3m @ 10.02% TGC from 35m , and  including 3m @ 10.49% TGC from 52m , and including 6m @ 7.91% TGC from 57m , and including 6m @ 10.12% TGC from 69m
TREPW05	243839	9040396	106	0-52	Epanko North	52m @ 0.78% TGC from start
TREPM03	244574	9039072	110	0-25	Epanko North	25m @ 10.03% TGC from start including 7m @ 17.12% TGC from 5m 9m @ 14.03% TGC from 16m (trench ended in 7.47% TGC)
TREPM02	244635	9038620	85	0-28	Epanko North	28m @ 3.40% TGC from start 11m @ 6.26% TGC from 11 (trench ended in 8.52% TGC)

### 8.1.2 Ndololo Prospect

Located around the Ndindo Township and extending east into the Mahenge Scarp Forest Reserve, the Ndololo graphite mineralisation is located in the nose of the regional fold that forms the Mahenge Scarp. Deformation has resulted in a semi-contiguous series of pods or lenses of reasonably high grade graphitic gneiss. The graphite lenses strike to the east and dip shallowly to the south at less than 30°.

Field investigations by GRK personnel of the Ndololo area confirmed the existence of two RC drill collars completed by KNL (MHRC 25 and 026). The outcropping graphite mineralisation was examined to determine thickness and strike potential. It was found that the best exposures were located on the roadside cutting and a small hill just to the west of the main road to Mahenge, as shown in Figure 16.



Figure 16. Roadside cutting exposure at Ndololo. Sample GRK008 was sampled close to this location and returned an assay value of 35.5% TGC

Reports of two KNL drill holes as well as two other steel collars were located on the southern side of the roadside cutting. A heavily overgrown access track was located and additional pits and workings were also observed.

Grab samples taken from reconnaissance of this location (GRKR007 float sample and GRKR010 outcrop sample) produced encouraging results of 31.2%TGC and 17.65% TGC, respectively. Further work is warranted to clarify structure and size of mineralisation.

KNL drilled two holes into the graphitic schist at Ndololo that include results from MHRC25 - 33m @ 5.8% TGC including 13m @ 10.8% TGC from 7m depth and MHRC026 – 29m @ 6.8% TGC including 11m @ 11.2% TGC from 11m. The remaining drill holes drilled mainly the west of the Ndololo occurrence encountered low grade graphite mineralisation.

### 8.1.3 Kasita Prospect

The graphitic gneiss observed by GRK at Kasita strikes to the northeast and follows the fold trend of the regional geology, it is bounded to the south and east by marbles, and grades into hornblende gneiss to the west and north.

Previous exploration work in the Kasita area by KNL consisted of several RC drill holes and there is no indication of any trench work undertaken in the area. Results from this drilling included 7m @ 3.6% TGC from hole MHRC\_001 and 11m @ 4.3% TGC from hole MHRC\_005. These drill results are not particularly encouraging, however further work is warranted by GRK to assess the previous drilling intersections and continue to define the Kasita mineralisation zones.

### 8.1.4 Cascade Prospect

The Cascade prospect is a new graphite discovery by GRK and is located 3 km northeast of the Epanko North prospects. According to GRK, the mineralisation occurs intermittently over 300-400 metres but terminates abruptly to the north and has been mapped for at least 500m to the south.

Good potential for further extensions to Cascade to the south maybe identified with further mapping and prospecting. Trench TREPC01 was excavated across strike (E-W) and can be extended to the east and west with good potential for further graphite mineralisation. The trench was not completed to full length in the time available and 72m of the excavated trench was sampled.

The mineralisation occurs as graphitic gneiss, bounded by marble to the east and by hornblende gneiss to the west. The graphite is medium to coarse grained with TGC grade averaging about 10% based on rock chips taken in the area. Outcrop is shown in Figure 17.

#### 8.1.4.1 Cascade Trenching

Due to the limited time at the end of the initial program only 72m of sampling was completed at the southern end of the Cascade anomaly at TREPC01 as shown in Figure 18. The results show the area has potential to contain significant mineralisation with additional trenching along strike and extending of the trench to the east and west. Table 8 provides the results for the trenching.

The prospect is located close to the contact with marble from the Mahenge Synform and inter-bedding of the marble and graphite units is evident in the trenches. The location of the Cascade prospect closer to the marble contact zones could also indicate it sits in a similar position to the Ndololo mineralisation so higher grades maybe expected in this area.

**Table 8. Trench results from the first round of sampling at the Cascade Prospect**

<i>Trench_ID</i>	<i>East start</i>	<i>North start</i>	<i>Azim</i>	<i>Interval (m)</i>	<i>Prospect</i>	<i>Total Trench intervals and selected significant intervals</i>
TREPC01	245162	9041353	90	0-15	Cascade	No sampling due to a lack of saprock/saprolite
				15-90	Cascade	75m @ 4.47% TGC (trench started in 3.99% TGC) including 18m @ 6.17% TGC from 15m 24m @ 7.88% TGC from 51m





Figure 17. Outcropping graphite mineralisation at the Cascade Prospect

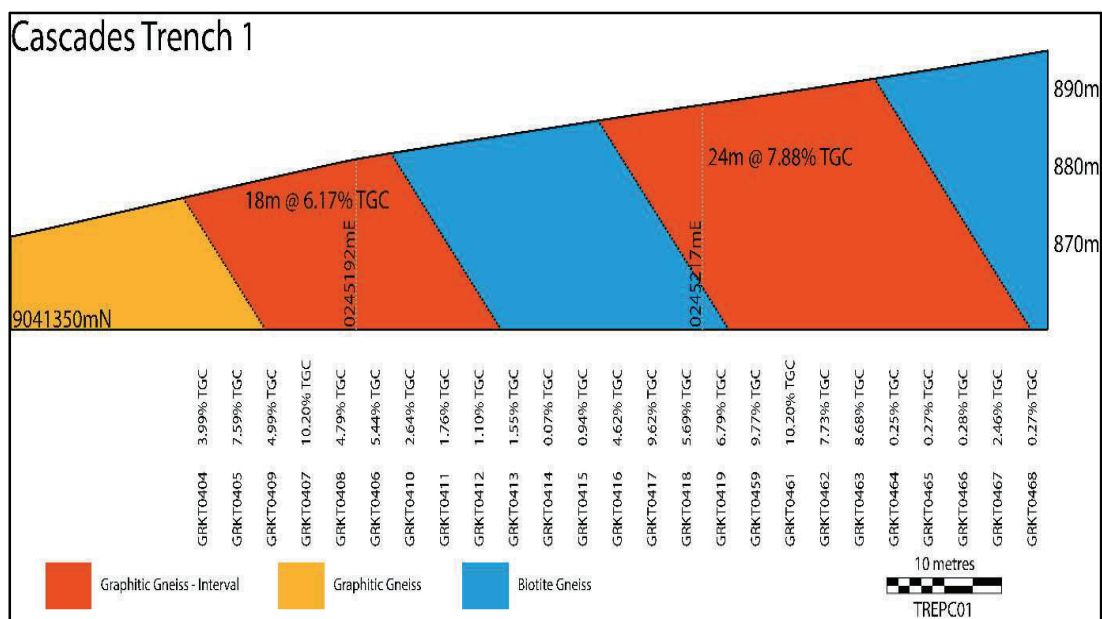


Figure 18. Cascade Prospect: cross-section TREPC01

## 8.2 Mahenge Projects Option Areas

The Mahenge Project areas are described below on a prospect and license basis and include Makonde, Mahenge South West and Mahenge East licenses. Most of the exploration has been centred on the granted Makonde license (PL 1011/2014) while some initial reconnaissance mapping and sampling has been completed on the other two licenses currently in application; HQ-P28539 and HQ-P28540 as shown in Figure 19.



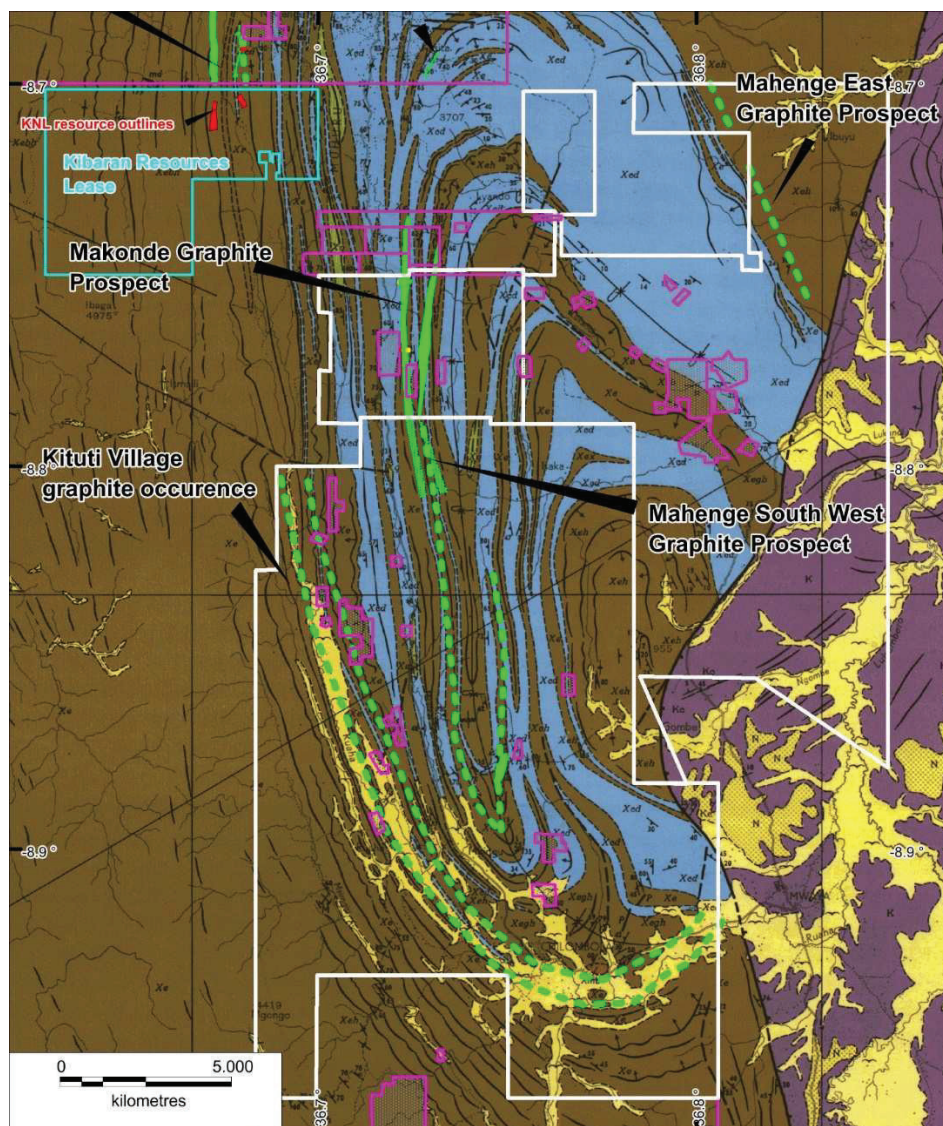


Figure 19. Mahenge Option Areas (white outlines) on Mapsheet QDS 251. Rock type colour coding; Brown – Hornblende gneiss, Quartzo-feldspathic gneiss, Blue – Crystalline dolomitic limestone, Purple – Sandstone, siltstone, maroon shale of Karroo origin, Olive – Quartzites, yellow - Alluvials

### 8.2.1 Makonde Prospect (PL 10111/2014)

The focus of the Makonde Prospect is a unit of graphitic gneiss striking  $183^\circ$  and dipping  $55-85^\circ$  to the west. The average width over the license area is estimated at 150-200 metres and it has been mapped for just over 4 km and extends to the south and probably the north. The graphitic gneiss here is bounded on both sides by marble units and forms a prominent topographic high. The grade is variable across the width of the graphitic units and geological logging of the trenches tends to indicate it represents a zone of wide low to moderate grade mineralisation, with a potential low strip ratio and large tonnage potential.

Two trenches have been excavated across this unit and are separated by 2 km in a north south direction - TRMKW01 and TRMKW02. The soils have a depth extent of between 1.5 and 1.8m and the schist is strongly to moderately weathered (Figure 20).

A second unit of graphitic gneiss has also been mapped less than 1 km to the east and forms a parallel band. No trenching and limited surface rock chip sampling has been undertaken at this locality and it warrants further field examination.



*Figure 20. Trench TRMKW01 looking to the west*

#### **8.2.1.1 Makonde Trenching**

Two trenches located approximately 2 km apart were excavated at Makonde; TRMKW01 and TRMKW02 (Figures 21 and 22 respectively). They were sampled between 1m and 3m intervals and designed to provide broad coverage over a prominent topographic ridge with sub-cropping graphite mineralisation.

The western portion of TRMKW01 trench showed higher zones of mineralisation with an intersection of 84m @ 3.80% TGC. The eastern zones were sampled but returned very low grades of graphite where biotite appeared to dominate in the mineral assemblage. Trenching results are displayed in Table 9.

Trench TRMKW02 returned 114m @ 2.98% TGC with a higher grade section assaying 81m @ 3.33% TGC which appears consistent with the grades obtained to the north. The results of these trenches show very wide but low to moderate grade intervals with massive tonnage potential. Additional work on the western graphite unit at Makonde could include a couple of drill holes to test any grade variation with fresh sample material.



**Makonde West Trench 2**

880m

860m

840m

33m @ 2.13% TGC

81m @ 3.33% TGC

249455mE

249484mE

249531mE

9029937mN

GRKT0386 3.17% TGC

GRKT0387 2.17% TGC

GRKT0386 1.99% TGC

GRKT0385 2.64% TGC

GRKT0384 3.51% TGC

GRKT0383 3.19% TGC

GRKT0382 4.31% TGC

GRKT0381 0.36% TGC

GRKT0379 0.29% TGC

GRKT0378 0.27% TGC

GRKT0377 1.60% TGC

GRKT0372 4.27% TGC

GRKT0371 3.66% TGC

GRKT0374 1.28% TGC

GRKT0373 3.49% TGC

GRKT0376 5.66% TGC

GRKT0389 5.93% TGC

GRKT0390 4.25% TGC

GRKT0391 4.05% TGC

GRKT0392 4.44% TGC

GRKT0393 5.18% TGC

GRKT0394 4.00% TGC

GRKT0395 4.37% TGC

GRKT0396 4.57% TGC

GRKT0397 4.89% TGC

GRKT0398 4.81% TGC

GRKT0399 2.38% TGC

GRKT0401 3.35% TGC

GRKT0421 3.52% TGC

GRKT0422 4.17% TGC

GRKT0423 3.27% TGC

GRKT0424 2.33% TGC

GRKT0425 1.29% TGC

GRKT0426 1.27% TGC

GRKT0427 0.77% TGC

GRKT0428 0.89% TGC

GRKT0429 1.21% TGC

GRKT0430 0.77% TGC

10 metres

TBM/KW02

Graphitic Gneiss

Table 9. Trench results from the first round of sampling at the Makonde Prospect						
Trench_ID	East start	North start	Azim	Length (m)	Prospect	Total Trench intervals and selected significant intervals
TRMKW01	249608	9031930	265	0-37 37-50	Makonde Makonde	37m @ 0.98% TGC from start No sampling due to a lack of saprock/saprolite
	249369	9031900	90	50-134 (84)	Makonde	84m @ 3.80% TGC from 50m (trench started in 5.09% TGC)
				134-175	Makonde	No sampling due to a lack of saprock/saprolite
	249484	9031899	90	175-256 (81)	Makonde	81m @ 0.77%TGC from 175m
TRMKW02	249484	9029943	90	0-81	Makonde	81m @ 3.33% TGC from start
	249484	9029943	270	0-33	Makonde	33m @ 2.13% TGC from start 114m @ 2.98% TGC combined interval

### 8.2.2 Mahenge SW Prospect

Located directly to the south of the Makonde license this application area (HQ-P28540) currently contains only two prospects and is only permitted to do limited field evaluation while in application. The first prospect area is the strike continuation of the Makonde graphitic units that extend for at least 2.2 km from the northern boundary to the south. The geology of these graphitic units looks similar to those of Makonde and they are likely to have moderate graphitic grades. A second area of graphite mineralisation was found close to the village of Kituti.

A preliminary field investigation of this area has shown evidence of high grade graphitic schist mineralisation which appears to be the far southern strike extension of the mineralised horizon that hosts the Epanko resource (KNL) and Epanko North prospects owned by GRK located some 15 km to the NNW. This western graphitic horizon can potentially continue for another 20 km to the south, southeast wrapping around the central Mahenge Synform. Extensive field investigation is required to understand the grade and tonnage potential of these horizons.

### 8.2.3 Mahenge East Prospect

No field activity has been undertaken on this application area (HQ-P-28539) to date. The target area comprises 5 to 6 km of strike that may form the southeast extension of the Ndololo horizon located approximately 20 km to the northwest. Similar to Ndololo mineralisation the company will be targeting shallow dipping graphite schist units close to the contact on the eastern margin of the Mahenge Synform.

Currently this license is in application and only ground reconnaissance activities are permitted.

### 8.3 Gemstone Mining Licenses (GML) and New License Option Areas

The GML licenses are located to the north and adjacent to the Makonde license (PL 10111/2014). Mapping on Makonde has shown graphite mineralisation extending northwards, beyond the license boundary and into the GML licenses, (Figure 23). Furthermore the Tanzanian Geological Map QDS 251 identifies mapped graphitic schist extending into the GML licenses. GRK is confident that additional graphite mineralisation will be identified within the GML areas.

The rights to the graphite mineralisation that occur within the GMLs' were negotiated after a stage one due diligence period was concluded. No mapping or geochemical evaluation has been completed in these areas. Once option payments are made, all rights and title will pass to GRK – this will be stage two of the agreement and will be subject to approval/sign off by the Department of Tanzanian Energy & Minerals.

As part of the Gemstone option agreement a number of additional exploration licenses have also been optioned. Four of the applications are peripheral to the Mahenge Synform and one of them – HQ-P28687 has the potential for Ndololo style contact graphite mineralisation with about 3 km of strike potential (Figure 23). The remainder of the licenses require extensive ground evaluation to understand their potential.

The HQ licenses are in application and only ground reconnaissance activities are permitted.

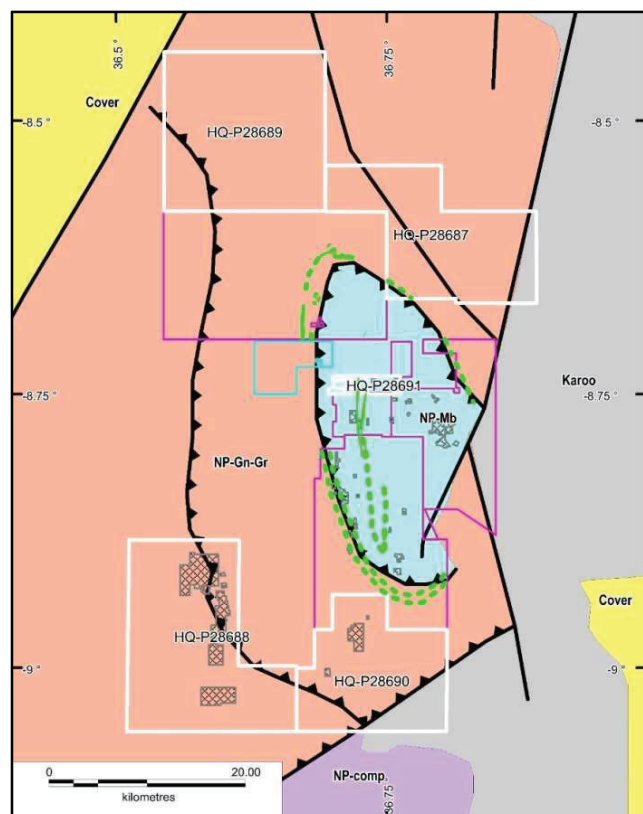


Figure 23. Gemstone licenses over local geology (licenses with white outlines)

## 9. KIBARAN RESOURCES EPANKO GRAPHITE RESOURCE

Similarities can be drawn between the Epanko North Prospect as defined by GRK, and that of the Epanko graphite mineral resource as defined by Kibaran Resources (KNL).

With the proximity of the projects and the intimate nature of mineralisation, one would assume that the mineralisation styles, physical and chemical signatures and tenure of mineralisation would be similar. It is important to note that these similarities cannot be extrapolated to other mineralised units in the region.

KNL's Epanko Resource is located to the immediate south of GRK's Epanko North Prospect within the Mahenge North License. KNL has been exploring in the Mahenge area for the past three years and had previously held the Mahenge North License under option but had not proceeded to the next phase of purchasing.

KNL had then concentrated on the Epanko Resource drill out and has completed 11 trenches, 43 reverse circulation (RC) and three diamond drill holes.

The current estimated global resource at KNL's Epanko Deposit is 22.7Mt @ 9.8% TGC for 2.22Mt contained graphite at 8% cut-off.<sup>5a</sup>

<b>Table 10. Kibaran Resources Epanko Graphite Resources as of 12th of August 2014 (8% Cut-off)</b>			
Mineral Resource Classification	Tonnage (Mt)	Grade (%TGC)	Contained Graphite (t)
Indicated	12.8	10	1,281,200
Inferred	9.9	9.6	942,100
<b>Total</b>	<b>22.7</b>	<b>9.8</b>	<b>2,223,300</b>

Figure 24 shows the relationships between the Epanko resource and mineralisation that occurs within the Mahenge license.

Metallurgical test work for the Epanko Resource has shown that it is large flake variety, contains no detrimental impurities and is of high purity at 99.98% Carbon <sup>5c</sup>.

Graphite from the Epanko Deposit is amenable to standard float recovery processes, achieving >96% recovery. Concentrate grades at 99.9% C are achievable.

The positive results achieved by KNL at the Epanko deposit has attracted a European trader to enter into a binding offtake agreement.<sup>5c</sup>

These results achieved by KNL are encouraging for GRK's Mahenge Project and reflect the potential of mineralisation and metallurgical test work that can be repeated at their Epanko North Prospect.

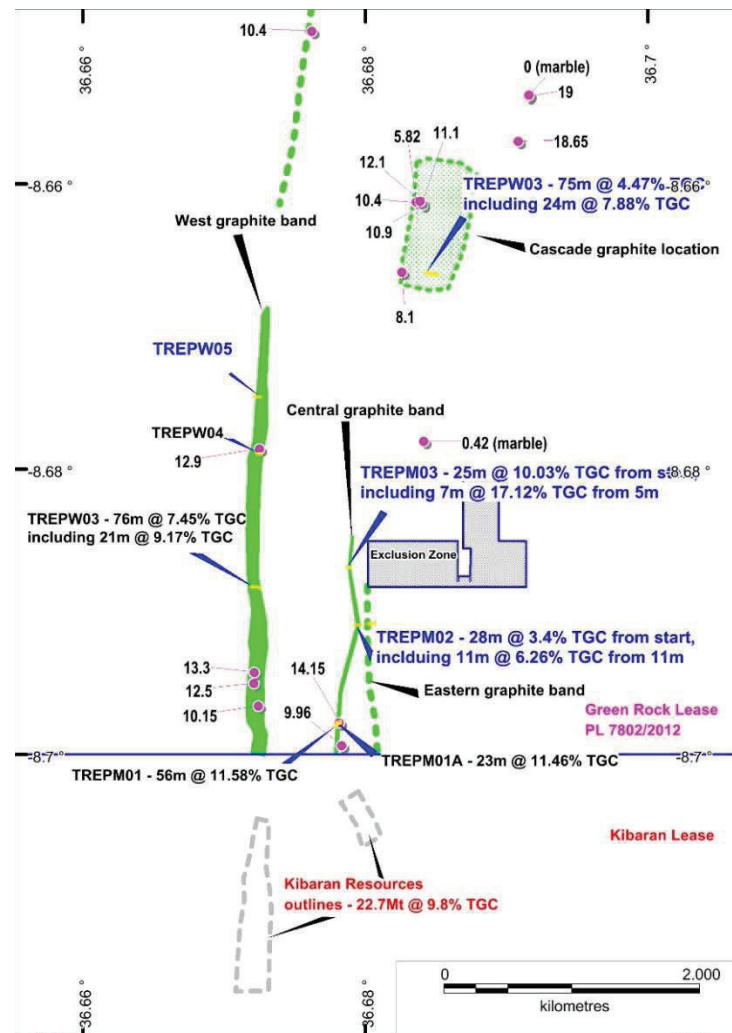


Figure 24. Location of the Kibaran Resources defined Epanko graphite resources (dashed outlines) in relation to the northern extensions of mineralisation that extend into GRK's Mahenge North License into what is known as the Epanko North Prospect, Middle Graphite and Eastern Graphite Zones. Purple dots with numbers are location of rock chip samples with grade in %TGC. Green solid lines are mapped graphitic units, dashed green lines are inferred graphitic units.

## 10. METHODOLOGY

### 10.1 Geographic Reference

Work completed at the Mahenge Projects was completed using ARC60 datum Zone 37 to enable compatibility between field data and government acquired geology maps. Latitude/longitude data was also used. Information gathered from the field can then be transferred directly to the database without having to convert from one co-ordinate system to another.

GPS points were collected using a handheld GARMIN 62sc GPS with an accuracy of +/- 5m in the horizontal and +/- 20m in the vertical.

### 10.2 Trenching

The trench locations were determined based on where graphitic schist was identified at surface or was thought to be located within 2.0m of the surface. Typically the trenches were excavated using a number of local workers and were dug down to depths of up to 2 metres, with widths ranging from 0.8m to 1.5m

depending on the depth. The soil and lower saprolite /saprock profiles uncovered in these trenches have sidewalls that hold up very well and allow time for sampling and logging activities.

### 10.3 Sampling and assaying

The trench end points were picked up by GPS, with the “0” metre interval determined as the start point and a 50 metre tape used to measure the trench from this point. The trench walls were marked at one or three metre intervals using a 50 metre tape, wooden stakes and flagging tape. Figure 25 shows the system of marking out the trench intervals.

A number of older trenches were identified and rehabilitated to undertake some mapping and determine if material suitable for sampling could be identified. In most cases the rehabilitated trenches contained deeply weathered or inconsistent upper saprolite “soils” so sampling was not completed.

A number of exploration pits were also dug to locate buried graphite mineralisation but in all cases the colluvium proved to be too deep.

Surface rock chip and trench sampling used 0.5 to 2.5kg of rock material which was placed into toughened plastic bags, tied securely using cable ties. The material was also logged using basic descriptors and assigned a sample number which correlated to a metre interval along the trench wall. Sample numbers were written directly onto the plastic bags and also inscribed on an aluminium tag which was inserted into the plastic bag with the sample material. Samples were then placed into labelled polyweave bags.

Batch samples were transported from site to Dar es Salaam where they were checked for splits or missing bags, then transferred onto another transport company that sent the samples to the ALS Chemex preparation laboratory in Mwanza. At Mwanza the samples were picked up and checked before being delivery to ALS Chemex for sample preparation.

ALS Chemex dried, weighed and crushed the sample to 75% passing 2mm before splitting off 250g which was then pulverised to 85% passing 75 microns. ALS Chemex then sent 100g pulp to Perth laboratories for analysis of TGC and another 100g pulp for multi-element analysis in Johannesburg, South Africa. The surface rock chip samples were initially analysed using C-IR18 for graphitic carbon and 47 elements using ME-MS81 and ME-ICP81 (GRKR001 to 018). The remainder of the surface rock chip samples and trench samples were analysed using C-IR18 for graphitic carbon only.



Figure 25. Example of a trench and sampling pins in the wall



## 10.4 QA/QC – standards and repeats

Due to the relatively early stage of the exploration programs being undertaken at Mahenge the protocols for measuring precision and accuracy of the results included the insertion of certified reference material (CRM) and field duplicates. The following protocols were implemented;

- Surface rock chip samples – no CRM or field duplicates inserted
- Epanko Trench samples – three alternating CRM's were inserted every 40th sample for an insertion rate of 2.5%. Field duplicates were inserted at a rate of 2.5% (1/40) using a quarter cone method. Total insertion rate is 5% combining the CRM and duplicates.
- Makonde and Cascade Trench samples – three alternating CRM's inserted every 20th sample for an insertion rate of 5%. No field duplicates were inserted from trench sampling undertaken at Makonde or Cascade.

The CRM were supplied by Geostats Pty Ltd which is located in Perth, WA. The CRM's used for this program of geochemical analysis were GGC-04 – 13.53% TGC, GGC-05 - 8.60% TGC and GGC-010 – 4.79% TGC. A range was selected to reflect the potential grade range that was expected at the Mahenge project with a similar matrix.

ALS Chemex also employs its own internal procedures which includes the insertion of two standards, one duplicate and one blank every batch of 20 samples submitted.

### 10.4.1 Certified Reference Material results

The analysis of the CRM and field repeats inserted during this program of exploration is limited by the number of CRM and field repeats that can be meaningfully statistically analysed. Over time with the use of CRM, field repeats and blanks the Company will be able to monitor the accuracy, precision and processing performance of the laboratory.

A total of 18 CRM's were inserted into the samples submitted to the ALS Chemex with 6 samples from each of the three CRM. The results are presented in Table 11.

<b>Table 11. CRM Vs ALS Chemex results</b>						
<b>Standard</b>	<b>Geostats CRM values</b>			<b>ALS Chemex Results</b>		
	<i>Grade Average</i>	<i>SD</i>	<i>95% Confidence</i>	<i>Grade Average</i>	<i>SD</i>	<i>N</i>
GGC-04	13.53	0.64	+/- 0.18	13.33	0.33	6
GGC-05	8.6	0.55	+/- 0.16	8.44	0.63	6
GGC-10	4.79	0.29	+/- 0.08	4.95	0.21	6

The review of the standards has shown that in the higher grade ranges exhibited by GGC-04 and GGC-05 ALS Chemex CRM analysis are reporting a low bias with both CRM's falling just below the 95% confidence interval but within 1 standard deviation of the mean. The lowest CRM grade material is biasing high and falls outside of the 95% confidence limit but within 1 standard deviation of the mean. Due to the small sample population of just 6 CRM's per CRM type within the batches of assays submitted to ALS Chemex then at this early stage it does appear the Laboratory is biasing low. Overtime the performance of the Laboratory accuracy will require ongoing monitoring.

### 10.4.2 Field Duplicate results

The field duplicates completed during the course of the trench sampling programs at Mahenge were designed to test field sampling processes and to a limited extent the precision of the laboratory. A total of 5 field duplicates were compared and plotted in Figure 26.

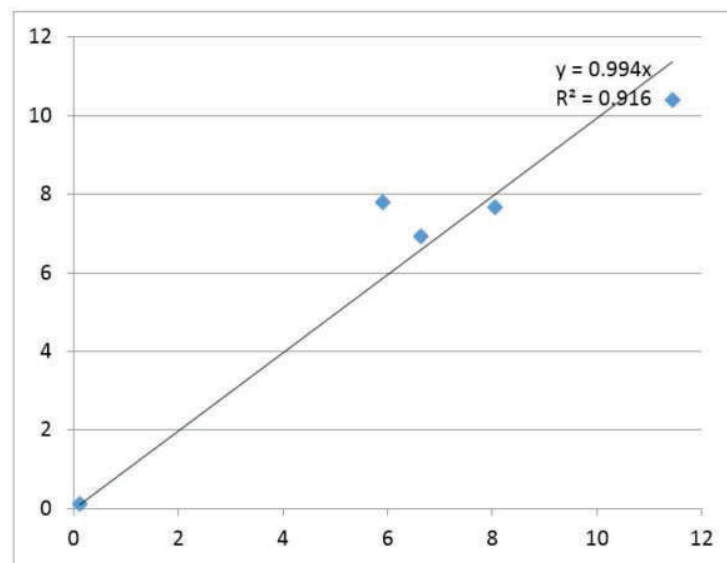


Figure 26. X-Y plot of field duplicates from trench sampling program

GRK decided that without additional equipment to reduce the particle size and homogenise the saprock/saprolite samples along with a splitter to reduce the sample size, then the field duplicates would be of less value in evaluating sampling procedures.

There is a reasonable correlation  $R^2 = 0.916$  from the duplicates which is confirming the field staff have utilised the  $\frac{1}{4}$  cone method of homogenisation and splitting the sample reasonably effectively considering the sample medium.

Some duplicates were submitted but their collection was halted due to the lack of equipment to continue. Although this does not impact materially on the results and the relevance of the QA/QC procedures, the method of field duplicate collection will need to be revised for reasons discussed in Section 14 of this report.

### 10.5 Rock chip results

A total of 46 rock chip samples were gathered from the general area at Mahenge. They were assayed using a combination of multi-element analysis and total graphitic carbon. Of the 46 rock samples taken 8 samples were gathered from outside of the Option areas in an effort to help characterise the mineralisation of the district. Some non-graphitic samples were also taken and were analysed for base metal elements as sulphides were identified in marble or quartz rich lithology.

As expected a range of assays have been received from across the graphitic samples. Typically the rock chip samples do reflect the overall tenor of the mineralisation within the graphitic bands. This is evident at Ndololo and Epanko that show a number of high grade to very high grade graphite analysis.

Not all of the rock chip samples taken were sampled from *in situ* outcrops. Some of the rock chip samples were described as float samples but with other supporting indicators suggesting that the samples were close to source.

No deleterious levels of elements were observed from the rock chip samples that underwent multi-element analysis. As new areas are discovered it is recommended that at least a portion of the samples are submitted for multi-element analysis to identify any adverse elements.

### 10.5.1 Mahenge North rock chips

A total of 21 rock chip samples have been taken from the Mahenge North license but two of those samples were taken from barren marble. The average grade of the rock chip samples is 15.52% TGC with the highest sample recording a TGC value of 35.5%. The highest grade samples were taken from the Ndololo area.

### 10.5.2 Mahenge Option rock chips

A total of 16 rock chip samples have been taken from the Mahenge Option licenses but two of those samples were taken from barren marble. The average grade of the rock chip samples is 6.59% TGC with the highest sample recording a TGC value of 22.2%.

### 10.5.3 Other rock chip results

A total of 8 rock chip samples have been taken from areas outside of the Optioned licenses. The average grade of the rock chip samples is 19.74% TGC with the highest sample recording a TGC value of 26.8%. The high grade samples were taken from two localities. One was close to the village of Kituti where the mineralised unit is only 500m from the HQ-P28540 and most likely trends onto the license.

The second locality was to the north east of the Mahenge Synform taken from a government mapped unit of graphitic schist about 2 km from the closest GRK optioned license, HQ-P28687.

## 11. PEER COMPANY COMPARISONS

Table 12 draws comparisons between companies with graphite interests including several with multi project focus and some at the same level of exploration as GRK, with the exception of Kibaran Resources. Although Kibaran has a defined resource, the close proximity and the extension of the mineralisation into GRK's Mahenge North License warrants a comparison with KNL.

Note the similarity of grades between KNL resource estimates and GRK exploration results.

Table 12. Peer company comparisons with graphite focus						
Company	Symbol	Location	Mkt. Cap. (AUD\$ mill)	Project	Grade flake TGC%	Status
<b>Junior explorers with graphite projects as the predominant focus</b>						
Discovery Africa	ASX: DAF	NAM, UGA	3.3	Nachingwea	4.4 - 8.1%	Exploration
IMX Resources	ASX: IXR	TAN	12.6	Chilalo	12.90%	Exploration
Lincoln Mineral	ASX: LML	AUS	13.0	Kookaburra Gully	15.10%	Exploration
Oakdale Resources	TBA	AUS	NA	Oakdale	5-10%	Exploration
Kibaran Resources	ASX: KNL	TAN	22.8	Epanko	10.50%	Advanced Exploration
Sovereign Metals	ASX:SVM	MAL	18.9	CMGP (Duwi)	4.1%	Advanced Exploration
Syrah Resources	ASX:SYR	MOZ	518	Balama	19.7%	Feasibility
<b>Explorers with multiple projects including some graphite projects</b>						
Archer	ASX: AXE	AUS	16.7	Sugarloaf	12.30%	Exploration
Malagasy Minerals	ASX: MGY	MAD	6.1	Ianapera	6.30%	Exploration
Metals of Africa	ASX: MTA	MOZ	4.6	Montepuez	8.71%	Exploration
Stratos Resources	ASX:SAT	CAN	2.3	Manitouwadge	TBA	Under option DD (Expl)
Green Rock Energy	ASX: GRK	TAN	5.7	Mahenge and Mahenge North	10 - 15%	Exploration

Share price quoted as of 24th of Oct, 2014

## 12. EXCLUSION ZONES AND ENVIRONMENTAL

### Exclusion Zones (PML)

Within the GRK license areas are a number of PMLs, both granted and under application, that are regarded as exclusion zones within the license areas. Areas that are affected by these zones are shown in Figure 27 and have some impact on application HQ – P28540 known as Mahenge East and PL 10111/2014, known as Makonde Project. Activities on these licences can be negotiated with the vendors via option agreements and through purchases of the minerals rights within the PML.

### Forestry Reserves

There are several forest reserves within the Mahenge Graphite Project, most significant being the Mahenge Scarp Forest Reserve which affects PL 7802/2012 and to a lesser extent HQ-P28687. The Makonde Forest Reserve also affects PL 10111/2014 and HQ-P28540. Graphite occurrences have been plotted within the forest outlines as shown in Figure 28.

The Forest Reserves are managed by the local government authority who will approve access for ground disturbing activities provided proof of ownership is shown and a plan of the works are described.

While clearance for early stage exploration is not seen as an issue, it is unclear what requirements will need to be addressed to get approvals for advanced stage exploration or mining activities. It is recommended that this issue be addressed to ensure that no complications arise at a later date involving forestry regulations.

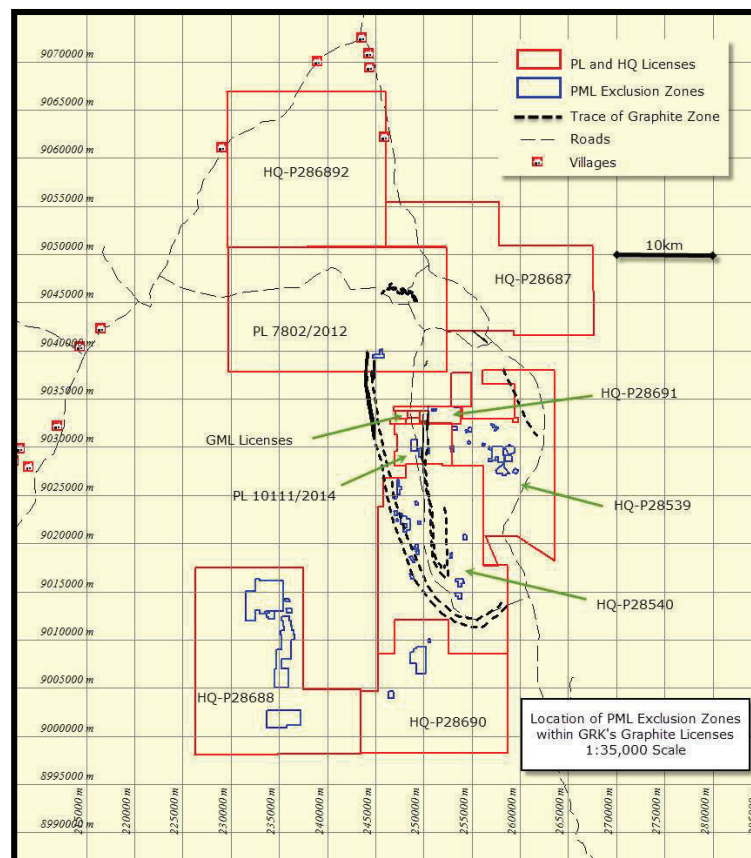


Figure 27. Location of PML Exclusion Zones in relation to GRK's Mahenge Graphite Project Licences

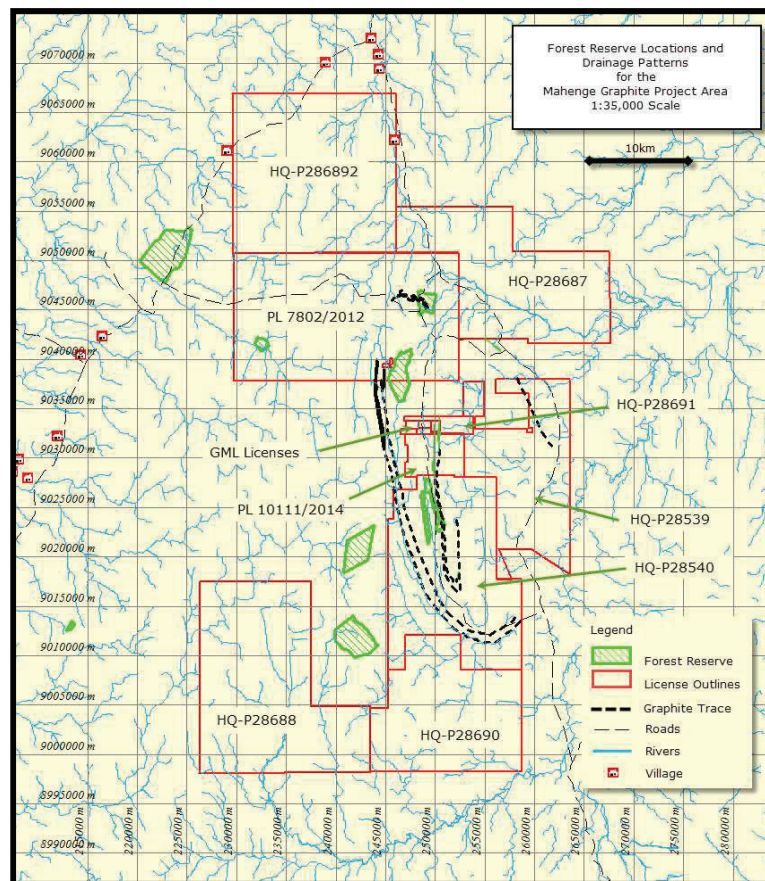


Figure 28. Forest Reserve locations and drainage patterns for the Mahenge Graphite Project Area. Forestry outlines modified from <http://www.easternarc.or.tz/mahenge>

### 13. CONCEPTUAL TARGETS AND POTENTIAL

The potential of extending known zones of mineralisation or stratigraphic targets to the licence applications of Mahenge SW and Mahenge East is high. Sampling along strike from Mahenge SW and Mahenge East is highly encouraging with some consistent high grade zones of mineralisation observed. Figure 29 shows the main potential zones of mineralisation which have been termed:

- Mahenge Synform internal mineralisation that will include the Makonde zones and the Kasita prospect
- Inner contact mineralisation that includes the Ndololo prospect but potentially some of the Cascade anomaly very close to the marble contact. This may also include the high grade occurrences on the eastern side of the Mahenge Synform.
- Outer Contact mineralisation that includes mineralisation typical of the Epanko prospect which includes at least two parallel bands of gneissic mineralisation. This may extend intermittently to the village of Kituti and Chilombola in the south.

The results of GRKs two month field trip and subsequent analysis have generated the following targets which currently have the best potential to yield a graphite resource estimate for GRK.

- Epanko North: trench, mapping and rock chip sample results, along with the location of these results considered to be northern extensions of KNL's Epanko Resource, can be used to draw similarities between the two projects. Epanko North results have shown this area to have the width, strike and grade potential to deliver mineralisation of the same calibre to that of the Epanko Resource. The western and middle graphite horizons immediately north of the license boundary with KNL are walk-up drill targets. There are some drill pads already cleared and reasonable access for a diamond or track mounted RC drill rigs.



- Cascade:** this recently discovered prospect has the potential to add significant graphite tonnage to a growing resource base. Additional exploration is required to understand why the typically stratigraphic horizon truncates abruptly to the north. This could be due to structural dislocations trending to the NW that are breaking the horizons into shorter segments. The discovery of more mineralisation to the NE by GRK with some very high grade rock chip results of 18.65% and 19% TGC could add some support to the theory. Regardless the mineralisation is located close to the marble contact zone of the Mahenge Synform and maybe an equivalent to the Ndololo position.

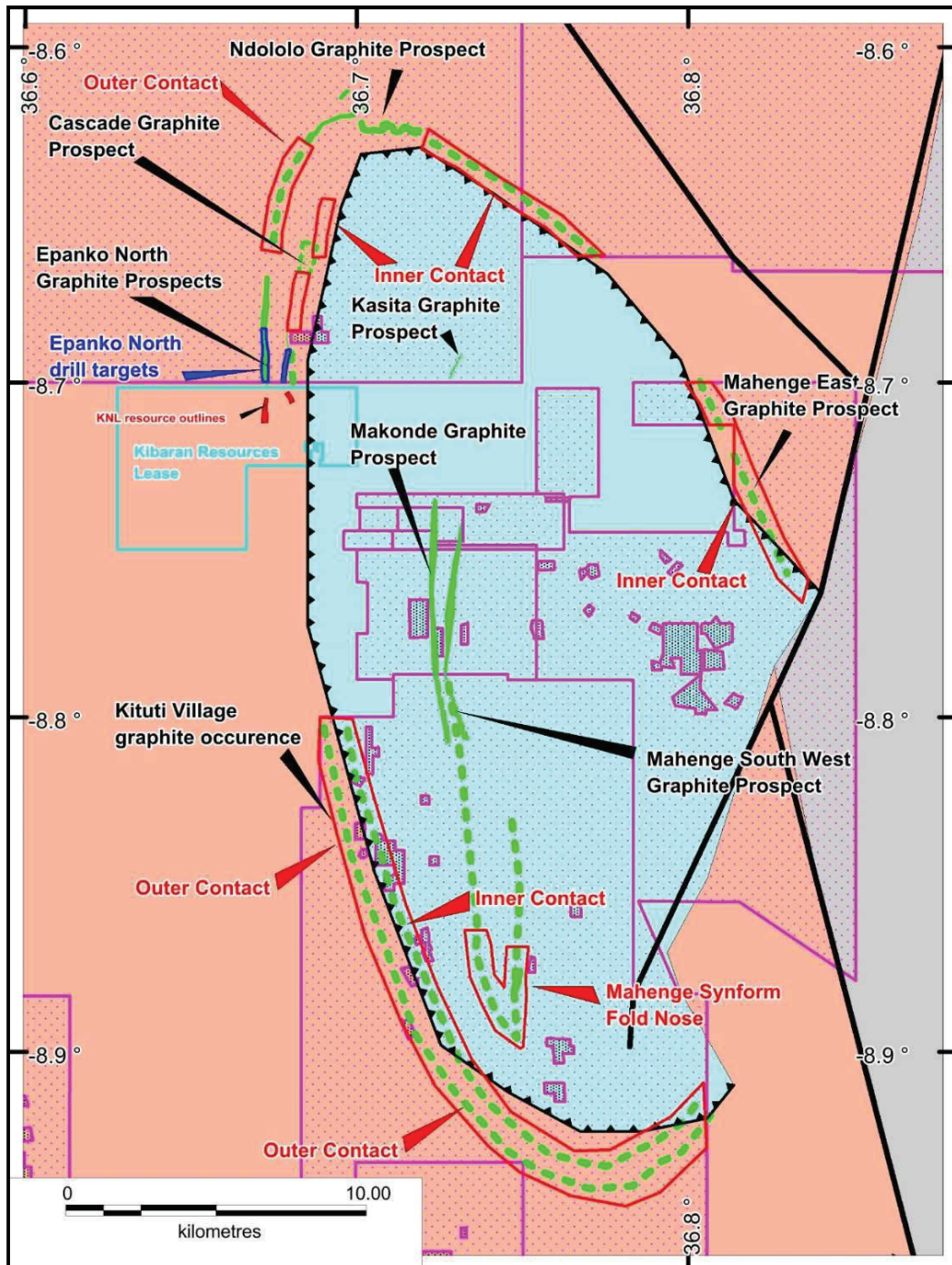


Figure 29. Graphite target areas and prospects around the Mahenge Synform. Light red – gneiss, Blue – Dolomitic limestone, Grey - Sediments

- Ndololo:** the northern half of the Mahenge Synform is prospective for additional high grade Ndololo style mineralisation. Graphite mineralisation in this area appears to be structurally controlled by fold nose dislocations and could yield poddy moderate tonnage high grade graphite.

The mineralisation at the Ndololo anomaly is constrained by topography but extensions maybe followed to the east and west.

- *Makonde horizon:* trench, mapping and rock chip sample results have shown this area to have width and strike but the grade potential appears to be limited on at the western band of mineralisation. The eastern band has had limited evaluation and a small number of rock chip samples but the higher grades along this unit warrants additional exploration.
- *Mahenge Synform Fold nose:* located about 13 km south from the Makonde prospects and on the same stratigraphic graphite bands the units are interpreted to wrap tightly around an overturned synform. Government mapping in this area has mapped an 800m x 400m zone of outcropping graphitic schist. Further investigation into this area map help extend these zones and locate area of thickening of the unit in the fold nose.

## 14. DISCUSSIONS

### 14.1 Sampling

A total of 38 rock chip sample were collected from various areas within the Mahenge Graphite Project. These samples have been flagged as either sourced from outcrop, subcrop or float material. Documentation from GRK mentions that there is enough information in the field to describe float samples as being material close to its source. The Mahenge Graphite Project is considered to be at early stage of exploration and additional sampling is warranted to build up an understanding of the spatial distribution of the graphite mineralisation and its relationship to the geology of the area.

### 14.2 Quality Assurance/Quality Control

In general the QA/QC methodology is considered satisfactory although the use of Field Duplicates could be improved. However, in the context of the current stage of the exploration program this criticism is not considered material.

*Field Duplicate Samples;* the procedure adopted by GRK to obtain a duplicated sample does not test the sampling procedure since the sample is manipulated by homogenising and splitting the sample using a ¼ cone method. This duplicate will test the laboratories ability for accuracy however, it does not test the field component of the sampling. GRK discontinued field duplicate sampling due to the lack of additional equipment to continue the process in other trenches.

Although this duplicating method does not impact on the results achieved, it is recommended that duplicate sampling be reinstated without the use of any homogenisation, unless all samples undergo the procedure from trenching or pitting.

Correlation between original and duplicate samples is satisfactory although a larger sample population is required to properly make an assessment.

*Standards;* the limited amount of data presented cannot be used to accurately make an assessment on the performance of the laboratories. The inclusion of standards into the trenching is good industry practise and should be continued. At this stage of exploration, a 1:40 inclusion would be adequate. Alternatively, a standard can be inserted at the end of each trench or batch.

### 14.3 Trenching

Excavation of trenches within the licenses were carried out by local labour, as was sample mark outs and sampling, all under the supervision of the company geologist. Trenches were located by field evidence and geological map interpretation that targeted the graphitic schists and gneisses. Samples were only taken from the trenches if saprock was encountered, or if physical graphite could be seen in outcrop.

Sampling of the trenches in a sequential order was not always completed, leading to some confusion as to where the significant sample intervals commenced and terminated. This was somewhat compounded

by intervals in the trenches that were not sampled due to lack of mineralisation and/or saprolite. This can be seen in Figure 21, where the samples in the west are sequential from left to right, but samples in the east are reversed from right to left. Although this does not affect the mineralised intervals, caution is required to ensure that the significant intervals are recorded in the correct locations within the trenches.

#### 14.4 Database

All of the data reviewed from GRK has been stored in Excel files and data is being interpreted using MapInfo and Micromine Software. It is recommended that the data be stored in a more robust database system. Security of the data at this stage is poor and will need to be upgraded for ease of use and simplicity of record retrieval and auditing.

#### 14.5 Geological Setting

The Green Rock Energy, Mahenge Graphite Project is located over a section of the Mozambique structural belt that hosts significant graphite mineralisation in a structurally complex package of rocks. These include schist and gneiss hosted syngenetic sheared flake graphite, stratigraphically confined within sheared fold limbs and concentrated in fold noses at a local scale.

This syngenetic graphite was formed during regional upper-amphibolite (and possibly granulite facies) metamorphism of carbonaceous-rich matter dispersed throughout the protolith. As prograde metamorphism proceeds, progressive changes in both chemical and physical properties occur during the process of graphitisation, creating flake graphite within a metamorphic host.

From the interpretation, there appears to be at least 3-phases of deformation;

- D<sub>1</sub>; is the initial phase of open to tight vertical folding with F<sub>1</sub> fold axial planes orientated east-west, along with prograde metamorphism would have commenced the graphitisation process,
- D<sub>2</sub>; the F<sub>1</sub> and F<sub>2</sub> fold axial planes are orthogonal to each other, with F<sub>1</sub> and F<sub>2</sub> axis parallel and F<sub>1</sub> fold axial planes folded effectively refolding the folds. Shearing in the limbs during D<sub>2</sub> compression formed transpose and hook folds in the limbs of the Mahenge Synform structure, which are evident in the western limb.
- D<sub>3</sub>; is Type 1 folding along an east-west orientated fold plane, with both F<sub>2</sub> and F<sub>3</sub> axial planes and fold axis orthogonal to each other. This gives rise to dome features as observed in the Mahenge Mapsheet QDS 251 1:125,000 from the Tanz Geol Survey.

The consequence of D<sub>2</sub> on the continuity and grade of the mineralisation is evident from previous work as detailed by Kibaran from work completed in the Mahenge North license.

It has been reported<sup>1</sup> that the grade of the graphite intervals encountered in RC drill programs from the Kasita and Ndololo Western Zone Prospects was generally quite low. KNL believed that the RC drilling technique was preferentially removing graphite flake during the drilling and sampling process and therefore the sampling was biased low. KNL considered that twinning the original RC drill holes with diamond drill holes would confirm the graphite loss and obtain more representative sample material. However, this test program actually confirmed the original RC drill results and showed that neither diamond core nor RC drilling methods preferentially biased the samples taken.

Having proved the grade was unaffected by drilling or sampling methods, this confirmed the grade of the mineralisation to actually be low at these prospects. One explanation could be that the D<sub>2</sub> deformation described above would have highly sheared the fold limbs and created transpose and hook folding. Mineralisation in these sheared limbs would consequently be downgraded along strike.

On the positive side, another outcome would be the formation of isolated thicker 'pods' of graphite mineralisation that would be located in the nose of hook folds. One such area may be the Cascade

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<sup>1</sup> Kibaran Resources ASX announcements 16 and 19 October 2012



Prospect. Remobilisation of graphite into these locations is possible although unlikely due to the lack of any alteration features, (pers. comm. B. Cummins).

Parallel bands of graphite mineralisation occur at Epanko East which may be explained by the presence of isoclinal folding, whereby the mineralisation follows the fold limbs and the fold closure is located to the south.

It is likely that the mineralisation at the Mahenge Graphite Project will vary along strike, pinching out and restarting further along strike. There is not enough certainty at this stage to comment on whether this variability is a physical or geochemical influence or how material it would be. Further work is warranted to build on the structural setting of the graphite mineralisation.

Potentially economic grades and widths of graphite mineralisation have been identified from rock chip sampling and trenching. The mineralisation that occurs in KNL's Epanko Graphite resource is correlatable to Epanko North and Middle Graphite occurrences in GRK's Mahenge North License area. These zones of mineralisation can be seen to continue northward as defined by trenching and can be extrapolated through to Ndololo Prospect in the far northern end of the Mahenge Synform.

## 15. EXPLORATION STRATEGY AND PROPOSED BUDGET

GRK has provided ARC with an exploration and development strategy for their Mahenge Project to cover an initial two year period following a A\$2.5 million fund raising.

These exploration programs include;

- Follow up from the previous exploration that includes reconnaissance exploration to cover the additional licenses currently under option,
- Further trenching at Epanko North, Cascade, Kasita, Ndololo, and Makonde Prospects
- Drilling at Epanko North and Ndololo Prospects
- Metallurgical samples for test work from Epanko North

ARC considers that the proposed exploration strategy is consistent with the potential of the Project at an exploration level.

GRK has provided ARC with a 2-year exploration budget totalling A\$2,200,000 which accommodates a fundraising (viz: capital raisings of A\$2.5 million) for the Mahenge Graphite Project. The proposed exploration expenditure is detailed in Table 13.

<b>Table 13. Proposed exploration budget for AUD\$2.5 million raised</b>					
Project	Year 1	Year 2	Year 1 A\$	Year 2 A\$	Total A\$
Exploration programs	3000 assays	2,300 assays	\$1,010,000	\$ 620,000	\$1,630,000
	2000m trenching	500m trenching			
	2,000-4,000m drilling, Core and RC	1,250-2,500m drilling, Core and RC			
	Earthworks	Earthworks			
	geologists, consultants	geologists			
	field crews	field crews			
Field Expenses	accommodation, food	accommodation, food	\$ 60,000	\$ 50,240	\$ 110,240
Tanzania admin and travel	flights, accommodation, office	flights, accommodation, office	\$ 90,000	\$ 80,000	\$ 170,000
Miscellaneous	Vehicles, comms, consumables	Vehicles, comms, consumables	\$ 125,000	\$ 60,000	\$ 185,000
Sub-Total			\$1,285,000	\$ 810,240	\$2,095,240
5% Contingency			\$ 64,250	\$ 40,510	\$ 104,760
Total			<b>\$1,349,250</b>	<b>\$ 850,750</b>	<b>\$2,200,000</b>

ARC considers the proposed exploration budgets to be adequate in achieving both the stated objectives of GRK and meet statutory expenditure requirements of the licences, given the early stage nature of exploration.

This budget aims to confirm the prospectivity and styles of mineralisation of the Project at an exploration level, prior to taking it into the next stage of feasibility study and resource definition stages, subject to exploration success and additional funding.

## **16. SUMMARY AND CONCLUSIONS**

A data review was completed that has shown there has been limited modern exploration on the Mahenge licenses optioned by GRK. Historic exploration has been recorded in one report by Stockley (1945) and some targeted RC drilling has been completed on one of the granted licenses at Mahenge North.

The results to date also show the graphitic schists at Mahenge have a wide range of grades in a variety of stratigraphic positions surrounding and internal to the Mahenge Synform. Significant upside remains along the contact zones of the Mahenge Synform for outer contact Epanko or inner contact Ndololo style of graphite mineralisation.

Exploration by GRK has identified multiple zones of graphite mineralisation that include the northern extensions of the horizon containing KNL's Epanko resource and additional mineralised areas such as Cascade Prospect. The addition of several more licenses that covers more prospective ground in and around the Mahenge Synform, increases the likelihood that GRK will be able to define a resource of the same calibre as KNL's Epanko Deposit and find additional satellite resources in the other license areas.

The results from GRK's work to date from such an early stage of exploration is very encouraging, considering that only a small portion of the licenses have been investigated.

### *Opinion*

ARC is of the opinion that:

1. GRK's Tanzanian projects are at an early stage of exploration but results to date have been encouraging and justify the geological interpretations suggesting they are prospective for hosting open pit mineable, medium to large tonnage graphite mineralisation both near surface and at depth;
2. The Projects are located in an underexplored region where recent exploration results reported by other public companies has confirmed the prospectivity of GRK's projects for graphite mineralisation. Their proximity and similar geological settings to GRK's projects suggests the potential for GRK to discover major graphite deposits in this new mineral province;
3. GRK has satisfactorily and clearly defined exploration and expenditure programs which are reasonable having regard to its stated objectives;
4. Sufficient exploration work and assessment has taken place to justify the budgeted exploration and expenditure program,
5. The proposed exploration programs and budget are appropriate and suitable to meet GRK's objectives at the Mahenge Graphite Project and should significantly advance the understanding and estimation of the mineralisation within the Project.
6. Under the definition provided by the ASX and in the JORC Code, these properties are classified as 'exploration projects', which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development programs proposed by GRK.

## 17. REFERENCES

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## 18. GLOSSARY OF TERMS

Abbreviations	<p><i>oz</i> – ounce, <i>km</i> – kilometre, <i>km<sup>2</sup></i> – square kilometre, <i>m</i> – metre, <i>m<sup>2</sup></i> – square metre, <i>M</i> – million, <i>t</i> – tonne, <i>ha</i> – hectare, <i>bcm</i> – bank cubic metres, <i>tpa</i> – tonnes per annum, <i>µm</i> – microns, <i>Mya</i> – million years before present.</p> <p><i>g/t</i> = <i>g/t</i> = gram per tonne, which is equivalent to: <i>ppm</i> (parts per million)</p>
Adit	A nearly horizontal passage from the surface by which a mine is entered.
Aeromagnetics	A geophysical technique utilised from an airborne craft.
Alluvium	Unconsolidated detrital material deposited by stream or river.
Alteration	A change in the mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions and/or pressure changes.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Anticline	Applied to strata which dip in opposite directions from a common ridge or axis.
Apophysis	A branch or offshoot of a larger intrusive body.
Archaean	The oldest rocks of the Earth's crust - older than 2 400 million years.
Arsenopyrite	An iron sulphide mineral containing arsenic whose chemical formula is FeAsS.
Auriferous	Gold bearing (as in fluids or geological units)
Basalt	A dark, fine-grained extrusive igneous rock composed of feldspar and iron and magnesium rich minerals.
Batholith	Large intrusive mass of igneous rock
Bedrock	Solid rock that underlies soil or other unconsolidated material.
Biotite	Common dark-coloured rock-forming mineral of the mica group.
Breccia	Fragmented rock with angular fragments.
Bulk Density	The weight of a material divided by the volume it occupies (including pore spaces).
Cainozoic	A division of geological time from 65 million years to the present.
Cambrian	A division of geological time from 600 million years to 500 Mya.
Carbonaceous	Containing carbon or coal particles.
Carbonate	Common mineral type consisting of carbonates of calcium, iron, and/or magnesium.
Chalcopyrite	A yellow copper, iron sulphide - an important ore of copper with the chemical formula CuFeS <sub>2</sub> .
Chemical symbols	Au – Gold, Ni – Nickel, Cu – Copper, Zn – Zinc, Co – Cobalt, Pb – Lead, W – Tungsten, As – Arsenic, Ag – Silver.
Chert	A hard, extremely fine grained sedimentary rock consisting almost entirely of interlocking quartz crystals, of which flint is a dark variety.
Chloritised	Alteration of rocks resulting in the formation of the mineral chlorite (a soft green aluminium-iron-magnesium silicate).
Clastic	Term to describe sedimentary rocks that consist of fragments of rock or other material that have been transported from their place of origin.
Colluvium	Loose soil or rock fragments accumulated by slow down-slope creep or rain-wash, as found at the base of slopes or hillsides.
Compression	Tectonic forces acting to reduce volume or shorten material.
Conglomerate	A rock composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water.
Craton	A major structural unit of the Earth's crust consisting of a large stable mass, generally igneous and/or metamorphic.
Cretaceous	A division of geological time from about 135 to 65 million years ago.
Cyanide leaching	The process of treating finely ground gold and silver ores with a weak solution of sodium or potassium cyanide to dissolve these metals.
Diamond drilling	Method of obtaining a cylindrical cor of rock by drilling with a diamond impregnated bit.
Differentiated	The process by which ,ore than one rock type is derived from a parent magma.
Dilatant	An opening or increased volume created during deformation process while maintaining the overall shape
Dilution (mining)	The addition of waste to mineralised material in the mining process.
Dip	The angle at which rock stratum or structure is inclined from the horizontal measured perpendicular to the strike of the structure.
Disseminated	Scattered particles (of gold, silver, copper etc) in the rock.
Dyke	A tabular intrusion of igneous rock that cuts across the planar structure of the surrounding rock.

En echelon	Geologic features that are in a staggered or overlapping arrangement.
EOH	End of hole.
Epigenetic	Mineral deposits formed later than the enclosing rocks.
Epithermal	A term applied to those deposits formed in and along fissures or other openings in rocks by deposition at shallow depths from ascending hot solutions, often related to intrusive at depth.
Extensional	The elongation or separation of material during a tectonic event, often perpendicular to the direction of maximum compressive stress.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Felsic	Light coloured rock containing an abundance of any of the following: feldspars, feldspathoids and silica.
Ferruginous	Containing iron.
Float	Loose geological material found at surface. It may or may not have been transported downslope but likely to have been sourced from nearby.
Fold	A bend in the strata or any planar structure created by tectonic forces (see also anticline and syncline).
Footwall	The underlying side of a fault, orebody or mine workings.
Galena	A dark grey, lead sulphide mineral with the chemical formula PbS.
Geochemistry	The study of the abundance of elements in rocks by chemical methods.
Geochemical exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical exploration	The exploration of an area in which physical properties (eg. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.
g-m Au	Gold content of a drill intercept expressed in gram-metres being the product of grade (g/t Au) and interval (m).
g/t Au (g/t Au)	Gram per tonne gold
Goethite	A yellow, red to brown-black iron oxide mineral which is a common weathering product.
Gossan	The oxidised, near surface part of underlying primary sulphide minerals.
Grade units	g/t - grams per tonne, ppb – parts per billion, ppm – parts per million, dwt – pennyweight.
Granite	A medium to coarse-grained felsic intrusive rock which contains alkali feldspar and 10-50% quartz.
Granodiorite	A coarse grained igneous rock containing quartz, plagioclase (sodium - calcium feldspar) and potassium feldspar, with biotite, hornblende or pyroxene.
Hanging Wall	The overlying side of a fault, orebody or mine workings.
Hydrothermal	Pertaining to heated water, particularly of magmatic origin associated with the formation of mineral deposits or the alteration products of rocks.
Igneous	A rock that has solidified from molten magma, either intrusive or volcanic.
Intrusion/Intrusives	A body of igneous rock that invades older rocks.
Isoclinal fold	A fold whose limbs are parallel.
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia 2012).
Jurassic	A division of geological time from 195 million years to 135 Mya
K-feldspar	Potassium feldspar – the minerals microcline, orthoclase and sanidine.
Laterite	Highly weathered residual material rich in secondary oxides of iron and/or aluminium.
Length	
weighted assay	Average of assays within a drill intersection weighted by their length of intercept.
Limb	The side of a fold.
Limonite	A general term for a yellow to brown-black iron oxide minerals which are a common weathering product (oxidation) of iron bearing minerals.
Lithology	Composition and textural characteristics of rocks.
Lineament	A linear feature of regional extent, generally recognisable in the topography; commonly detected by satellite imagery.
Lode deposit	A vein or other tabular mineral deposit with distinct boundaries.
Mafic	Igneous rocks composed dominantly of iron and magnesium minerals.
Magnetite	A black magnetic oxide of iron with the formula FeO.Fe <sub>2</sub> O <sub>3</sub> .
m asl	metres above sea level



Matrix	The finer grained material filling the spaces between and enclosing larger grains or crystals in a rock.
Metamorphism	The process by which changes are brought about in rocks by the agencies of heat, pressure and chemically active fluids.
Mineralization	The concentration of metals and their chemical compounds within a body of rock.
Mullock	Waste rock (older mining term).
Mya	Million years before present.
Oligocene	A division of geological time from 38 million years to 26 Mya
Ore	Mineral bearing rock that may be mined and treated at a profit.
Orogeny	A period of mountain building initiated by tectonic activity.
Oxide zone	Near surface material affected by weathering and leaching of minerals.
Palaeozoic	Era in geological history from 600 to 250 million years ago.
Phenocryst	Large crystal or mineral grain within a finer grained ground mass.
Physiography	The surface relief or landforms.
Plunge	The inclination of a linear geological structure from the horizontal.
Porphyry	A felsic or sub-volcanic rock with large conspicuous crystals set in a fine ground mass.
ppm	Parts per million.
Primary	Un-oxidised rock.
Proterozoic	The younger of the two periods in the Precambrian Era, covering from 2500 to 600 million years ago.
Pyrite, pyrrhotite	Common pale bronze iron sulphide minerals.
QA/QC	Quality Assurance/Quality Control, system of checks and methodologies to assess the quality and reliability of data obtained.
Quartz	Mineral species composed of crystalline silica.
Radiometrics	Geophysical technique measuring emission from radioactive isotopes.
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
Reverse fault	A fault on which the hanging wall appears to have moved upward in relation to the footwall.
Rhyolite	A felsic volcanic rock, often porphyritic and with flow textures and very fine grained groundmass. The volcanic equivalent of granite.
RL	Reduced Level. A surveying term that defines the elevation of a point relative to a datum.
Rock chip sample	A series of rock chips or fragments taken at regular intervals across a rock exposure.
Sandstone	Sedimentary rock consisting of sand-sized particles of minerals or rocks which have been derived and transported from pre-existing rocks by processes of weathering and/or erosion.
Saprolite	A weathered or decomposed , clay-rich rock.
Schist	Fine grained micaceous metamorphic rock with platy or foliated texture.
Sediment	Rocks formed by the deposition of solids from water.
Selvage	Later stage mineral growth bordering the margins of a geological structure or earlier mineral.
Sericite	A pale coloured fine-grained member of the platy group of micaceous minerals containing potassium and aluminium - frequently a product of alteration.
Serpentinised	Hydrothermally altered magnesium rich rock dominated by serpentine minerals.
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice.
Shear, Shear zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Silicified	Alteration of a rock by introduction of silica.
Skarn	General term for rocks nearly entirely composed of lime-bearing silicates and derived from nearly pure limestones and dolomites into which large amounts of Si, Al, Fe and Mg have been introduced.
Specific gravity	The weight of a substance compared with an equal volume of water.
Splay fault	A secondary shear or fault divergent from the principal structure.
Stockwork	A network of veins.
Stope	An underground excavation in an orebody.

Stratigraphy	The study of formation, composition and correlation of sedimentary rocks.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Sulphides	Minerals consisting of a chemical combination of sulphur with a metal.
Supergene	An enrichment or deposit formed by descending fluids in weathered rock.
Syncline	A fold in rock strata that is concave upwards with a core of younger rocks.
Tailings	Finely ground waste product from the crushing and grinding of ore.
Tectonic	Pertaining to the forces involved in, or the resulting structures of, movements in the earth's crust.
Tertiary	A recent division of geological time from 65 million years to 7 Mya
Thrust, thrust contact	An overriding movement of one crustal unit over another; the juxtaposition of two rock types caused by thrusting. A low angle, compressional fault.
Tonalite	A medium grained, often porphyritic intrusive rock related to the granitoid group with biotite and hornblende and more than 10% quartz.
Topography	The physical features of a region.
Triassic	A division of geological time from 225 million years to 195 Mya
Volcanics	Collective term for extrusive igneous rocks (of volcanoes).
Volcaniclastic	Sediments comprising rock fragments derived by explosion or eruption from a volcanic vent.



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## **9. FINANCIAL INFORMATION**

### **9.1 Basis of Preparation**

This section contains Historical Financial Information and Pro Forma Financial Information (collectively the 'Financial Information') for Green Rock Energy Limited as at 30 June 2014.

The Financial Information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and Interpretations and the accounting policies adopted by Green Rock Energy Limited as detailed in Section 9.3.

The Pro Forma Financial Information has been derived from the Historical Financial Information and assumes the completion of the pro forma adjustments as set out in Section 9.4 ('Pro Forma Adjustments') as if those adjustments had occurred as at 30 June 2014.

The Financial Information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations.

The Financial Information comprises:

- The audited statement of financial position of Green Rock Energy Limited as at 30 June 2014 (Historical Financial Information); and
- The Pro Forma Statement of Financial Position of the Company as at 30 June 2014, prepared on the basis that the pro forma adjustments detailed in Section 9.4 had occurred on that date; and
- The Pro Forma Adjustments set out in Section 9.4; and
- The notes to the Financial Information.

The Pro Forma Statement of Financial Position in Section 9.2 has been presented on both a maximum and minimum capital raising scenario described further in Section 9.4.5.

## 9.2 Historical and Pro Forma Statement of Financial Position

		Historical as at 30 June 2014	Pro Forma as at 30 June 2014 <b>Maximum</b> subscription	Pro Forma as at 30 June 2014 <b>Minimum</b> subscription
	Note	\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	9.5	801,258	3,281,985	2,814,213
Trade and other receivables		24,896	24,896	24,896
Other Financial Assets	9.6	400,000	1,000,000	1,000,000
Total current assets		<b>1,226,154</b>	<b>4,306,881</b>	<b>3,839,109</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		3,526	3,526	3,526
Exploration and Evaluation assets	9.7	334,454	1,759,025	1,759,025
Other financial assets	9.8	105,300	105,300	105,300
Total non-current assets		443,280	1,867,851	1,867,851
<b>Total Assets</b>		<b>1,669,434</b>	<b>6,174,732</b>	<b>5,706,960</b>
<b>Current Liabilities</b>				
Trade and other payables		81,171	81,171	81,171
Total current liabilities		81,171	81,171	81,171
<b>Total Liabilities</b>		<b>81,171</b>	<b>81,171</b>	<b>81,171</b>
<b>Net Assets</b>		<b>1,588,263</b>	<b>6,093,561</b>	<b>5,625,789</b>
<b>Equity</b>				
Issued capital	9.9	31,311,043	35,089,041	34,648,154
Reserves	9.10	1,247,528	1,472,615	1,445,730
Accumulated losses	9.11	(30,970,308)	(30,468,095)	(30,468,095)
<b>Total Equity</b>		<b>1,588,263</b>	<b>6,093,561</b>	<b>5,625,789</b>

This statement should be read in conjunction with the accompanying notes.

### **9.3 Summary of Significant Accounting Policies**

The significant accounting policies that have been adopted in the preparation of the Financial Information are:

#### **Reporting Framework**

The Financial Information has been prepared in accordance with the recognition and measurement, but not all the disclosure, requirements specified by all Australian Accounting Standards and Interpretations and the Corporations Act 2001.

The Financial Information has been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

The Financial Information is presented in Australian dollars, unless otherwise noted.

#### **Accounting Estimates and Judgements**

In the application of the accounting policies the directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the directors in the application of the accounting policies that have a significant effect on the Financial Information are disclosed, where applicable, in the relevant notes to the Financial Information.

#### **9.3.1 Going Concern**

The Financial Information has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company is currently in transition from being a geothermal & hydrocarbon focused company to a graphite exploration company. As a result, the consolidated entity has surrendered its geothermal permits, with the South Australian permits currently subject to processing by relevant Government bodies for relinquishment.

On 28 July 2014, the Company completed a placement via the issue of a further 213,000,000 fully paid shares at \$0.003 to raise \$639,000 (before capital raising costs) to fund ongoing working capital activities. As part of the aforementioned placement, 66,000,000 unlisted options are to be issued at a later date following shareholder approval. The options will have an exercise price of \$0.01.

On 7 July 2014 and 22 August 2014, the Company announced to the ASX that it had entered into option agreements to acquire 4 Graphite projects in Tanzania.

As part of these agreements, the company will incur minimum exploration expenditure commitments totalling \$1 million to be spent over the first 12 months post settlement of the agreements. The option agreements are subject to the satisfaction of various conditions precedent, including, the company obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow completion of the transaction.

The directors are satisfied that the going concern basis of preparation is appropriate and accordingly, the Financial Information has been prepared on the going concern basis. The independent auditors report on the financial report as at and for the year ended 30 June 2014 of Green Rock Energy Limited contained an Emphasis of Matter paragraph drawing attention to a material uncertainty regarding the ability of the Company and the consolidated entity to continue as going concerns.

### **9.3.2 Basis of Consolidation**

The Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other

comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### **9.3.3 Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group's investment in associate (46% interest in Central European Geothermal Energy Private Company Limited) was fully impaired at 30 June 2014.

### **9.3.4 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **9.3.5 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **9.3.6 Foreign currency translation**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at 30 June 2014. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

### **9.3.7 Government Grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **9.3.8 Provisions for Employee Entitlements**

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Liabilities for long service leave and other non-current employee entitlements expected to be settled in more than 12 months of the reporting date are recognised in other non-current payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

### **9.3.9 Share-based payment transactions**

The Company provides benefits to employees and others (i.e. consultants) of the Company in the form of share-based payment transactions, whereby employees and others render services in exchange for shares or rights over shares ("Equity-settled transactions").



There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP"), which provides benefits to Directors, senior executives and staff.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. An external valuer using the Black-Scholes model determines the fair value.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Green Rock Energy Limited ("market conditions").

The cost of equity-settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

### **9.3.10 Taxation**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted by reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or a liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Green Rock Energy Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Green Rock Energy Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Green Rock Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

### **9.3.11 Property, Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciable non-current assets are depreciated over their expected economic life using the straight-line method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

Plant and equipment: 7.5% - 40%

### **9.3.12 Exploration Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, otherwise costs are expensed.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits. Such costs have been determined

using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### **9.3.13 Impairment**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **9.3.14 Financial Instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the

fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans

and receivables are included in other financial assets in the statement of financial position.

#### Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. At reporting date, the consolidated entity did not hold any held-to-maturity investments.

#### Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. At reporting date, the consolidated entity did not hold any listed shares. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

#### Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part

that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss and other comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of profit or loss and other comprehensive income as part of revenue from continuing operations when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.



When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss are not reversed through the statement of profit or loss and other comprehensive income.

#### **9.3.15 Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- I. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.
- II. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### **9.4 Summary of Pro Forma Adjustments**

The Pro Forma Financial Information has been derived from the Historical Financial information as at 30 June 2014 adjusted to give effect to the following actual or proposed significant events and transactions by Green Rock Energy Limited subsequent to 30 June 2014:

#### **9.4.1 Mahenge North Graphite Project Acquisition**

On 7 July 2014, the Company entered into a binding terms sheet with Asab Resources (Tanzania) Limited (**Asab**) and Kabunga Holdings Pty Ltd (**Kabunga**) for the option to acquire 100% of Asab's interest in Prospecting Licence 7802/2012 (**Prospecting Licence**) that makes up the Mahenge North Graphite Project (**Mahenge North Option**). Details in relation to the material terms and conditions of the Mahenge North Option are disclosed in the Prospectus (Section 13).

The Company exercised the Mahenge North Option on 18 September 2014. Refer section 9.12 for additional commitments arising on this transaction.

The Pro Forma Adjustments for the Mahenge North Option are:

- Option fee - \$50,000, plus the issue of 33,333,333 pre-consolidation shares issued at \$0.001 per share, being the market value per share on 7 July 2014 or a total of \$33,333; and
- Completion Consideration – the issue of 166,666,667 pre-consolidation shares issued at \$0.004 per share, being the market value per share on 18 September 2014 or a total of \$666,667.

#### 9.4.2 Mahenge Graphite Project Acquisition

On 22 August 2014, the Company entered into an exclusive option agreement to acquire 100% of the issued capital of Mahenge Resources Limited (**Mahenge Resources Option**). Mahenge held an option to acquire the Prospecting Licence Applications HQ P28539 and HQ P28540 together with Prospecting Licence PL10111/2014 (**Mahenge Licences**). Details in relation to the material terms and conditions of the Mahenge Resources Option are disclosed in the Prospectus (Section 13).

The Company exercised the Mahenge Resources Option on 18 September 2014. In addition, the Company agreed to provide a loan for USD\$110,000 to Mahenge Resources Limited for the purpose of Mahenge Resources Limited securing and exercising its option with the ultimate vendor to acquire the Mahenge Licences. A summary of the terms of the loan agreement is set out in Section 13 of the Prospectus. Refer Section 9.12 for additional commitments arising on the Mahenge Resources Option.

The Pro Forma Adjustments for the Mahenge Resources Option are:

- Option fee - \$50,000, plus the issue of 8,000,000 pre-consolidation shares issued at \$0.004 per share, being the market value per share on 22 August 2014 or a total of \$32,000; and
- Completion Consideration – US\$110,000 (AUD\$130,102), plus the issue of 80,000,000 pre-consolidation shares issued at \$0.004 per share, being the market value per share on 18 September 2014 or a total of \$320,000.

#### 9.4.3 Kabunga Holdings Graphite Agreement

By letter agreement dated 3 October 2014, the Company entered into an exclusive option agreement with Kabunga Holdings Pty Ltd (KHL) (KHL Option) relating to five Prospecting Licence Applications (KHL Permits). Details in relation to the material terms and conditions of the KHL Option are disclosed in the Prospectus (Section 13).

The Pro Forma Adjustments for the KHL Option are:

- in consideration for payment of the US\$45,000 (non-refundable) option fee (AUD\$51,142) to KHL, the Company was given the exclusive option to undertake due diligence on the KHL Permits. This amount is included in tenement acquisition costs.

For other commitments arising on the KHL Option including the consideration payable if the option is exercised – refer to section 9.12.

#### **9.4.4 Divestment of Ocean Hill Hydrocarbon Asset**

On 22 October 2014, the Company announced to the ASX that it has executed an agreement with Eneabba Gas Limited (**Eneabba** or **ENB**) to sell 100% of the Ocean Hill Block Application (STP EPA 0090, formerly designated Bid Area L12-7), located in the North Perth Basin, Western Australia (**Ocean Hill Block**). Details in relation to the material terms and conditions of the divestment are disclosed in the Prospectus (section 13.5).

The Ocean Hill Block divestment will allow GRK to focus purely on its prospective Tanzanian Projects.

The Pro Forma Adjustments for the divestment of the Ocean Hill Block are:

- Upfront receipt of \$30,000 on signing of binding agreement;
- Cash to be received on completion of \$300,000;
- Receipt of 40,000,000 Eneabba Ordinary Shares which have been valued at \$0.015 per share, being the market value on 27 November 2014 or a total of \$600,000, when Eneabba shareholders provided approval;
- Disposal of capitalised exploration and evaluation expenditure of \$334,454; and
- Recognition of a gain on divestment of \$595,546.

#### **9.4.5 Prospectus Offer**

On 24 October 2014, ASX granted the Company a waiver to enable the Company to undertake a Capital Raising at 5 cents per Share and to have Options on issue with an exercise price less than 20 cents. The waiver is conditional upon Shareholders approving the price at which the Capital Raising is being undertaken. Details of the Prospectus Offer are noted in Section 5 of the Prospectus.

Shareholder approval is being sought on 15 December 2014, such that the total number of Shares and Options issued for the Capital Raising is not more than 50,000,000 Shares and 12,500,000 Options (on a post-Consolidation basis).

The Pro Forma Adjustments in relation to the Prospectus Offer are:

- the maximum number of Shares and Options to be issued on a post-Consolidation basis is 50,000,000 Shares at an issue price of \$0.05 per share and 12,500,000 Options totalling \$2,500,000. The Company has valued the options using the Binomial option pricing model which attaches a value to the options of \$67,213; and
- the minimum number of Shares and Options to be issued on a post-Consolidation basis is 40,000,000 Shares at an issue price of \$0.05 per share and 10,000,000 Options totalling \$2,000,000. The Company has valued the options using the Binomial option pricing model which attaches a value to the options of \$53,770.

#### **9.4.6 Westoria Consulting Agreement**

The Company has entered into a consultancy agreement with Westoria Capital Pty Ltd (**Westoria**) pursuant to which the Company engaged Westoria to provide project management, geological site and field services, administration and accounting services in respect of the Company's projects in Tanzania.

The Company is obliged to pay to Westoria a total of 23,333,334 pre-consolidation shares as a success fee following the entry into the agreement to acquire 100% of the shares in Mahenge. At the date of this report, the Company has allotted 6,666,667 shares, with the remaining 16,666,666 shares to be allotted, subject to shareholder approval on 15 December 2014.

The Pro Forma Adjustments in relation to the Westoria Consulting Agreement are:

- the issue of 23,333,334 pre-consolidation shares issued at \$0.004 per share, being the market value per share on 22 August 2014, which was the date the Mahenge Resources Option was executed, or a total of \$93,333.

#### **9.4.7 Share Consolidation**

On 24 October 2014, ASX granted the Company a waiver to enable the Company to undertake a Capital Raising at 5 cents per Share. As part of the Capital Raising, the Company is required to undertake a Share Consolidation. Shareholder approval is being sought on 15 December 2014, for the approval of a 20 for 1 share consolidation.

The Pro Forma Adjustments in relation to the Share Consolidation are:

- the consolidation of the existing issued shares and options of the Company on a 20:1 ratio.

#### **9.4.8 Private Placement**

On 23 July 2014 the Company announced to the ASX that it had placed with existing and new institutional shareholders for working capital purposes 213,000,000 pre-consolidation shares at an issue price of \$0.003 per share, together with 66,000,000 options exercisable \$0.01, subject to shareholder approval on 15 December 2014.

The Pro Forma Adjustments in relation to the private placement are:

- Issue of 213,000,000 pre-consolidation shares to raise a total of \$639,000;
- Issue of 66,000,000 pre-consolidation options. The Company has valued the options using the Binomial option pricing model which attaches a value to the options of \$23,450, which has been offset against share capital; and
- Capital raising costs of 6% of the private placement being \$38,340, which has been offset against share capital.

#### **9.4.9 Share Capital Raising Costs**

Included in the prospectus are capital raising costs which are the estimated costs associated with ASIC fees, ASX quotation fees, fees for Investigating Accountant's Report, fees for Independent Geologist's Report, fees for Solicitor's Title Report, Legal fees associated with the prospectus and printing and despatch costs.

Further included in capital raising costs are 12,500,000 options that will be issued to Cygnet as a success fee under their mandate. In addition, Cygnet will be entitled to receive up to 12,500,000 additional Options under the Cygnet Mandate. The pro forma adjustment has been based on the maximum subscription being completed which results in 12,500,000 Lead Manager Options being issued. In the case where only the minimum subscription is raised, the maximum additional Options that could be issued will be 10,000,000. Details of the Cygnet mandate are disclosed in the Prospectus (Section 13.8). The company has valued the options using the Binomial option pricing model which attaches a value to the options of \$67,213 for the issue of 12,500,000 Options and \$53,770 for the issue of 10,000,000 Options.

The Pro Forma Adjustments in relation to the capital raising costs in total are:

- Maximum subscription, capital raising costs totalling \$377,334; and
- Minimum subscription, capital raising costs totalling \$331,663;

These fees have been offset against share capital.

#### 9.4.10 Exploration and Evaluation Expenditure

Since the execution of the Mahenge Graphite Project agreements, the Company has spent \$425,781 in relation to tenement acquisition costs and exploration activity, as required by these option agreements. These amounts have been capitalised to exploration and evaluation asset as acquisition costs.

The Pro Forma Adjustments are:

- Capitalised exploration and evaluation asset of \$425,781 relating to tenement acquisition costs.

#### 9.4.11 Performance Rights

Subject to shareholder approval being sought on 15 December 2014, the Company plans to issue 6,700,000 performance rights to the directors of the Company. Details of the performance rights are disclosed in the prospectus (Section 12.3). The Company has valued the performance rights using the Binomial option pricing model which attaches a value to the performance rights of \$268,000. This has not been included as a Pro Forma Adjustment, as the expense will be recognised over the vesting period of the performance rights from their grant date being 15 December 2014.

### 9.5 Cash Assets

	Note	Green Rock Energy Limited 30 June 2014 Audited \$	Pro Forma 30 June 2014 Maximum subscription \$	Pro Forma 30 June 2014 Minimum subscription \$
Cash at bank 30 June 2014		801,258	801,258	801,258
Capital raising – July 2014 placement (net of capital raising costs)	9.4.8	-	600,660	600,660

Capital raising – prospectus (net of capital raisings costs)	9.4.5, 9.4.9	-	2,257,092	1,789,320
Proceeds from Divestment of Ocean Hill	9.4.4	-	330,000	330,000
Capitalised exploration and evaluation costs – Tanzanian Graphite Projects	9.4.10	-	(425,781)	(425,781)
Tenement Acquisition costs relating to the Mahenge North Option	9.4.1	-	(50,000)	(50,000)
Tenement Acquisition costs relating to the Mahenge Resources Option	9.4.2	-	(180,102)	(180,102)
Tenement Acquisition costs relating to the KHL Option	9.4.3	-	(51,142)	(51,142)
			<u>801,258</u>	<u>3,281,985</u>
				<u>2,814,213</u>

## 9.6 Current - Other Financial Assets

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Loan Receivable – Sunbird Energy		400,000	400,000	400,000
Investments - Held for Trading	9.4.4	-	600,000	600,000
		<u>400,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

During 2014 the Company completed a \$400,000 debt investment in Sunbird Energy Limited. The loan matures on 10 March 2015 with a coupon rate of 20%. For the purposes of this report, no interest has been accrued. The funds have been loaned through a Trust arrangement with Green Rock being a secured beneficiary of that Trust. The loan facility is fully secured against Sunbird's ownership of Sunbird Energy (Ibhubesi) Pty Ltd which holds 22.8% working interest in the Ibhubesi Gas Project.

On 22 October 2014 the Company announced to the ASX that it had executed an agreement with Eneabba Gas Limited to sell 100% of the Ocean Hill Block Application. The consideration included 40,000,000 Eneabba Gas Limited shares, for the purposes of this report, the Eneabba Gas Shares have been valued at the share price on the date of Eneabba shareholder approval, being 27 November 2014. The shares are escrowed until 15 November 2015. The directors of the Company have classified the Eneabba Gas Shares as current, as it their intention to dispose of these shares within twelve months from the date of the lodgement of this prospectus.



## 9.7 Exploration & Evaluation

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Balance at 30 June 2014		334,454	334,454	334,454
Divestment of Ocean Hill	9.4.4	-	(334,454)	(334,454)
Tenement Acquisition costs relating to the Mahenge North Option	9.4.1	-	750,000	750,000
Tenement Acquisition costs relating to the Mahenge Resources Option	9.4.2	-	532,102	532,102
Tenement Acquisition costs relating to the KHL Option	9.4.3	-	51,142	51,142
Capitalised exploration and evaluation costs – Tanzanian Graphite Projects	9.4.10	-	425,781	425,781
		334,454	1,759,025	1,759,025

The ultimate recoupment of capitalised exploration expenditure is dependent upon the successful development and/or commercial exploitation or, alternatively through the sale of the respective underlying licences.

## 9.8 Other Financial Assets

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Other financial assets		105,300	105,300	105,300
		105,300	105,300	105,300

In compliance with the requirements of the South Australian Petroleum Act of 2000, the Company is required to lodge and maintain with the Minister, for the satisfaction of obligations arising under the Act or the Geothermal Exploration Licences (GELs) granted, security of \$100,000. The security is to be lodged in cash or an unconditional irrevocable bank guarantee or a letter of credit from a financial institution approved by the Minister.

## 9.9 Share Capital

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
Note		\$	\$	\$
Issued capital		31,311,043	31,311,043	31,311,043
Placement July 2014	9.4.8	-	639,000	639,000
Allocation to Option Reserve	9.4.8	-	(23,450)	(23,450)
Share issue relating to the Mahenge North Option	9.4.1	-	700,000	700,000
Share issue relating to the Mahenge Resources Option	9.4.2	-	352,000	352,000
Share issue relating to Westoria Consulting Agreement	9.4.6	-	93,333	93,333
Shares issued per prospectus offer	9.4.5	-	2,500,000	2,000,000
Allocation to Option Reserve	9.4.5	-	(67,213)	(53,770)
Share issue costs	9.4.8, 9.4.9	-	(415,672)	(370,002)
		31,311,043	35,089,041	34,648,154

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
Note		No.	No.	No.
<u>Number of shares</u>				
Issued capital		1,941,273,090	1,941,273,090	1,941,273,090
Placement July 2014	9.4.8	-	213,000,000	213,000,000
Share issue relating to the Mahenge North Option	9.4.1	-	200,000,000	200,000,000
Share issue relating to the Mahenge Resources Option	9.4.2	-	88,000,000	88,000,000
Share issue relating to Westoria Consulting Agreement	9.4.6	-	23,333,334	23,333,334
Share consolidation (20:1 ratio)	9.4.7	-	(2,342,326,103)	(2,342,326,103)
Shares issued per prospectus offer	9.4.5	-	50,000,000	40,000,000
		1,941,273,090	173,280,321	163,280,321

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	No.	No.	No.
<u>Number of options</u>				
Issued options		871,823,128	871,823,128	871,823,128
Placement July 2014	9.4.8	-	66,000,000	66,000,000
Expiry of Unlisted Options in November 2014		-	(10,600,000)	(10,600,000)
Option Consolidation (20:1 ratio)	9.4.7	-	(880,861,972)	(880,861,972)
Options issued per prospectus offer	9.4.5	-	12,500,000	10,000,000
Lead Manager Options	9.4.9		12,500,000	10,000,000
Cygnnet Options	9.4.9		12,500,000	12,500,000
		871,823,128	83,561,156	78,861,156

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	No.	No.	No.
<u>Number of performance rights</u>				
Issued performance rights		-	-	-
Issue of performance rights to directors	9.4.11	-	6,700,000	6,700,000
		-	6,700,000	6,700,000

## 9.10 Reserves

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Share options reserve		158,332	383,419	356,534
Share based payments reserve		1,148,259	1,148,259	1,148,259
Foreign Translation Reserve		(59,063)	(59,063)	(59,063)
		1,247,528	1,472,615	1,445,730

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Movement in Share options reserve				
Share options reserve		158,332	158,332	158,332
Options under Placement July 2014	9.4.8	-	23,448	23,449
Option issue per prospectus offer	9.4.5	-	67,213	53,770
Lead Manager Options	9.4.9	-	67,213	53,770
Cygnnet Options	9.4.9		67,213	67,213
		158,332	383,419	356,534

### 9.11 Accumulated Losses

		Green Rock Energy Limited 30 June 2014 Audited	Pro Forma 30 June 2014 Maximum subscription	Pro Forma 30 June 2014 Minimum subscription
	Note	\$	\$	\$
Balance at 30 June 2014		(30,970,308)	(30,970,308)	(30,970,308)
Cost of shares relating to Westoria Consulting Agreement	9.4.6	-	(93,333)	(93,333)
Gain on divestment of Ocean Hill	9.4.4	-	595,546	595,546
		(30,970,308)	(30,468,095)	(30,468,095)

### 9.12 Commitments for Expenditure

#### Geothermal & Hydrocarbon

The Company is currently in transition from being Geothermal & Hydrocarbon focused to a Graphite Resources company. As a result, the Company has applied for relinquishment all of its Geothermal Assets in Western Australia and South Australia with relevant Government bodies, subsequent to 30 June 2014.

The exploration commitment in relation to the Western Australian permits with the relevant statutory bodies over the geothermal permits prior to relinquishment was estimated to be approximately \$143m. As a result of the relinquishment and approval of surrender by the relevant statutory bodies, the Company no longer has these exploration commitments.

With regards to the Company's South Australian Geothermal Permits now in the process of being relinquished, there may be a requirement for the Company to undertake remedial work on a previously drilled geothermal well. This exposure is covered by way of a cash backed bond (\$105,300) with the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy – refer section 9.8. The Company estimates that the remedial work will total approximately \$60,000.

### **Mahenge Graphite Projects**

On 7 July 2014 and 22 August 2014, the Company announced to the ASX that it had entered into agreements to acquire four Graphite projects in Tanzania. As part of these agreements, the company has agreed to minimum exploration expenditure commitments totalling \$1m to be acquitted over the first 12 months post settlement of the option agreements.

Subject to satisfaction of certain milestones, the Company will be required to make milestone payments to the vendors of the Mahenge North Option and Mahenge Resources Option transactions. These milestone payments are detailed in section 13 of this Prospectus and comprise:

#### Mahenge North Graphite Project

The company is also committed to make the following milestone payments as required:

- \$250,000 cash or equivalent number of fully paid Green Rock Energy Limited shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 250,000 tonnes of contained graphite at >7% TGC is announced;
- \$250,000 cash or cash equivalent number of fully paid Green Rock Energy Limited shares (at the election of the vendor) to be paid when the company share price exceeds a VWAP of \$0.005 for a period of at least ten consecutive trading days. The final number of shares issued will be based on \$0.005 per share; and
- \$500,000 cash or cash equivalent number of fully paid Green Rock Energy Limited shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 1,000,000 tonnes of contained graphite at >7% TGC.

#### Mahenge Resources Graphite Projects

The company is also committed to make the following milestone payments as required:

- \$250,000 cash or equivalent number of fully paid Green Rock shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 250,000 tonnes of contained graphite at >9% TGC is announced. Issue price of shares to be calculated based on the preceding seven (7) day VWAP; and
- AUD\$375,000 cash and the equivalent value (AUD\$375,000) in GRK Shares to be paid when a JORC compliant Resource with greater than 1,000,000 tonnes of contained graphite at >9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK Shares is to be calculated based on the VWAP of GRK Shares in the 5 days prior to the release of the announcement.

### **Kabungu Holdings**

On 3 October 2014 the Company entered into an exclusive option agreement with Kabunga Holdings Pty Ltd relating to five Prospecting Licences (KHL Option). The Option expires in June 2015. Should the Company exercise its option, consideration payable will be US\$60,000 cash and the issue of shares in the Company to the value of US\$60,000.

### **Other Matters**

On 3 October 2014, the Company entered into an option acquisition agreement with Interstate Mining & Minerals (T) Limited relating to five Tanzanian gem stone licences. As disclosed in Section 13 of the Prospectus, the completion of the acquisition did not occur in accordance with the original agreement and the Company will be revisiting the acquisition, together with the terms and conditions in 2015. Accordingly, there are no expenditure commitments associated with these tenements.

The Company has been made aware of a late payment fee of USD\$14,250 owing to the Tanzanian Department of Energy & Minerals for Graphite licence number 7802/2012. The Company intends to meet this payment through set-off of final amounts owing on settlement of the acquisition of PL7802/2012. The amount is not recorded as a liability in the Pro Forma Statement of Financial Position.

#### **9.13 Related Parties**

Transactions with Related Parties, directors and proposed Directors Interests are disclosed in the Prospectus (Sections 4.15, 4.16, 12.3, 13.7 and 13.9).

#### **9.14 Contingent Liabilities**

At the date of the report no material contingent liabilities exist that we are aware of, other than the potential liability to the Company for an unpaid penalty (50%) for late payment of annual rent amounting to USD\$14,620.50 with respect to PL 7802/2012.

#### **9.15 Subsequent Events**

On 27 November 2014, the Company announced to the ASX that it had reported encouraging Graphite trench results at on its Tanzanian Mineral licences at its newly discovered Cascade mineralised zones together with new graphite mineralised zone at Kituti.



(commences on following page)

The Directors  
Green Rock Energy Limited  
Level 9, The Quadrant Building  
1 William Street  
PERTH WA 6000

4 December 2014

Dear Sirs

## **INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

### **Introduction**

This report has been prepared at the request of the Directors of Green Rock Energy Limited (the Company) for inclusion in a Prospectus to be issued by the Company, in connection with the proposed acquisition of graphite tenements in Tanzania (the "Acquisition") and the offering and issue by the Company of up to \$2,500,000 of securities in the Company. The minimum subscription is \$2,000,000.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the *Corporations Act 2001* for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

### **Scope**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the historical Statement of Financial Position of the Company as at 30 June 2014 (Historical Financial Information);
- the pro forma Statement of Financial Position of the Company as at 30 June 2014, prepared on the basis that the pro forma adjustments detailed in Section 9.4 of the Prospectus had occurred on that date;
- the pro forma adjustments set out in Section 9.4 of the Prospectus (pro forma adjustments); and
- accompanying notes.

(the Pro Forma Financial Information).

The Pro Forma Financial Information has been derived from the Statement of Financial Position of the Company as at 30 June 2014 (Historical Financial Information), after adjusting for the effects of the pro forma adjustments described in Section 9 of the Prospectus.

The Historical Financial Information has been extracted from annual financial report of the Company for the year ended 30 June 2014, which has been audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion with an emphasis of matter relating to a material uncertainty regarding the ability of the Company and the consolidated entity to continue as going concerns.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

The Pro Forma Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and Interpretations applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 9 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Financial Information does not represent the Company's actual or prospective financial position.

## **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Pro Forma Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Financial Information; and
- the information contained within the Prospectus.

This responsibility includes the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Pro Forma Financial Information that is free from material misstatement, whether due to fraud or error.

## **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro Forma Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

## **Conclusion**

### ***Pro Forma Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 9 of the Prospectus.

## **Restrictions on Use**

Without modifying our conclusion, we draw attention to Section 9 of the Prospectus, which describes the purpose of the Pro Forma Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

## Consent

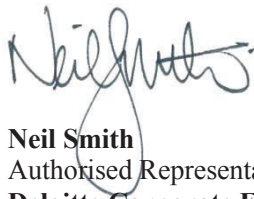
Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

## Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of the Prospectus other than the preparation of this report for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Smith', with a large loop at the bottom.

**Neil Smith**  
Authorised Representative of  
**Deloitte Corporate Finance Pty Limited**  
(AR number 466800)



## Financial Services Guide

### What is a Financial Services Guide?

**This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.**

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their

directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	<a href="mailto:info@fos.org.au">info@fos.org.au</a>
<a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com.au</a>	<a href="http://www.fos.org.au">www.fos.org.au</a>
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

(commences on following page)

## GREEN ROCK ENERGY LIMITED

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**Legal Due Diligence Report for Purposes of Inclusion in a  
Prospectus by Green Rock Energy Limited with respect to the  
Corporate Status of ASAB Resources Limited and Mahenge  
Resources Limited and the Mineral Rights held by them**

---

**PREPARED BY:**

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Our Ref: REX/GREL/121/14/Vol.2/804/14

Date: November 27, 2014

Green Rock Energy Limited  
Board of Directors  
A: Level 9, the Quadrant Building  
1 William Street, Perth 6000  
**WESTERN AUSTRALIA**

Dear Sirs,

**RE: LEGAL DUE DILIGENCE REPORT FOR THE PURPOSES OF INCLUSION IN A PROSPECTUS WITH RESPECT TO MAHENGE RESOURCES LIMITED AND ASAB RESOURCES LIMITED, THE OWNERS OF MINERAL RIGHTS THE TARGET OF ACQUISITION BY GREEN ROCK ENERGY LIMITED**

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## **1.0 GENERAL BACKGROUND:**

### **1.1 Instructions**

We, REX Attorneys, a law firm established in Tanzania duly qualified to practice in Tanzania ("REX" or "the Firm") have been retained by Green Rock Energy Limited ("Green Rock" or "Client") to undertake a limited legal due diligence and to provide certain opinions in respect of ASAB Resources Limited ("ASAB") and Mahenge Resources Ltd ("Mahenge") (or together hereinafter referred to as the "Companies"), the reregistered holders of mineral rights, namely, Prospecting Licences No- PL 10111/2014 and PL 7802/2012 (the "PLs") and Applications HQ-P28688, HQ-P28691, HQ P28539, HQ-P28540, HQ-P28687, HQ-P 28689 and HQ-P 28690 (the "Applications") (PLs and Applications together the "Mineral Rights") the target of acquisition by Green Rock. We provide this Report and opinion on matters relating to Tanzanian law alone.

This report is issued to Green Rock for inclusion in a prospectus to be lodged by it with the Australian Securities Exchange on or about 1 December 2014 ("Prospectus")

For the purposes of this Report we have reviewed documents availed to us by Green Rock and conducted searches at the Registry of Companies and the Registry of Mineral Rights ("**the Registries**" when referred to together) in Dar es Salaam, Tanzania. The documents reviewed and the reports from the Registries are detailed hereinafter.

## 1.2 Searches

We have searched the Registry of Companies in respect of the Companies to establish their corporate standing including compliance with statutory requirements. We have also searched the Registry of Mineral Rights in Dar es Salaam in relation to the Mineral Rights and reviewed the records maintained by the Commissioner for Minerals (the "**Commissioner**") pursuant to the Mining Act, No 14 of 2010 (the "**Mining Act**"), to establish their status and whether there has been any previous dealings in respect thereof. We have also relied on an official search report from the Registry of Companies issued to Leticia Kabunga on 29<sup>th</sup> August, 2014 on corporate standing of Mahenge, as the file could not be located at the Registry of Companies at this time.

## 1.3 Documents Reviewed

1.3.1 We have examined/reviewed the following documents:-

### General:

- Copy of Prospecting Licence ("**PL**") No. 7802/2012 issued in the name of ASAB and dated 03<sup>rd</sup> April, 2012;
- Copy of Prospecting Licence ("**PL**") No. PL 10111/2014 issued in the name of Makonde and dated 13<sup>th</sup> August, 2014;
- an official search report issued by BRELA referenced no. MIT/RC/87878/7 and dated 26<sup>th</sup> August, 2014;
- an official search report issued by the Ministry of Energy and Minerals with referenced No. MEM-/M.100/86B dated 22<sup>nd</sup> September, 2014;

- an official search report issued by the Ministry of Energy and Minerals with referenced No. MEM-C/M.100/86B dated 17<sup>th</sup> October, 2014;
- an official search report issued by the Ministry of Energy and Minerals with reference No. MEM-C/M.100/86B dated 24<sup>th</sup> November, 2014.
- Notification of grant of a mineral right letter issued by the Ministry of energy and Minerals with reference No. MEM-C/M.100/86B/HQ-P28539 dated 20<sup>th</sup> October, 2014.
- copies of certificate of incorporation number 87878 dated 2<sup>nd</sup> December, 2011 and the Memorandum and Articles of Association of ASAB;
- copies of certificate of incorporation number 110606 dated 14<sup>th</sup> August, 2014 and the Memorandum and Articles of Association of Mahenge.
- a copy of the filed Annual Return Form availed to us by ASAB in respect of the year ending 31<sup>st</sup> December, 2013;
- a copy of the Business Licence No 01369577 dated 27<sup>th</sup> February, 2012 availed to us by ASAB;
- a copy of Tax Identification Number ("TIN") Certificate dated 24<sup>th</sup> February, 2012;
- Director's Certificate issued by ASAB dated 25<sup>th</sup> November, 2014;
- Director's Certificate issued by Mahenge dated 25 November 2014;
- a copy of Board Resolution appointing Mr. Ahmed Abubakar Magoma to be a sole company representative with full power, authority and mandate to trade and enter into agreement, to

transfer and sign contract on behalf of the Company with regards to expression of interest to acquire 100% of the Mahenge Graphite Project by Green Rock; and

- an official search report from BRELA on corporate standing of Mahenge dated 29<sup>th</sup> August, 2014, referenced no. MIT/RC/73897/03 addressed to Leticia Kabunga particulars of which are set out in paragraph 2.1.3 below.

#### 1.4 Assumptions

In preparing this Report we have made the following assumptions:

- the accuracy and correctness of the instructions which we have received with respect to all matters of fact;
- all facts stated in the documents and certificates upon which we have relied upon in providing this Report are correct; and

#### 1.5 Qualifications

We have relied on information availed to us by Green Rock and the Companies, and a review of public records at the Registry of Companies, BRELA. We have also relied on official search reports from the Registries confirming the entries in the files maintained by those registries reported in paragraph 1.3 above. We are aware that such records may not be complete or up to date and that documents required to be filed, lodged or registered at either registry may not have been filed immediately or even if filed may not be available for immediate inspection.

For the corporate search on Mahenge we have relied exclusively on a copy of a search letter previously prepared for Leticia Kabunga as the file could not be located at BRELA.

This report is given solely for the purposes of its publication in the Prospectus and my not be disclosed in whole or in part to any other person or otherwise quoted or referred to or relied upon for any other purpose without our express and prior written consent.

## 2.0 REPORT ON THE CORPORATE STANDING OF THE COMPANIES:

### 2.1 “Good Standing” Opinion

On the basis of the search conducted at the Registry of Companies, BRELA, we confirm as follows in respect of the Companies:-

- 2.1.1 The Companies are organised as private limited liability companies duly incorporated and existing in Tanzania pursuant to the Companies Act, 2002. “A private company” is defined under the Companies Act, 2002 as one that by its Articles of Association restricts the right to transfer its shares, limits the number of the members of the company to fifty and prohibits any invitation to the public to subscribe for shares or any debentures in the company.
- 2.1.2 The Companies are in good standing and are compliant with all the statutory requirements pursuant to the requirements of the Companies ACT, 2002.
- 2.1.3 Pursuant to the Director’s certificate there are no pending winding up petitions or applications for the appointment of a receiver manager of the Companies.
- 2.1.4 The particulars of the shareholders, shares in issue and current directors, any charges created, charges registered and the status of statutory returns in respect of the Companies are detailed hereinafter:-

#### MAHENGE:-

- a) Incorporation: Certificate of incorporation number 110606 of 14 August 2014;
- b) Authorised Share Capital – the authorized share capital of Mahenge is unknown. The shares are issued to Artemis Corporate Limited (50 shares), Kabunga Holdings Pty Limited (50 shares) and Ch2 Investment Pty Limited (50 shares).

- c) **Directors** - the directors are Didier Marcel Murcia, Asimwe Matungwa Herman Kabunga and Richard Grant Manners Hill.
- d) **Charges** - there is no confirmation on any charges created on the assets of Mahenge.
- e) **Statutory Returns** – there is no confirmation on whether Mahenge has filed its statutory returns as required by law or whether it is up to date with such filings.
- f) **Registered office** – the registered office is Plot No. 431, Mahando Street, Msasani Peninsula, Dar es Salaam, Tanzania.
- g) **Litigation** – Pursuant to the Mahenge Director’s Certificate there is no pending or actual litigation against Mahenge or any outstanding claims from third parties which could result into a litigation directly affecting the PL as per the Director’s certificate.

#### ASAB

- a) **Authorised Share Capital** – the authorized share capital of ASAB is Tanzania Shilling Ten Million (TZS 10,000,000/-) divided into 1,000 ordinary shares of Tanzania Shillings Ten Thousand (TZS 10,000/=) each. The shares are issued to Ahmed Abubakar Magoma (500 shares) and Elvis Katto (500 shares).
- b) **Directors** - the directors are Ahmed Abubakar Magoma and Elvis Katto.
- c) **Charges** - there is no record of any charge created against the assets of the company.
- d) **Statutory Returns** – ASAB has filed its statutory returns as required by law and is up to date.



- e) **Registered office** - The registered office of ASAB is at 5<sup>th</sup> Floor, IPS Building, Samora/Azikiwe Street, and P.O. Box 1368 Dar Es Salaam.
- f) **Litigation** – Pursuant to the Director’s Certificate issued by Mr. Ahmed Bakari Magoma, there is no pending or actual litigation against ASAB or any outstanding claims from third parties which could result into a litigation directly affecting the PL, as per the Director’s Certificate.

### 3.0 MINERAL RIGHTS TITLE STATUS:

#### 3.1 General

3.1.1 Rights for prospecting or mining for minerals are licenced under the Mining Act, 2010 (the “**Mining Act**”). The Minister has power to grant, renew, suspend or cancel any licence. However, the Minister is obliged to serve on the licence holder a default notice specifying the grounds on which the licence is liable to be suspended or cancelled indicating a specific period during which the default may be cured. The powers of the Minister or where the law specifies the Commissioner are exercisable in accordance with the powers conferred to them under the Mining Act. A Mineral Right is deemed a requisite and sufficient authority over the land in respect of which the right is granted. However, a separate authority (water grant) is required to divert water where applicable. A holder of a Mineral Right is also obliged to consult with the relevant local government authority and village counsel and thereafter to obtain the written consent of lawful occupiers before he can exercise his rights under the Mining Act. All licences issued under the New Mining Act are referred to as Mineral Rights.

#### 3.2 Types of Mineral Rights

The types of rights which may be granted under the Mining Act include prospecting licence, retention licence, special mining licence, mining licence, gemstone mining licence and a primary mining licence. Primary mining licences are restricted to Tanzanian citizens or corporate entities whose memberships are composed exclusively of Tanzanian citizens. Equally, gemstone mining licences are

restricted to Tanzanians only unless the Minister determines that the development of the gemstone resource requires specialized skills, technology or a high level of investment in which instance the gemstone mining licence may be held jointly up to 50% by a non-citizen.

### 3.3 Prospecting Licences (“PLs”)

3.3.1 Makonde and ASAB each holds one (1) prospecting licence (“PL”) which were issued for an initial period of four (4) years. The PLs may be renewed for the first renewal period of three (3) years and a second renewal period of two (2) years. The maximum life span of a PL is therefore nine years. Where the holder is not in default and at the end of the second renewal period, further time is required to complete a feasibility study that has already been commenced, the PL may be renewed for such further periods but not exceeding two years required for that purpose.

3.3.2 The Mining Act stipulates that, in the case of a first renewal the holder of a PL shall relinquish fifty (50%) percent of the area held during the initial prospecting period and a further fifty (50%) percent of the balance in the second renewal, unless the area is not more than 20 square kilometres.

3.3.3 Pursuant to section 32 of the Mining Act, unless the holder is in default and the Minister has issued a default notice and given an opportunity to the licence holder to cure the default, the Commissioner is obliged to renew a PL upon application:

- (a) at the end of the initial prospecting period, or as the case may be, at the end of the first renewal period; and
- (b) at the end of the second renewal period for the period required to complete a feasibility study if applicable.

3.3.4 The Ministry must grant the application for renewal of a PL not later than six (6) weeks from the date on which the application is made, unless the holder has been issued a default notice. New applications must be considered within four (4) weeks from the date of application. Due to

administrative limitations within the office of the Commissioner, these timelines may exceeded from time to time.

3.3.5 Where there are two or more competing applications for a grant of mineral rights over the same area, the person whose application was first registered under the Mining Act, provided there is no reason for disqualification, would be granted the mineral right. However, where there are simultaneous applications, these applications will be subjected to a bidding process whereby the highest bidder is granted the area.

3.3.6 The holder of a PL must, in accordance with Section 36 of the Mining Act:

- (a) commence prospecting operations within three (3) months from the date of grant, or such further period as allowed by the authority;
- (b) give notice to the Licensing Authority of any mineral discovery of potential commercial value;
- (c) adhere to the prospecting programme appended to the PL ; and
- (d) expend on prospecting operations not less than the amount prescribed.

#### 3.4 **Claims of Lawful Occupiers in respect to Mineral Rights**

3.4.1 According to Section 95(1)(b) of the Mining Act, no holder of a Mineral Right shall exercise any of his rights conferred by his licence over an area of land which is the site of, or which is within 200 meters of any inhabited, occupied or temporarily unoccupied house or building without consultation with the relevant Local Government Authority, including the Village Council and thereafter the written consent of the lawful occupier and subject to payment of appropriate compensation agreed between the license holder and the occupier. Accordingly, the license holder is obliged to undertake necessary consultations with the lawful occupiers or a government entity that has authority over the licensed area, prior to exercising any of the rights conferred by the Mineral Right. Failure to obtain the lawful occupiers' prior written consent would not invalidate the

licence holder's Mineral Right but the lawful occupier may make a claim against the licence holder which may unnecessarily delay exploration.

3.4.2 The holder of the Mineral Right has the right of access and construction on the mineral properties, but will require the consent of any lawful surface rights holder, if exploration activities interfere with the rights of surface rights holders such as habitation, cultivations, trees, buildings etc. The Mining Act provides that the Minister may intervene if surface rights holders' consent is unreasonably withheld. However, such interference is rare.

3.4.3 In terms of compensation, if activities result in damage to crops, buildings, works etc, or if the surface rights holder is required to relocate, the holder of the Mineral Right is liable to pay fair and reasonable compensation in respect of the disturbance or damage. Any compensation, relocation and resettlement of lawful occupiers must be in accordance with the Land Act Cap. 113 (R.E. 2002) (the "**Land Act**"). If there is a dispute regarding the amount of compensation, either party may refer the dispute to the Commissioner under the Mining Act who, shall determine and rule on the matter. In the alternative, the matter could be referred to a court of competent jurisdiction.

### 3.5 **Obligation with respect to surrender of Licensed Areas**

The holder of a Mineral Right may apply to the licensing authority to surrender all or any part of the land subject to a licence by making an application not less than three (3) months before the holder wishes the surrender to have effect. If the licensing authority is satisfied with that application, it will issue a certificate of surrender.

### 3.6 **Transfer/Assignment of a Mineral Right**

3.6.1 Subject to section 9(2) of the Mining Act, the holder of a Mineral Right is entitled to assign that right or an undivided proportionate part thereof.

3.6.2 An assignment of a Mineral Right must be approved by the Minister, unless the assignment is to an Affiliate and the obligations of that affiliate are

guaranteed by the assignor or parent company, or to a financial institution or bank as security for any loan or guarantee in respect of mineral exploration operations or another person who constitutes the holder of the Mineral Rights.

- 3.6.3 The Commissioner would issue an acknowledgement certificate in respect of the transfer, assignment or dealing and record the same in the Central Register of Mineral Rights. The time scale for a transfer to be recorded in the Central Register has not been specified in the Mining Act.

### 3.7 **Extension of Mineral Rights during Applications**

- 3.7.1 Where the holder of a PL applies, during the currency of that PL for a renewal of a mineral right to which he is entitled, the current licence shall remain in force until the grant of the licence for which the application is made or refused as the case may be as provided under S.67(b) of the Mining Act.

### 3.8 **Transfer of Control of a Licence Holder**

- 3.8.1 Pursuant to Section 110 of the Mining Act, where a Mineral Right is granted to a company, that company is prohibited from registering a transfer of any of its shares to any third person or his nominee or to enter into an agreement with any third person, if the effect of doing so would be to give that person control of the company, without the written consent of the Ministry. A person is deemed to have control of a company if he or his nominee holds a total of fifty per cent (50%) or more of the equity shares of the company or if the person is entitled to appoint or to prevent the appointment of half or more than half of the number of directors of the company.
- 3.8.2 Provided that the transfer condition referred to in 3.9.1 above is complied with, Mineral Rights, other than primary mining licences, may be held by entities which are wholly owned by foreign investors (i.e. companies that are not wholly owned by Tanzanian citizens).

- 3.8.3 Acquisition of Mineral Rights or other assets owned by companies in Tanzania are obliged to notify the transaction and seek the consent or no objection of the Fair Competition Commission ("FCC") if the combined value of the assets of the Vendor and the Purchaser exceeds the threshold prescribed under the Fair Competition Act, No- 8 of 2003 ("the FCA"), as will become apparent in paragraph 3.9.4 below. The FCC is an independent government body established under the FCA. The functions of the FCC are to promote and protect effective competition in trade and commerce and to protect consumers from unfair and misleading market conduct. The ultimate goal of the FCA is to increase efficiency in the production, distribution and supply of goods and services in the economy.
- 3.8.4 The FCA defines a "merger" as an acquisition of shares, a business or other assets, whether inside or outside Tanzania, resulting in the change of a business, part of a business or an asset of a business in Tanzania. Under section 11(1) of FCA, a merger is notifiable if it involves a turnover or assets above the threshold specified by the Commission. The current threshold is Tanzanian Shillings Eight Hundred Million which is equivalent to approximately USD 500,000 at prevailing exchange rate between the United States Dollar and the Tanzanian Shilling and is calculated on the basis of the combined market value of assets of the merging firms. Green Rock and the Companies would be subject to this provision if the value of the Mineral Rights alone or the combined market value of assets of the merging firms exceeds the threshold.

### 3.9 **Obligation to List on the Dar Es Salaam Stock Exchange**

- 3.9.1 The Minister shall, in consultation with Mineral Rights holders of, make regulations prescribing the minimum shareholding requirement and procedure for selling shares to Tanzanian nationals, in accordance with the provisions of the Capital Markets and Securities Act Cap. 79 R.E. 2002, offering shares to the public through listing with the Dar es Salaam Stock Exchange. This requirement applies to large scale mining companies investing over USD100 Million who are obliged to enter into a Development Agreement with the Government.

### 3.10 Title Search Finding

Our search at the Registry of Mineral Rights confirmed the status of the Mineral Rights held by the Companies as detailed in the chart below:-

S/No.	License No.	Area Km2	Registered Holder	Date Issued	Expiry Date	First Renewal	Remarks
1	PL 10111/2014	24.83	Mahenge	13.08.2014	12.02.2018		Valid, subsisting and current  The Licence was transferred from Makonde Resort Limited to Mahenge Resources Limited.
2	PL 7802/2012	292.41	Asab	03.04.2012	02.04.2016	03.04.2016	Valid, subsisting and current
3	HQ-P28688	225.78	Mahenge				Application recommended but no offer has been issued yet.
4	HQ-P28691	7.3	Mahenge				Application recommended and offer issued on 30.10.2014.
5	HQ-P28540	208.67	Mahenge				Application recommended and offer issued on 20.10.2014.
6	HQ-P28687	192.79	Mahenge				Application recommended and offer issued on 30.10.2014.
7	HQ-P28689	262.51	Mahenge				Application recommended and offer issued on 30.10.2014.
8	HQ-P28539	154.96	Mahenge				Application recommended and offer issued on 20.10.2014.
9	HQ-P28690	172.03	Mahenge				Application recommended and offer issued on 30.10.2014.



### 3.11 Confirmation

- 3.11.1 We confirm that the PLs are validly held by the Companies which enjoy exclusive rights to undertake exploration of the minerals stated on the PLs and if viable deposits are found to develop a mine over the licensed area. The PLs have been validly granted pursuant to the Mining Act and they are in good standing and have not been cancelled, suspended or expired as of the date of this Report and all other documents and filings (including renewal applications) necessary to maintain the PLs are in good standing have been completed to date;
- 3.11.2 Makonde Resort Limited transferred 100% shares in PL 10111/2014 to Mahenge and the transfer was registered on 13<sup>th</sup> October, 2014;
- 3.11.3 There is unpaid penalty (50%) for late payment of annual rent amounting to USD 14,620.50 with respect to PL 7802/2012 owned by ASAB;
- 3.11.4 There are five (5) Applications by Mahenge all of which were recommended and offers issued save for one, being HQ-P28688, which offer is pending as of the date of this report.
- 3.11.5 Upon offer of a licence, an initial preparation fee must be paid and thereafter it is followed by payment of an annual rent prior to the licence being issued to the licence holder. We are not aware whether such payments have been effected by Mahenge on the offered Applications. Subsequently, all licences are subject to annual rent and minimum expenditures that must be observed throughout the legal life of the licence.
- 3.11.6 There are no disputes that we are aware of relating to the Mineral Right with any governmental or regional authority or any unrelated third party.
- 3.11.7 There are no provisions under Tanzanian law or regulation in relation to the Mineral Rights which would result into the Mineral



Rights to be forfeited or otherwise withdrawn in the event of change of ownership.

**4.0 LITIGATION:**

There is no litigation, pending or actual, involving the Companies or the PLs as confirmed in the Director's Certificate issued by ASAB and Mahenge, respectively.

**5.0 CONSENT:**

In accordance with section 48 of the Companies Act, No. 12 of 2002, we have given and have not, prior to the date of the Prospectus, withdrawn our consent to the issue of the Prospectus containing this Report in the form and context in which it appears.

**6.0 CONCLUSION:**

This Report is issued for the benefit of the addressees and should not be relied upon by any other person without our express written approval.

Yours sincerely,

**REX ATTORNEYS**

MSM/TM/em

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## 12. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 12.1 Existing Directors

#### (a) Mr Richard Beresford (Chairman)

Mr Beresford holds a Bachelor of Science in Mechanical Engineering and an Masters of Science in Technology and Development from Imperial College, London and is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Energy.

Mr Beresford has an engineering background and in excess of 30 years' experience in the international gas and renewable energy industries. This includes corporate experience with British Gas (now BG) in the UK and Indonesia, Woodside in Australia and China Light and Power (CLP) in Hong Kong.

Mr Beresford has been a director and company chairman of several listed and unlisted companies. He is currently Non-Executive Chairman of Liquefied Natural Gas Limited and non-executive director of Eden Energy Limited.

#### (b) Mr Gabriel Chiappini (Non-Executive Director)

Mr Chiappini holds a Bachelor of Business and is a Chartered Accountant and member of the Australian Institute of Company Directors with over 18 years' experience in the Commercial Sector. Over the last 13 years Mr Chiappini has held positions of Director, Company Secretary and Chief Financial Officer in both public and private companies with operations in Australia, the United Kingdom and the United States. He has assisted a number of companies list on the ASX and been involved with equity raisings exceeding AUD\$250m. Mr Chiappini has a sound understanding of the ASX Listing Rules and an in depth knowledge of the Corporations Act.

Mr Chiappini currently manages his own consulting firm specialising in providing Director, company secretarial, corporate governance and investor relations services. He currently consults as a Director and Company Secretary to a number of ASX companies. Mr Chiappini is currently Chairman of ASX listed company Dromana Estate Limited.

#### (c) Mr Barnaby Egerton-Warburton (Non-Executive Director)

Mr Egerton-Warburton holds a B.Ec and is currently Managing Director of US-focused oil and gas developer and producer, Otis Energy Limited (ASX OTE) and a Non –Executive Director of West Australian explorer InterMet Resources Limited (ASX ITT). Barnaby has over 20 years of trading, investment banking, international investment and market experience with positions at JP Morgan, BNP Equities and Prudential Securities.

### 12.2 Proposed Directors

It is proposed that upon completion of the Acquisitions, Steve Tambinis and Stephen Copulos (**Proposed Directors**) will be appointed to the board of the Company and Barnaby Egerton-Warburton and Richard Beresford will resign.

Gabriel Chiappini will remain on the Board. This will provide the company with a relevant, highly experienced and qualified leadership team.

The following profiles are provided for each of the Proposed Directors.

**(c) Mr Stephen Copulos (Proposed Non-Executive Chairman)**

Stephen Copulos has over thirty years' experience in a variety of businesses and investments across a wide range of industries, including mining, manufacturing, property development, fast food and hospitality. He has been the Managing Director of the Copulos Group of companies, a private investment group, since 1997 and has extensive experience as a company director of both listed and unlisted public companies in Australia, UK and the USA.

Mr Copulos is an active global investor who brings significant business acumen and great diversity to the Board of Green Rock. In addition to his proposed role with the Company, Mr Copulos is also a director of ASX listed company, Crusader Resources Ltd (Chairman).

**(d) Mr Steve Tambanis (Proposed Managing Director)**

Steve Tambanis is a geologist and manager with extensive commercial and operational experience gained within small and large exploration and mining companies, corporate banking and broking. Mr Tambanis has gained significant experience working with ASX listed mineral companies, including business development roles at WMC Resources and Goldminex Resources Limited where he held the position of Executive Director.

He is on the Board of West African Gold Limited, a public unlisted mineral exploration company. Over the past three years Mr Tambanis managed all aspects of that company's exploration activities, operations and administration, including the execution of a significant joint venture with ASX listed gold miner, Perseus Mining Limited (ASX:PRU).

Mr Tambanis is currently serving as the acting Chief Executive Officer of the Company assisting in the exploration of the Tanzanian Projects.

### 12.3 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. Details of the Directors' remuneration and relevant interests in the securities of the Company upon completion of the Offer and post share consolidation are set out in the table below:

Director	Remuneration for year ended 30 June 2013	Remuneration for year ended 30 June 2014	Proposed remuneration for current year	Shares <sup>1&amp;2</sup>	Options <sup>1&amp;2</sup>	Performance Rights <sup>3</sup>
<b>Existing Directors</b>						
Richard Beresford	\$185,684	\$149,528	\$39,000	332,963	225,000	-
Gabriel Chiappini	\$39,646	\$98,049	\$150,000	650,000	300,000	1,675,000
Barnaby Egerton-Warburton	\$10,654	\$36,000	\$18,000	400,000	50,000	-

Director	Remuneration for year ended 30 June 2013	Remuneration for year ended 30 June 2014	Proposed remuneration for current year <sup>4</sup>	Shares <sup>1&amp;2</sup>	Options <sup>1&amp;2</sup>	Performance Rights <sup>3</sup>
<b>Proposed Directors</b>						
Stephen Copulos	Not applicable	Not applicable	\$50,000	38,807,738	5,000,000	1,675,000
Steven Tambanis <sup>5</sup>	Not applicable	Not applicable	\$109,500	2,000,000	500,000	3,350,000

**Notes:**

1. At the General Meeting, the Company is seeking Shareholder approval to allow associates of Mr Copulos to subscribe for 20,000,000 Shares and 5,000,000 Options under the Offer. These figures assume subscription for those Securities.
2. Securities are shown post share consolidation (20:1) and on the assumption that resolutions in the notice of meeting dated 14 November 2014 are all passed at the upcoming 15 December 2014 shareholder meeting. For further details please refer to shareholder notice of meeting lodged with ASX on 17 November 2014.
3. Granting of performance rights are subject to shareholder approval at the General Meeting.
4. Assumes pro-rata salary payment from 1 January 2014 through to 30 June 2014.
5. Includes 9.5% superannuation levy.

## 12.4 Agreements with Directors or Senior Management

The agreements the Company has entered into with Directors are listed in Sections 13.7 and 13.9.

## 12.5 The ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

All of the Company's corporate governance policies, together with a copy of the Company's constitution, are available on the Company's website ([www.greenrock.com.au](http://www.greenrock.com.au)).

## 12.6 Departures from Recommendations

Following admission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out in Annexure 1 to this Prospectus.

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## 13. MATERIAL CONTRACTS

### 13.1 Mahenge North Graphite Project - Tanzania

On 7 July 2014 the Company entered into an exclusive option agreement to acquire 100% of the Mahenge North Graphite project in exchange for a non-refundable cash payment of \$50,000 and the issue of 33,333,333 fully paid ordinary shares in Green Rock Energy Limited. Under the terms of the agreement, the company has been granted a four month exclusivity period within which to complete due diligence on the project. During the period, ending 10 November 2014, the company has committed to spend a minimum of \$100,000 on exploration activity and due diligence investigations.

On 18 September 2014, the Company announced to the ASX that it had exercised its option to acquire the Mahenge North Graphite Project.

In order to complete the acquisition, the Company is obliged to complete the following tasks:

- issue 166,666,667 fully paid Green Rock Energy Limited shares the vendors of the Mahenge North Project; and
- commit to spend a minimum of \$500,000 on the Mahenge North Graphite Project in the first twelve months from exercise of the option.

The Company is also committed to make the following milestone payments as required:

- \$250,000 cash or equivalent number of fully paid Green Rock Energy Limited shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 250,000 tonnes of contained graphite at >7% total graphite content (**TGC**) is announced;
- \$250,000 cash or cash equivalent number of fully paid Green Rock Energy Limited shares (at the election of the vendor) to be paid when the company share price exceeds a VWAP of \$0.005 for a period of at least ten consecutive trading days. The final number of shares issued will be based on \$0.005 per share; and
- \$500,000 cash or cash equivalent number of Shares (at the election of the vendor) upon announcement of a JORC compliant resource of greater than 1,000,000 tonnes of contained graphite at >7% TGC.

Settlement of the acquisition is conditional upon the satisfaction of the following outstanding conditions precedent:

- (a) the Company receiving all requisite approvals under the Corporations Act and Listing Rules, its Constitution and any other relevant legislation to undertake the acquisition of the Prospecting Licence and issue the consideration at the General Meeting;
- (b) the Company complying with all conditions that may be imposed by ASX relating to the undertaking of the acquisition, including re-compliance under Chapters 1 and 2 of the Listing Rules;
- (c) the Company raising sufficient funds to meet its obligations under the Mahenge North Option under the Offer;

- (d) there being no material adverse change to the prospecting licence prior to the date of settlement in the sole discretion of the Company, acting reasonably; and
- (e) receipt of all necessary regulatory and tax consents or approvals for the transaction.

These conditions precedent are required to be satisfied (unless waived by the Company) by 31 December 2014.

### **13.2 Share Sale Agreement - Mahenge Resources Limited**

On 22 August 2014 the Company entered into an exclusive option agreement to acquire 100% of the issued capital of Mahenge Resources Limited (**MRL**) for a non-refundable deposit of \$50,000 and the issue of 8,000,000 fully paid ordinary shares. MRL has a 100% interest in 3 new tenements within the Mahenge region, thereby increasing its total footprint in the Mahenge region to 675km<sup>2</sup>.

Under the terms of the agreement, the company has been granted a four month exclusivity period within which to complete due diligence on the project. During the period, ending 22 December 2014, the company has committed to spend a minimum of \$20,000 on exploration activity and due diligence investigations. On 18 September 2014, the Company announced to the ASX that it had exercised its option to acquire MRL.

In order to complete the acquisition of MRL, the Company must:

- (a) Providing funding to enable MRL to complete the acquisition of the permit from the vendor, pursuant to which it has an interest in the permit. The Company has provided these funds by way of a loan agreement, the terms of which are summarised below;
- (b) issue a total of 80,000,000 Shares to the current shareholders of MRL; and
- (c) commit to spend a minimum of \$500,000 on the project in the first twelve months from exercise of the option.

The Company is also committed to make the following milestone payments as required:

- (a) \$250,000 cash or equivalent number of Shares (at the election of the vendor) upon announcement of a JORC compliant Resource of greater than 250,000 tonnes of contained graphite at >9% TGC is announced. Issue price of shares to be calculated based on the preceding seven (7) day VWAP; and
- (b) AUD\$375,000 cash and the equivalent value (AUD\$375,000) in Shares to be paid when a JORC compliant Resource with greater than 1,000,000 tonnes of contained graphite at >9% TGC at any of the Projects is announced by GRK on the ASX. The issue price of Shares is to be calculated based on the VWAP of Shares in the 5 days prior to the release of the announcement.

Settlement of the acquisition of the shares in MRL is conditional upon the satisfaction of the following outstanding conditions precedent:



- (a) the Company receiving all requisite approvals under the Corporations Act, Listing Rules, Constitution and any other relevant legislation to purchase the shares in MRL at the General Meeting;
- (b) the Company complying with all conditions that may be imposed by ASX relating to the undertaking of the acquisition, including re-compliance under Chapters 1 and 2 of the Listing Rules;
- (c) there being no material adverse change to the Mahenge Licences prior to the date of settlement in the sole discretion of the Company, acting reasonably; and
- (d) receipt of all necessary regulatory and tax consents or approvals for the transaction.

Where these conditions are not satisfied by 31 December 2014, a party may, by 2 business day's notice to the other parties, terminate the agreement.

### 13.3 Mahenge Resources Ltd Loan Agreement

The Company has entered into a loan agreement with Mahenge Resources Limited (**MRL**) to provide a loan of US\$110,000 to MRL for the purpose of MRL exercising an option it had acquired over Prospecting Licence PL10111/2014. The Company provided the loan funding in September 2014.

No interest is payable on the loan amount.

The loan is only repayable where the Company does not complete the acquisition of 100% of the shares in MRL as contemplated and is subject to shareholder approval pursuant to Shareholder Meeting on 15 December 2014 and completion of the offer contained within this prospectus. Should the conditions precedent to finalise the acquisition of MRL not be completed the loan must be repaid by MRL to the Company within three months of the date that it is determined that the acquisition of MRL will not proceed.

### 13.4 Remaining Graphite Option Agreements

By letter agreement dated 3 October 2014, the Company entered into an exclusive option agreement with Interstate Mining & Minerals (T) Limited (**IMM**) (**GML Option**) relating to five Tanzanian gem stone licences (**GML Permits**).

The material terms of the GML Option are as follows:

- (a) in consideration for payment of the US\$50,000 (non-refundable) option fee to IMM, the Company was given the exclusive option to undertake due diligence on the GML Permits for the purpose of determining whether to acquire, by way of assignment, the mineral rights (excluding a right to any gem stones) (**Mineral Rights**) over the GML Permits (**GML Acquisition**);
- (e) the payment of the GML Option fee is conditional upon receipt by the Company of documentation which establishes, in the Company's sole discretion:
  - (i) that IMM has sole ownership of the GML Permits;
  - (ii) the GML Permits are in good standing; and

- (iii) that the Mineral Rights can be transferred to the Company on satisfactory terms.
- (b) the GML Option is for a period of 6 months from the date of payment of the GML Option fee (unless extended) and the GML Option can be exercised at any time within this period;
- (c) the GML Acquisition is conditional on completion of the Acquisitions, receipt of all necessary approvals, there being no material adverse change to the GML Permits and other conditions precedent standard for an agreement of this nature.
- (d) the consideration for the GML Acquisition will be:
  - (i) payment of US\$200,000; and
  - (ii) a 1% net smelter royalty on all future graphite produced from the GML Permits; and
- (e) the GML Option is subject to other terms and conditions which are standard for an agreement of this nature.

As at the date of this Prospectus and as a result of the Company's legal due diligence regarding the Graphite Mineral rights attached to the GML permits, the Company did not proceed with the payment of the USD\$50,000 option fee.

Therefore, the completion of the acquisition of the five (5) GML permits covering approximately five (5) square kilometres will not occur in accordance with the terms and conditions of the original agreement. The Company will be revisiting the acquisition of the GML Option agreement in 2015.

Also on 3 October 2014 the Company entered into an exclusive option agreement with Kabunga Holdings Limited (**KHL**) (**KHL Option**) relating to five Prospecting Licence Applications (**KHL Permits**).

The material terms of the KHL Option are as follows:

in consideration for payment of the US\$45,000 (non-refundable) option fee to KHL, the Company was given the exclusive option to undertake due diligence on the KHL Permits;

- (a) the payment of the KHL Option fee is conditional upon receipt by the Company of documentation which establishes, in the Company's sole discretion:
  - (i) that KHL has sole ownership of the KHL Permits;
  - (ii) the KHL Permits are in good standing;
- (b) the KHL Option is for a period of 8 months from the date of payment of the option fee (unless extended) and the KHL Option can be exercised at any time within this period; and
- (c) the KHL Acquisition is conditional on completion of the Acquisitions, receipt of all necessary approvals, there being no material adverse change to the KHL Permits and other conditions precedent standard for an agreement of this nature.

- (d) the consideration for the KHL Option will be:
  - (i) payment of US\$60,000; and
  - (ii) issue of US\$60,000 in Shares.
- (e) the KHL Option is subject to other terms and conditions which are standard for an agreement of this nature.

Milestone Payments to be made to KHL on achievement of JORC compliant Resource on either of the Permits associated with the GML Option or KHL Option:

- (f) AUD\$150,000 cash or, at the sole election of the vendor, subject to compliance with the ASX Listing Rules, the equivalent value in GRK Shares to be paid when GRK announces a JORC compliant Resource with greater than 250,000 tonnes of contained graphite at > 9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK Shares is to be calculated based on the volume weighted average price of GRK Shares in the 5 trading days prior to the release of the announcement.
- (g) AUD\$125,000 cash and the equivalent value of AUD\$125,000 in GRK Shares to be paid when GRK announces a JORC compliant Resource with greater than 1,000,000 tonnes of contained graphite at > 9% total graphite content at any of the Projects is announced by GRK on the ASX. The issue price of GRK Shares is to be calculated based on the volume weighted average price of GRK Shares in the 5 trading days prior to the release of the announcement.

### 13.5 Ocean Hill Project – Sale Agreement

On 22 October 2014, the Company announced that it had entered into an agreement to sell its interest in its Ocean Hill oil and gas asset to Eneabba Gas Ltd (**Eneabba**). In consideration for the sale, the Company is to receive \$300,000 in cash together with 40,000,000 shares in Eneabba. The Eneabba shares are subject to a voluntary restriction until 15 November 2015.

The Company received a \$30,000 signing fee on the date of the contract. Settlement of the Ocean Hill transaction is expected to occur following the completion of the re-instatement to trading of the Company on ASX.

Settlement of the agreement is subject to the satisfaction of the following outstanding condition precedent:

- (a) obtaining any consent or approval (including any consent or approval under the Act) required to transfer the Permit from the Vendor to Eneabba or its newly incorporated subsidiary, Ocean Hill Pty Ltd.

### 13.6 Sunbird Loan Agreement

On insert date, the Company entered into a loan agreement with Sunbird Energy Limited (Sunbird), pursuant to which the Company provided a loan facility of up to \$400,000 to Sunbird on the following key terms:

- (a) the loan attracts interest at the rate of 20% per annum;
- (b) the loan is repayable on or before 10 March 2015;

- (c) subject to receipt of shareholder approval from Sunbird's shareholders, the Company may elect to convert its outstanding balance into shares in Sunbird at \$0.25 per share or at the same price as any capital raising undertaken by Sunbird during the term of the loan;
- (d) the loan is secured by a security held by a trustee on behalf of all the lenders as beneficiaries.

## **13.7 Executive Services Agreement**

### **Current Directors**

Mr Gabriel Chiappini currently receives remuneration based on a monthly retainer of \$8,250 per month for providing services related to company secretarial, financial officer, non-executive director duties and management and corporate administration services. In addition to the monthly fees noted above, Mr Chiappini is paid for services provided in addition to services provided under the fixed fee retainer, with the fees based on a standard commercial and arm's length basis.

Mr Richard Beresford and Mr Barnaby Egerton Warburton are Non Executive Directors and do not have executive services agreements.

### **Proposed Directors**

The company is currently finalising an Executive Services Agreement with Mr Steven Tambanis as the Company's proposed Managing Director. The key terms of the contract will be:

- (a) Base salary of \$200,000
- (b) Statutory superannuation
- (c) Participation in Performance rights plan

Mr Stephen Copulos is the proposed Non Executive Chairman and will not have an Executive Services Agreement.

## **13.8 Cygnet Mandate**

The Company has entered into an agreement with Cygnet Capital Pty Ltd (**Cygnet**) by which Cygnet have been appointed as Lead Manager to the Offer under this Prospectus.

Cygnet in its role as Lead Manager will manage the capital raising of the Offer on a best endeavours basis.

The fees payable to Cygnet upon successful completion of the Offer is a 1% management fee and a 5% capital raising fee (including GST) of all funds raised under the Offer. Cygnet may pass on any part of the fees to Australian financial services licensees or authorised representatives. Cygnet will also receive a success fee of 12,500,000 Options upon successful completion of the Transaction. In addition, the Company is obliged to issued up to a further 12,500,000 Options to Cygnet on the basis of the number of firm commitments that Cygnet secures prior to the closure of the Prospectus. On the basis of the Company raising the full subscription, the maximum number of Options that could be issued under this requirement is 12,500,000.

### **13.9 Non-Executive Letter of Appointment**

Although not yet executed, the Company is in the process of finalising a Non-Executive Chairman's appointment letter for the appointment of Mr Stephen Copulos pursuant to which Mr Copulos will be paid \$100,000 per annum as a Non-Executive Chairman of the Company.

### **13.10 Deeds of Indemnity, Insurance and Access**

The Company is in the process of finalising deeds of indemnity, insurance and access with each of its proposed Directors and will enter into such deeds with the proposed directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances. For existing directors, the Company has entered into deeds of indemnity, insurance and access.

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## **14. ADDITIONAL INFORMATION**

### **14.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

### **14.2 Rights attaching to Shares**

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or corporate representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (ii) each Shareholder entitled to vote may vote in person or by proxy, attorney or corporate representative;
- (iii) on a show of hands, every person present who is a Shareholder or a representative of a Shareholder has one vote in respect of each Share carrying the right to vote; and
- (iv) on a poll, every person present who is a Shareholder or a proxy, attorney or corporate representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or corporate representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

The directors alone may declare a dividend to be paid to shareholders. The dividend is payable at a time determined in the directors' discretion. No dividend may be declared or paid except as allowed by the *Corporations Act*. No interest is payable in respect of unpaid

dividends. The directors may set aside of the Company's profit any amount that they consider appropriate. This amount may be used in any way that profits can be used, and can be invested or used in the Company's business in the interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.



### **14.3 Terms of Options**

The terms and conditions of the Options to be issued under this Prospectus are as set out in Section 4.9.

### **14.4 Interests of Directors**

Other than as set out in this Prospectus, no Director or Proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (ii) its formation or promotion; or
  - (iii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or Proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

### **14.5 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or

- (c) the Offer, and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

Steinepreis Paganin has acted as the Company's solicitor in the review of this Prospectus. The Company estimates it will pay Steinepreis Paganin a total of approximately \$20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received \$103,256 in fees from the Company.

Cygnnet Capital Pty Limited has acted as lead manager to the Offer. The Company estimates it will pay Cygnnet Capital Pty Limited a total of \$120,000 if the minimum is raised and \$150,000 if the maximum is raised (excluding GST) for these services. In addition, Cygnnet will receive 12,500,000 options on the same terms and conditions as the free attaching one for four attached to the shares pursuant to this offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, Cygnnet Capital Pty Limited has received \$307,500 in fees from the Company.

Deloitte Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10 of the Prospectus. The Company estimates it will pay Deloitte Corporate Finance Pty Ltd a total of \$15,000 (excluding GST) for these services. The Company has not paid Deloitte Corporate Finance Pty Ltd any other fees in the last 24 months.

Deloitte Touche Tohmatsu has acted as the Company's auditor. During the 24 months preceding lodgement of this Prospectus with the ASIC, Deloitte Touche Tohmatsu has received \$93,508 (excluding GST) in fees from the Company.

Rex Attorneys has acted as the Tanzanian solicitors and have prepared the Solicitor's Report on Tenements which is included in Section 11 of this Prospectus. Rex Attorneys has been paid USD\$12,000 (excluding VAT) for these services. Rex Attorneys has received USD\$8,500 (excluding VAT) in fees from the Company for legal due diligence services.

ARC Resources Pty Ltd has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 8 of this Prospectus. ARC Resources Pty Ltd has been paid a total of \$17,468(excluding GST) for these services. ARC Resources Pty Ltd has not received fees from the Company for any other services.

## **14.6 Consents**

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

ARC Resources Pty Ltd has given its written consent to being named as Independent Geologist in this Prospectus, the inclusion of the Independent Geologist's Report in Section 8 of this Prospectus in the form and context in which the report is included. ARC Resources Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Deloitte Corporate Finance Pty Ltd has given its written consent to being named as the Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 of this Prospectus in the form and context in which the information and report is included. Deloitte Corporate Finance Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Rex Attorneys has given its written consent to being named as the Tanzanian solicitors to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements in Section 11 of this Prospectus in the form and context in which the report is included. Rex Attorneys have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given their written consent to being named as the Australian solicitors to the Company in this Prospectus. Steinepreis Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Cygnnet Capital Pty Limited has given its written consent to being named as the Lead Manager in this Prospectus. Cygnnet Capital Pty Limited Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Deloitte Touche Tohmatsu has given their written consent to being named as the Auditor to the Company in this Prospectus. Deloitte Touche Tohmatsu have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

## 14.7 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$210,680 if only the Minimum Subscription is raised, or \$242,908 if the Offer is fully subscribed, and are expected to be applied towards the items set out in the table below.

Item of Expenditure	Minimum Subscription (\$)	Full Subscription (\$)
ASIC fees	2,290	2,290
ASX fees	15,422	17,650
Lead Manager Fees	120,000	150,000
Investigating Accountant's Fees	15,000	15,000
Legal Fees (including for Solicitors Report on Tenements)	35,000	35,000
Independent Geologist Fees	17,468	17,468
Printing and Distribution	3,000	3,000
Miscellaneous	2,500	2,500
<b>TOTAL</b>	<b>210,680</b>	<b>242,908</b>

## **14.8 Continuous disclosure obligations**

As the Company is admitted to the Official List, the Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

Price sensitive information will be publicly released through the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## **14.9 Electronic Prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the ASX company announcements platform.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **14.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company currently participates in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## **14.11 Privacy statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of

takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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**15. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and separately consented to by each of the Proposed Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

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**Gabriel Chiappini**  
**Director**  
**For and on behalf of**  
**GREEN ROCK ENERGY LIMITED**

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## 16. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means Australian dollars.

**Acquisitions** means the acquisition of the Company's interest in the Mehenge North Project and the Mahenge Project.

**Application Form** means the application forms attached to or accompanying this Prospectus relating to the Offer.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Closing Date** means the closing date of the Offer as set out in the indicative timetable in Section 2 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

**Company** means Green Rock Energy Limited (ACN 094 551 336).

**Completion** means Completion of the Transaction.

**Conditions** means the Conditions of the Transaction and the Offer as set out in Sections 5 and 4 respectively.

**Consolidation** has the meaning given in section 4.11 of this Prospectus.

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company at the date of this Prospectus and the Proposed Directors.

**Eligible Shareholder** has the meaning given to that term in Section 4.7 of this Prospectus.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the general meeting of Shareholders to be held on or about 15 December 2014.

**Investigating Accountant's Report** means the Investigating Accountant's Report set out in Section 10 of this Prospectus.



**Minimum Subscription** has the meaning given in section 4.7 of the Explanatory Statement.

**Notice** or **Notice of Meeting** means the notice of meeting for the General Meeting.

**Offer** means the offer pursuant to this Prospectus.

**Official List** means the official list of the ASX.

**Official Quotation** means official quotation by the ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Projects** means the Mahenge North Graphite Project and the Mahenge Graphite Project in Tanzania.

**Proposed Directors** means those persons named as such in Section 1 of this Prospectus.

**Prospectus** means this prospectus.

**Quoted Securities** means Shares and quoted Options.

**Reinstatement** means the reinstatement of the Company's to the official list of the ASX.

**Section** means a section of this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Transaction** means the transaction pursuant to which the Company will acquire the interest in graphite projects in Tanzania and undertake a re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

**Transaction Agreements** means the project agreements, executive services agreements, Cygnet mandate, non-executive letter of appointment and deeds of indemnity, insurance, and access as summarised in Section 14.

**Vendors** means in relation to each of the acquisition agreements entered into:

- (a) Asab Resources (Tanzania) Limited (Incorporated in Tanzania), who is the legal and beneficial holder of 100% of the Mahenge Project comprising Tanzanian Prospecting Licence number 7802/2012;
- (b) Mahenge Resources Limited (Incorporated in Tanzania, incorporation number 110606) and beneficial holder of 100% of Mahenge Project comprising Tanzanian Prospecting Licence number PL 10111/2014, together with HQ-P application licence numbers HQ-P28688, HQ-P28691, HQ-P28540, HQ-P28687, HQ-P28689, and HQ-P28539, ; and
- (c) Kabunga Holdings Pty Ltd (ACN 166 309 039).

**WST** means Western Standard Time as observed in Perth, Western Australia.

**ANNEXURE 1 – DEPARTURES FROM ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES**

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the Board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>a. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>b. the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</p>	PARTIALLY	<p>(a) The Company has adopted a Diversity Policy.</p> <p>(i) Whilst the Diversity Policy provides a framework for the Company to achieve a list of measurable objectives that encompass gender equality, it does not propose to establish measurable gender diversity objectives in the foreseeable future as:</p> <ul style="list-style-type: none"> <li>- the Company's senior management team are experienced and stable and there is no intention to make changes to the Board or senior management team in the coming year; and</li> <li>- the Company is committed to making all selection decisions on the basis of merit and the setting of specific objectives for the quantum of males/females at any level would potentially influence decision making to the detriment of the business.</li> </ul> <p>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on any measurable objectives adopted.</p> <p>(b) The Diversity Policy is available on the Company's website.</p> <p>(c) The Company does not propose to establish measurable gender diversity objectives at this stage.</p>

		See (a) above.
<b>Principle 2: Structure the Board to add value</b>		
<p><b>Recommendation 2.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	PARTIALLY	<p>Due to the size and nature of the existing Board, and the magnitude of the Company's operations, the Company is of the view that it does not need a Nomination Committee and that its resources would be better utilised in other areas.</p> <p>Under clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Nomination Committee under the written charter for that committee and in the Company's view the experience and skill set of the current Board is sufficient to perform these roles.</p> <p>The duties of the Nomination Committee (which are currently carried out by the Board) are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devotes time at annual Board meetings to discuss Board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</p> <p>The Board regularly updates the Company's Board skills matrix (in accordance with recommendation 2.2) to assess and ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to discharge its duties and responsibilities effectively.</p>
<p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	NO	<p>The Board Charter requires that, where practical, the majority of the Board must be independent.</p> <p>At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations only one of the Company directors is independent; however this</p>

		<p>director will resign following the Company's recompliance with Chapters 1 &amp; 2 of the ASX Listing Rules. As such, following the Company's recompliance, the Company will have no independent directors. The Company will reconsider its position in relation to any new appointments in the future and make any appointment it deems necessary.</p> <p>Details of each Director's independence are provided in the Annual Reports.</p>
<p><b>Recommendation 2.5</b></p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	NO	<p>The Board Charter provides that, where practical, the Chairman of the Board should be an independent Director. At this stage, the Chairman is independent; however he will resign shortly following the Company's recompliance and be replaced with a non-independent director.</p> <p>The Board will consider appointing an independent Director as Chairman in the future.</p>
<b>Principle 4: Safeguard integrity in financial reporting</b>		
<p><b>Recommendation 4.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, who is not the chair of the Board, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the relevant qualifications and experience of the members of the committee; and</li> <li>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those</li> </ul>	PARTIALLY	<p>The Company currently does not have an Audit and Risk Committee as it is of the view that its resources would be better utilised in other areas. This is due to the current size of the Company, the magnitude of its operations and the fact that the Board has sufficient skills and expertise to effectively carry out the role of the Audit and Risk Committee,</p> <p>Under clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written charter for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website, which include managing the relationship of the Company with its external auditors.</p> <p>The Board devotes time at annual Board meeting to fulfilling the roles and responsibilities associated with</p>

<p>meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p><b>Recommendation 4.2</b></p> <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	PARTIALLY	<p>These obligations of a Company's CFO or CEO (if any) are set out in the Company's Corporate Governance Plan.</p> <p>Due to the current size of the Company and the magnitude of its operations and the fact that the Board has sufficient skills and expertise to effectively carry out the role of the CEO and CFO and provide the necessary declaration in relation to the Company's financial records, at this stage the Company has not appointed a CEO or CFO as it is of the view that its resources would be better utilised in other areas.</p>
<p><b>Principle 7: Recognise and manage risk</b></p>		
<p><b>Recommendation 7.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the</p>	PARTIALLY	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Under clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website.</p> <p>The Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance</p>

<p>individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>		and control procedures.
<b>Principle 8: Remunerate fairly and responsibly</b>		
<p><b>Recommendation 8.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	PARTIALLY	<p>Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Under clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.</p> <p>The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 the Company's Corporate Governance Plan available online on the Company's website</p> <p>The Board will devote time at the annual Board meeting to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>