



Annual financial report for the
year ended 30 June 2014

CORPORATE DIRECTORY

ABN: 59 094 551 336

DIRECTORS

Richard Beresford
Chairman Non- Executive

Gabriel Chiappini
Executive Director

Barnaby Egerton–Warburton
Non- Executive Director

COMPANY SECRETARY

Gabriel Chiappini

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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AUDITOR

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SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace,
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Facsimile: (08) 9323 2033
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STOCK EXCHANGE LISTING

The Company's shares are quoted
on the Australian Securities Exchange (ASX)
The Home Exchange is Perth.

ASX CODE

GRK - ordinary shares GRKOB - options

The directors of Green Rock Energy Limited submit herewith the annual report of the company and its subsidiary entities for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

INFORMATION ABOUT THE DIRECTORS

The names and details of the Directors of Green Rock Energy Limited during the financial year and until the date of this report are:

Name	Particulars
Richard Beresford (Chairman)	<p>Mr Beresford holds a BSc in Mechanical Engineering and an MSc 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.</p> <p>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.</p> <p>Mr Beresford has been a director and company chairman of several listed and unlisted companies. He is currently non-Chairman of Liquefied Natural Gas Limited and non-executive director of Eden Energy Limited.</p>

Mr. Beresford held directorships with the following public listed companies in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Eden Energy Ltd	8 May 2007	Current
Liquefied Natural Gas Ltd	12 February 2004	Current

Date of appointment as Managing Director – 2 February 2010

Date of appointment as Chairman 21 March 2012

Name
Particulars
Gabriel Chiappini

(Executive Director
and Company
Secretary)

Mr Chiappini 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 Gabriel 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. Gabriel has a sound understanding of the Australian Stock Exchange (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 relation's services. He currently acts as a Director and Company Secretary for several companies listed on the ASX. Gabriel is currently Chairman of ASX listed company Dromana Estate Limited.

Mr Chiappini held directorships with the following public listed company in the 3 years immediately prior to the date of this report.

Name	Date Appointed	Date Resigned
Dromana Estate Ltd	15 December 2011	Current
Date of appointment as Non-Executive Chairman 21 March 2012		
Date of appointment as Company Secretary 12 July 2013		

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.

In the three years prior to the date of this report Mr Egerton-Warburton held directorships in the following public listed companies

Name	Date Appointed	Date Resigned
Otis Energy Limited	22 May 2009	Current
InterMet Resources Limited	17 January 2013	Current

Date of appointment as a Non-Executive Director 15 March 2013

PRINCIPAL ACTIVITIES

The Company's business is the exploration and development of oil & gas and geothermal resources.

The Company focuses its efforts and financial resources on those opportunities where it sees the highest likely return for shareholders. The criteria used for setting project priorities include:

- the inherent economics and scale of the initial opportunity
- the potential for follow-on projects after the first to enable rapid scale-up
- the likelihood of project success
- the attractiveness of the opportunity to potential joint venture partners and project investors

REVIEW AND RESULTS OF OPERATIONS AND ACTIVITIES**Results of Operations**

The consolidated loss after accounting after tax for the year ended 30 June 2014 was \$2,428,562 (2013: \$5,970,061). Revenue from continuing activities was \$29,681 (2013: \$33,539).

Corporate and Financial Position

Consolidated net assets at year-end were \$1,588,263 against \$3,928,238 at the close of the prior year. Total cash held at year-end was \$801,258 (2013: \$1,178,576).

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

During the year the Company's exploration efforts were focused on the key projects outlined below:

Exploration Activities

Oil & Gas

Ocean Hill (STP EPA 0090, formerly designated Bid Area L12-7)

In April 2013 the company announced its notification by the WA Department of Mines and Petroleum as the preferred applicant for the Ocean Hill block covering approximately 300 km² in the highly prospective North Perth Basin. The area will be converted to an Exploration Permit once Native Title negotiations have been concluded.

The area contains a large faulted four-way dip closure that was tested by Ocean Hill-1 in 1991. The well reached a total depth of 3840m in the Jurassic Cattamarra Coal Measures before being suspended as an uneconomic gas discovery. Good gas shows were encountered in the Jurassic Cadda Formation and Cattamarra Coal Measures over the entire interval of over 800m from about 3000m to total depth, and analysis of the electric logs indicated over 100m of net gas pay within multiple sands through the zone. An open hole drill stem test flowed gas rate of 0.7MMscf/d from the interval 3,063-3130mKB in the Cadda Formation with associated liquids of 15-23 bbl/MMcf.

The Dampier to Bunbury Pipeline runs directly through the Ocean Hill block and a compressor station is located 6.5 km from the Ocean Hill-1 location, providing excellent infrastructure access and a substantial benefit for the project economics. The Ocean Hill discovery is similar geologically to the Gingin gas field and Red Gully Gas Project, where Empire Oil & Gas commenced production in late 2013.

On 4 October 2013 Green Rock Energy announced the completion of an independent evaluation by DeGolyer and MacNaughton of Contingent and selected Prospective Resources in the Ocean Hill Block. The 2C Contingent Gas Resource is evaluated to be 360Bcf.

During the year substantial progress was made in Native Title and Heritage negotiations and in discussions with potential farm-in partners. Planning is underway for a 250km² 3D seismic survey.

Backreef Area, Canning Basin

On 29 July 2013 the completion of the transaction for the acquisition by Oil Basins Limited of 100% of the equity of Green Rock's wholly owned subsidiary Green Rock Canning Basin Pty Ltd, formerly called OBL Backreef No.5 Pty Ltd, holding a 20% beneficial interest in the Back Reef Area, Canning Basin. Oil Basins in consideration provided Green Rock with 25 million Oil Basins Limited ordinary shares (ASX Code OBL) escrowed for 3 months and nominal adjustments to existing and future cash calls resulting in a final payment of approximately \$39,000 to OBL. Green Rock sold these shares during the year for net proceeds of \$464,144.

Coolcalalaya SPA 33, Carnarvon Basin

On 19 August 2013 Green Rock gave notice that it had withdrawn from its agreement with Palatine Energy Pty Ltd ("Palatine") over SPA 33 to acquire a 50% interest. The terms of the agreement with Palatine are such that in exchange for Palatine releasing Green Rock from its work programme commitments including Green Rock's funding of 100% of the geophysical survey over SPA 33 (now granted to Palatine Energy Pty Ltd as SPA 9 AO) Palatine received 30 million GRK ordinary shares. 15 million of these shares were subject to a 3-month voluntary escrow.

Geothermal

Mid West Geothermal Power Project (MWGP), North Perth Basin – Western Australia (100% interest)

The Company's Permit areas in the northern Perth Basin (GEP 23 – 28 and 41) are located in the Mid West region near oil and gas producing areas, infrastructure and power lines and cover what the Company believes to be the most economically prospective hot sedimentary aquifers for electricity production in the Perth Basin, and in locations which could be commercialised quickly.

In June 2012 Mid West Geothermal Power Pty Ltd ("MWGP" – a subsidiary of Green Rock), was awarded \$5.4 million on a 1-for-3 basis from the WA Government's Low Emissions Energy Development ("LEED") Fund towards the demonstration of commercial production of geothermal energy as the first stage of the Mid West Geothermal Power Project (the "Project"). This success strengthened the company's case to the Commonwealth's Emerging Renewables Program (ERP), which puts a strong emphasis on State support.

In March 2013 Green Rock announced the signing of a Memorandum of Understanding between AWE Australia Ltd (a subsidiary of listed oil and gas exploration company AWE Limited (ASX: AWE) and MWGP with the intention of forming a joint venture ("JV") to pursue the Project. The primary focus of the JV was to secure funding for the Project from the Commonwealth's Emerging Renewables Program ("ERP").

Substantial progress was made during the year to secure ERP funding with the target of drilling the first well in late 2014 or early 2015. However on 16 April 2014 Green Rock received written notification of AWE's withdrawal from the Project.

Green Rock and AWE had worked closely to identify geothermal well locations that would also provide AWE with the opportunity at its sole expense to collect data while drilling the geothermal wells in order to assess the hydrocarbon potential of formations above or adjacent to the geothermal target zones.

AWE decided not to progress at the first selected location because it could be within or adjacent to a Public Drinking Water Resource Area. The advice received by Green Rock from relevant authorities was that a geothermal well within such an area was likely to be acceptable, particularly as no hydraulic fracturing would be involved and also the well would be cased off through the potable water aquifers as is normal well drilling practice and a requirement of the regulators.

Following AWE's decision on the first location, the parties focused on a second location which was considered to be an excellent geothermal prospect given that a petroleum exploration well in the area had flowed water from natural fractures at close to the Project's target temperature. However, AWE then decided that the second area does not provide the hydrocarbon value it requires to continue with the Project.

Green Rock had been close to finalising terms and conditions with both the WA and Commonwealth Governments – the LEED and Emerging Renewables Funds respectively – for them jointly to provide a substantial majority of the funds to drill and test two geothermal wells. Green Rock reviewed the situation with the other parties involved - including the Project's power generation partner Pacific Hydro - but concluded that it would not be possible to secure an alternative funding and drilling partner to AWE in the time available.

Following the withdrawal of AWE from the Mid West Geothermal Project and with the ability to attract another joint venture partner into the project, the company agreed to impair the total balance of the Mid West Geothermal project and commenced the process to relinquish the Mid West Geothermal permits with the WA Department of Mines and Petroleum.

Hungary (35% interest, MOL 65% interest)

Hungary is considered to have the best geological potential for geothermal energy resources at reasonable depths in Europe outside of the volcanic area. Geothermal energy is expected to be a major contributor to Hungary meeting its renewable energy target of 13% by 2020 given that its wind, solar and hydro resources are limited.

On 12 March 2014 Green Rock announced that its 46% owned subsidiary in Hungary CEGE (MOL 54%) had won the geothermal concession tender in the Jászberény area in eastern central Hungary which includes the well now owned by CEGE which was successfully evaluated for its geothermal potential in October 2010.

The Jászberény geothermal concession covers an area of 396 km² and includes several areas previously drilled by MOL looking for petroleum. It is approximately 80 km east of Budapest and has high voltage electricity transmission and low voltage distribution lines running through the concession area which are critical for rapid commercialisation.

The concession is for a period of 35 years covering geothermal exploration and production from depths greater than 2500m. Drilling to such depths is necessary to produce geothermal fluids hot enough for efficient generation of electricity. Green Rock have withdrawn from participating in the Joint Venture contributions and as a result, its position in the Hungary Geothermal project is being diluted. Green Rock's joint venture partner ("MOL") is the sole contributor to project costs.

On 30 June 2014 CEGE concluded negotiations with the Government on the Jászberény geothermal concession and has agreed acceptable concession terms and conditions and therefore MOL and Green Rock will progress the project, commencing with planning for the second well. The parties have agreed that MOL will carry Green Rock through the remainder of the 2014 work program with Green Rock's interest reducing to 35.3% with effect from 1 July 2014. This will provide time for Green Rock to seek to raise equity in Europe into its share of the geothermal project company

South Australia Geothermal

During the year Green Rock applied to have all its Geothermal Exploration Licences relinquished.

Activities subsequent to end of financial year

On 10 July 2014 and 22 August 2014, the Company announced to the ASX that it had entered into agreements to acquire 4 Graphite projects in Tanzania. As part of these agreements, the company has agreed to minimum exploration expenditure commitments totaling \$1m to be acquitted over the 1st 12 months post settlement of option agreements. The option agreements are subject to the satisfaction of various conditions precedent, including, Green Rock 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 transactions.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs of the consolidated entity during the financial year were:

- During the year a total of 72,726,588 ordinary shares were issued. Of those, the following were issued in consideration for corporate and consultancy services:

11 July 2013	9,542,111	Shares
5 March 2014	331,847,477	Shares

The following were issued as consideration for the termination of an agreement:

14 August 2013	30,000,000	Shares
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During the financial year, that Central European Geothermal Energy Private Company Limited (CEGE), the consolidated entities joint venture geothermal company agreed its terms and conditions with the Hungarian Government on the Jazbereny geothermal concession and will be progressing the project. The consolidated entity also made a \$400,000 interest bearing secured loan to Sunbird Energy Limited during June 2014. Interest is payable at a rate of 20% per annum with the loan being utilised to advance Sunbird Energy's Ibhubesi Gas Project. Earlier in the financial year, the consolidated group's partner in the Mid West Geothermal Power Project withdrew from the project.

Please refer to subsequent event note 30 for disclosure relating to Green Rock transition to a Graphite resources company.

SHARE OPTIONS

Share options granted to directors

During the year no share options were granted to the directors of the company.

Share options on issue

During the year, movements in un-issued ordinary shares under option were as follows:

	Opening Balance at 1 July 2013	Exercised in year	Granted in year	Expired / cancelled in year	Closing balance at 30 June 2014	Balance at date of signing
Listed options	819,823,128	-	-	-	819,823,128	819,823,128
Unlisted options	52,000,000	-	-	-	52,000,000	52,000,000
Total	871,823,128	-	-	-	871,823,128	871,823,128

The details of the options are as follows:

	Opening Balance at 1 July 2013	Exercised in year	Granted in year	Expired / cancelled in year	Closing balance at 30 June 2014	Closing balance at date of signing
Listed options	819,823,128	-	-	-	819,823,128	819,823,128
	819,823,128	-	-	-	819,823,128	819,823,128

Share options on issue (continued)

	Opening Balance at 1 July 2013	Exercised in year	Granted in year	Expired / cancelled in year	Closing balance at 30 June 2014	Closing balance at date of signing
<u>Unlisted options</u>						
Expiring 16 November 2014 at \$0.04	5,050,000	-	-	-	5,050,000	5,050,000
Expiring 18 November 2014 at \$0.08	5,550,000	-	-	-	5,550,000	5,550,000
Expiring 15 November 2015 at \$0.02	1,900,000	-	-	-	1,900,000	1,900,000
Expiring 18 March 2015 at \$0.015	30,000,000	-	-	-	30,000,000	30,000,000
Expiring 11 June 2016 at \$0.008	2,000,000	-	-	-	2,000,000	2,000,000
Expiring 28 November 2016 at \$0.003	7,500,000	-	-	-	7,500,000	7,500,000
	<u>52,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,000,000</u>	<u>52,000,000</u>

Option holders do not have any right by virtue of the option to participate in any share issue of the Company or any related body corporate.

Share options that expired or lapsed during the year.

No options expired nor were cancelled during the year (2013: 6,100,000 options exercisable at 6 cents each and expiring on 19 November 2012 lapsed on that date. 25,000,000 options exercisable at 2 cents expiring on 30 June 2013 lapsed on that date).

CORPORATE STRUCTURE

Green Rock Energy Limited (ACN 094 551 336) is a company limited by shares that is incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 10 December 2003 and is assigned the code GRK.

EVENTS SUBSEQUENT TO BALANCE DATE

• Issue of Shares

33,333,333 fully paid ordinary shares were issued 10 July 2014. The shares were issued at \$0.0015 per share as part of the option fee payable on the option to acquire a 100% interest in the Mahenge North Graphite Project in Tanzania.

A further 6,666,667 fully paid ordinary shares were issued on 7 July 2014. The shares were issued at \$0.0015 as part of the introduction fee and for geological services for work to be provided on-site in Tanzania by Geological Consultants.

On 28 July 2014, the company confirmed it had completed a placement via the issue of a further 213,000,000 fully paid shares at \$0.003 to raise \$639,000, the funds were raised 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.

• Mahenge North Graphite Project - Tanzania

On 10 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.

In the event that the company elects to exercise the options referred to, the company must:

- 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 project in the first twelve months from exercise of the option.

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

- \$25,000 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.

Completion of the transaction is subject to the satisfaction of various conditions precedent, including, Green Rock obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow lawful completion of the acquisition of the MRL.

On 18 September 2014, the company announced to the ASX that it had exercised its option to acquire the Mahenge North project.

• Mahenge Resources Limited (incorporated in Tanzania)

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 675km².

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.

In the event that the company elects to exercise the options referred to, the company must:

- Fund the acquisition of one of the tenements by way of payment of USD\$110,000 to the vendor;
- Issue 8,000,000 fully paid Green Rock Energy Limited shares the vendors of the MRL; and
- 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:

- \$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,
- In the event that Green Rock did not exercise the Option within ten (10) business days of the completion of the Option Period, or the Company does not meet the minimum expenditure commitment during the Option Period then the right to acquire the Mahenge Projects will lapse.

Completion of the transaction is subject to the satisfaction of various conditions precedent, including, Green Rock obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow lawful completion of the acquisition of the MRL.

On 18 September 2014, the company announced to the ASX that it had exercised its option to acquire MRL.

On 30 September 2014, the company announced to the ASX that it had entered into a Lead Manager agreement with boutique investment bank, Foster Stockbroking Pty Ltd, to raise up to \$5,000,000 (minimum \$4,000,000).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

As part of Green Rock's transition to a Graphite focused resources vehicle, the company is in the process of relinquishing all of its Geothermal Assets and will review its holding of Oil & Gas permit Ocean Hills, WA. The Company announced to the ASX during July & August 2014 that it had entered into 2 acquisition agreements relating to the investment in Graphite Projects (Tanzania). It is expected that the Company will need to Re-comply with ASX Listing Rules Chapter 1 & 2 including raising a minimum of \$3.5m, completion of the transactions is also subject to shareholder approval. Please refer to Subsequent Events note for additional information on the Graphite Projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The exploration activities of entities in the consolidated entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna.

Entities in the consolidated entity have complied with all environmental requirements up to the date of this report.

INFORMATION ON DIRECTORS

The following table sets out each Director's relevant interest in shares or options over shares of the Company as at the date of this report:

Director	Number of ordinary shares	Number of options granted	Grant date	Expiry date	Exercise price	Fair value per option at grant date
Richard Beresford	2,659,258					
		300,000	18 Nov 09	18 Nov 14	\$0.08	\$0.0470
		1,000,000	16 Nov 10	16 Nov 14	\$0.04	\$0.0140
		1,000,000	16 Nov 10	16 Nov 14	\$0.04	\$0.0140
		250,000	15 Nov 11	15 Nov 15	\$0.02	\$0.0090
		250,000	15 Nov 11	15 Nov 15	\$0.02	\$0.0090
		1,500,000	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
		1,500,000	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
Barnaby Egerton-Warburton	4,000,000	-	-	-	-	-
Gabriel Chiappini	3,000,000					
		2,000,000	11 Jun 12	11 Jun 16	\$0.008	\$0.0028
		750,000	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
		750,000	24 Jan 13	28 Nov 16	\$0.003	\$0.00085

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

During the financial year six (6) Board meetings were held:

Director	Number eligible to attend	Number attended
Richard Beresford	6	6
Gabriel Chiappini	6	6
Barnaby Egerton-Warburton	6	6

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Green Rock Energy Limited's key management personnel for the financial year ended 30 June 2014. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited.

Recommendation 8.1 of the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly, it was resolved that there would be no separate Board sub-committee for remuneration purposes and that a remuneration consultant would not be used.

This report details the amount and nature of remuneration of each Director of the Company and executive officers of the Company during the year.

The remuneration report for the year ended 30 June 2013 was adopted by the shareholders at the Annual General Meeting held on 27 November 2013. No specific comments were made regarding the remuneration report at the meeting.

Remuneration policy for directors and executives

The Board of Directors is responsible for determining and reviewing compensation arrangements for directors and the executive team. The Board assesses the appropriateness of the nature of the amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team and that each staff member's remuneration package properly reflects that person's duties and responsibilities.

The Board may, however, exercise its discretion in relation to approving incentive bonuses and options.

Key management personnel details

The Directors of Green Rock Energy Limited during the year were:

Richard Beresford	(Chairman Non Executive) 2 September 2014 (from Executive to Non-Executive) (Executive Chairman) Appointed 21 March 2012 (Managing Director) Appointed 2 February 2010
Gabriel Chiappini	(Executive Director) Appointed 21 March 2012 (Company Secretary) Appointed 12 July 2013
Barnaby Egerton-Warburton	(Non-Executive Director) Appointed 15 March 2013

The only group executive of Green Rock Energy Limited during the year was:

Nigel Hodder	(Company Secretary) Appointed 4 April 2005 Resigned 10 July 2013
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Elements of director and executive remuneration

Remuneration packages contain the following key elements:

- Short term benefits – salaries / fees
- Post-employment benefits - superannuation
- Share based payments

No non-monetary short-term benefits, prescribed retirement benefits or other post-employment benefits were paid.

The following table discloses the remuneration of the Directors and executives of the Company:

	Short term employee benefits - salary and fees	Post employment benefits - superannuation	Share based payment	Other benefits	Total
2014	\$	\$	\$	\$	\$
Richard Beresford	148,900	-	628	-	149,528
Gabriel Chiappini	97,738 ⁽ⁱ⁾	-	311	-	98,049
Barnaby Egerton-Warburton	32,952	3,048	-	-	36,000
Nigel Hodder (ii)	4,462	413	311	50,476	55,662
	284,052	3,461	1,250	50,476	339,239

- (i) Following resignation of the previous Company Secretary and Financial Manager, Gabriel Chiappini assumed the additional responsibilities relating to Chief Financial Officer and Company Secretary duties together with assuming the responsibility for management of the Corporate and Administration Office of Green Rock.
- (ii) Nigel Hodder resigned as Company Secretary of the company on 10 July 2013. Other benefits relate to accrued employee entitlement.

	Short term employee benefits - salary and fees	Post employment benefits - superannuation	Share based payment	Other benefits	Total
2013	\$	\$	\$	\$	\$
Richard Beresford	181,100	-	4,584	-	185,684
Jeffrey Schneider (i)	23,262	2,094	-	-	25,356
Jörg Baumgärtner (ii)	23,262	2,094	3,193	-	28,549
Gabriel Chiappini	36,000	-	3,646	-	39,646
Barnaby Egerton-Warburton	9,774	880	-	-	10,654
Nigel Hodder	136,400	16,200	4,395	-	156,995
	409,798	21,268	15,818	-	446,884

- (i) Jeffrey Schneider resigned as Non-Executive Director of the company on 14 March 2013.
- (ii) Jörg Baumgärtner resigned as Non-Executive Director of the company on 14 March 2013.

Employment Contracts

The Directors and executive are employed under contracts, which have no fixed term.

The contract binding the Chairman may be terminated by the individual or the Board by giving three months' notice in writing to terminate the Consultancy Agreement under which his services are contracted.

The two Non-Executive Directors are bound by contract. The contracts of the Non-Executive Directors may be terminated at any time by them by notice in writing or by shareholders acting by majority vote.

Share based payments arrangements

The following factors and assumptions were used in determining the fair value of options at grant date:

	Grant date	Date vested and exercisable	Expiry date	Exercise Price	Fair value per option at grant
Richard Beresford	18 Nov 09	18 Nov 12	18 Nov 14	\$0.08	\$0.0470
	16 Nov 10	16 Nov 10	16 Nov 14	\$0.04	\$0.0140
	16 Nov 10	16 Nov 11	16 Nov 14	\$0.04	\$0.0140
	15 Nov 11	15 Nov 11	15 Nov 15	\$0.02	\$0.0090
	15 Nov 11	15 Nov 12	15 Nov 15	\$0.02	\$0.0090
	24 Jan 13	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
	24 Jan 13	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
Gabriel Chiappini	11 Jun 12	11 Jun 12	11 Jun 16	\$0.008	\$0.0028
	11 Jun 12	11 Jun 13	11 Jun 16	\$0.008	\$0.0028
	24 Jan 13	24 Jan 13	28 Nov 16	\$0.003	\$0.00085
	24 Jan 13	28 Nov 13	28 Nov 16	\$0.003	\$0.00085

- The total value of options granted, exercised and lapsed during the year is calculated based on the following:
 - Fair value of the option at grant date multiplied by the number of options granted during the year:
 - Fair value of the option at the time of exercise multiplied by the number of options exercised during the year:
 - Fair value of the option at the time of lapse multiplied by the number of options lapsed or cancelled during the year
- The total value of options included in remuneration for the year is calculated in accordance with AASB 2 Share Based Payments which requires the following:
 - The value of options is determined at grant date and is included in remuneration on a proportionate basis from grant date to vesting date. Where options immediately vest, the full value of the option is recognised in remuneration in the current year.
- There are no further service or performance criteria that need to be met in relation to options granted.

The Board as a whole periodically assesses its current levels of remuneration relative to company performance, future projections/prospects and funding. The Board adjusts remuneration as necessary taking account of its projections and the constraints by which it is bound.

RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION POLICY

Remunerations levels are not dependent upon any performance criteria as the nature of the consolidated entity's operations is exploration and they are not generating profit.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the 5 years to 30 June 2014:

	2014	2013	2012	2011	2010
Revenue (\$'s)	29,681	33,539	72,263	156,267	19,367
Net profit before tax (\$'s)	(2,428,562)	(6,060,248)	(10,282,213)	(3,342,341)	(3,160,204)
Net profit after tax (\$'s)	(2,428,562)	(5,970,061)	(9,936,493)	(2,725,910)	(2,779,091)
Share Price at start of year	\$0.001	\$0.002	\$0.015	\$0.015	\$0.04
Share Price at year end	\$0.001	\$0.001	\$0.002	\$0.015	\$0.015
Loss per share	\$0.0013	\$0.003	\$0.01	\$0.0064	\$0.00174

Movement in shares

The aggregate number of shares of the Company held directly, indirectly or beneficially by Directors and other Key Management Personnel of the Company or their personally related entities are as follows:

Key Management Personnel

Ordinary Shares

Directors	1 July 2013	Purchases	Sales	Other Changes	30 June 2014
Richard Beresford	2,659,258	-	-	-	2,659,258
Gabriel Chiappini	3,000,000	-	-	-	3,000,000
Barnaby Egerton-Warburton	-	4,000,000	-	-	4,000,000

Ordinary Shares

Directors	1 July 2012	Purchases	Sales	Other Changes	30 June 2013
Richard Beresford	2,659,258	-	-	-	2,659,258
Jeffrey Schneider	3,932,700	-	-	(3,932,700)	-
Jörg Baumgärtner	-	-	-	-	-
Gabriel Chiappini	3,000,000	-	-	-	3,000,000
Barnaby Egerton-Warburton	-	-	-	-	-

Company Secretary

Nigel Hodder	468,507	-	-	-	468,507
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Movement in unlisted options

The aggregate numbers of unlisted options of the Company held directly, indirectly or beneficially by specified Directors and other Key Management Personnel of the Company or their personally related entities are as follows:

Key Management Personnel

Unlisted Options

Directors	1 July 2013	Options Granted As Remuneration	Options lapsed	Other changes	30 June 2014	Vested at 30 June 2014	Vested during the year
Richard Beresford	5,800,000	-	-	-	5,800,000	5,800,000	1,500,000
Gabriel Chiappini	3,500,000	-	-	-	3,500,000	3,500,000	750,000
Barnaby Egerton-Warburton	-	-	-	-	-	-	-

No other options were exercised during the year.

Unlisted Options							
Directors	1 July 2012	Options Granted As Remuneration	Options lapsed	Other changes	30 June 2013	Vested at 30 June 2013	Vested during the year
Richard Beresford	3,800,000	3,000,000	(1,000,000)	-	5,800,000	4,300,000	1,900,000
Jeffrey Schneider	-	-	-	-	-	-	-
Jörg Baumgärtner	1,350,000	1,500,000	(300,000)	(2,550,000)	-	-	-
Gabriel Chiappini	2,000,000	1,500,000	-	-	3,500,000	2,750,000	1,750,000
Barnaby Egerton-Warburton	-	-	-	-	-	-	-
Company Secretary							
Nigel Hodder	1,750,000	1,500,000	(500,000)	-	2,750,000	2,000,000	1,250,000

Movement in listed options

The aggregate number of listed options of the Company held directly, indirectly or beneficially by specified Directors and other Key Management Personnel of the Company or their personally related entities are as follows:

Listed Options						
Directors	1 July 2013	Options Exercised	Purchases	Sales	Other Changes	30 June 2014
Richard Beresford	-	-	-	-	-	-
Gabriel Chiappini	-	-	-	-	-	-
Barnaby Egerton-Warburton	-	-	-	-	-	-

Listed Options						
Directors	1 July 2012	Options Exercised	Purchases	Sales	Other Changes	30 June 2013
Richard Beresford	370,370	-	-	-	(370,370)	-
Jeffrey Schneider	983,175	-	-	-	(983,175)	-
Jörg Baumgärtner	-	-	-	-	-	-
Gabriel Chiappini	-	-	-	-	-	-
Barnaby Egerton-Warburton	-	-	-	-	-	-
Company Secretary						
Nigel Hodder	55,556	-	-	-	(55,556)	-

END OF REMUNERATION REPORT

INDEMNIFYING OFFICERS AND AUDITOR

Indemnification of Officers

The Company gave indemnity and held the following liability cover in place during the course of the financial year:

1. Agreements to indemnify Mr R Beresford (Executive Chairman), Mr G Chiappini (Non-Executive Director) and Mr Barnaby Egerton-Warburton (Non-Executive Director) in respect of any liabilities incurred by them while acting in the normal course of business as a director of the entity and to insure them against certain risks they are exposed to as directors of the Company.
2. Pursuant to the above the Company has paid premiums to insure the directors and executive management against liabilities incurred in the conduct of the business of the Company and has provided right of access to the Company records.
3. In accordance with common commercial practice, the insurance policy prohibits disclosure of the premium and the nature of the liability insured against.

The Company has not provided any insurance for an auditor of the Company.

AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires the Company's auditors Deloitte Touche Tohmatsu, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 20 and forms part of this Directors' Report.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

CORPORATE GOVERNANCE

The Company's corporate governance statement is contained in the Annual Report.

The director's report is signed in accordance with a resolution of directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the Directors.



Gabriel Chiappini
Director

Perth, 30 September 2014

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

30 September 2014

Dear Board Members

Green Rock Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Green Rock Energy Limited.

As lead audit partner for the audit of the financial statements of Green Rock Energy Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants

	Note	Consolidated For the year ended 30/06/2014 \$	For the year ended 30/06/2013 \$
Continuing operations			
Investment income	4	29,681	33,539
Other gains and losses	7	56,144	(4,206,218)
Administration expenses		(52,981)	(33,997)
Employee benefit expense	6	(128,459)	(313,818)
Consulting expense		(296,144)	(343,487)
Depreciation and amortisation expense	6	(13,136)	(26,548)
Exchange differences on translating foreign operations		(2,370)	6,403
Exploration expenditure		(61,902)	(462,432)
Other expenses from ordinary activities	6	(43,702)	(130,267)
Impairment of Exploration & Evaluation assets	15	(873,482)	(456,879)
Impairment of property, plant and equipment	14	(97,580)	-
Impairment of investment accounted for using the equity method	13	(927,577)	-
Share of net profits/(losses) of associates	13	(17,054)	(126,544)
Loss before tax		(2,428,562)	(6,060,248)
Income tax benefit	8	-	90,187
Loss for the year from continuing operations		(2,428,562)	(5,970,061)
LOSS FOR THE YEAR		(2,428,562)	(5,970,061)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		2,197	6,693
Income tax on other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF GREEN ROCK ENERGY LIMITED		(2,426,365)	(5,963,368)
Loss for the year attributable to owners of the company		(2,428,562)	(5,970,061)
Total comprehensive income attributable to the owners of the company		(2,426,365)	(5,963,368)
Earnings per share			
From continuing operations			
Basic and diluted loss per share		\$0.0013	\$0.003

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated As at 30/06/2014 \$	As at 30/06/2013 \$
Assets			
<i>Current assets</i>			
Cash and bank balances	9	801,258	1,178,576
Trade and other receivables	10	24,896	1,133,604
Other financial assets	11	400,000	-
Total current assets		1,226,154	2,312,180
<i>Non-current assets</i>			
Exploration & Evaluation asset	15	334,454	660,165
Property, plant and equipment	14	3,526	116,964
Other financial assets	16	105,300	125,344
Investments accounted for using the equity method	13	-	944,633
Total non-current assets		443,280	1,847,106
Total assets		1,669,434	4,159,286
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	17	81,171	174,393
Provisions	18	-	56,655
Total current liabilities		81,171	231,048
Total liabilities		81,171	231,048
Net assets		1,588,263	3,928,238
Equity			
Issued capital	19	31,311,043	31,226,631
Reserves	20	1,247,528	1,243,353
Accumulated losses	21	(30,970,308)	(28,541,746)
Total equity		1,588,263	3,928,238

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Note	Issued Capital	Accumulated Losses	Option Premium Reserve	Share Based Payment Reserve	Foreign Currency Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Balance as at 1 July 2012		31,175,632	(23,336,273)	158,332	1,864,245	(67,953)	9,793,983
Loss for the year		-	(5,970,061)	-	-	-	(5,970,061)
Other comprehensive income for the year, net of tax		-	-	-	-	6,693	6,693
Total comprehensive income for the year		-	(5,970,061)	-	-	6,693	(5,963,368)
Issue of ordinary shares		50,999	-	-	-	-	50,999
Cost of share based payments		-	-	-	46,624	-	46,624
Options expired during the year		-	764,588	-	(764,588)	-	-
Balance at 30 June 2013		31,226,631	(28,541,746)	158,332	1,146,281	(61,260)	3,928,238
Loss for the year		-	(2,428,562)	-	-	-	(2,428,562)
Other comprehensive income for the year, net of tax		-	-	-	-	2,197	2,197
Total comprehensive income for the year		-	(2,428,562)	-	-	2,197	(2,426,365)
Issue of ordinary shares		84,412	-	-	-	-	84,412
Cost of share based payments		-	-	-	1,978	-	1,978
Balance at 30 June 2014	19,20,21	31,311,043	(30,970,308)	158,332	1,148,259	(59,063)	1,588,262

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Consolidated For the year ended 30/06/2014 \$	For the year ended 30/06/2013 \$
Cash flow from operating activities			
Payments to suppliers and employees		(715,397)	(583,265)
Exploration expenditure		(61,902)	(487,709)
Research and development tax concession		90,187	345,720
Net cash flows used in operating activities		(687,112)	(725,254)
Cash flow from investing activities			
Exploration expenditure		(547,771)	(438,334)
Interest received		29,681	32,152
Proceeds on sale of investment		1,218,444	1,000,000
Net cash flows provided by investing activities		700,354	593,818
Cash flows from financing activities			
Proceeds from issue of shares and options		-	5,956
Payment of share issue costs		-	-
Loan provided to other entity		(400,000)	-
Net cash flows provided by/(used in) financing activities		(400,000)	5,956
Net increase/(decrease) in cash held		(386,758)	(125,480)
Cash at the beginning of the financial year		1,178,576	1,304,056
Exchange movement		9,440	-
Cash and cash equivalents at the end of the year	9	801,258	1,178,576

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosures'

This standard removes the individual key management personnel to Australian Accounting disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'

The Annual Improvements to AASBs 2009 - 2011 have made to a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'

This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The Interpretation 1039' adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

Specifically, the Group's 46 per cent ownership interest in Central European Geothermal Energy Private Company Limited ("CEGE"), which was incorporated in Hungary. The Group's 46 per cent ownership interest in CECE gives the Group the same percentage of the voting rights in CECE. The Group's 46 per cent ownership interest in CECE reduced by 1% during the year. A sole shareholder holds the remaining 54 per cent of the ordinary shares of CECE.

The directors of the Company made an assessment as the date of the initial application of AASB 10 (i.e. 1 July 2013) as to whether or not the Group has control over CECE in accordance with the new definition of control and the related guidance set out in AASB 10. The directors concluded that it does not have control over CECE on the basis of the Group's absolute size of holding in CECE and the relative size of and other shareholding owned by the sole shareholder. Therefore, CECE continues to be treated as an associate of the Group and accounted for using the equity method of accounting.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly).

1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

As the Group does not have any Joint Arrangements, the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of AASB 119 are replaced with a 'net interest' amount under AASB 119 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards'	1 July 2014	30 June 2015
<ul style="list-style-type: none"> - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality' 		
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016

1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

The impact of these recently issued or amended Standards and Interpretations have not yet been assessed by the consolidated entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements are general-purpose financial statements, which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2014.

Green Rock Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange.

2.2 Going Concern

The financial report 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 consolidated entity has incurred net losses after taxes of \$2,428,562 (30 June 2013: \$5,970,061) and experienced net cash outflows from operating activities of \$687,112 (30 June 2013: \$725,254) and net cash outflows from exploration and evaluation expenditure of \$547,771 (30 June 2013: \$438,334) for the year ended 30 June 2014.

The consolidated entity is currently in transition from being a geothermal & hydrocarbon focused company to a graphite exploration company (refer subsequent events note 30). As a result, the consolidated entity has surrendered its geothermal permits, which are currently subject to processing by relevant Government bodies for relinquishment. The exploration commitment by the relevant statutory bodies over the geothermal permits prior to relinquishment was estimated to be approximately \$143m. As a result of the relinquishment, the consolidated entity is of the strong opinion that all previous un-spent exploration commitments associated with these surrendered permits will not be required to be funded by the consolidated entity.

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 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 10 July 2014 and 22 August 2014, the Company announced to the ASX that it had entered into 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.

As part of the conditions precedent, the Company will be required to re-comply with ASX Listing Rules Chapters 1 and 2, which will require the Company to issue a prospectus to raise a minimum of \$4.0 million before costs. On 30 September 2014 the Company announced that it had entered into a Capital Raising mandate with Foster Stockbroking Pty Ltd to raise up to \$5m with a minimum of \$4m. The capital raising is not underwritten. It is expected that the \$5m prospectus raising will be concluded in November 2014. The directors remain confident that the minimum raising of \$4m will be achieved.

During this transitional period to a graphite resources company and within a 12 month period, the Company is expected to realise the early redemption of its Sunbird Energy Loan of \$400,000 plus accrued interest and the possibility of the divestment of its hydrocarbon asset.

The above conditions indicate some uncertainty and doubt about the company's and the consolidated entity's ability to continue as going concerns.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going Concern (continued)

The Directors have prepared a cash flow forecast for the period ending 30 September 2015, which indicates the consolidated entity is intending to raise at least \$4 million of new capital within the next 3 months in order to meet the conditions precedent associated with re-compliance under ASX Listing Rules Chapters 1 and 2 and to meet the costs associated with the Graphite purchase agreements.

This new capital will go towards meeting its minimum working capital requirements and commitment of approximately \$1.3m arising from its Tanzanian graphite projects through to 30 September 2015. The Directors have excluded commitments specific to the Western Australian geothermal and petroleum permits which, as disclosed in Note 26, have already been surrendered or are in the process of being relinquished, or farmed out.

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis.

Should the company and the consolidated entity be unable to obtain funding through capital raising and to confirm the surrender or farm out of work commitments on permits, there is a material uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities as and when they fall due.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

2.3 Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.4 Basis of Consolidation

The consolidated financial statements incorporate 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (continued)

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.

2.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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 requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Investments in associates and joint ventures (continued)

accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.6 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:

2.6.1 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.

2.7 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.

2.7.1 The Group as lessee

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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.

2.10 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 noncurrent employee entitlements expected to be settled in more than 12 months of the reporting date are recognised in other noncurrent 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.

2.11 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").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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

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.

Depreciation

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%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.16.1 Effective interest method

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.

2.16.2 Financial assets 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.

2.16.3 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 (note 11) in the statement of financial position.

2.16.4 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.

2.16.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial Instruments (continued)

2.16.5 Available-for-sale financial assets (continued)

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.

2.16.6 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.

2.16.7 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 analyzed 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial Instruments (continued)

2.16.8 Impairment of financial assets

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.

2.17 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.

2.18 Segment information

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

2.20 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against other expenses in the statement of profit or loss and other comprehensive income.

2.21 Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2.22 Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received

2.23 Earnings per share

2.23.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

2.23.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

3.1 Critical judgements in applying accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

3.1.1 Classification of Central European Geothermal Energy Private Company Limited as an associate

Note 13 describes that Central European Geothermal Energy Private Company Limited (CEGE) is an associated entity of the Group as the Company is not party to any contractual arrangements that would indicate control over CEGE nor does the Company have significant influence over CEGE. Accordingly, CEGE is defined as an associate of the Group and reported under the equity accounting method.

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2.1 Impairment

The consolidated entities assess impairment at each reporting date by evaluating conditions specific to the consolidated entities that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Group's policy on the capitalization of exploration and evaluation expenditure is detailed in note 2.14.

3.2.2 Share based payments

The consolidated entities measure the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model. One of the inputs into the option valuation model is volatility of the underlying share price which is estimated on the one year history of the share price and has been estimated as approximately 110% to 122%.

3.2.3 Doubtful debts/recovery of provision

The Directors believe that the recovery of the intercompany loan from the head Company to the consolidated entities is dependent on the successful development and commercial exploration or, alternatively, the sale of the exploration assets held by the controlled entity.

4 INVESTMENT INCOME

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Interest received	29,681	33,539
	<u>29,681</u>	<u>33,539</u>

5 SEGMENT REPORTING

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on the geographical location of resources being explored for and evaluated. The Group principal activities involve hydrocarbon and geothermal energy development operating in Australia and Hungary. Segment information was previously disclosed on a geographical basis, however, as the Group now operate in the hydrocarbon and geothermal energy markets, segment information has been reported on this basis.

Subsequent to year-end, the consolidated group has made the strategic decision to become a Graphite company which are still subject to Shareholder Approval and ASX Listing Rules. As such the operating segments detailed below will be amended in future reporting periods.

5.1 Operation segments

2014	Geothermal	Hydrocarbon	Inter Company Items	Consolidated
Interest	29,681	-	-	29,681
Total revenue	29,681	-	-	29,681
Loss before tax (continuing operations)	(2,324,396)	(87,112)	-	(2,411,508)
Share of loss from associates	(17,054)	-	-	(17,054)
Income tax benefit	-	-	-	-
Loss for the year	<u>(2,341,450)</u>	<u>(87,112)</u>	<u>-</u>	<u>(2,428,562)</u>
Total segment assets	3,719,542	334,454	(2,384,562)	1,669,434
Total segment liabilities	2,443,301	-	(2,362,130)	81,171
Fixed asset additions	-	-	-	-
Depreciation	13,136	-	-	13,136
Impairment	1,898,640	-	-	1,898,640
Non-current assets	2,827,842	-	(2,384,562)	443,280
Interest in associates	-	-	-	-

5 SEGMENT REPORTING (continued)

5.1 Operational segments (continued)

2013	Geothermal	Hydrocarbon	Inter Company Items	Consolidated
Interest	33,539	-	-	33,539
Total revenue	33,539	-	-	33,539
Loss before tax (continuing operations)	(5,342,225)	(598,292)	6,812	(5,933,705)
Share of loss from associates	(126,543)	-	-	(126,543)
Income tax benefit	90,187	-	-	90,187
Loss for the year	(5,378,581)	(598,292)	6,812	(5,970,061)
Total segment assets	5,631,538	2,713,497	(4,185,749)	4,159,286
Total segment liabilities	2,612,196	213,398	(2,594,546)	231,048
Fixed asset additions	-	-	-	-
Depreciation	26,548	-	-	26,548
Impairment	456,879	-	-	456,879
Non-current assets	3,486,340	-	(1,639,234)	1,847,106
Interest in associates	944,633	-	-	944,633

5.2 Geographical segments

2014	Australia	Hungary	Inter Company Items	Consolidated
Interest	29,669	12	-	29,681
Total revenue	29,669	12	-	29,681
Loss before tax (continuing operations)	(1,371,175)	(1,040,333)	-	(2,411,508)
Share of loss from associates	-	(17,054)	-	(17,054)
Income tax benefit	-	-	-	-
Loss for the year	(1,371,175)	(1,057,387)	-	(2,428,562)
Total segment assets	4,007,259	46,737	(2,384,562)	1,669,434
Total segment liabilities	77,773	2,365,528	(2,362,130)	81,171
Fixed asset additions	-	-	-	-
Depreciation	13,136	-	-	13,136
Impairment	873,482	1,025,157	-	1,898,639
Non-current assets	2,786,513	41,329	(2,384,562)	443,280
Interest in associates	-	-	-	-

5 SEGMENT REPORTING (continued)

5.2 Geographical segments (continued)

2013	Australia	Hungary	Inter Company Items	Consolidated
Interest	33,539	-	-	33,539
Total revenue	33,539	-	-	33,539
Loss before tax (continuing operations)	(5,963,096)	(10,960)	6,812	(5,967,244)
Share of loss from associates	-	(126,543)	-	(126,543)
Income tax benefit	90,187	-	-	90,187
Loss for the year	(5,872,909)	(137,503)	6,812	(5,970,061)
Total segment assets	7,298,284	1,046,751	(4,185,749)	4,159,286
Total segment liabilities	2,773,914	51,680	(2,594,546)	231,048
Fixed asset additions	-	-	-	-
Depreciation	26,548	-	-	26,548
Impairment	12,563	444,316	-	456,879
Non-current assets	2,441,409	1,044,931	(1,639,234)	1,847,106
Interest in associates	-	944,633	-	944,633

6 EXPENSES

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Loss for the year from continuing operations is attributable to:		
- Owners of the Company	(2,428,562)	(5,970,061)
	(2,428,562)	(5,970,061)

Loss for the year from continuing operations has been arrived at after charging (crediting):

6.1 Employee benefits expense:

Salaries and wages	124,998	242,970
Equity settled share based payments	-	46,624
Post-employment benefits	3,461	20,260
Other employee benefits (accrued leave)	-	(3,116)
Payroll Tax	-	7,080
	128,459	313,818

6.2 Depreciation and amortisation expense

Depreciation of property, plant and equipment	13,136	26,548
Total depreciation and amortisation expense	13,136	26,548

6.3 Operating lease rental expense

Operating lease rental expense	1,146	75,358
	1,146	75,358

7 OTHER GAINS AND LOSSES

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Other gains and losses		
Loss on disposal of exploration and evaluation assets	(33,000)	(4,206,218)
Gain on disposal of shares	89,144	-
	<u>56,144</u>	<u>(4,206,218)</u>

The gain on disposal of shares relates to the gain on sale of shares in Oil Basin Limited realised during the year of \$89,144 (2013: Nil). The loss on disposal of exploration and evaluation assets relates to the discharge of the farm in commitment in this financial year (2013: Nil).

In the prior year, the loss on disposal of exploration and evaluation assets relates to the sale of EP 417 giving rise to a loss of \$568,265 and sale of Backreef giving rise to a loss of \$3,637,953 for the reporting period ending 30 June 2013.

8 INCOME TAXES RELATING TO CONTINUING OPERATIONS

	For the year ended 30/06/2014	For the year ended 30/06/2013
(a) Income tax (benefit)/expense		
	\$	\$
Current tax	-	(90,187)
Deferred tax	-	-
	-	(90,187)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations	(2,428,562)	(6,060,248)
Prima facie tax benefit at 30% (2013: 30%)	(728,569)	(1,818,074)
Research and development tax rebate	-	40,133
Non-deductible expenditure	13,959	5,562
Movement in provisions	-	(620)
Section 40-880 deductions	(25,865)	(86,218)
Sale of EP417	-	1,169,918
Capital loss - Sale of OBL	26,743	91,948
Capital loss - Extinguish farm commitment	9,900	-
Impairment losses	637,898	-
Unused tax losses for which no deferred tax asset has been recognised	202,546	597,351
Income tax benefit	-	-

(c) Recognised deferred tax assets and liabilities

Recognised deferred tax assets comprise:

Other temporary differences	6,900	27,737
Tax losses available for offset against future taxable income	93,436	170,313
	100,336	198,050

Recognised deferred tax liabilities comprise:

Exploration and evaluation	100,336	198,050
	100,336	198,050

Unrecognised deferred tax assets

Unused tax losses for which no deferred tax asset has been recognised are \$8,467,305 (2013: \$9,651,525). Potential tax benefit is \$2,540,192 (2013: \$2,538,106).

(d) Franking credits

The Company has no franking credits available as at 30 June 2014 (2013: Nil).

8 INCOME TAXES RELATING TO CONTINUING OPERATIONS (continued)

(e) Tax consolidation

The company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head company of the consolidated group is Green Rock Energy Limited.

9 CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Cash and bank balances	801,258	1,178,576
	<u>801,258</u>	<u>1,178,576</u>

9.1 Reconciliation of loss for the year to net cash flows from operating activities

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Loss after income tax	(2,428,562)	(5,970,061)
Depreciation and amortisation of non-current assets	13,136	26,548
Share based payments	39,600	97,625
Net foreign exchange gain/(loss)	33,620	(5,933)
Investment revenue recognised in profit or loss	(29,681)	(33,539)
Exploration expenditure written off	873,482	456,879
Gain on disposal of investment	(56,144)	5,231,218
Share of loss of associates	17,054	126,544
Impairment of assets	1,025,157	-
	<u>(512,338)</u>	<u>(70,719)</u>
<i>Movements in working capital:</i>		
Decrease/(increase) in trade and other receivables	(24,896)	(932,693)
Increase/(decrease) in trade and other payables	(93,222)	281,276
Increase/(decrease) in employee entitlements provision	(56,656)	(3,118)
	<u>(687,112)</u>	<u>(725,254)</u>
Net cash used in operating activities		

10 TRADE AND OTHER RECEIVABLES

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Other receivables	24,048	18,417
Withholding tax receivable	848	-
Receivable from sale of EP417	-	650,000
Receivable from disposal of Green Rock Canning Basin Pty Ltd	-	375,000
Research and development tax rebate	-	90,187
	<u>24,896</u>	<u>1,133,604</u>

11 OTHER FINANCIAL ASSETS

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Loan Receivable	400,000	-
	<u>400,000</u>	<u>-</u>

During the reporting period the consolidated group completed a \$400,000 debt investment in Sunbird Energy Limited. The consolidated group has committed the debt investment on the following terms:

- The term of the loan facility is twelve months fixed from the date of the initial draw down, being 10 March 2014;
- All drawdown funds will attract interest at a rate of 20% p.a. which will be calculated daily and capitalised;
- Subject to Sunbird shareholder approval, the lender has the right to convert all or part of the drawn down balance and any unpaid interest into ordinary shares in Sunbird at the lesser of \$0.25 per share, or the price of any capital raising completed by the company during the term;
- The funds have been loaned through a Trust arrangement with Green Rock being a secured beneficiary of that trust;
- If unconverted, all drawdown funds and any accrued interest will be repaid by Sunbird on or before the end of the term; and
- 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.

12 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		For the year ended 30/06/2014	For the year ended 30/06/2013
Green Heat Resources Pty Ltd	Australia	100%	100%
Green Rock Geothermal Pty Ltd	Australia	100%	100%
Green Rock Energy International Pty Ltd	Australia	100%	100%
Green Rock (Vulcan) Energy Kft	Hungary	100%	100%
GRE UWA Geothermal Pty Ltd	Australia	100%	100%
GRE UWA Corporation Pty Ltd	Australia	100%	100%
Mid West Geothermal Power Pty Ltd	Australia	100%	100%

13 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost after adjustments for share of losses.

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		For the year ended 30/06/2014	For the year ended 30/06/2013
Central European Geothermal Energy Private Company Limited	Hungary	46%	47%

13.1 Movements during the year in investments accounted for using the equity method:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Balance at beginning of the year	944,631	1,071,175
Share of loss after income tax	(17,054)	(126,544)
Impairment of asset value at reporting date	(927,577)	-
Carrying amount at reporting date	-	944,631

The Group acquired a one third share in Central European Geothermal Energy Private Company Limited (CEGE) on 30 July 2008. On 2 February 2009 the Group acquired an additional interest in CEGE. Green Rock Energy International Pty Ltd and MOL Plc now jointly own the geothermal company incorporated in Hungary. At reporting date the Board made the decision to impair the carrying value of the investment to nil.

13 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

13.2 Equity accounted losses of associates are broken down as follows:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Share of associates loss before income tax	17,054	126,544
Share of associates income tax expense	-	-
Share of associates loss after tax	17,054	126,544

13.3 Summarised presentation of aggregate assets, liabilities and performance of associates

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Current assets	662,818	127,395
Non-current assets	2,279,669	1,835,709
Total assets	2,942,487	1,963,104
Current liabilities	223,974	173,316
Non-current liabilities	-	-
Total liabilities	223,974	173,316
Net assets	2,718,513	1,789,788
Revenues	13,000	2,560
Loss after income tax of associates	(37,034)	(253,087)

13.4 Ownership interest in Central European Geothermal Energy Private Company Limited (CEGE) at that company's balance date was 46% (2013: 47%). The reporting date of Central European Geothermal Energy Private Company Limited (CEGE) is 31 December. The principal activity of Central European Geothermal Energy Private Company Limited (CEGE) is the development of geothermal resources in Hungary and the subsequent production and sale of geothermal generated electricity to the Hungarian market.

13.5 Capital and other expenditure commitments

The Group has no capital commitments.

13.6 Contingent liabilities

There are no contingent liabilities at 30 June 2014.

14 PROPERTY, PLANT AND EQUIPMENT

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Carrying amounts of:		
Plant and office equipment	3,526	116,964
	<u>3,526</u>	<u>116,964</u>
	Plant and office equipment	Total
Cost or valuation		
Balance as at 1 July 2012	349,383	349,383
Additions	-	-
Exchange movements	(6,642)	(6,642)
Balance as at 30 June 2013	<u>342,741</u>	<u>342,741</u>
Additions	-	-
Exchange movements	(2,722)	(2,722)
Balance as at 30 June 2014	<u>340,019</u>	<u>340,019</u>
	Plant and office equipment	Total
Accumulated depreciation and impairment		
Balance as at 1 July 2012	(199,229)	(199,229)
Depreciation expense	(26,548)	(26,548)
Balance as at 30 June 2013	<u>(225,777)</u>	<u>(225,777)</u>
Depreciation expense	(13,136)	(13,136)
Impairment of assets	(97,580)	(97,580)
Balance as at 30 June 2014	<u>(336,493)</u>	<u>(336,493)</u>
Carrying amount at the end of the year		<u>3,526</u>

At reporting date, following review of the recoverability of the assets held by Green Rock (Vulcan) Energy Kft, the directors of the Group made the decision to impair the assets to nil.

The following useful lives are used in the calculation of depreciation:

Plant and office equipment; 5 to 27 years

15 EXPLORATION and EVALUATION ASSET

	For the year ended 30/06/2014	For the year ended 30/06/2013
In the exploration phase	\$	\$
Balance at beginning of year	660,165	6,909,928
Expenditure incurred during the year (at cost)	547,771	438,334
Sale of investment (cost)	-	(6,231,218)
Impairment of exploration and evaluation expenditure	(873,482)	(456,879)
Balance at end of year	<u>334,454</u>	<u>660,165</u>

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. During the year the Group's partner, AWE, decided not to progress with locations selected for geothermal wells. As a result of this withdrawal and despite the Group's continued works into obtaining funding agencies approvals for a change of location, the Board agreed to relinquish its interest in its Geothermal projects and have impaired the value of \$873,482 relating to the operations to nil at reporting date. The remaining balance at reporting date of \$334,454 represents the carrying value of its Oil & Gas asset - Ocean Hill.

16 OTHER FINANCIAL ASSETS

	Year ended 30 June 2014			Year ended 30 June 2013		
	Current	Non-current	Total	Current	Non-current	Total
Other financial assets	-	105,300	105,300	-	125,344	125,344
	<u>-</u>	<u>105,300</u>	<u>105,300</u>	<u>-</u>	<u>125,344</u>	<u>125,344</u>

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.

17 TRADE AND OTHER PAYABLES

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Trade creditors	52,744	130,258
Accruals	25,008	37,179
Other liabilities	3,419	6,956
	<u>81,171</u>	<u>174,393</u>

Included in trade creditors is an amount of \$36,650 (2013: \$127,503) relating to exploration expenditure.

18 PROVISIONS

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Current		
Employee entitlements	-	56,655
	<u>-</u>	<u>56,655</u>

Number of employees at year end	2	4
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19 ISSUED CAPITAL

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
1,941,273,090 ordinary shares issued and fully paid (30 June 2013: 1,868,546,502)	31,311,043	31,226,631
	<u>31,311,043</u>	<u>31,226,631</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and in the event of the winding-up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares, which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

19 ISSUED CAPITAL (continued)

	Number of shares	Share capital
19.1 Fully paid ordinary shares		
Balance at 1 July 2012	1,841,583,479	31,175,632
Shares issued during the year	26,955,752	50,737
Options exercised 5 April 2013 (at 0.036 cents each)	7,271	262
Balance at 30 June 2013	1,868,546,502	31,226,631
Shares issued 11 July 2013 (0.00136 cents per share)	9,542,111	11,812
Shares issued 14 August 2013 (0.0011 cents per share)	30,000,000	33,000
Shares issued 5 March 2014 (0.00119 cents per share)	33,184,477	39,600
Balance at 30 June 2014	1,941,273,090	31,311,043

19.2 Options

As at 30 June 2014, there were 52,000,000 unlisted (2013: 52,000,000) and 819,823,128 (2013: 819,823,128) listed unissued ordinary shares in respect of which options were outstanding.

	Opening balance	Exercised in year	Granted in Year	Expired in year	Closing balance
Listed options	819,823,128	-	-	-	819,823,128
	819,823,128	-	-	-	819,823,128
Unlisted options					
Expiring 16 November 2014 at \$0.04	5,050,000	-	-	-	5,050,000
Expiring 18 November 2014 at \$0.08	5,550,000	-	-	-	5,550,000
Expiring 15 November 2015 at \$0.02	1,900,000	-	-	-	1,900,000
Expiring 18 March 2015 at \$0.015	30,000,000	-	-	-	30,000,000
Expiring 11 June 2016 at \$0.008	2,000,000	-	-	-	2,000,000
Expiring 28 November 2016 at \$0.003	7,500,000	-	-	-	7,500,000
	52,000,000	-	-	-	52,000,000
Weighted average exercise price	\$0.023	\$-	\$-	\$-	\$0.023

The weighted average remaining contractual life of options as at 30 June 2014 is 220 days (2013: 577 days).

20 RESERVES (NET OF INCOME TAX)

	For the year ended 30/06/2014	For the year ended 30/06/2013
Reserves	\$	\$
Share options reserve (i)	158,332	158,332
Share based payments reserve (ii)	1,148,259	1,146,281
Foreign translation reserve (iii)	(59,063)	(61,260)
	<u>1,247,528</u>	<u>1,243,353</u>

(i) Share Option Reserve

The share option reserve comprises options issued for Green Rock Energy International Pty Ltd (previously Vulcan Geothermal Pty Ltd). The reserve will be reversed against share capital when the underlying share options are exercised).

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Balance at the beginning of the year	158,332	158,332
Add: Amounts expensed in the current year	-	-
	<u>158,332</u>	<u>158,332</u>

(ii) Share Based Payments Reserve

The share based payments reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options are exercised.

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Balance at the beginning of the year	1,146,281	1,864,245
Add: Amounts expensed in the current year	1,978	46,624
Less: Options expired	-	(764,588)
	<u>1,148,259</u>	<u>1,146,281</u>

(iii) Foreign Translation Reserve

The foreign translation reserve arises on the consolidation of the Group's overseas subsidiary company, Green Rock (Vulcan) Energy Kft.

21 ACCUMULATED LOSSES

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Accumulated losses	30,970,308	28,541,746
Balance at beginning of the year	28,541,746	23,336,273
Net loss attributable to members	2,428,562	5,970,061
Transfer from share option reserve	-	(764,588)
Balance at end of year	30,970,308	28,541,746

22 SHARE BASED PAYMENTS

(a) Employee Share Incentive Scheme

The establishment of the Green Rock Energy Limited Employee Share Incentive Option Plan ("the Plan") was initially approved by special resolution at a General Meeting of shareholders of the Company held on 21 November 2006 and approval renewed by shareholders on 18 November 2009 and 28 November 2013. All eligible Directors, executive officers and employees of Green Rock Energy Limited are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The share based payment arrangements that were in existence during current and prior-reporting periods is detailed in note 19.2. During the year, the share based payment expense recognised in the consolidated statement of profit and loss totaled \$1,978.

The following factors and assumptions were used in determining the fair value of options granted in the prior year:

	Messrs Beresford & Chiappini
Grant date	24 January 2013
Number of options:	
- R Beresford	3,000,000
- G Chiappini	1,500,000
Vesting conditions and dates	50% 24 January 2013 50% 28 November 2013
Grant date share price (cents)	0.10
Exercise prices (cents)	0.30
Expected volatility	120%
Option life	3.8 years
Dividend yield	-
Risk-free interest rate	2.50%

22 SHARE BASED PAYMENTS (continued)

(a) Employee Share Incentive Scheme (continued)

Share based payment arrangements relating to employees and directors:

Grant date	Expiry date	Exercise price	Number of options at the beginning of the year	Options granted this year	Options expired /lapsed this year	Options cancelled this year	Number of options at the end of the year	Options exercisable at the end of the year	Fair value at grant date
18/11/2009	18/11/2014	\$0.08	4,550,000	-	-	-	4,550,000	4,550,000	\$0.05
16/11/2010	16/11/2014	\$0.04	4,300,000	-	-	-	4,300,000	4,300,000	\$0.01
15/11/2011	15/11/2015	\$0.02	1,650,000	-	-	-	1,650,000	1,650,000	\$0.01
11/06/2012	11/06/2014	\$0.008	2,000,000	-	-	-	2,000,000	2,000,000	\$0.01
24/01/2013	28/11/2016	\$0.003	7,500,000	-	-	-	7,500,000	7,500,000	\$0.001

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year.

	2014		2013	
	Number of options	Weighted Average Exercise Price (Cents)	Number of options	Weighted Average Exercise Price (Cents)
Balance at the beginning of the financial year	20,000,000	3.00	17,600,000	5.00
Granted during the financial year:				
- Directors	-	-	6,000,000	0.3
- Employees	-	-	1,500,000	0.3
Forfeited/Expired	-	-	(5,100,000)	6.00
Balance at the end of the financial year	20,000,000	3.00	20,000,000	3.00
Vested and Exercisable at the end of the year	20,000,000	3.00	16,250,000	4.00

Expected volatility is based on the movement of the underlying share price around its average price over the expected term of the option.

Balance at end of the financial year

The share options outstanding and exercisable at the end of the financial year under the Plan had a range of exercise prices from 0.3 to 8 cents and a weighted average remaining contractual life of 401 days. (2013: 766 days)

(b) Share Based Payments – Other

During the year the Company issued 42,726,588 ordinary shares to third party consultants in lieu of their consulting fees. In addition, 33 million ordinary shares were issued to Palatine Energy Pty Ltd in return for the withdrawal and full settlement from the 50% Joint Venture Agreement over SPA 33 in the southern Carnarvon Basin.

23 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Green Rock Energy Limited during the year were:

Richard Beresford	Executive Chairman	Appointed – 21 March 2012 Resigned – 2 September 2014
Gabriel Chiappini	Managing Director Executive Director	Appointed - 2 February 2010 Appointed - 21 March 2012
Barnaby Egerton-Warburton	Company Secretary	Appointed - 12 July 2013
Nigel Hodder	Non-Executive Director	Appointed - 15 March 2013
	Previous Company Secretary	Appointed - 4 April 2005 Resigned - 10 July 2013

Details of the remuneration of key management personnel are set out as follows:

	For the year ended 30 June 2014	For the year ended 30 June 2013
	\$	\$
Short-term employee benefit	284,052	409,798
Post-employment benefits	3,461	21,268
Other long-term benefits	-	-
Employee Entitlements on resignation of Key Management Personnel	50,476	-
Share-based payments	1,250	15,818
	339,239	446,884

Employment Contracts

The two Non-Executive Directors are bound by contract. The contracts of the Non-Executive Directors may be terminated at any time by them by notice in writing or by shareholders acting by majority vote.

24 REMUNERATION OF AUDITORS

Auditor of the parent entity

During the year the following fees were paid or were payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Audit or review of the financial statements	45,416	48,092
All other services	-	-
	<u>45,416</u>	<u>48,092</u>

The auditor of Green Rock Energy Limited is Deloitte Touche Tohmatsu.

25 RELATED PARTY TRANSACTIONS

(i) Remuneration details for Directors and Executives are included in the Remuneration Report and have been audited.

26 EXPENDITURE COMMITMENTS

26.1 Exploration

The Company is currently in transition from being Geothermal & Hydrocarbon focused to a Graphite Resources company (refer subsequent event note in directors report and note 30). As a result, the Company has relinquished all of its Geothermal Assets in Western Australia and South Australia. The Company has confirmed via the Department of Mines and Petroleum (DMP) and The South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy that the Company's surrender notices are being processed and it is very unlikely that the work programmes and minimum exploration work attached to the surrendered permits will be required to be met.

In the prior year, Green Rock has made applications to the DMP to vary the work requirements of certain permits and in one case to amalgamate the work programs of 7 contiguous permits and amend the minimum work program, which would have significantly reduced its Geothermal exploration commitments. The previous commitment on all 7 Geothermal exploration licences when considered separately and when not taking into account the relinquishment process, totals \$143m. The Company has received assurances that the commitment to the Geothermal exploration licence commitment will fall away as part of the relinquishment process currently underway.

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) that the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy. The Company estimates that the remedial work will total approximately \$60,000.

Both the DMP and South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy have acknowledged that the Geothermal sector in general has been unable to obtain and attract a substantial amount of investment at a time when funding for and investment interest in geothermal energy became progressively harder to obtain. Therefore as a result both State Governments have worked co-operatively with the Company on a nil relinquishment commitment.

26 EXPENDITURE COMMITMENTS (Continued)

26.1 Exploration (Continued)

In April 2013 Green Rock announced its notification by the DMP as the preferred applicant for petroleum release area L12-7 covering approximately 300 sq. km in the North Perth Basin. Subject to successful Native Title negotiations Green Rock will be awarded a new Exploration Permit with a work program that includes a substantial 3D seismic program followed by a well. The start date for this work program is uncertain and depends on the time required to complete Native Title negotiations and to obtain environmental and other approvals to conduct the work program activity. The indicative cost for this work program at the time of making application was \$13 million. It is the Directors' expectation that the Company's efforts to farm out part of its interests in the Exploration Permit will be successful and will result in the large majority of the work program cost being covered by the farminee partner.

Subsequent Commitments entered into after 30 June 2014

On 10 July 2014 and 22 August 2014, the Company announced to the ASX that it had entered into agreements to acquire 4 Graphite projects in Tanzania. As part of these agreements, the company has agreed to minimum exploration expenditure commitments totaling \$1m to be acquitted over the first 12 months post settlement of option agreements. The option agreements are subject to the satisfaction of various conditions precedent, including, Green Rock 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 transactions.

26.2 Capital Commitments

The Group has no capital commitments (2013: NIL).

26.3 Operating Lease Commitments

As at 30 June 2014 and at the date of this report, there are no operating lease commitments (2013: Nil).

27 LOSS PER SHARE

The following reflects the loss and share details used in the calculation of basic and diluted loss per share:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Loss used in calculating basic and diluted loss per share	2,428,562	5,970,061
	<u>2,428,562</u>	<u>5,970,061</u>
Weighted average number of ordinary shares used in calculating basic and diluted loss per share:	1,914,938,879	1,857,339,039
	<u>1,914,938,879</u>	<u>1,857,339,039</u>
Basic and diluted loss per share	0.0013	0.003

Conversions, calls, subscriptions or issues after 30 June 2014

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

28 FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not hold any complex financial instruments. The financial instruments of the Company are all disclosed on an amortised cost basis.

28.1 Capital Management

The main focus of the Group's capital management policy is to ensure adequate working capital to fund the exploration and development activities of its various geothermal projects. This is done through the close monitoring of cash flow projections.

The Group's working capital as at balance date was:

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Cash and bank balances	801,258	1,178,576
Trade and other receivables	24,896	1,133,604
Other financial assets	400,000	-
Trade and other payables	(81,171)	(174,393)
	<u>1,144,983</u>	<u>2,137,787</u>

28.2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments.

Risk management is the responsibility of the Board of Directors.

28.3 Market risk

28.3.1 Foreign exchange risk

The Group has a minority interest in a Geothermal operation in Hungary and is exposed to foreign exchange currency movements arising from various currency exposures, primarily with respect to the Euro and the Hungarian Forint.

Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group's exposure to foreign currency risk at the reporting date was as follows:

Group sensitivity

The parent entity advances funds to the Hungarian subsidiary in Australian Dollars. In practical terms the Australian Dollar is converted to the Euro and the Hungarian Forint ("HUF"). The foreign exchange risk is recognized by the Hungarian subsidiary. The consolidated entity's pre-tax profit for the year would have been \$3,895 higher/\$3,895 lower (2013: \$13,751 higher/ \$13,751 lower) had the Australian dollar strengthened/weakened by 10% against the Hungarian Forint.

28 FINANCIAL INSTRUMENTS (continued)

28.3 Market risk (continued)

i. Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through cash and cash equivalents \$801,258 (2013: \$1,178,576).

At 30 June 2014, if the interest rates had weakened/strengthened by 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$1,920 lower/higher (2013: \$11,247 lower/higher) mainly as a result of interest income decreases/increases.

b. **Credit risk**

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables and committed transactions.

Cash and cash equivalents are held with recognisable banking and financial institutions. The maximum exposure to credit risk for cash and cash equivalents is the carrying value.

Other receivables are due from third parties considered credit worthy. The maximum exposure to credit risk for other receivables at the reporting date is the carrying amount as summarised at note 10. The ageing analysis of receivables is as follows:

Debtor	< 30 days
Trade receivable	24,896
	> 30 days
Other financial asset	400,000

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

c. **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash to ensure that the Group's liabilities can be settled as and when they become due.

i. Maturities of financial liabilities

The tables below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Creditor	<1 month
Trade payables	81,171

d. **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

29 CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2014.

In compliance with the requirements of the South Australian Petroleum Act of 2000 the Company is required to 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. The security lodged by the Company covers all South Australian GELs granted to the Company.

If on expiry of the GELs they are not renewed and the Minister is satisfied that there are no further obligations under the licences or the Act, the Minister will return the security to the Company.

30 EVENTS SUBSEQUENT TO BALANCE DATE

• Issue of Shares

33,333,333 fully paid ordinary shares were issued 10 July 2014. The shares were issued at \$0.0015 per share as part of the option fee payable on the option to acquire a 100% interest in the Mahenge North Graphite Project in Tanzania.

A further 6,666,667 fully paid ordinary shares were issued on 7 July 2014. The shares were issued at \$0.0015 as part of the introduction fee and for geological services for work to be provided on-site in Tanzania by Geological Consultants.

On 28 July 2014, the company confirmed it had completed a placement via the issue of a further 213,000,000 fully paid shares at \$0.003 to raise \$639,000, the funds were raised 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.

• Mahenge North Graphite Project - Tanzania

On 10 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.

In the event that the company elects to exercise the options referred to, the company must:

- 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 project in the first twelve months from exercise of the option.

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

- \$25,000 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.

Completion of the transaction is subject to the satisfaction of various conditions precedent, including, Green Rock obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow lawful completion of the acquisition of the MRL.

On 18 September 2014, the company announced to the ASX that it had exercised its option to acquire the Mahenge North project.

30 EVENTS SUBSEQUENT TO BALANCE DATE (Continued)

• Mahenge Resources Limited (incorporated in Tanzania)

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 675km².

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.

In the event that the company elects to exercise the options referred to, the company must:

- Fund the acquisition of one of the tenements by way of payment of USD\$110,000 to the vendor;
- Issue 8,000,000 fully paid Green Rock Energy Limited shares the vendors of the MRL; and
- 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:

- \$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,
-
- In the event that Green Rock does not exercise the Option within ten (10) business days of the completion of the Option Period, or the Company does not meet the minimum expenditure commitment during the Option Period then the right to acquire the Mahenge Projects will lapse.

Completion of the transaction is subject to the satisfaction of various conditions precedent, including, Green Rock obtaining all necessary regulatory and shareholder approvals under the ASX Listing Rules, Corporations Act 2001 (Cth) (Corporations Act) or any other law to allow lawful completion of the acquisition of the MRL.

On 18 September 2014, the company announced to the ASX that it had exercised its option to acquire MRL.

On 30 September 2014, the company announced to the ASX that it had entered into a Lead Manager agreement with boutique investment bank, Foster Stockbroking Pty Ltd, to raise up to \$5,000,000 (minimum \$4,000,000).

31 PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of significant account policies.

Financial Position

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Assets		
Current assets	1,220,666	4,522,591
Non-current assets	2,670,723	806,097
Total assets	<u>3,891,390</u>	<u>5,328,688</u>
Liabilities		
Current liabilities	77,716	230,228
Non-current liabilities	-	-
Total liabilities	<u>77,716</u>	<u>230,228</u>
Equity		
Issued capital	31,311,042	31,226,631
Retained earnings	(28,803,959)	(27,432,784)
Reserves	1,306,591	1,304,613
Total equity	<u>3,813,674</u>	<u>5,098,460</u>
		-

Financial performance

	For the year ended 30/06/2014	For the year ended 30/06/2013
	\$	\$
Loss for the year	1,371,175	2,268,019
Other comprehensive income	-	-
Total comprehensive loss	<u>1,371,175</u>	<u>2,268,019</u>

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as noted in note 2.1 to the financial statements;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) The directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s. 295(5) of the Corporations Act 2001.

On behalf of the Directors



Gabriel Chiappini
Director

Perth, 30 September 2014

Independent Auditor's Report to the Members of Green Rock Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Green Rock Energy Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Green Rock Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Green Rock Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.1.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 2.2 in the financial report which indicates that the consolidated entity has incurred net losses of \$2,428,562 (30 June 2013: \$5,970,061) and experienced net cash outflows from operating activities of \$687,112 (30 June 2013: \$725,254) and net cash outflows from exploration and evaluation expenditure of \$547,771 (30 June 2013: \$438,334) for the year ended 30 June 2014. These conditions, along with other matters set out in Note 2.2, indicate the existence of a material uncertainty which may cast significant doubt about the company's and the consolidated entity's ability to continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the ordinary course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Green Rock Energy Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Smith
Partner
Chartered Accountants
Perth, 30 September 2014