



ASX Announcement **21 July 2014**

Proposed Acquisition of Environmental Consulting and Hazardous Materials Analytical Laboratory Company

The Board of Directors of Hot Rock Limited (**HRL** or **Company** ASX: HRL) are pleased to advise that the Company has taken the opportunity to expand its activities with the execution of a Share Sale Agreement (**SSA**) to acquire 100% of OCTIEF Pty Ltd (**OCTIEF**), from Integrated Holdings Group Pty Ltd (**IHG**).

The transaction will see Hot Rock acquire a profitable business with significant growth potential, supplementing its existing exposure to the clean energy industry through the exploration and development of its geothermal projects in Victoria. OCTIEF operates in the high growth environmental consulting and hazardous materials testing and laboratory market.

One of OCTIEF'S core areas of expertise is management planning, audits, sampling and analysis of asbestos. Australian organisations, both private and public, must comply with stringent new health and safety legislation and regulations, where asbestos is present in buildings or soils. Legislation requires environmental investigation of many building or demolition activities, providing strong demand for these environmental services provided by OCTIEF.

About OCTIEF

OCTIEF Pty Ltd is an Australian private company owned by Integrated Holdings Group Pty Ltd. OCTIEF operates an environmental consulting and hazardous materials analytical laboratory business with offices in Brisbane, Mackay and Darwin. OCTIEF currently operates laboratory facilities in Brisbane and plans to setup a further facility in Darwin to meet growing demand.

OCTIEF is an Australia wide multidisciplinary consulting group which specialises in advising groups in maintaining environmental and occupational compliance and managing related industry risks. Due to the increasing constraints and public awareness, environmental and occupational management is a significant issue for many organisations.

Recognising the impacts of these issues on business, OCTIEF aims to help maintain and improve performance by employing best environmental and workplace practices to manage resultant risks to people, property, business and government organisations.

Part of the services offered are industrial hygiene, asbestos and hazardous materials management, environmental services (air, water and soil including contaminated land), greenhouse gas emissions assessments, energy use assessments, building contamination assessment, and specialised NATA-accredited laboratory analysis and on-site testing.

In addition OCTIEF carry out studies, including mine sites, contaminated land sites, buildings, soils and water, which need to be done as part of government and council development approvals for new project developments. These studies are commonly part of project development stages such as prefeasibility, feasibility, construction, operations and site restoration post operations. In conjunction with these studies, OCTIEF undertakes ongoing testing of soils, noise, dust and vibration, water and materials for contamination issues and noise monitoring during operations.

Terms and conditions of the Proposed Acquisition

In consideration for acquiring 100% of the shares in OCTIEF Pty Ltd, HRL will issue up to 641,508,710 HRL shares each credited as fully paid.

Subject to HRL shareholder approval being obtained, the current owners of OCTIEF will receive an initial tranche of 320,754,355.

Up to a further 320,754,355 HRL shares will be issued subject to the achievement of the following milestones:

No.	Milestone	Date to be achieved by	HRL shares issued to IHG on successful completion
1	First half revenue for FY2015 to equal or exceed \$1.75M	31 December 2014	160,377,178
2	Laboratory established in Darwin	31 December 2014	96,226,306
3	Revenue for FY2015 to equal or exceed \$4.25M	30 June 2015	64,150,871

The transaction is subject to a number of conditions, including obtaining shareholder approval for the proposed acquisition which, pursuant to s 611 item 7 Corporations Act' will require HRL to present to shareholders an independent expert's report concluding on the fairness and reasonableness of the acquisition.

IHG has agreed to a voluntary escrow applying in respect of all of the HRL share consideration it may receive.

On completion of the purchase, the shareholders of OCTIEF at completion will be entitled to appoint two representatives to the HRL board and it is proposed that Mr Kevin Maloney and Mr Darren Anderson will join the board as the non-executive Chairman and Executive Director respectively.

Further details of the proposed transaction are shown in Appendix A.

The parties aim to complete pre-acquisition due diligence and preparation of the further legal documentation by mid-August 2014. HRL will continue to update the market with progress and developments including the preparation of the necessary meeting materials for the shareholders meeting to approve the proposed acquisition.

About Mr Kevin Maloney and Mr Darren Anderson

Mr Kevin Maloney is the founder and Chairman of Australian investment entity Tulla Group and has built an extensive career in retail banking, finance and resources.

One of Kevin's numerous career highlights was as founder and Executive Chairman of The MAC Services Group (The MAC), which was sold to Oil States International in 2010 for \$651million. Kevin was heavily involved in all stages of The MAC's growth, including its move into mining services accommodation in 1996.

Kevin has been involved with a number of public companies as both an executive and director. After spending 20 years with ANZ Bank, Kevin joined Elders Resources Finance Limited in 1981, progressing to hold numerous positions including Chief Executive Officer.

Kevin is currently the Chairman of ASX listed Altona Mining Limited and Integrated Holdings Group Pty Ltd which is the parent company for environmental services group OCTIEF Pty Ltd and software vendor OCTFOLIO™ Pty Ltd..

Mr Darren Anderson was formerly the Executive Director and Chief Operating Officer of Diversified Mining Services Ltd which is an unlisted public company that at its peak in mid-2012 had consolidated revenue in excess of \$200 million and 850 personnel.

Previous career highlights include 15 years spent as founder and Managing Director of the Anderson Group of Companies, which grew from a single person operation in Mackay to a company with in excess of 300 employees and 12 operating divisions across both Queensland and New South Wales that serviced the Australian and international coal industries.

Darren is currently Managing Director of Integrated Holdings Group Pty Ltd which is the parent company for environmental services group OCTIEF Pty Ltd and software vendor OCTFOLIO™ Pty Ltd.

Geothermal Exploration and Development Projects

HRL also continues to be engaged in the clean energy industry with the exploration and development of its geothermal projects in Victoria, aiming to produce clean base load power using world best practise. Two Geothermal Exploration Permits (GEP's 6 and 8) have recently been renewed for a further 5 year term. The proposed work programs include targeting high flow rates from hot water areas in fractured sedimentary aquifers, re-interpreting 2D seismic data, completing 3D seismic surveys, drilling and testing.

Current project work has been focussed on re-interpreting existing geological, geophysical and drilling data to better understand the characteristics of the geothermal reservoirs before drilling to reduce risk and improve the opportunity of early commercialisation of a project. One method being developed by National ICT Australia Limited (NICTA) represents a cutting edge, world leading Data Fusion and Machine Learning application where large multi sourced databases from the Koroit Project were processed.

These methods are being used to create and identify geothermal targets and their characteristics using probabilistic modelling. NICTA have found that open source software is capable of identifying target formations with attractive geothermal reservoir characteristics, where gravity, magnetic, seismic reflection, borehole and particularly MT data are used. Further work is planned using this exciting new analytical tool to assist identifying the best parts of the reservoir to drill test.

For further information please contact:

Dr Mark Elliott,
Chairman,
+61 (0)409 998 840
mark.elliott@hotrockltd.com
or visit website www.hotrockltd.com

Further details on OCTIEF Pty Ltd are available at www.octief.com.au

Appendix A: Summary of Share Sale Agreement (SSA)

PARTIES:	<p>Hot Rock Limited ACN 120 896 371 (HRL) OCTIEF Pty Ltd ACN 157 688 732(OCT) Integrated Holdings Group Pty Ltd ABN 69 163 669 118 (IHG) Craig Anderson and Amanda Anderson as trustees for the CA & AM Anderson Family Trust ,Greg Anderson and Nancy Anderson as trustees for the GJ & NJ Anderson Family Trust, Tulla Property Partners Pty Ltd ACN 126 992 103 as trustees for the Tulla Property Partners Trust and Darren Anderson and Julie Anderson as trustees for the DG & JE Anderson Family Trust (collectively New Sellers)</p>																		
PURCHASE PRICE/ CONSIDERATION	<p>HRL has currently 345,427,767 shares on issue.</p> <p>If OCTIEF achieves all identified Milestones, a total of 641,508,710 HRL Shares will be issued to IHG (Potential Payment Shares).</p> <p>(a) To purchase OCTIEF, Hot Rock will issue and allot 320,754,355 HRL Shares each credited as fully paid to the new Sellers and being 50% of the Potential Payment Shares (Initial Payment Shares); and</p> <p>(b) HRL will agree to issue further Hot Rock Shares to the new Sellers upon obtainment of various identified milestones being achieved by OCTIEF by the required date as follows:</p> <table border="1" data-bbox="469 920 1473 1435"> <thead> <tr> <th>Milestone</th> <th>No. of Hot Rock Shares</th> <th>Date to be achieved</th> </tr> </thead> <tbody> <tr> <td>First half revenue for FY2015 to equal or exceed \$1.75M</td> <td>160,377,178 being 25% of the Potential Payment Shares</td> <td>31 December 2014</td> </tr> <tr> <td>Laboratory established in Darwin</td> <td>96,226,306 being 15% of the Potential Payment Shares</td> <td>31 December 2014</td> </tr> <tr> <td>Revenue for FY2015 to equal or exceed \$4.25M</td> <td>64,150,871 being 10% of the Potential Payment Shares</td> <td>30 June 2015</td> </tr> <tr> <td>Initial Payment Shares</td> <td>320,754,355 being 50% of the Potential Payment Shares</td> <td></td> </tr> <tr> <td>Total</td> <td>641,508,710</td> <td></td> </tr> </tbody> </table> <p>If all three milestones are achieved the new Sellers will receive 641,508,710 HRL shares. If milestones 1 and 3 are not achieved the number of shares issues will be pro-rated to a minimum of 75% of milestones 1 and 3 Potential Payment Shares.</p>	Milestone	No. of Hot Rock Shares	Date to be achieved	First half revenue for FY2015 to equal or exceed \$1.75M	160,377,178 being 25% of the Potential Payment Shares	31 December 2014	Laboratory established in Darwin	96,226,306 being 15% of the Potential Payment Shares	31 December 2014	Revenue for FY2015 to equal or exceed \$4.25M	64,150,871 being 10% of the Potential Payment Shares	30 June 2015	Initial Payment Shares	320,754,355 being 50% of the Potential Payment Shares		Total	641,508,710	
Milestone	No. of Hot Rock Shares	Date to be achieved																	
First half revenue for FY2015 to equal or exceed \$1.75M	160,377,178 being 25% of the Potential Payment Shares	31 December 2014																	
Laboratory established in Darwin	96,226,306 being 15% of the Potential Payment Shares	31 December 2014																	
Revenue for FY2015 to equal or exceed \$4.25M	64,150,871 being 10% of the Potential Payment Shares	30 June 2015																	
Initial Payment Shares	320,754,355 being 50% of the Potential Payment Shares																		
Total	641,508,710																		
BOARD COMPOSITION	<p>On completion of the purchase of OCTIEF, HRL will;</p> <p>(a) Allow the New Sellers and IHG to nominate 2 directors to Hot Rock's Board being Mr Kevin Maloney as non-executive Chairman and Mr Darren Anderson as an executive director; and</p> <p>(b) Provide the resignation of two HRL Directors</p>																		
DUE DILIGENCE:	<p>A due diligence period for both parties will run to the 15 August 2014. (Due Diligence Period)</p>																		
WARRANTIES:	<p>The SSA contains comprehensive warranties, covenants, undertakings, representations and indemnities given by both IHG and the New Sellers to Hot Rock and by Hot Rock to IHG and the New Sellers.</p>																		

CONDITIONS PRECEDENT:	<p>The SSA is conditional on the following:</p> <ul style="list-style-type: none"> • OCTIEF and IHG and the New Sellers being satisfied, in their absolute discretion, with the results of their own due diligence; • HRL being satisfied, in its absolute discretion, with the results of its own due diligence; • All necessary Board and Shareholder approvals in respect of the sale and purchase of OCTIEF and the SSA being obtained by OCTIEF ; • HRL being satisfied, in its absolute discretion, with the results of an Independent Experts Report required pursuant to s 611 item 7 of the Corporations Act; • HRL obtaining all necessary approvals, waivers and confirmations from ASX in respect of the proposed purchase of OCTIEF ; • HRL obtaining all necessary Board, Shareholder and ASIC approvals in respect of the proposed purchase of OCTIEF and the SSA; • Approval of HRL shareholders under Listing Rule 7.3 to the issue of the HRL Shares as consideration; • Obtainment of any Regulatory Approvals; and • HRL undertaking a capital raising of up to \$520,000 by way of a pro-rata offer to HRL shareholders.
COMPLETION :	<p>Settlement will shortly after satisfaction of the last of the various conditions precedent to the SSA.</p>
GOVERNING LAW:	<p>The SSA is governed by and must be construed in accordance with the laws in force in Queensland.</p>
VOLUNTARY ESCROW:	<p>The issue of the Potential Payment Shares will be subject to a voluntary escrow period of up to 12 months from the date of issue of the Initial Consideration shares, but subject to the usual carve outs that would apply under ASX Listing Rule 9.17.</p>