HOT ROCK LIMITED

ABN 99 120 896 371

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE INFORMATION

DIRECTORS
Mark Elliott (Chairman)
Peter Barnett (Non-executive Director)
Michael Sandy (Non-executive Director)
Stephen Bizzell (Non-executive Director)

COMPANY SECRETARY
Paul Marshall

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COUNTRY OF INCORPORATION
Australia

STOCK EXCHANGE LISTING
Australian Securities Exchange Limited
ASX Code: HRL

INTERNET ADDRESS
www.hotrockltd.com

AUSTRALIAN BUSINESS NUMBER
ABN 99 120 896 371

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Chairman's Report

Dear Shareholders,

The 2013-14 financial year was another difficult year for our Company. In order to survive, the Company sold its geothermal projects in Peru and Chile to Energy Development Corporation (EDC) for US$3 million, and dramatically reduced costs through the closure of all offices and the retrenchment of our staff. These actions were necessary as capital markets and investors continued to ignore the junior end of the market making it very difficult to raise funds or secure new partners to support exploration programs. Furthermore there is continued uncertainty in the political and regulatory risk jurisdictions and its ongoing negative impact on the development and investment in renewable energy in Australia. This led HRL to investigate an expansion of its activities and your Directors have reviewed many project and business opportunities since late 2013 looking for opportunities to grow shareholder value.

As a result of these efforts, the Board announced to the market on 21 July 2014 that the Company has taken the opportunity to expand its activities with the execution of a Share Sale Agreement to acquire 100% of OCTIEF Pty Ltd.

The acquisition, which is subject to shareholder approval, will see HRL 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 Pty Ltd operates in the high growth environmental consulting occupational compliance and hazardous materials testing and laboratory market.

Further information relating to the acquisition will be sent to shareholders in the coming weeks. The Board believes that this is an exciting opportunity for all HRL shareholders which will create real value going forward. The OCTIEF team is led by Mr Kevin Maloney and Mr Darren Anderson, both of who have an outstanding track record in growing shareholder wealth.

HRL is still determined to explore and develop its main geothermal projects in the Otway Basin in Victoria. In December 2013 the Department of State Development, Business and Innovation (DSDBI) renewed GEP 6 and 8 for a further 5 year term. The other less prospective permits were relinquished.

HRL signed a research agreement with National ICT Australia Ltd (NICTA) in April 2013 to allow them and associated Universities to use their machine learning data fusion software developed on other Australian geothermal projects to assist in the identification of geothermal targets in GEP8. This type of approach of identifying blind targets for exploration is cutting edge and a world leading application of technology to geothermal exploration. The results have been validated by independent data interpretation but with the added value of providing probability values to predict fractured geothermal reservoir. A new research grant application has been lodged by NICTA to the Australian Renewable Energy Agency (ARENA) to further the understanding of the characterization of the geothermal reservoir in GEP8, particularly its structure and permeability to reduce project risk, with the aim of attracting a partner to advance and fund the project going forward.

I wish to thank my fellow Directors for their continuing support. To our shareholders, the Board and I assure you of our firm commitment to grow the value of your Company as we look forward to an exciting year.

M Elliott

Mark Elliott
Chairman

DIRECTORS' REPORT INCLUDING REMUNERATION REPORT

Your Directors present their report on the Consolidated Entity consisting of Hot Rock Limited (the Company or HRL) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were directors of Hot Rock Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Mark Elliott – Non-Executive Chairman

Dip App Geol., PhD, FAICD, FAusIMM(CP), FSEG

Dr Elliott is a Chartered Professional (CP) geologist with over 39 years' experience in economic geology, exploration, mining, project development and corporate management. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including energy.

He has a diploma in Applied Geology from the Ballarat School of Mines and a Doctor of Philosophy degree from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, Australasian Institute of Mining and Metallurgy and Society of Economic Geologists.

Dr Elliott is currently a director of the following other ASX listed company:

- Nexus Minerals Ltd (Oct 2006 – present)

Mr Peter Barnett - Non-Executive Director

BSc, MSc, MAICD

Peter was previously Geothermal Manager and Principal with global technology consulting company Sinclair Knight Merz (acknowledged as one of the world's leading geothermal consultants). Peter has more than 31 years' experience in the geothermal industry gained in New Zealand, the Philippines, Indonesia, Japan, East Africa, Iran, El Salvador, New Guinea and Chile. He has been involved in a wide variety of geothermal projects which in aggregate amount to some 40% of the world's installed geothermal power capacity.

His skills areas include geothermal exploration and development, geothermal risk, geothermal reservoir monitoring and management, power plant process issues, project costing and financial analysis, project valuations and assessment, geothermal business and market development, institutional strengthening of geothermal capability and geothermal regulatory issues. Over the past six years Peter has had a significant involvement in Australia's emerging geothermal industry. He has worked on a variety of Australian geothermal projects ranging from a feasibility study on the expansion of the Birdsville geothermal power plant, the only geothermal power plant yet operating in Australia, to studies for large scale geothermal developments of up to 500 MWe in the Cooper Basin and for the development of large Hot Sedimentary Aquifer (HSA) geothermal systems in the Otway Basin of Victoria.

Peter holds a Bachelor of Science degree and a Master of Science degree from the University of Auckland. He is currently a board member of the New Zealand Geothermal Association and a member of the International Geothermal Association.

Mr Michael Sandy - Non-Executive Director

BSc (Hons), MPESA, AICD

For over 36 years Mike Sandy has worked in Australia and internationally in the resources industry with companies such as Oil Search, Novus Petroleum and as a consultant, as well as a brief stint as an energy analyst (for BZW). He worked initially in minerals exploration and as a research scientist with CSIRO before moving into petroleum exploration in 1983. Mike helped establish Novus Petroleum in 1994 and remained until the company was taken over in 2004, along the way holding various senior executive roles including asset management (Australia, SE Asia, Middle East, USA) and business development.

Mike Sandy is currently a director of the following other ASX listed companies:

- Burleson Energy Ltd (May 2006 – present)
- Tap Oil Ltd (Jun 2006 – present)

In the past three years Michael Sandy has been a director of the following other ASX listed company:

- Equus Mining Ltd (Sep 2005 – Feb 2013)

Mr Stephen Bizzell - Non-Executive Director

BCom, MAICD

Stephen is Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 21 years corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies. Stephen was an Executive Director of Arrow Energy Ltd from 1999 until its takeover for $3.5 billion by Royal Dutch Shell and PetroChina in 2010. Early in his career Stephen Bizzell was employed in the corporate finance division of Ernst & Young and the tax division of Coopers & Lybrand and qualified as a Chartered Accountant. During the year ended 30 June 2013 Stephen was appointed to the Board of Queensland Treasury Corporation.

Stephen Bizzell is currently a director of the following other ASX listed companies:

- Diversa Ltd (Aug 2010 – present)
- Laneway Resources Ltd (Jun 1996 – present)
- Stanmore Coal Ltd (Dec 2009 – present)
- Renascor Resources Ltd (Dec 2010 – present)
- Titan Energy Services Ltd (Dec 2011 – present)
- Armour Energy Ltd (Mar 2012- present)

In the past three years Stephen Bizzell has been a director of the following other ASX listed companies:

- Dart Energy Ltd (Jul 2010 – Nov 2013)
- Apollo Gas Ltd (Dec 2009 – Jan 2011)
- Bow Energy Ltd (Dec 2004 – Jan 2012)
- Arrow Energy Ltd (Jun 1999 - Aug 2010)

COMPANY SECRETARY

Paul Marshall has been the Secretary of Hot Rock Ltd and the entities it controlled throughout the year and until the date of this report.

Paul Marshall - Company Secretary and Chief Financial Officer

LLB, ACA

Paul Marshall holds a Bachelor of Law degree, a post Graduate Diploma in Accounting and is a Chartered Accountant. He has more than 25 years' experience initially with Ernst & Young and subsequently fifteen years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Interests in the shares and options of the Consolidated Entity

As at the date of this report, the interests of the Directors in the shares and options of Hot Rock Limited are shown in the table below:

Director	Fully Paid Ordinary Shares	Unlisted Options
Mark Elliott	25,465,782	5,500,000
Peter Barnett	13,050,129	5,500,000
Michael Sandy	6,907,911	1,000,000
Stephen Bizzell	18,251,661	1,000,000

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the financial year was the exploration of prospective geothermal energy prospects.

REVIEW OF OPERATIONS

South America

On 18 November 2013, the Company announced that it had entered into a sale agreement with its joint venture partner, Energy Development Corporation (EDC) for the sale of its geothermal assets, consisting of granted exploration concessions and authorisations (tenements) and applications it holds in both Peru and Chile.

A contract for the sale of the shares in Hot Rock Chile Limited (BVI) and Hot Rock Peru Limited (BVI) (being the subsidiary entities that hold the geothermal assets through further subsidiary entities) was signed with EDC.

Through the acquisition of the Company's overseas subsidiaries as described above, EDC acquired:

- all of the geothermal authorisation and application interests (including HRL's 30% interest in the Quellaapacheta joint venture Project) and other assets held by Hot Rock Peru S.A in Peru; and
- all of the geothermal concession and application interests and other assets held by Hot Rock Chile S.A and Hemisferio Sur SpA, in Chile except for the Calerias Projects.

The parties agreed to a sale price for the Chilean and Peruvian Assets of AUD$3,121,830.

An amount of US$230,000 is subject to retention and held in an escrow account pending the resolution of a tax matter in Peru.

The sale proceeds have provided working capital to enable the Company to progress with its remaining geothermal assets in Australia, whilst also investigating other opportunities.

Australia

HRL has been working closely with the Australian Renewable Energy Agency and the Australian Geothermal Energy Association in attempting to resolve a way forward with funding for both HRL's and other companies' geothermal projects but with little success.

HRL continues to maintain the Koroit project in a state of readiness for further evaluation and drilling.

OPERATING RESULTS

For the year ended 30 June 2014, the profit for the Consolidated Entity after providing for income tax was $2,147,825 (2013: loss of $7,696,487).

The Consolidated Entity derived non-recurring income from:

- The sale of its South American projects ($3,327,861); and
- The sale of surplus geothermal wellheads and casing ($347,350).

Employment and consultancy expenses ($762,177) were $573,734 lower than the previous year due to:

- Retrenchment of staff in South America; and
- Executive Directors moving to non-executive roles from 1 January 2014.

Administration expenses ($773,486) were $79,631 lower than the previous year. Savings from closing down operations in South America were offset to a large degree by one-off costs incurred in the sale of the South American assets.

The above results incorporate the results of the discontinued operation as shown in Note 2.

REVIEW OF FINANCIAL CONDITION

Capital structure

At 30 June 2014 the Company had 345,427,767 ordinary shares and 21,000,000 unlisted options on issue.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity and funding

As at 30 June 2014, the Consolidated Entity had:

- Net assets of $1,626,109 (2013: net liabilities of $556,607);
- Cash assets of $1,587,263 for the year ended 30 June 2014 (2013: $179,770).

Existing cash will provide working capital to enable the Company to progress with its remaining geothermal assets in Australia and Chile, whilst also investigating other opportunities.

Balance Sheet

The net assets of the Consolidated Entity improved $2.18 million during the period, largely as a result of the $3,675,711 sale of its South American geothermal projects and surplus geothermal wellheads and casing.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2013:$nil).

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Board announced to the market on 21 July 2014 that the Company has taken the opportunity to expand its activities with the execution of a Share Sale Agreement to acquire 100% of OCTIEF Pty Ltd.

The acquisition, which is subject to shareholder approval, will see HRL 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 Pty Ltd operates in the high growth environmental consulting and hazardous materials testing and laboratory market.

AFTER BALANCE DATE EVENTS

The Board announced to the market on 21 July 2014 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 acquisition 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.

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 shareholder approval, 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 will receive an initial tranche of 320,754,355 HRL shares.

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 s611 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.

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 an upcoming shareholders meeting to approve the proposed acquisition.

There have been no other events since 30 June 2014 that impact upon this financial report.

ENVIRONMENTAL ISSUES

The Consolidated Entity is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

SHARE OPTIONS

As at the date of this report there were a total of 21,000,000 unissued ordinary shares of Hot Rock Limited under option:

Options

	Grant date	# of options on issue and not yet expired or exercised	Exercise price per option $	Expiry date	Vesting date
Directors – Tranche 3	29/11/2012	13,000,000	0.04	30/11/2015	29/11/2012
Employees – Tranche 4	19/10/2012	8,000,000	0.04	30/11/2015	19/10/2012

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Details of options issued, exercised and expired during the financial year are set out below:

		Movements				
Expiry Date	Exercise Price	1 July 2013	Issued	Exercised	Expired	30 June 2014
30/11/2015	0.04	13,000,000	-	-	-	13,000,000
30/11/2015	0.04	8,000,000	-	-	-	8,000,000
04/11/2013	0.25	2,338,985	-	-	(2,338,985)	-
31/01/2014	0.20	600,000	-	-	(600,000)	-
01/12/2013	0.25	6,000,000	-	-	(6,000,000)	-
		29,938,985			(8,938,985)	21,000,000

During the year ended 30 June 2014 no shares were issued following the exercise of options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company sold the majority of its South American geothermal assets to its joint venture partner, Energy Development Corporation (EDC) for US$3,000,000.

The Board announced to the market on 21 July 2014 that the Company has taken the opportunity to expand its activities with the execution of a Share Sale Agreement to acquire 100% of OCTIEF Pty Ltd.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings	
	A	B
Mark Elliott	5	5
Peter Barnett	4	5
Michael Sandy	5	5
Stephen Bizzell	5	5

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy
The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee
The Board does not have a Remuneration and Nomination Committee. The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board assesses the appropriateness of the nature and amount of emoluments 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.

Officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company.

Remuneration structure
It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the company.

In accordance with best practice corporate governance, the structure of Executive and Non-Executive Director remuneration is separate and distinct.

Non-Executive Director Remuneration
The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

The Constitution of Hot Rock Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for Directors' fees is for a total of $250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Directors or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of Non-Executive Directors for the year ended 30 June 2014 is detailed in this Remuneration Report.

Executive Directors and Senior Management Remuneration
The Company aims to reward Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward Executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, and the process consists of a review of company wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the year.

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2014 is detailed in this Remuneration Report.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees. The current employment agreement with the CFO has a three month notice period. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have contracts of employment. None of these contracts have termination benefits.

Executive Chairman Arrangements (ceased 31 December 2013)

The Company entered into an employment contract with Dr Mark Elliott as Executive Chairman of the Company.

The cost to the Company of the contract was a base fee of $325,000 per annum inclusive of superannuation. The Company also provided a car park space. Bonus payments and option issues are at the discretion of the Board.

The Company terminated the Agreement on 31 December 2013. Dr Mark Elliott remains Chairman in a non-executive capacity. Dr Mark Elliott provides consultancy services to the Company as required at the rate of $1,200 per day.

Managing Director Arrangements (ceased 31 December 2013)

The Company entered into an employment contract with Peter Barnett as Managing Director of the Company.

The cost to the Company of the contract was a base fee of $285,000 per annum.

The Company terminated the Agreement on 31 December 2013. Peter Barnett remains on the Board in a non-executive capacity.

Company Secretary/CFO Arrangements

The Company Secretary and CFO Mr Paul Marshall is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on services provided. The contract provides for a three month notice period.

(a) Details of Directors and other Key Management

Directors

- Mark Elliott — Non-Executive Chairman
- Peter Barnett — Non-Executive Director
- Michael Sandy — Non-Executive Director
- Stephen Bizzell — Non-Executive Director

Key Management Personnel

- Paul Marshall — Company Secretary and CFO

(b) Remuneration of Directors and other Key Management Personnel

	Short-term			Long term benefits	Post-employment	Share based payments			
2014	Salary & Director fees	Consulting fees	Non-monetary benefits	Leave benefits	Superan-nuation	Options	**Total**	Performance Related %	% consisting of options
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**		
Mark Elliott [1]	173,083	34,000	3,505	11,468	14,851	-	236,907	-	-
Peter Barnett [2]	160,500	-	-	10,961	-	-	171,461	-	-
Michael Sandy	35,500	3,600	-	-	-	-	39,100	-	-
Stephen Bizzell	35,500	-	-	-	-	-	35,500	-	-
Other Key Management Personnel									
Paul Marshall	44,000	-	-		-	-	44,000	-	-
	448,583	**37,600**	**3,505**	**22,429**	**14,851**	**-**	**526,968**	**-**	**-**

[1] Mark Elliott was employed in a full-time capacity as Executive Chairman from 1 July 2013 to 31 December 2013 at a rate of $325,000 per annum (inclusive of superannuation). Mark Elliott moved to a Non-Executive Chairman role from 1 January 2014 to 30 June 2014 at a rate of $48,000 per annum. In addition from 1 January 2014 to 30 June 2014 Mark Elliott provided consulting services to the Company totalling $34,000.

[2] Peter Barnett was employed in a full-time capacity as Managing Director from 1 July 2013 to 31 December 2013 at a rate of $285,000 per annum. Peter Barnett moved to a Non-Executive Director role from 1 January 2014 to 30 June 2014 at a rate of $36,000 per annum.

There were no termination benefits paid or accrued for the year ended 30 June 2014.

	Short-term		Long term benefits	Post Employment	Share based payments				
2013	Salary & Director fees	Non-monetary benefits	Leave benefits	Superan-nuation	DMFP [1]	Options	**Total**	Performance Related %	% consisting of options
Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**		
Mark Elliott	223,623	9,621	25,000	26,835	74,542	42,900	402,521	-	10.66%
Peter Barnett	213,750	-	21,923	-	71,250	42,900	349,823	-	12.26%
Michael Sandy	26,250	-	-	-	8,750	7,800	42,800	-	18.22%
Stephen Bizzell	26,250	-	-	-	8,750	7,800	42,800	-	18.22%
Other Key Management Personnel									
Paul Marshall	39,000	-	-	-	13,000	8,000	60,000	-	13.33%
	528,873	**9,621**	**46,923**	**26,835**	**176,292**	**109,400**	**897,944**		

[1] Represents amounts paid via shares under the Directors' and Management Fee Plan (DMFP) approved by shareholders on 29 November 2012. Under the DMFP, Directors' and Management may elect to receive up to 50% of their remuneration in HRL shares. The participant shares were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue.

There were no termination benefits paid or accrued for the year ended 30 June 2013.

(c) Key management personnel equity holdings

Key management personnel shareholdings

2014	**Balance 1 July 2013**	**Granted as Remuneration**	**On Exercise of Options**	**Net Change Other**	**Balance 30 June 2014**
Director					
Mark Elliott	25,465,782	-	-	-	25,465,782
Peter Barnett	13,050,129	-	-	-	13,050,129
Michael Sandy	6,907,911	-	-	-	6,907,911
Stephen Bizzell	18,251,661	-	-	-	18,251,661
Other Key Management Personnel					
Paul Marshall	8,355,604	-	-	-	8,355,604
	72,031,087	-	-	-	72,031,087

Key management personnel option holdings

2014	**Balance 1 July 2013**	**Granted as Remuneration**	**On Exercise of Options**	**Expired**	**Balance 30 June 2014**
Director					
Mark Elliott	7,500,000	-	-	(2,000,000)	5,500,000
Peter Barnett	7,500,000	-	-	(2,000,000)	5,500,000
Michael Sandy	1,500,000	-	-	(500,000)	1,000,000
Stephen Bizzell	3,838,985	-	-	(2,338,985)	1,000,000
Other Key Management Personnel					
Paul Marshall	1,500,000	-	-	(500,000)	1,000,000
	21,838,985	-	-	(7,338,985)	14,500,000

All options are vested and exercisable as at 30 June 2014.

Loans with key management personnel

To assist with the short term funding of the Consolidated Entity, the Directors provided short term loans. The loans were interest free and are only repayable once the Consolidated Entity had sufficient working capital to do so. The loans were repaid in January 2014.

2014	Balance 1 July 2013	Loans Provided by Directors	Interest	Repayments	Balance 30 June 2014
Director	**$**	**4**	**$**	**$**	**$**
Mark Elliott	30,000	50,000	-	(80,000)	-
Peter Barnett	-	80,366	-	(80,366)	-
Michael Sandy	30,000	50,000	-	(80,000)	-
Stephen Bizzell	-	80,000	-	(80,000)	-
	60,000	260,366	-	(320,366)	-

(e) Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return in the past 5 years are summarised below:

Measures	2014 $	2013 $	2012 $	2011 $	2010 $
Share price at end of financial year	0.005	0.008	0.033	0.04	0.07
Market capitalisation at end of financial year ($M)	1.73	2.76	7.66	6.25	6.47
Profit/(loss) for the financial year	2,147,825	(7,696,487)	(2,084,118)	(1,610,352)	(1,642,254)
Cash spend on exploration programs	-	234,357	756,436	1,764,645	1,629,356
Director and Key Management Personnel remuneration	526,968	897,944	703,423	761,021	960,162

No dividends were paid nor was there any return of capital over the past 5 years.

Subsequent to the sale of its South American projects, the Company terminated all Executive Director roles. All Directors are now employed as Non-Executive.

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a geothermal company. Share prices are subject to the influence of international energy prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

No shares were issued on exercise of options issued as part of remuneration in 2014.

No equity instruments were issued as remuneration in 2014.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each Director and the Secretary of the Consolidated Entity has the right of access to all relevant information. The Consolidated Entity has insured all of the Directors and Officers of Hot Rock Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Consolidated Entity has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

NON-AUDIT SERVICES

No non-audit services were provided by BDO Audit Pty Ltd during the year.

AUDITOR INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor's Independence Declaration forms part of the Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Hot Rock Limited support and have adhered to the principles of corporate governance. The Consolidated Entity's Corporate Governance Statement is included in this report.

Signed in accordance with a resolution of the directors.

M Elliott

Mark Elliott
Director
Brisbane 28 July 2014

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Australia

DECLARATION OF INDEPENDENCE BY A S LOOTS TO THE DIRECTORS OF HOT ROCK LIMITED

As lead auditor of Hot Rock Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hot Rock Limited and the entities it controlled during the period.

BDO Audit Pty Ltd

Brisbane, 28 July 2014

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 July 2014.

(a) **Distribution of equity securities**

HRL – Ordinary Fully Paid Shares

Number of Securities Held	**No's of holders**
1 to 1,000	32
1,001 to 5,000	65
5,001 to 10,000	193
10,001 to 100,000	549
100,001 and over	315
Total	**1,154**
Number of shareholders holding less than a marketable parcel of shares	719

(b) Twenty largest holders

HRL – Ordinary Fully Paid Shares

No.	**Name of Shareholder**	**Holding**	**% Held**
1	ELLIOTT NOMINEES P/L	23,365,782	6.76%
2	SCINTILLA STRATEGIC INVESTMENTS LIMITED	15,335,000	4.44%
3	BIZZELL NOMINEES PTY LTD	11,988,472	3.47%
4	LORRAINE JEAN ZILLMAN	11,100,000	3.21%
5	BARJAYE PTY LIMITED	10,376,220	3.00%
6	MR RUSSELL NEIL CREAGH	9,029,999	2.61%
7	DOWNSHIRE INVESTMENTS PTY LTD	8,021,059	2.32%
8	NORMAN JOSEPH ZILLMAN & LORRAINE JEAN ZILLMAN	7,933,333	2.30%
9	MR PETER RODNEY BARNETT & MR ALFRED BRIAN BARNETT & MS MARIA KATRINA BARNETT	7,300,000	2.11%
10	DURAK INVESTMENT CORPORATION PTY LTD	6,429,900	1.86%
11	MR DOUGAL MALCOLM HENDERSON	6,090,000	1.76%
12	CRESTA VISTA PTY LTD	5,907,911	1.71%
13	MR ANDREW MURRAY GREGOR	5,877,882	1.70%
14	LEET INVESTMENTS PTY LIMITED	5,500,000	1.59%
15	PETER RODNEY BARNETT	5,150,129	1.49%
16	MR JOSE LEVISTE JNR	5,000,000	1.45%
17	MR IAN LINDSAY CAMPBELL	5,000,000	1.45%
18	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,749,632	1.38%
19	TROMSO PTY LTD	4,000,912	1.16%
20	MR STEPHEN SHARRATT	4,000,000	1.16%
		162,156,231	**48.08%**

(c) Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

INTERESTS IN EXPLORATION TENEMENTS
Hot Rock Limited held the following interests in exploration tenements as at 25 July 2014:

VICTORIA

Type	**Location**	**Status**	**Grant**	**Expiry Date**	**HRL Interest**
GEP 6	Portland	Granted	14/05/2007	13/12/2018	100%
GEP 8	Warrnambool	Granted	14/05/2007	13/12/2018	100%

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Hot Rock Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of Hot Rock Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Hot Rock Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the Board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

The Board endorses the ASX Principles of Good Corporate Governance and Best Practice Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the Company.

The Company is committed to ensuring that its corporate governance systems maintain the Company's focus on transparency, responsibility and accountability. For further information on corporate governance policies adopted by Hot Rock Limited, refer to our website: www.hotrockltd.com

ASX Principles and Recommendations not followed by the Company and the reasons for non-compliance are as follows.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1	A majority of the board is not independent	The current board has one independent director and three directors who are considered to be not independent. The position of each director and as to whether or not they are considered to be independent is set out below. The Board believe that the individuals on the board can and do make quality and independent judgements in the best interest of the Company and other stakeholders notwithstanding that they are not independent directors in accordance with the criteria set out in the recommendations.
2.2	The Chairman is not independent	The Chairman of the company is not considered to be independent as he is a substantial shareholder of the Company. The Board believes that the current Chairman can and does make quality and independent judgements in the best interest of the Company and other stakeholders notwithstanding that he is not an independent director in accordance with the criteria set out in the recommendations.
2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a separate nomination committee. The board as a whole will undertake the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants may be engaged to identify possible new candidates for the board.
3.2, 3.3	Measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them have not been implemented	The Board has established a Diversity Policy. There are some aspects of the recommendations that are difficult to comply with due to the Company's size. The Board at this juncture has not set measurable objectives. This policy will be reviewed as part of the annual compliance review to ensure that the Diversity Policy is being progressed as required and to set measurable objectives when appropriate for the Company.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed	The Board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
7.2	Management has not reported to the board as to the effectiveness of the company's management of its material business risks.	While the design and implementation of a basic risk management and internal control system is in place, a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board, and is not considered necessary at this stage for the size and nature of the Company's current activities.
8.1	There is no separate Remuneration committee	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation for the remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and any executives of the Company.

Structure of the Board
The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets. In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered not to be independent:

Name	Position	Reason for not being Independent
Mark Elliott	Non-Executive Chairman	Dr Elliott is a substantial shareholder of the Company
Peter Barnett	Non-Executive Director	Mr Barnett was employed in an executive capacity during the year
Mike Sandy	Non-Executive Director	Mr Sandy is independent
Stephen Bizzell	Non-Executive Director	Mr Bizzell and his associated entities are in aggregate a substantial shareholder (greater than 5%) in the Company

Hot Rock Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Hot Rock Limited due to their considerable industry and corporate experience. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
Mark Elliott	8 years 1 month
Peter Barnett	6 years 9 months
Mike Sandy	7 years 3 months
Stephen Bizzell	5 years

Trading Policy
The Board has adopted a policy and procedure on dealing in the company's securities by Directors, officers and employees which prohibits dealing in the company's securities when those persons possess inside information. Trading is also only permitted during certain pre-determined windows.

Company Code of Conduct
The Company is committed to operating ethically, honestly, responsibly and legally in all its business dealings. Accordingly, the Company requires employees to act in the Company's best interests in a professional, honest and ethical manner, and in full compliance with the law, both within and on behalf of the Company.

The Company has an established Code of Conduct (Code) which outlines the behaviour that is expected of employees. The Code governs all the Company's operations and the conduct of Directors, management and employees when they represent the Company.

The Code clearly sets out the process for dealing with complaints of breaches. The Board, senior executives, management and all employees of the Company are committed to implementing this Code and each individual is accountable for such compliance.

A copy of the Code is given to all employees, contractors and relevant personnel, including Directors and senior executives. Appropriate training is provided for Directors, senior executives and employees on a regular basis, where applicable.

Recruitment and Selection Processes
The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit.

Diversity
As the context permits, the Company is committed to workplace diversity. The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

The Company values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably.

The Company has a number of objectives in place to continually work towards its vision. These objectives include:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity;
- Awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Company seeks to achieve these objectives by:

- recruiting and managing on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- providing equal opportunities based on merit;
- fostering a culture that empowers people to act in accordance with this policy;
- fostering an inclusive, supportive and respectful culture to enable all personnel to reach their full potential;
- respecting the unique attributes that each individual brings to the workplace; and
- establishing and reviewing measurable objectives, particularly on gender diversity.

The proportion of women employees in the whole organisation, women in senior management positions and women on the board are as follows:

Measure	Female proportion
Organisation	Nil
Senior management	Nil
Board	Nil

Board committees
The Board's charter allows it to establish committees if and when required to assist in the execution of the duties of the board. As at the date of this report, no committees have been established as the structure of the board, the size of the Company and the scale of its activities, allows all directors to participate fully in all decision making. When the circumstances require it, the committees will be instituted with each having its own charter approved by the board that will set the standards for the operation of the committees. All matters that would be considered by committee are dealt with by the board.

Remuneration and Nomination
The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of emoluments 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.

Audit and Risk Management
The responsibilities of Audit and Risk Management Committee are undertaken by the full Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management policies can be found within the Audit and Risk Management Committee Charter available on the Company's website.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

While the design and implementation of a basic risk management and internal control system is in place a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board and is not considered necessary at this stage for the size and nature of the Company's current activities.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that they system is operating effectively in all material respects in relation to financial reporting risks.

Performance
The Board considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board. The performance of the individual members of the Board is reviewed on an on-going basis as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2014.

Remuneration
It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the company's financial and operations performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of Key Management Personnel
- attraction of quality management to the company
- performance incentives which allow Executives to share the rewards of the success of Hot Rock Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the highest paid (Non-Director) Executives during the year, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Hot Rock Limited and the performance of the individual during the year.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy
Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. A copy of the Continuous Disclosure Policy can be found within the Company's Corporate Governance Statement on the Company's website.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	3	20,858	13,337
Gain on disposal of geothermal equipment	4	347,350	-
Employment and consultancy expenses		(606,281)	(1,024,102)
Depreciation and amortisation expenses	13	(2,217)	(14,446)
Finance costs		-	(86)
Impairment of exploration expenditure	14	-	(3,912,271)
Other expenses		(283,613)	(496,707)
Loss before income tax		(523,903)	(5,434,275)
Income tax benefit/(expense)	5	-	-
Loss after income tax – continuing operations		(523,903)	(5,434,275)
Profit/(loss) after income tax – discontinued operations	2	2,671,728	(2,262,212)
Profit/(loss) after income tax for the year		2,147,825	(7,696,487)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		3,349	107,611
Re-classification of foreign currency translation differences		31,542	-
Income tax		-	-
Other comprehensive income for the year, net of tax		34,891	107,611
Total comprehensive income		2,182,716	(7,588,876)

		Cents	Cents
Earnings per share			
Basic and diluted earnings per share – continuing operations	8	(0.15)	(1.73)
Basic and diluted earnings per share – discontinued operations	8	0.77	(0.73)
Basic and diluted earnings per share	8	0.62	(2.46)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Balance Sheet
As at 30 June 2014

	Note	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	9	1,587,263	179,770
Trade and other receivables	10	25,181	8,534
Other current assets	11	11,559	15,298
TOTAL CURRENT ASSETS		1,624,003	203,602
NON-CURRENT ASSETS			
Trade and other receivables	10	30,500	52,198
Equity accounted investments	12	-	197,619
Plant and equipment	13	1,412	3,629
Exploration and evaluation assets	14	-	-
TOTAL NON-CURRENT ASSETS		31,912	253,446
TOTAL ASSETS		1,655,915	457,048
CURRENT LIABILITIES			
Trade and other payables	15	29,806	826,327
Short-term provisions	16	-	187,328
TOTAL CURRENT LIABILITIES		29,806	1,013,655
TOTAL LIABILITIES		29,806	1,013,655
NET ASSETS/(LIABLITIES)		1,626,109	(556,607)
EQUITY			
Issued capital	17	14,298,986	14,298,986
Reserves	18	165,400	1,163,337
Accumulated losses		(12,838,277)	(16,018,930)
TOTAL EQUITY/ (DEFICIT)		1,626,109	(556,607)

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Reserve	Total
	$	$	$	$	$
Balance at 1 July 2012	12,700,722	(8,322,443)	1,032,828	(142,502)	5,268,605
Transactions with owners in their capacity as owners					
Issue of share capital	1,692,163	-	-	-	1,692,163
Share issue costs	(93,899)	-	-	-	(93,899)
Share-based payment expense	-	-	165,400	-	165,400
Total transactions with owners in their capacity as owners	1,598,264	-	165,400	-	1,763,664
Comprehensive income					
Loss after income tax	-	(7,696,487)	-	-	(7,696,487)
Foreign currency translation differences	-	-	-	107,611	107,611
Total comprehensive income for the year	-	(7,696,487)	-	107,611	(7,588,876)
Balance at 30 June 2013	14,298,986	(16,018,930)	1,198,228	(34,891)	(556,607)
Balance at 1 July 2013	14,298,986	(16,018,930)	1,198,228	(34,891)	(556,607)
Transactions with owners in their capacity as owners					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share-based payment expense	-	1,032,828	(1,032,828)	-	-
Total transactions with owners in their capacity as owners	-	1,032,828	(1,032,828)	-	-
Comprehensive income					
Profit after income tax	-	2,147,825	-	-	2,147,825
Foreign currency translation differences for foreign operations	-	-	-	3,349	3,349
Re-classification of foreign currency translation differences	-	-		31,542	31,542
Total comprehensive income for the year	-	2,147,825	-	34,891	2,182,716
Balance at 30 June 2014	14,298,986	(12,838,277)	165,400	-	1,626,109

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,373,478)	(824,890)
Interest received		19,086	5,695
Finance costs		-	(86)
Operating cash flows from discontinued operations		(645,858)	(674,219)
Net cash used in operating activities	19	(2,000,250)	(1,493,500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		-	20,000
Refund of security deposits		9,500	23,783
Proceeds from disposal of geothermal equipment		411,374	-
Payments associated with the sale of geothermal equipment		(64,024)	-
Payments for exploration and evaluation assets		-	(82,935)
Investing cash flows from discontinued operations		3,119,777	236,777
Net cash from investing activities		3,476,627	197,625
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,463,676
Capital raising expenses		-	(93,899)
Proceeds from borrowings		260,366	310,000
Repayment of borrowings		(320,366)	(280,508)
Net cash from/(used) financing activities		(60,000)	1,399,269
Net increase/(decrease) in cash and cash equivalents held		1,416,377	103,394
Net foreign exchange differences		(8,884)	16,569
Cash and cash equivalents at the beginning of the financial year		179,770	59,807
Cash and cash equivalents at the end of the financial year		1,587,263	179,770

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Hot Rock Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Hot Rock Limited is a listed public company, incorporated and domiciled in Australia. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is geothermal exploration.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent Entity.

Authorisation of financial report
The financial report was authorised for issue on 28 July 2014.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Hot Rock Limited is a for-profit entity for the purpose of preparing the financial statements.
The financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared under the historical convention, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but 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 and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

There were no critical accounting estimates or judgements made in the process of applying the entity's accounting policies that in management's assessment can significantly affect the amounts recognised in the financial statements.

Going Concern

On 18 November 2013, the Company announced that it had entered into a sale agreement with its joint venture partner, Energy Development Corporation (EDC) for the sale of its geothermal assets, consisting of granted exploration concessions and authorisations (tenements) and applications it holds in both Peru and Chile.

The parties agreed to a sale price for the Chilean and Peruvian Assets of US$3,000,000, with a deposit of US$500,000 paid by EDC on 21 November 2013.

Refer note 3 for further details.

The sale proceeds were received during the year and will provide working capital to enable the Company to progress with its remaining geothermal assets in Australia and Chile, whilst also investigating other opportunities.

HRL also announced to the market on 21 July 2014 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). Refer note 28 for further details.

The consideration for the acquisition is anticipated to be through the issue of shares in HRL.

The operations of OCTIEF Pty Ltd are expected to be cash flow positive.

The Company has forecast that it has sufficient funds to continue as a going concern whether the acquisition proceeds or not.

No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Accounting policies

(a) Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Investments in Associates

Associates are companies in which the Consolidated Entity has significant influence through holding, directly or indirectly, between 20% and 50% of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Consolidated Entity's share of net assets of the associate company. In addition, the Consolidated Entity's share of the profit or loss of the associate company is included in the Consolidated Entity's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Consolidated Entity's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Consolidated Entity and the associate are eliminated to the extent of the Consolidated Entity's interest in the associate.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, the Consolidated Entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Consolidated Entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Consolidated Entity's investments in associates are provided in Note 12.

(c) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).
Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(d) Plant and Equipment

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

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of policy for impairment).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and Equipment (continued)

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Office Equipment	20 - 33%
Motor Vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Exploration and Evaluation Assets

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered 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.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) 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 capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted 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.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(g) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature greater than 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold greater than 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee Benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions to defined contribution plans are expensed when incurred.

<u>Equity-settled compensation</u>
Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

(k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Government grants are recognised at fair value when there is a reasonable assurance that the Consolidated Entity will comply with the conditions attaching to them and the grants will be received.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(m) Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Foreign Exchange

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

<u>Subsidiary companies</u>
The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in profit or loss.

(r) New Accounting Standards and Interpretations

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the year:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle, and
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

(s) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2017. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity does not expect any material impacts when the standard is adopted.

NOTE 2 DISCONTINUED OPERATIONS

Sale of South American Project and Companies

On 18 November 2013, the Consolidated Entity announced that it had entered into a sale agreement with its joint venture partner, Energy Development Corporation (EDC) for the sale of its geothermal assets, consisting of granted exploration concessions and authorisations (tenements) and applications it holds in both Peru and Chile. These concessions and authorisations were held by the following subsidiaries of HRL:

- Hot Rock Chile S.A. (Chile)
- Hemisferio Sur SpA (Chile)
- Hot Rock Peru S.A. (Peru)
- Hot Rock Chile Ltd (BVI)
- Hot Rock Peru Ltd (BVI)

In addition HRL also disposed of its 30% interest in the Quellaapacheta joint venture Project.

The parties agreed to a sale price for the Chilean and Peruvian Assets of AUD$3,121,830, including a deposit of AUD$563,507 paid by EDC on 21 November 2013.

The balance of the purchase price of AUD$2,558,323 was paid by EDC on 6 January 2014, following the transfer of the shares of Hot Rock Chile Limited (BVI) and Hot Rock Peru Limited (BVI) in accordance with the sale contract.

An amount of US$230,000 is subject to retention pending the resolution of a tax matter in Peru. This amount has been excluded from the consideration below and has been disclosed as a contingent asset (refer Note 25).

The effective date of sale of the relevant subsidiaries was deemed to occur on 19 December 2013 following HRL obtaining shareholder approval and the final condition of the sale agreement being met. HRL ceased to have effective control of the relevant subsidiaries at this date.

Sale of 70% interest in Quellaapacheta

Under the terms of the previous joint venture agreement with EDC, Hot Rock Limited (HRL) received from EDC an initial payment of AUD$437,972. This amount was repayable in the event EDC withdrew from the project before 14 October 2013. EDC did not withdraw from the project and the AUD$437,972 was transferred to income in this period.

EDC was also obligated under the previous joint venture agreement to make a second payment of US$0.6 million if EDC did not withdraw from the project by 14 July 2014. As part of the sale agreement referred to below, this obligation was released and HRL is no longer entitled to this payment.

The Consolidated Entity South American business was classified as a discontinued operation on 19 December 2013. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

	1 Jul 2013 to 19 Dec 2013 $	1 Jul 2012 to 30 Jun 2013 $
Revenue	-	-
Gain on disposal of 70% interest in Quellaapacheta	437,972	-
Gain on disposal of subsidiaries and equity accounted investments	2,889,889	-
Employment and consultancy expenses	(155,986)	(311,809)
Depreciation and amortisation expenses	-	(9,019)
Exchange loss	(10,274)	-
Impairment of exploration expenditure	-	(1,560,180)
Impairment of plant and equipment	-	(24,794)
Administration expenses	(489,873)	(356,410)
Profit/(loss) before income tax	2,671,728	(2,262,212)
Income tax benefit/(expense)	-	-
Profit/(loss) after income tax	2,671,728	(2,262,212)

NOTE 2 DISCONTINUED OPERATIONS (continued)

The Consolidated Entity South American business was classified as a discontinued operation on 19 December 2013. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

	1 Jul 2013 to 19 Dec 2013 $	1 Jul 2012 to 30 Jun 2013 $
Revenue	-	-
Gain on disposal of 70% interest in Quellaapacheta	437,972	-
Gain on disposal of subsidiaries and equity accounted investments	2,889,889	-
Employment and consultancy expenses	(155,986)	(311,809)
Depreciation and amortisation expenses	-	(9,019)
Exchange loss	(10,274)	-
Impairment of exploration expenditure	-	(1,560,180)
Impairment of plant and equipment	-	(24,794)
Administration expenses	(489,873)	(356,410)
Profit/(loss) before income tax	2,671,728	(2,262,212)
Income tax benefit/(expense)	-	-
Profit/(loss) after income tax	2,671,728	(2,262,212)

Details of the disposal of discontinued operations

Details of the sale of the division including the carrying amounts of assets and liabilities of the discontinued South American operations as at 19 December 2013 were:

	19 December 2013 $
Consideration	
Cash deposit received on 21 November 2013	563,507
Balance received on 6 January 2014	2,558,323
Total consideration	3,121,830
Assets and liabilities disposed	
Cash and cash equivalents	(2,053)
Trade and other receivables	(727)
Equity accounted investments	(197,619)
Total assets and liabilities disposed	(200,399)
Re-classification of foreign exchange differences on disposal	(31,542)
Gain on disposal	2,889,889

	2014 $	2013 $

NOTE 3 REVENUE

	2014 $	2013 $
Interest income	20,858	13,337
	20,858	13,337

NOTE 4 GAIN ON DISPOSAL OF GEOTHERMAL EQUIPMENT

	2014 $	2013 $
Proceeds from the sale of geothermal wellheads and casing	411,374	-
Transport and other costs associated with the sale	(64,024)	-
	347,350	-

During the year, the Company sold its drill casing and high pressure wellhead to an overseas geothermal company. The wellheads and casing were surplus to current needs and the released funds will be able to be put to more productive use in the interim. Two low pressure wellheads have been retained and stored near Koroit.

The Company had previously impaired the value of the drill casing and high pressure wellhead to $nil.

NOTE 5 INCOME TAX EXPENSE

A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax at the Company's effective income tax rate for the years ended 30 June 2014 and 2013 is as follows:

	2014 $	2013 $
Profit/(loss) before income tax	2,147,825	(7,696,487)
At income tax rate of 30% (2013: 30%)	644,348	(2,308,946)
Non-deductible expenses	-	1,473,828
Deferred tax assets (utilised)/not bought to account	(644,348)	835,118
Income tax expense	-	-

Recognised deferred tax assets and liabilities

	2014 $	2013 $
<u>Deferred Tax Assets</u>		
Deductible temporary differences	531	-
Unused tax losses	-	-
<u>Deferred Tax Liabilities</u>		
Assessable temporary differences	(531)	-
Net deferred tax recognised	-	-

Unrecognised temporary differences and tax losses

	2014 $	2013 $
Unrecognised temporary differences and tax losses for which no deferred tax asset has been recognised	8,325,907	10,473,733
Potential tax benefit @ 30%	2,497,772	3,142,120

The deductable temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise these benefits.

NOTE 6 AUDITORS' REMUNERATION

Remuneration for the auditor of the Parent Entity for:	*BDO Audit Pty Ltd*	*Crowe Horwath*
- audit and review of the financial report	27,500	27,500
- taxation services	-	5,775
	27,500	33,275

NOTE 7 DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year (2013: Nil). There were no franking credits available to the shareholders of the Consolidated Entity.

NOTE 8 EARNINGS PER SHARE

Earnings used to calculate basic and dilutive EPS – continuing operations	(523,903)	(5,434,275)
Earnings used to calculate basic and dilutive EPS – discontinued operations	2,671,728	(2,262,212)
Earnings used to calculate basic and dilutive EPS	2,147,825	(7,696,487)

	2014 Number	2013 Number
Weighted average number of shares outstanding during the year used in calculating EPS and dilutive EPS	345,427,767	312,802,578

The 21,000,000 options outstanding at 30 June 2014 (2013: 29,938,985) are not included in the calculation of diluted earnings per share as they are anti-dilutive.

	2014 $	2013 $

NOTE 9 CASH AND CASH EQUIVALENTS

Cash on hand and at bank	1,587,263	179,770

NOTE 10 TRADE AND OTHER RECEIVABLES

CURRENT		
Other receivables	25,181	8,534
NON-CURRENT		
Security bonds	30,500	52,198

NOTE 11 OTHER ASSETS

Prepaid expenses	11,559	15,298

NOTE 12 EQUITY ACCOUNTED INVESTMENTS

Casrock Pty Ltd	-	1
Geotermica Quellaapacheta Peru S.A.C	-	197,618
	-	197,619

Movements during the year

	Casrock Pty Ltd	Geotermica Quellaapacheta Peru S.A.C	Total
Balance at 1 July 2013	1	197,618	197,619
Disposals	(1)	(197,618)	(197,619)
Balance at 30 June 2014	-	-	-

Casrock Pty Ltd

2013: The Consolidated Entity held a 29% interest in Casrock Pty Ltd. Casrock Pty Ltd held the lease of an office occupied by Hot Rock Ltd. All costs incurred by Casrock Pty Ltd were reimbursed by Hot Rock and by the other shareholders and it did not make a profit or a loss. The net assets of Casrock Pty Ltd were $2. Casrock Pty Ltd's place of business is Australia. The measurement method used is the equity method. There is no quoted market price for this investment.

Geotermica Quellaapacheta Peru S.A.C

2013: The Consolidated Entity held a 30% interest in Geotermica Quellaapacheta Peru S.A.C., with Energy Development Corporation (EDC) holding the other 70% interest. Geotermica Quellaapacheta Peru S.A.C holds the Quellaapacheta concession in southern Peru. Under the terms of the joint venture agreement, EDC sole funds up to US$12 million on surface exploration and deep exploration drilling activities before HRL is required to commence joint funding of its 30% share of funding costs. Geotermica Quellaapacheta Peru S.A.C.'s place of business is Peru. The measurement method used is the equity method. There is no quoted market price for this investment.

HRL also disposed of its 30% interest in the Quellaapacheta joint venture Project on 19 December 2013.

Geotermica Quellaapacheta Peru S.A.C was incorporated on 15 April 2013 at which time the Consolidated Entity reclassified its project expenditures incurred to date on the Quellaapacheta concession from Exploration Expenditure to Equity Accounted Investments. These project expenditures were transferred at cost.

Geotermica Quellaapacheta Peru S.A.C incurred a loss for the period from 15 April 2013 to 30 June 2013 amounting to $117,586 and reported net liabilities of $93,842 as at 30 June 2013. The Consolidated Entity has not recognised its share of this loss and net liabilities, as EDC sole funded Geotermica Quellaapacheta Peru S.A.C. and HRL was not obligated to provide funding.

<u>Further details of Geotermica Quellaapacheta Peru S.A.C at 30 June 2013:</u>

Primary activity	Geothermal Exploration
Equity interest of HRL	30%
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total assets	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total liabilities	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total revenue	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's committed expenditure	Nil
Contingent assets and liabilities of Geotermica Quellaapacheta Peru S.A.C	Nil

	2014	2013
	$	$

NOTE 13 PLANT AND EQUIPMENT

	2014 $	2013 $
Office equipment – at cost	16,024	182,183
Accumulated depreciation	(14,612)	(153,760)
Accumulated impairment	-	(24,794)
	1,412	3,629

Movements during the year

	Office Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2012	46,776	15,766	62,542
Additions	-	-	-
Disposals	-	(13,204)	(13,204)
Foreign exchange movements	2,550	-	2,550
Depreciation	(20,903)	(2,562)	(23,465)
Impairment	(24,794)	-	(24,794)
Balance at 30 June 2013	3,629	-	3,629
Balance at 1 July 2013	3,629	-	3,629
Additions	-	-	-
Depreciation	(2,217)	-	(2,217)
Balance at 30 June 2014	1,412	-	1,412

NOTE 14 EXPLORATION AND EVALUATION ASSETS

	2014 $	2013 $
Capitalised exploration expenditure	-	-

Movements during the year

	2014 $	2013 $
Balance at beginning of year	-	5,299,777
Exploration activities capitalised	-	269,983
Foreign exchange movements	-	100,309
Transfer to equity accounted investments	-	(197,618)
Impairment	-	(5,472,451)
Balance at end of year	-	-

	2014 $	2013 $
NOTE 15 TRADE AND OTHER PAYABLES		
Trade payables	6,508	113,296
Other payables and accrued expenses	23,298	89,092
Unearned income – sale of interest in Quellaapacheta	-	437,972
Payable to directors - loans	-	60,000
Payable to directors – outstanding wages and fees	-	125,967
	29,806	826,327

Unearned income – sale of interest in Quellaapacheta
2013: Under the terms of the joint venture agreement, HRL has received an initial payment of $437,972 from EDC. If EDC withdraws from the project before 14 October 2013, the $437,972 is refundable.

EDC did not withdraw from the project and the AUD$437,972 was transferred to income in the 2014 year.

Payables to directors – loans and outstanding wages and fees
2013: To assist with the short term funding of the Consolidated Entity, the Directors have deferred payment of wages and fees and also provided short term loans. Both of these amounts are interest free and are only repayable once the Consolidated Entity has sufficient working capital to do so.

All amounts owing to Directors were repaid in January 2014.

NOTE 16 PROVISIONS

Employee benefits	-	187,328

	2014 $	2013 $
NOTE 17 ISSUED CAPTIAL		
345,427,767 fully paid ordinary shares (2013: 345,427,767)	14,298,986	14,298,986

	2014 Number	2013 Number	2014 $	2013 $
Movements during the year				
Balance at beginning of year	345,427,767	232,035,215	14,298,986	12,700,722
Share placement ($0.015 per share)	-	2,000,000	-	30,000
Rights issue ($0.015 per share)	-	97,578,418	-	1,463,676
DMFP Shares ($0.0144 per share) [1]	-	13,814,134	-	198,487
Issue costs	-	-	-	(93,899)
Balance at end of year	345,427,767	345,427,767	14,298,986	14,298,986

[1] Represents amounts paid via shares under the Directors' and Management Fee Plan (DMFP) approved by shareholders on 29 November 2012. Under the DMFP, Directors' and Management may elect to receive up to 50% of their remuneration in HRL shares. The participant shares were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue.

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options
As at 30 June 2014 there were 21,000,000 unissued ordinary shares under option (2013: 29,938,985). Refer to Note 20 for further details on options.

During the year ended 30 June 2014 no shares were issued following the exercise of options.

NOTE 18 RESERVES

	2014 $	2013 $
Share based payment reserve	165,400	1,198,228
Foreign currency translation reserve	-	(34,891)
	165,400	1,163,337

Share based payment reserve movements during the year

	2014 $	2013 $
Balance at beginning of year	1,198,228	1,032,828
Share based payment expense	-	165,400
Transfer of expired share based payments to accumulated losses	(1,032,828)	-
Balance at end of year	165,400	1,198,228

Foreign currency translation reserve movements during the year

	2014 $	2013 $
Balance at beginning of year	(34,891)	(142,502)
Foreign exchange differences	3,349	107,611
Re-classification of foreign exchange differences on disposal	31,542	-
Balance at end of year	-	(34,891)

Nature and purpose of reserves

Share based payment reserve
The share based payments reserve records the value of share based payments provided to directors and employees as part of their remuneration.

Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	2014 $	2013 $

NOTE 19 CASH FLOW INFORMATION

Reconciliation of cash flow used in operations with profit/(loss) after income tax

	2014 $	2013 $
Profit/(loss) after income tax	2,147,825	(7,696,487)
Non-cash items in loss after income tax		
Depreciation and amortisation	2,217	23,465
Share based payments expense - options	-	165,400
Share based payments expense – DMFP shares	-	198,487
Share based payments expense – placement shares	-	30,000
Impairment of exploration expenditure	-	5,472,451
Impairment of plant and equipment	-	24,794
Gain on disposal of plant and equipment	-	(6,796)
Gain on disposal of subsidiaries and equity accounted investments	(2,889,889)	-
Gain on disposal of geothermal equipment	(347,350)	-
Gain on disposal of 70% interest in Quellaapacheta	(437,972)	-
Foreign exchange loss on Quellaapacheta unearned income	-	49,773
Accrued interest revenue	(1,772)	(845)
Movements in operating assets and liabilities		
Trade and other receivables	(3,404)	27,392
Other assets	3,739	9,380
Trade and other payables	(286,316)	173,176
Provisions	(187,328)	36,310
Cash flow from operations	(2,000,250)	(1,493,500)

NOTE 20 SHARE BASED PAYMENTS

The following share based payment arrangements were in place at 30 June 2014:

Options

2014 #	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	20 July 2009	30/11/2015	0.04	13,000,000	-	-	-	13,000,000	13,000,000
2	1 Oct 2009	30/11/2015	0.04	8,000,000	-	-	-	8,000,000	8,000,000
3	26 Nov 2009	04/11/2013	0.25	2,338,985	-	-	(2,338,985)	-	-
4	16 Feb 2010	31/01/2014	0.20	600,000	-	-	(600,000)	-	-
5	1 March 2011	01/12/2013	0.25	6,000,000	-	-	(6,000,000)	-	-
				29,938,985	-	-	(8,938,985)	21,000,000	21,000,000
Weighted average exercise price				0.12	-	-	0.25	0.04	0.04

2013 Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	20 July 2009	30/11/2015	0.04	-	13,000,000	-	-	13,000,000	13,000,000
2	1 Oct 2009	30/11/2015	0.04	-	8,000,000	-	-	8,000,000	8,000,000
3	26 Nov 2009	04/11/2013	0.25	2,338,985	-	-	-	2,338,985	2,338,985
4	16 Feb 2010	31/01/2014	0.20	600,000	-	-	-	600,000	600,000
5	1 March 2011	01/12/2013	0.25	6,000,000	-	-	-	6,000,000	6,000,000
				8,938,985	21,000,000	-	-	29,938,985	29,938,985
Weighted average exercise price				0.25	0.04	-	-	0.10	0.10

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.42 years. (2013: 1.82 years).

The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. The model takes into account the following factors:

Inputs into pricing model	Directors Tranche 3	Employees Tranche 4
Grant date	29 November 2012	19 October 2012
Vesting date	29 November 2012	19 October 2012
Exercise price	$0.04	$0.04
Share price at grant date	$0.02	$0.02
Life of the options	3 years	3 years
Underlying share price volatility	100%	100%
Expected dividends	Nil	Nil
Risk free interest rate	3.25%	3.25%

No options were exercised during the year ended 30 June 2014 (2013: Nil).

Included under Employee Benefits Expense in the Statement of comprehensive income is $Nil (2013: $165,400), that relates, in full, to equity-settled share-based payment transactions.

NOTE 20 SHARE BASED PAYMENTS (continued)

Directors' and Management Fee Plan

2013: The Directors' and Management Fee Plan (DMFP) was approved by shareholders on 29 November 2012. Under the DMFP, Directors' and Management may elect to receive up to 50% of their remuneration in HRL shares. The participant shares were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue. The following shares were issued in the prior year under the plan:

	Value of base remuneration received as equity $	No. of shares issued
Directors	163,292	11,381,733
Employees	35,195	2,432,401

NOTE 21 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 13.

Summary	2014 $	2013 $
Short-term employee benefits	489,688	538,494
Long-term benefits	22,429	46,923
Post-employment benefits	14,851	26,835
Share-based payments	-	285,692
	526,968	897,944

Loans with Director related parties

To assist with the short term funding of the Consolidated Entity, the Directors provided short term loans. The loans were interest free and are only repayable once the Consolidated Entity had sufficient working capital to do so. The loans were repaid in January 2014.

2014	Balance 1 July 2013	Loans Provided by Directors	Interest	Repayments	Balance 30 June 2014
Director					
Mark Elliott	30,000	50,000	-	(80,000)	-
Peter Barnett	-	80,366	-	(80,366)	-
Michael Sandy	30,000	50,000	-	(80,000)	-
Stephen Bizzell	-	80,000	-	(80,000)	-
	60,000	260,366	-	(320,366)	-

2013	Balance 1 July 2013	Loans Provided by Directors	Interest	Repayments	Balance 30 June 2014
Director					
Mark Elliott	-	30,000	-	-	30,000
Peter Barnett	-	-	-	-	-
Michael Sandy	-	30,000	-	-	30,000
Stephen Bizzell	-	-	-	-	-
	-	60,000	-	-	60,000

NOTE 21 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Amounts owed to Key Management Personnel

$500 is owed to Directors for unpaid director fees (2013: $125,967).

$Nil is owed to Peter Barnett for the reimbursement of business related expenses (2013: $60,000).

$Nil is owed to Mark Elliott for the reimbursement of business related expenses (2013: $24,836).

NOTE 22 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is cash flow interest rate and foreign exchange risk.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity. It arises from exposure to customers as well as through deposits with financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2014. Credit risk is reviewed regularly by the Board.

The Consolidated Entity does not have any material credit risk exposure to any counterparty, except for its holdings of cash which is held with the National Australia Bank.

Maximum exposure to credit risk

	2014	2013
Summary exposure	**$**	**$**
Cash and cash equivalents	1,587,263	179,770
Other receivables	25,181	8,534
Security bonds	30,500	52,198
	1,642,944	240,502

Ageing of receivables		
Not past due	25,181	8,534
Past due 0-90 days	-	-
Past due >90 days	-	-
	25,181	8,534

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date.

NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2014	2013
Trade and other payables	$	$
Less than one year	29,806	826,327

(c) Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

All cash assets have floating interest rates. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Impact on profit and equity	2014	2013
	$	$
+1.00% (100 basis points)	15,873	1,798
-1.00% (100 basis points)	(15,873)	(1,798)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 30 June 2014, the Consolidated Entity had the following exposure to foreign currency, shown in Australian Dollars:

	2014	2013
Financial Assets	$	$
Cash and cash equivalents (USD)	394,667	132,696
Cash and cash equivalents (Chilean Peso)	-	33,515
Cash and cash equivalents (Peruvian Nevo Soles)	-	8,148
	394,667	174,359
Financial Liabilities		
Trade and other payables (Chilean Peso)	-	4,452
Trade and other payables (Peruvian Nevo Soles)	-	9,858
	-	14,310

NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

Impact on profit and equity	2014	2013
	$	$
+10.00%	39,466	16,005
-10.00%	(39,466)	(16,005)

(d) Capital Risk Management

When managing capital, the directors objective is to ensure that the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Consolidated Entity may seek to issue new shares.

Consistent with other exploration companies, the Consolidated Entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Consolidated Entity has no minimum capital requirements, and capital is calculated as shown in the balance sheet.

The Consolidated Entity has yet to establish a formal policy for raising capital through debt instruments. The directors will introduce such a policy when it becomes prudent for the Consolidated Entity to consider raising funds through debt.

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

NOTE 23 SEGMENT REPORTING

Reportable Segments

The principal geographical areas of operation of the Consolidated Entity during the year were South America and Australia. The South American segment is now discontinued.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

Segment Revenues and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the year under review. Results shown below are prepared under the same basis as described in Note 1.

30 June 2014	South America (Discontinued) $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	-	20,858	20,858
Other unallocated revenue	-	-	-
Revenue from Ordinary Activities	-	20,858	20,858
Gain on disposal of 70% interest in Quellaapacheta	437,972	-	437,972
Gain on disposal of subsidiaries and equity accounted investments	2,889,889	-	2,889,889
Gain on disposal of geothermal equipment	-	347,350	347,350
Segment result	2,671,728	(523,903)	2,147,825
Income tax			-
Net Profit/(loss)			2,147,825
Other items			
Depreciation and amortisation	-	(2,217)	(2,217)
Gain on disposal of subsidiaries and equity accounted investments	2,889,889	-	2,889,889
Gain on disposal of geothermal equipment	-	347,350	347,350
Gain on disposal of 70% interest in Quellaapacheta	437,972	-	437,972
Assets:			
Segment assets	-	1,655,915	1,655,915
Unallocated corporate assets			-
Consolidated Total Assets			1,655,915
Liabilities:			
Segment liabilities	-	29,806	29,806
Unallocated corporate liabilities			-
Consolidated Total Liabilities			29,806

NOTE 23 SEGMENT REPORTING (continued)

30 June 2013	South America (Discontinued) $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	-	13,337	13,337
Other unallocated revenue			-
Revenue from Ordinary Activities			13,337
Segment result	(2,262,212)	(5,434,275)	(7,696,487)
Income tax			-
Net Loss			(7,696,487)
Other items			
Depreciation and amortisation	(9,019)	(14,445)	(23,465)
Impairment of exploration expenditure	(923,576)	(4,548,875)	(5,472,451)
Impairment of plant and equipment	(24,794)	-	(24,794)
Share based payments expense - options	-	(165,400)	(165,400)
Share based payments expense – DMFP shares	-	(198,487)	(198,487)
Share based payments expense – placement shares	-	(30,000)	(30,000)
Assets:			
Segment assets	313,011	144,037	457,048
Unallocated corporate assets			-
Consolidated Total Assets			457,048
Liabilities:			
Segment liabilities	39,581	974,074	1,013,655
Unallocated corporate liabilities			-
Consolidated Total Liabilities			1,013,655
Segment acquisitions:			
Capitalised exploration expenditure	141,904	128,079	269,983

	2014 $	2013 $
NOTE 24 COMMITMENTS		
Operating leases		
Minimum lease payments payable:		
Within one year	-	12,176
Between one and five years	-	-
	-	12,176

2013: The non-cancellable minimum future payments leases for an office lease in Brisbane are shown above.

	2014	2013
	$	$

NOTE 24 COMMITMENTS (continued)

Future exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. Failure in meeting these obligations may result in the Consolidated Entity having to relinquish these tenements.

	2014 $	2013 $
Minimum exploration payments payable:		
Within one year	300,000	-
Between one and five years	19,320,000	-
	19,620,000	-

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liability

The Consolidated Entity has arranged bank guarantees of $30,000 to the Victorian Government as security over the granted geothermal tenements (2013: $30,000). No liability has been recognised by the Consolidated Entity as bank deposits totaling $30,000 are in place to satisfy any obligation to the bank. Upon relinquishment of the tenements, the Victorian Government will release the security.

Contingent Asset

On 18 November 2013, the Company announced that it had entered into a sale agreement with its joint venture partner, Energy Development Corporation for the sale of its geothermal assets, consisting of granted exploration concessions and authorisations (tenements) and applications it holds in both Peru and Chile

The parties agreed to a sale price for the Chilean and Peruvian Assets of $3,121,830.

An amount of US$230,000 is subject to retention pending the resolution of a tax matter in Peru. The Directors believe this matter will be resolved in the 2014 year. This amount has not been recognised in the Balance Sheet. In the event the matter is resolved in HRL's favour, the retention amount will be released to HRL.

NOTE 26 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is Hot Rock Limited.

	2014	2013
	$	$
Parent Entity Financial Information		
Current assets	1,624,003	29,240
Non-current assets	31,912	114,797
Total assets	1,655,915	144,037
Current liabilities	29,806	973,816
Total liabilities	29,806	973,816
Net (liabilities)/assets	1,626,109	(829,779)
Issued capital	14,298,986	14,298,986
Share based payment reserve	165,400	1,198,228
Accumulated losses	(12,838,277)	(16,326,993)
Total equity	1,626,109	(829,779)
Profit/(loss) after income tax	2,455,888	(7,758,466)
Other comprehensive income	-	-
Total comprehensive income	2,455,888	(7,758,466)

Controlled Entities of the Parent Entity

	Percentage Owned		Parent Entity Investment	
	2014	2013	2014	2013
	%	%	$	$
Hot Rock Chile S.A. (Chile)	-	100%	-	-
Hot Rock Peru S.A. (Peru)	-	100%	-	-
Hot Rock International Holding Ltd (Canada) [1]	-	100%	-	1
Hot Rock Holding Ltd (BVI) [1]	-	100%	-	1
Hot Rock Chile Ltd (BVI)	-	100%	-	1
Hot Rock Peru Ltd (BVI)	-	100%	-	1

The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date. The Parent Entity has no contractual commitment for acquisition of plant and equipment at balance date.

	2014	2013
	$	$
NOTE 27 EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	21,831	32,343
Rental expense from operating leases	22,125	58,246

NOTE 28 EVENTS AFTER BALANCE DATE

The Board announced to the market on 21 July 2014 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 acquisition 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.

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 shareholder approval, 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 will receive an initial tranche of 320,754,355 HRL shares.

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 s611 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.

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 an upcoming shareholders meeting to approve the proposed acquisition.

There have been no other events since 30 June 2014 that impact upon this financial report.

DIRECTORS' DECLARATION

In the opinion of the Directors

(a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:

- (i) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.

M Elliott

Mark Elliott
Chairman

Brisbane
28 July 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Hot Rock Limited

Report on the Financial Report

We have audited the accompanying financial report of Hot Rock Limited, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the 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 about 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.

Independence

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 Hot Rock 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 Hot Rock 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 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 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 Hot Rock Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A S Loots
Director

Brisbane, 28 July 2014