



March 2010 QUARTERLY REPORT

About Hot Rock

Hot Rock Limited is an Australian energy company formed to develop geothermal energy in Australia and overseas.

The company is one of the largest holders of geothermal acreage in Australia with its positions in the Otway Basin Geothermal Province and Queensland. It is also acquiring quality high temperature geothermal concessions in Chile and Peru. HRL is planning to drill its first flagship geothermal project at Koroit in the Otway Basin, Victoria in 2010.

Executive Management

Mark Elliott – Executive Chairman
Peter Barnett – Managing Director

Hot Rock Limited

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Preparations at Koroit for proof-of-concept drilling now advanced, new geothermal prospect applications made in Peru, further prospects won in Chile

Funding

- HRL's application for a \$7 million grant from the Commonwealth Government's "Geothermal Drilling Programme (GDP)" has been successful; however, HRL is still waiting on DRET to supply the Commonwealth government's Funding Agreement, which is due shortly.

Otway Basin, Victoria

- Good progress is being made with preparation for drilling of the first of two proof-of-concept wells at Koroit. A replacement drilling rig with an appropriate capacity has been engaged for commencing drilling in September 2010, orders for procurement of long lead time casing and wellhead items have been placed for delivery in June, drill pad locations have been identified, land access agreements are in hand and well drilling operations plans are in the final stage of preparation for approval by DPI
- Analysis of seismic and structural geological data and sedimentary basin conductive thermal modelling has been completed in the Tantanoola Trough in GEP6, the Ross Creek and Elingamite Troughs in the eastern area of GEP-8, and in the Penola Trough in GEP 23. Estimates of geothermal resources in these troughs are in progress for reporting in the next quarter

South America

- Three concessions filed in Chile in 2009 were awarded in mid January 2010 and Hot Rock Chile S.A. has been selected for the award of a further two geothermal exploration concessions
- HRL has registered a subsidiary company in Peru and filed exploration applications over four high temperature volcanic geothermal prospects

Corporate

- HRL has received unsolicited expressions of interest from several energy companies in joint venture possibilities on HRL prospects in both the Otway Basin in Australia and South America. Discussions are underway with the various parties.



GEOTHERMAL EXPLORATION ACTIVITIES

Hot Rock Limited (HRL) has five permits granted over the major portion of the prospective geothermal province in the Otway Basin in Victoria, with another permit awaiting grant in the Walsh Creek area west of Cairns in Queensland (Figure 1).

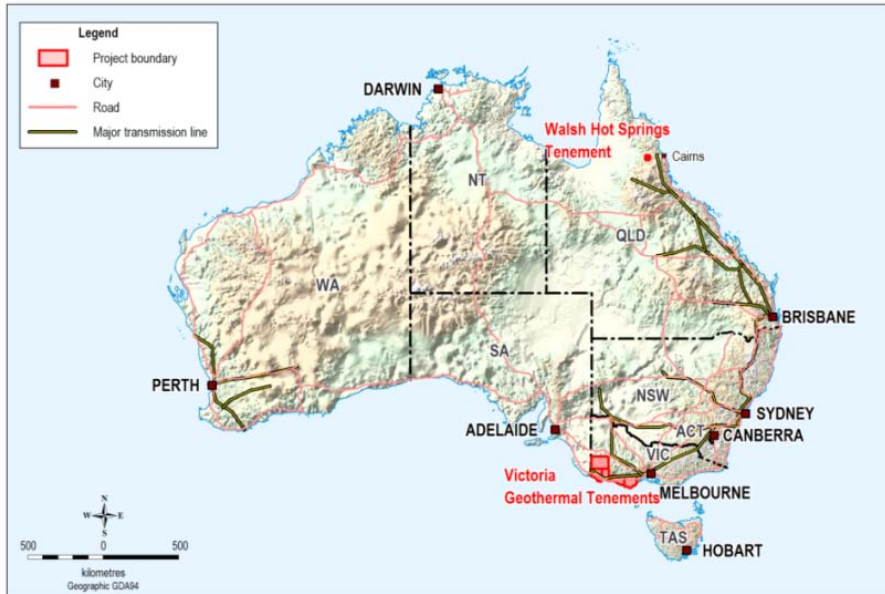


Figure 1: Geothermal Tenements held by Hot Rock in Australia

HRL is developing a portfolio of high quality volcanic geothermal prospects in both Chile and Peru:

- HRL’s wholly owned subsidiary Hot Rock Chile SA (HRC) has been awarded three geothermal concessions on an uncontested basis and has been selected for the award of a further two geothermal exploration concessions resulting from a competitive bidding round held in August 2009 (Figure 2). HRL has also submitted a further 13 geothermal concession applications which have passed the date by which other companies are able to make counter offers. Thus the likelihood of direct award to HRL is high (Figure 2).
- HRL’s wholly owned subsidiary Hot Rock Peru has filed in the past quarter applications over four geothermal prospect areas in southern Peru for detailed surface exploration studies and deep exploration drilling (Figure 2). It is expected the outcome of these applications will be announced later in the year.



Figure 2: HRL's portfolio of geothermal prospects applied for and/or granted in South America



OTWAY BASIN, VICTORIA (GEP- 6, 7, 8, 9 & 23 - 100% HRL)**1. Koroit Project Funding**

On 13 December 2009, HRL was advised by Federal Minister for Resources, Energy & Tourism, the Hon. Martin Ferguson, that its application for a \$7 million grant from the Commonwealth Government's "Geothermal Drilling Programme (GDP)" had been successful. The grant was made in support of HRL's proof-of-concept Hot Sedimentary Aquifer (HSA) geothermal power project located at Koroit, within GEP-8, in the Otway Basin, Victoria.

As noted by Minister Ferguson, this investment will help meet the Australian Government's three major energy-related goals of:

- Increasing energy security by diversifying energy supplies;
- Reducing Australia's CO₂ emissions to 60 per cent below 2000 levels by 2050; and,
- Producing 20 per cent of Australia's electricity from renewable sources by 2020.

The objective of HRL's proof-of-concept project at Koroit is to define 'Measured Resource' and Proven Reserves' through the drilling and testing of two deep standard size production appraisal wells – referred to as proof-of-concept wells. The Koroit Project is currently estimated to have an Indicated and Inferred Geothermal Resource of 7,600PJ and 67,000PJ, respectively of in-place stored heat. The Indicated Resource alone has the potential (at a P50 level of certainty) to generate over 100MWe of geothermal power, enough electricity to supply around 100,000 homes. The Inferred Resource, if proven, would, on the same basis, have the potential to generate more than 1,000MWe of electricity long term (Figure 3).

The Koroit Project could result in the commissioning of the first geothermal pilot power plant in Victoria in 2011 followed by a 10MW demonstration plant by 2012 and subsequent commercial scale plants, via the following project development stages:

- Proof-of-concept well drilling, testing and reservoir evaluation
- Development of a pilot plant up to 1 MWe capacity
- Development of a 10MWe demonstration plant
- Development of a further 4 x 10MWe units to complete an initial 50MWe commercial scale power plant
- Development of further 50MWe geothermal power plant modules as geothermal resource and power plant performance permits

2. Koroit Proof-of-Concept Program*Drilling Rig:*

Detailed discussions with several Australian based drilling rig contractors over the quarter has led to HRL securing a suitable rig and drilling slot for the Koroit Proof-of-Concept drilling program with Ensign International Energy Services. HRL has now signed a Letter of Intent with Ensign to provide its Rig 16 to drill two standard size appraisal wells to test temperature and permeability in the Koroit resource. HRL and Ensign are now completing a formal drilling contract.

Ensign is an Australian based integrated drilling company which is a wholly owned subsidiary of Ensign Energy Services Inc. of Canada which has more than 50 years of experience specializing in the drilling of petroleum and geothermal wells. Ensign are now in the process of mobilizing Rig 16 from Thailand to Australia and will complete one well for another client before arriving at Koroit in September to spud HRL's first well, KHR-1. Rig 16 is an Ideco ED1200 drilling rig, rated at 1,200 horse power (HP) and capable of drilling to 4,300m, which is well within the planned depth of 3,700m for well KHR-1.



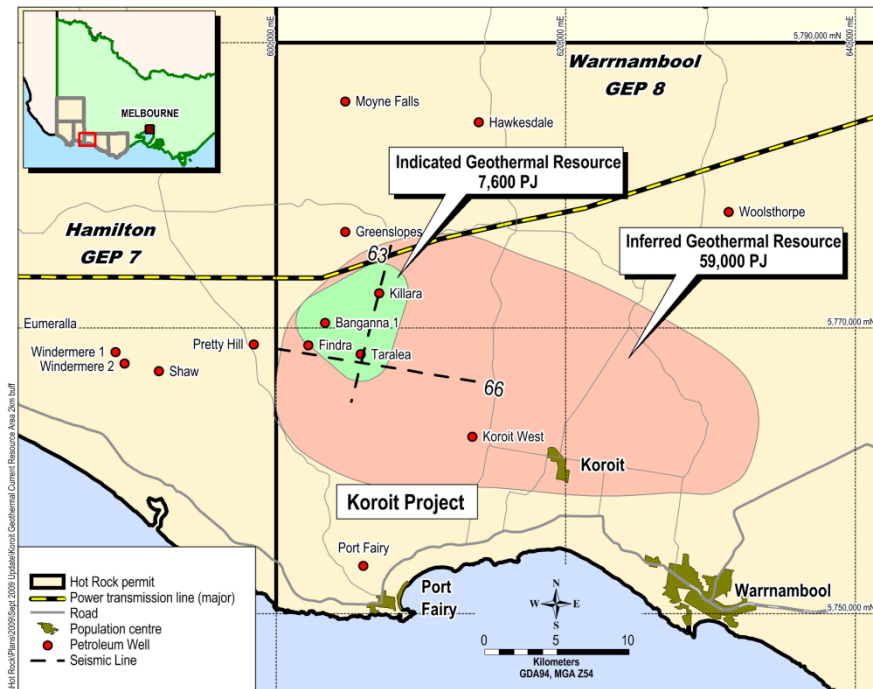


Figure 3: Location of the Koroit Project showing Inferred and Indicated geothermal resource areas

Rig 16 replaces MB Century's 750 HP Rig 3 which was secured in July 2009 for the Koroit Proof-of-Concept drilling program. MB Century later withdrew their offer on this rig due to the delay in announcement of the Federal GDP grant. The larger horse power of Rig 16 compared to Rig 3 has allowed HRL to advantageously redesign wells KHR-1 and KHR-2 for higher well bore flow rate for only a small increase in cost. This will enable both wells to be used more effectively in future pilot and demonstration power plant operations than would be the case for single purpose exploration appraisal wells.

Drilling Procurement:

Two drilling procurement tenders for long lead items were awarded by HRL over the quarter for the manufacture and supply of the following (and deposits were paid upon signing each tender):

- Geothermal wellhead assemblies for proof-of-concept wells KHR-1 and KHR-2. This contract was awarded on 29 January to Wood Group Pressure Control Australia Pty Ltd for delivery on or before 7 July.
- Steel well casings for the first proof-of-concept well KHR-1. This was awarded to Kiwi Steel on 11 March for delivery on or before 11 July. The contract was awarded on the basis of casing prices offered in mid to late 2009, thus avoiding sharp increases in steel prices that have occurred in early 2010.

HRL plans to drill the second proof-of-concept well KHR-2 two to three months after the completion of a successful KHR-1 well and will place orders for well casings for the second well later this year.

Specification and tender documents for shorter lead time items including procurement of drilling services and drilling consumables, have been prepared and will be issued for tender in April, for award in June and for delivery to the KHR-1 well site in August.

Proof of Concept Well Sites

Well collar locations, geological targets and well designs have been completed for both KHR-1 and KHR-2. A land access agreement has been negotiated with the owner of land upon which KHR-1 is to be drilled. Negotiations have been commenced with the owners of the KHR2 well site. A site

development plan has been prepared and preparation of the drill pad for KHR-1 will commence as soon as State Government approval is obtained for the KHR-1 Operations Plan. It is anticipated that the bulk of the civil works for the drill pad development will be completed by the end of May.

Operations Plan:

Detailed operations plans for the drilling and testing of the two proof-of-concept wells are in the final stages of preparation. These plans are required to be submitted to and approved by the Victoria Department of Primary Industries (DPI) prior to HRL commencing preparation of the KHR-1 and KHR-2 drill pads.

3. Ongoing Assessment of Geothermal Resource at other GEP's

Analysis of seismic and structural geological data and sedimentary basin conductive thermal modeling was completed in the Tantanoola and Penola sedimentary Troughs in the northern sector of GEP 6 and in GEP 23 tenements, respectively, and in the Elingamite and Ross Creek Troughs in eastern area of GEP 8. Formal reports have been prepared for these analyses and geothermal resource assessments are currently being carried out for each basin by Peter Barnett, Managing Director of HRL, who is qualified as a competent person under the Australian Geothermal Resource Reporting Code (2008). When completed these resource assessments will be subject to third party independent review by a leading global geothermal consulting company. From this work HRL will issue a number of geothermal resource estimates over the next quarter to complement the resource estimates published to-date for Koroit.

CHILE GEOTHERMAL PROJECTS

During the quarter the Chile Ministry of Mines published the results of a competitive tender process for geothermal concessions in Chile, conducted in August 2009, announcing that HRL has been selected for the award of two bid geothermal exploration concessions (tenements). These are the Tuyatjo 4 and Calerías concessions shown in Figure 2. The tender process attracted a high level of competition from both domestic and international geothermal companies, including Ormat, Magma Energy Corporation, Polaris Geothermal and Origin Energy.

This achievement substantially enhances HRL's geothermal concession holdings in Chile to an area of approximately 2,500km². This includes three concessions announced to the ASX in January 2010, awarded on the basis of uncontested applications made by HRL. These are the Galo, Santa Sonia and Santa Antonia concessions (Figure 2).

The Tuyatjo 4 concession is located in the Antofagasta region in northern Chile and covers 400km². The area has a number of neutral pH, high chloride thermal springs with high surface discharge rates of up to 60 litres/sec and is within the major copper mining belt of northern Chile which has a high requirement for both electricity and mining treatment plant process water.

The Calerías concession is located immediately to the south east of the Galo concession already granted to HRL near Santiago (Figure 2). This additional concession increases HRL's holdings in this area to over 1,000km². Based on the geochemistry of neutral chloride hot springs in the Calerías and Galo concessions with discharge temperatures ranging up to 65°C, it is evident that there is good potential for the development of medium to high temperature geothermal power projects over the greater area of Calerías and Galo. These concessions are strategically located close to both the large urban power market in Santiago (6 million population) and the El Teniente mine - the largest underground copper mine in the world, which has a high requirement for electricity.

With the recently concluded elections in Chile and subsequent change to a conservative pro-business government, regulation of the geothermal industry has been transferred from the Ministry of Mines to the recently created Ministry of Energy.



PERU GEOTHERMAL PROJECTS

HRL announced in mid March that it has established a subsidiary company in Peru, registered as Hot Rock Peru S.A (HRP), and this company is actively seeking high temperature volcanic geothermal projects in Peru suitable for the development of electricity generation plant.

The volcanic / geothermal setting in Peru is very similar to Chile and there are more than 500 geothermal springs within the volcanic belt of Peru which indicate a huge potential for the development of volcanic geothermal resources for both electricity generation and direct use.

An initial desktop analysis of geothermal prospects undertaken by HRL in 2009 and a series of subsequent reconnaissance field investigations have located a number of high enthalpy geothermal fields in the south-central area in Peru. These prospects have extensive surface geothermal activity with chemistries typical of large volcanic geothermal systems, as developed elsewhere in the world, and with evidence from chemical geothermometry for subsurface temperatures in excess of 260°C.

HRP has filed applications at four prospect areas in Peru for undertaking detailed surface exploration studies and deep exploration drilling (Figure 4). These permits will be later extended into production development permits if exploration is successful. The four applications are at an advanced stage of evaluation by the Peruvian authorities and HRP expects concession awards to be made later this year. The prospects are all well located with respect to delivering geothermal electricity into both major transmission grid facilities and to off grid mine sites (Figure 4).

Figure 4: Location of Peruvian exploration applications relative to transmission grid



HRL's move into Peru is very strategic and builds upon the strong technical, logistics and knowledge base established in Hot Rock Chile S.A. over the past two years. Of particular significance with HRL's entry into the geothermal sector in Peru is the first mover advantage for securing and developing geothermal prospects that appear from surface evidence to be as good as the some of the best volcanic geothermal systems elsewhere in the world.

This together with the rapidly developing and modernizing Peru economy; a high demand for new power generation to support, in particular, a very large mining industry; a recognition by the Government of Peru that the development of renewable power sources is essential to the future well being of the country, given the finite nature of the countries gas reserve, and considerable uncertainty with hydropower given the rate of deforestation in the Amazon forest catchments; all augur well for Hot Rock Peru becoming a major long term renewable energy company in Peru

Additionally, the move into Peru integrates well with HRL's corporate strategy for becoming a major developer of both Hot Sedimentary Aquifer (HSA) geothermal systems within the large acreage held in the Otway Basin of Victoria in Australia and of high temperature volcanic systems in countries with high quality geothermal resources and the right regulatory environments and market conditions to allow HRL to operate in a secure and profitable manner. This level of diversification in terms of both resource type and geography will ensure benefit to Hot Rock Limited and add considerably to long term shareholder value.

FUNDING

HRL is still waiting for DRET to supply the Commonwealth government's Funding Agreement for the GDP grant to be able to start drawing down on the \$7 million grant for the Koroit drilling and testing program. We understand DRET is providing the funding agreement shortly.

CORPORATE

Over the past quarter, HRL has received unsolicited expressions of interest from several energy companies looking for joint venture possibilities with HRL on projects in both the Otway Basin in Australia and South America.

Cash Position

At the end of the March 2010 Quarter, the company had approximately \$1.4 million cash at bank. The net cash operating and exploration expenditure for the quarter was \$0.9 million.

Compliance Statement

The information in this Statement that relates to Geothermal Resources has been compiled by Peter Barnett, an employee of Hot Rock Limited. Mr Barnett has over 30 years' experience in the determination of crustal temperatures and stored heat for the style relevant to the style of geothermal play outlined in this release. He is a member of the Geothermal Resources Council and the International Geothermal Association, a current board member of the New Zealand Geothermal Association, a past board member of the Auckland University Geothermal Institute Board of Studies and a current member of the Economics Sub Committee of the Australian Geothermal Association. Mr Barnett qualifies as a Competent Person as defined by the Australian Code of Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 Edition). Mr Barnett consents to the public release of this report in the form and context in which it appears. Neither Mr Barnett nor Hot Rock Limited takes any responsibility for selective quotation of this Statement or if quotations are made out of context.

CORPORATE DIRECTORY

Board of Directors - HRL

Mark Elliott Executive Chairman
Peter Barnett Managing Director
Mike Sandy Non-Executive Director
Stephen Bizzell Non-Executive Director

Company Secretary & CFO

Paul Marshall

Issued Share Capital

Hot Rock has 92.45 million ordinary shares currently on issue and 24.75 million options.

Quarterly Share Price Activity

	High	Low	Last
Mar 2010	\$0.15	\$0.087	\$0.087

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