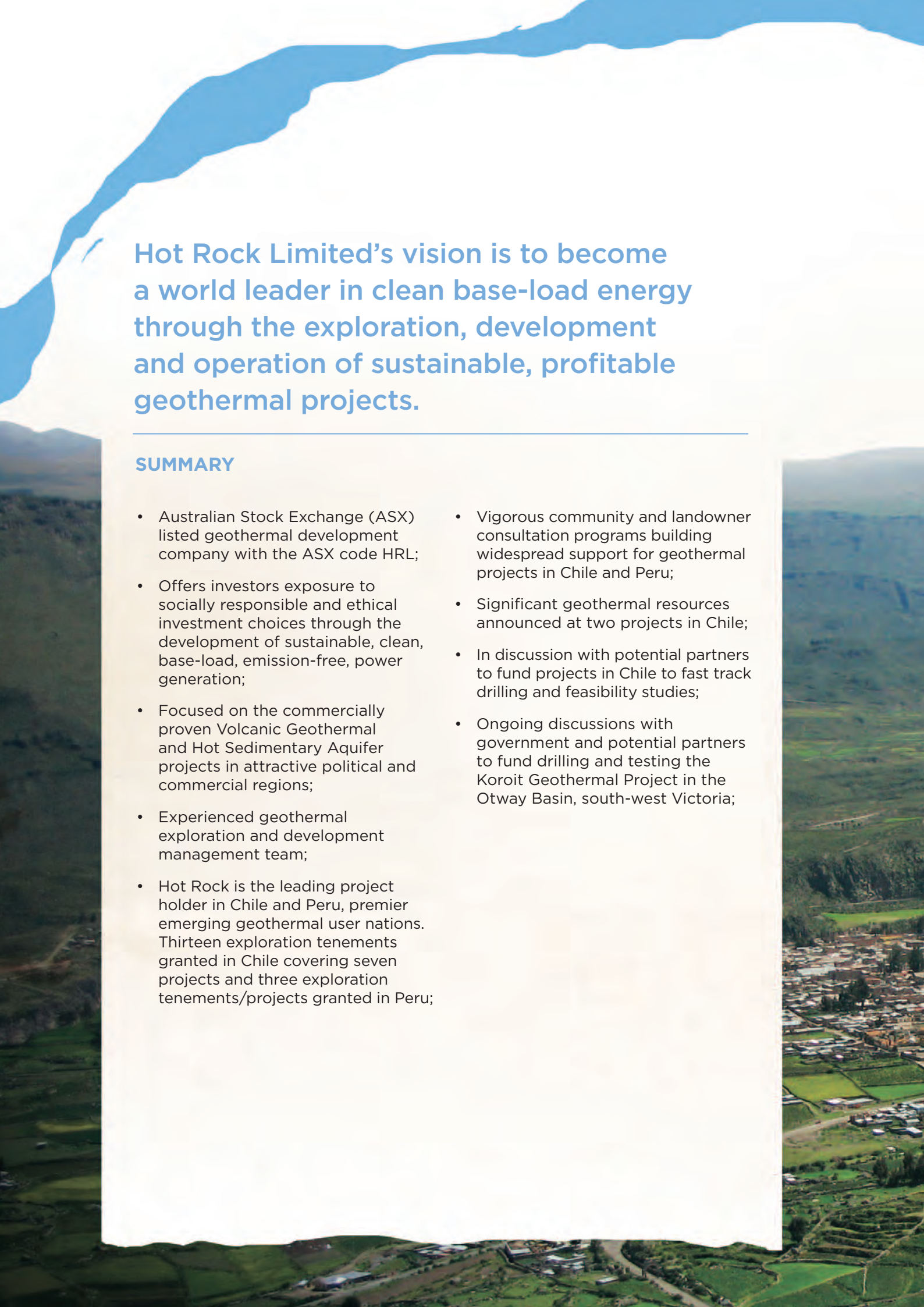




Annual Report
2011

An aerial photograph of a valley with a river winding through it. In the foreground, there are green fields and a small town with buildings. The background shows rolling hills and mountains under a clear sky. A blue graphic element, resembling a stylized river or wave, is at the top left of the page.

Hot Rock Limited's vision is to become a world leader in clean base-load energy through the exploration, development and operation of sustainable, profitable geothermal projects.

SUMMARY

- Australian Stock Exchange (ASX) listed geothermal development company with the ASX code HRL;
- Offers investors exposure to socially responsible and ethical investment choices through the development of sustainable, clean, base-load, emission-free, power generation;
- Focused on the commercially proven Volcanic Geothermal and Hot Sedimentary Aquifer projects in attractive political and commercial regions;
- Experienced geothermal exploration and development management team;
- Hot Rock is the leading project holder in Chile and Peru, premier emerging geothermal user nations. Thirteen exploration tenements granted in Chile covering seven projects and three exploration tenements/projects granted in Peru;
- Vigorous community and landowner consultation programs building widespread support for geothermal projects in Chile and Peru;
- Significant geothermal resources announced at two projects in Chile;
- In discussion with potential partners to fund projects in Chile to fast track drilling and feasibility studies;
- Ongoing discussions with government and potential partners to fund drilling and testing the Koroit Geothermal Project in the Otway Basin, south-west Victoria;



Contents

Chairman's Report	1
Managing Director's Report	3
Achievements 2010/11	7
Review of Activities - Chile	9
Review of Activities - Peru	20
Review of Activities - Australia	22
Review of Activities - Corporate	24
Directors and Management	25
Corporate Information	33

ANNUAL FINANCIAL REPORT

Directors' Report including Remuneration Report	35
Auditor's Independence Declaration	43
Additional Stock Exchange Information	44
Corporate Governance Statement	46
Statement of Comprehensive Income for the year ended 30 June 2011	49
Balance Sheet as at 30 June 2011	50
Statement of Changes to Equity for the year ended 30 June 2011	51
Cash Flow Statement for the year ended 30 June 2011	52
Notes to the Financial Statements for the year ended 30 June 2011	53
Directors' Declaration	75
Independent Auditor's Report	76



Chairman's Report

Mark Elliott

Hot Rock remains fully committed to becoming one of the Southern Hemisphere's leading, geothermal companies.

We retain a pure focus on geothermal energy as the growth potential for the sector is outstanding, given that:

1. Geothermal is the only viable, commercial, zero-emission, renewable energy source capable of providing clean base-load power in the markets we operate within; and
2. in a carbon constrained economy, geothermal will ultimately prove to be the most cost effective source of energy, even competing with coal.

Excellent progress has been made in advancing our South American projects, culminating in the recent reporting of two maiden geothermal resources at our most advanced Chilean projects.

In contrast, progress has been slow with our key Australian project – the Koroit geothermal project near Warrnambool in Victoria's Otway Basin. Investment in the domestic geothermal sector at large has been sparse, due in part to uncertainty surrounding carbon pricing and the lack of drilling success by some early movers.

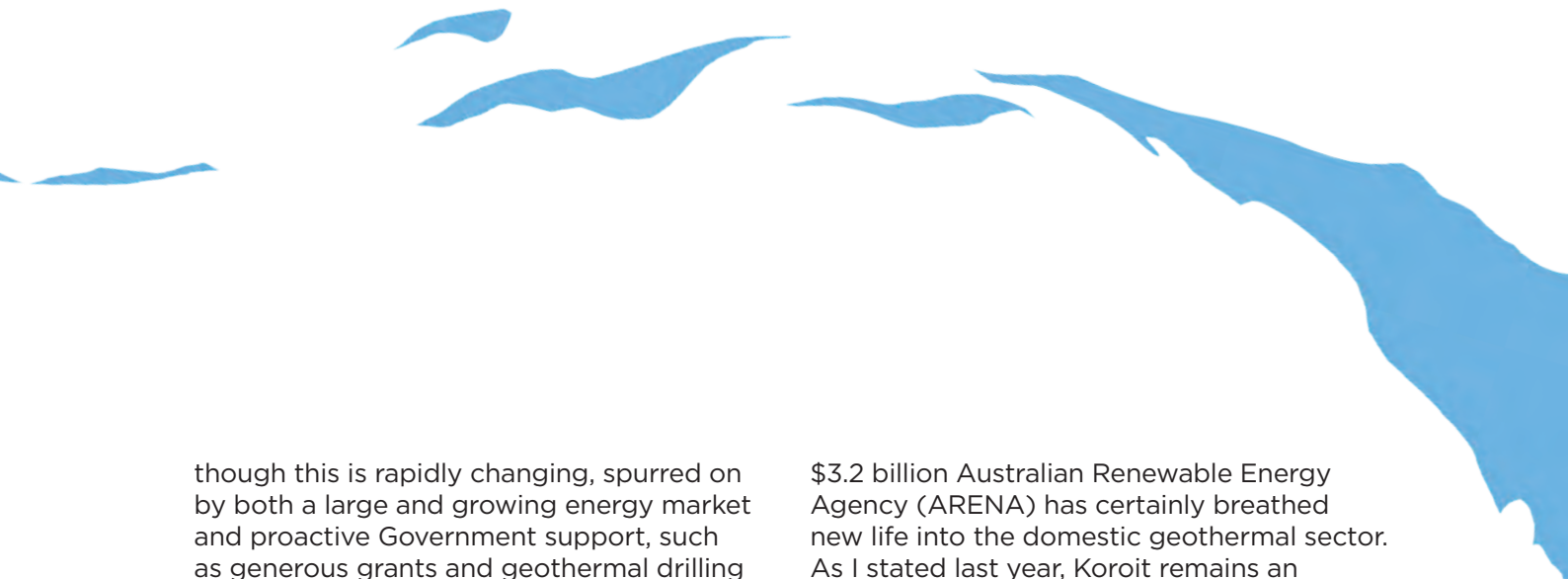
Our strategy to enter the South American sector in 2008 well before the recent geothermal rush by major energy companies is beginning to bear fruit. In early 2011 field work commenced on two of our Chilean projects which involved geological mapping, geochemical sampling of hot springs and MT geophysics surveys. Your company delineated geothermal reservoirs

and announced code compliant inferred geothermal resources at both the Calerías and Longavi projects.

These early encouraging results support the company's strategic move into South America which is now showing its potential for geothermal power generation. With a Chilean geothermal portfolio the envy of much larger companies, Hot Rock is well positioned to become a major force in providing energy to a resources-fueled, high demand, growth market backed by a Government keen to support both clean energy and domestic projects.

In Peru, Hot Rock became only the second company to be granted geothermal exploration tenements in that nation. Like Chile, Peru has a highly prospective setting with some of the best volcanic geothermal targets in the world today, that have had little modern exploration. In addition, the Government is very supportive, with the Renewable Energy Law passed in 2008 providing for priority connection to the grid, 20 year take or pay contracts for similar renewable technologies and attractive tax benefits. At present, your company has been awarded three tenements, with others being processed by government departments.

It is important to note that your company elected to diversify into Chile and Peru some three years ago, thereby cherry picking several of the most highly prospective tenements within this emerging geothermal region. The area is still vastly unexplored,



though this is rapidly changing, spurred on by both a large and growing energy market and proactive Government support, such as generous grants and geothermal drilling failure insurance. Our early mover advantage has now placed your company as the No. 1 holder of granted volcanic geothermal projects in both Chile and Peru.

Turning to Australia, Koroit is at the Proof of Concept stage, ready for a drilling and testing programme. Funding is the key issue to advancing the project, with your company unable to match the Commonwealth government's \$7 million Geothermal Drilling Program grant prior to its May 2011 deadline. In this regard, Hot Rock was not alone, with 4 out of 5 companies who were granted Round 2 GDP funding having it terminated.

On the positive side, and just subsequent to the end of the 2011 financial year, the Commonwealth Government backed by the Greens Party announced a major initiative to address climate change. For the first time, a price on carbon emissions was defined, which will penalise higher polluting energy sources, whilst enhancing the financial feasibility of clean renewable energy sources such as geothermal.

In addition, the establishment of multi-billion dollar funding via the \$10 billion Clean Energy Finance Corporation (CEFC) and

\$3.2 billion Australian Renewable Energy Agency (ARENA) has certainly breathed new life into the domestic geothermal sector. As I stated last year, Koroit remains an exciting, game changing program, with the potential to become one of the first "grid connected" geothermal power generation projects in Australia. Subject to funding, drilling is targetted to begin in 2012, with success leading to a geothermal Pilot Plant, which would be the first such project in Victoria.

I would like to thank all our directors, managers and staff who have worked tirelessly during the year helping to build Hot Rock into a major clean base-load energy company.

To our shareholders, thank you for your continued support and we all look forward to exciting developments in your company over the next 12 months.



Mark Elliott

Executive Chairman



Managing Directors Report

Peter Barnett

The past year has seen progressive refinement in our strategic direction with the result that the company has consolidated a strong position in the acquisition and exploration of volcanic geothermal resources outside of Australia while remaining poised to commence Proof-of-Concept geothermal drilling in Australia.

With the issues detailed in the Chairman's report on our obtaining matching funding for the Proof of Concept Drilling program at our large Koroit Hot Sedimentary Aquifer (HSA) geothermal project in Victoria, the company has placed greater emphasis over the past year on rapidly progressing exploration at our volcanic geothermal tenements in Chile and Peru.

These are conventional volcanic type geothermal resources which have a well documented and highly reliable operating history around the world over the past 50 years. Additionally, Chile and Peru are rapidly modernizing economies with high demand for electricity and are located within a major global belt of volcanism and seismicity. The opportunities for fast track growth of Hot Rock into a substantial geothermal power company in these two leading countries in South America are therefore both considerable and immediate.

At the commencement of the past financial year, the company held three granted tenements in Chile and none in Peru. At the end of the financial year, our tenement position has increased greatly with a total of 13 tenements now granted in Chile and 3 in Peru, giving us a total of 10 separate geothermal prospect areas in the two countries. Hot Rock is now the largest geothermal tenement holder in South America, holding 28% per cent of all grants in Chile and 38% in Peru.

These tenement grants have led to a significant increase in personnel numbers in our Santiago and Lima offices. We now have a strong team of 14 permanent staff in the region with specialist skills in geothermal science, environmental, community engagement, land access, tenementing and development economics. Over the past year our team in Chile has successfully completed detailed exploration programs at the Calerías and Longavi projects to the south of Santiago and resource assessments for each of these have been recently issued. Community engagement, land access agreement negotiation and reconnaissance scale scientific work continue at our other five projects in Chile.

Exploration work is less advanced in Peru at this stage, as tenements were granted only in the first and second quarters of 2011. Current work is focused on detailed community information programs leading into land access negotiations, within remote highland Andean village communities. These programs are being undertaken by Hot Rock Peru in association with relevant agencies from both central and local governments and are proving to be remarkably successful in terms of achieving a rapid and enthusiastic acceptance by local communities for the beneficial use of geothermal energy.

Our work programs in both Chile and Peru are proceeding at considerable pace – for example the detailed exploration program at

the Longavi Project, which included a large MT resistivity survey, was completed within six months of the granting of two key tenements.

Plans are now well advanced for undertaking in the coming year the following activities:

- Detailed infill MT resistivity surveys at each of the Longavi and Calerías projects to refine exploration drilling targets and in the case of Calerías to also delineate the resource boundary that remains open to the north, which we expect may result in a doubling of the present resource estimate
- MT surveys at a further two geothermal prospects in Chile
- MT surveys at two geothermal prospects in Peru
- Commence slim hole exploration drilling at each of the Longavi and Calerías projects which will lead into technical and commercial studies on the feasibility for commercial scale geothermal power development at each site

With these successes and forward planned activities, considerable future value is accruing to shareholders of Hot Rock. An initial means for assessing this value is the energy resources that the company has identified to date through geoscientific evaluation and resource assessment studies. A further and longer term means for assessing the value that the company is creating is to couple the assessed reserves with likely future generation plans from which development costs, operating costs and future revenues can be forecast and assessed.

An inventory for the energy resources that the company has delineated assessed and declared to date is shown in the figure below. At a P50 level of probability, the present inventory totals 193,000 PJ (petaJoules) of in place heat energy at a P50 level of probability across all of the company’s prospects. Based on a number of industry standard assumptions as to how much energy can be “reasonably recovered” from these resources, 193,000 PJ is sufficient to generate in the order of 2,500MWe of electricity for 30 years.

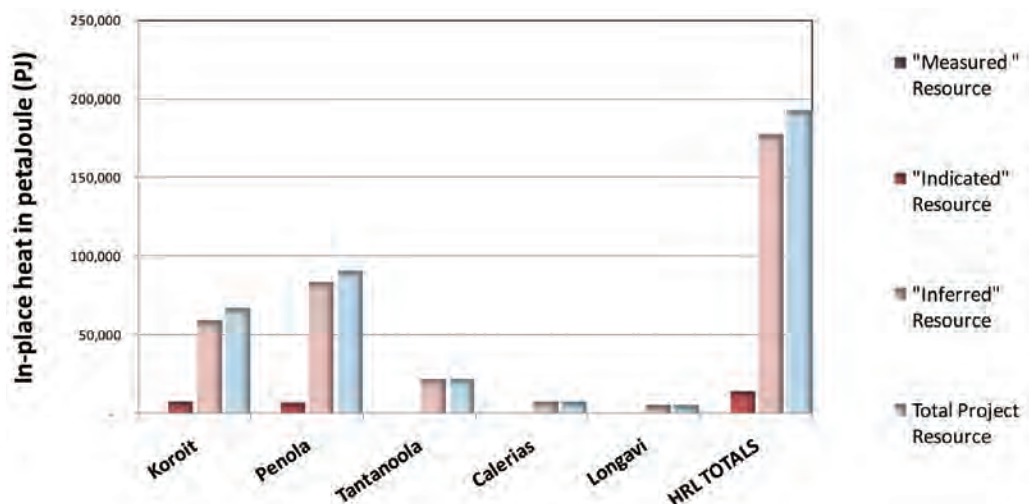



Figure 1



Although this resource inventory is large, we still aim to double this over the next few years with our ongoing exploration programs in Chile and Peru. This will bring greater balance into the figures with the count for volcanic resources more closely matching those from HSA resources. Even so, the relatively small initial resource estimate of 13,000 PJ that we have recently declared in Chile is still of significant size considering that this amount of energy would be sufficient to generate some 320 MWe of electricity for 30 years which in turn would be sufficient to meet the electricity requirements of more than 400,000 Chilean households.

With the progress and results achieved during the past year we are confident that the company is well set for achieving substantial growth in at least the volcanic geothermal sectors in Chile and Peru in the coming year. In addition, we remain optimistic that the continued commitment and increasingly strong support from the Australian government for geothermal energy may yet provide the means for our progressing initial deep drilling and resource evaluation at Koroit.

We believe this would provide sufficient confidence in the HSA geothermal sector in Australia to subsequently allow for rapid development of these large heat resources at commercial scale.

In closing I would like to express gratitude to the Hot Rock management teams for their valuable input and enthusiasm throughout the year – in particular to our team in Victoria who remain very committed to preparation of the Koroit project to drilling in spite of a slow year; to our team in Chile who have made tremendous progress over the last 12 months securing quality tenements, undertaking extensive land access agreements and completing two detailed exploration programs; to our team in Peru who are moving at great pace in securing further new tenements and in establishing strong long term relationships with local communities in granted tenement areas, the essential pre-requisite for future success.



Peter Barnett
Managing Director



Achievements 2010/11

Hot Rock's portfolio of granted volcanic exploration tenements has grown in Chile to thirteen which comprise seven individual projects covering 5,660km² and three tenements in Peru covering 466km² with further applications being processed in both countries.

Land access programs were concluded at the Calerías and Longavi projects in Chile. Following the completion of field exploration programs involving geological, geochemical and geophysical surveys, geothermal reservoirs were identified at each project leading to the declaration of inferred geothermal resources. Further community and landowner consultation programs to allow access to ground for exploration programs are underway in both Chile and

Peru and to undertake exploration drilling at both the Longavi and Calerías projects in Chile.

The Koroit program in the Otway Basin was advanced with the drilling and testing of a successful shallow bore to provide water for the future geothermal drilling operation. This project is drill-ready waiting on government and partner funding to be able to move forward.



CHILE

- HRL is now the largest holder of geothermal tenements in Chile with the granting in late 2010 through early 2011 of eight further tenements. This expands HRL's geothermal portfolio to thirteen granted tenements within seven highly prospective projects, located from north to south-central Chile, totalling 5,660km² in area.
- First major geological, geochemical and geophysical field programs have been completed at the Longavi and Calerías projects and significant geothermal resources announced with an estimated electrical generating capacity of some 320MWe for 30 years.
- An information sharing agreement was signed with an international mineral exploration company holding mineral concessions within the Longavi and Calerías geothermal project areas. This is providing considerable additional geological information and drilling results to enhance our understanding of the geothermal reservoir models at these two projects at no cost.

- Confidentiality Agreements to review information have been executed with a number of parties interested in farming into HRL projects in Chile.

PERU

- HRL is now the largest holder of exploration geothermal tenements in Peru with the granting over the past quarter of three new tenements covering highly prospective projects in northern and southern Peru, totalling 470km².
- Work has commenced on land access, community information and reconnaissance level geoscientific surveys at these granted tenements.
- A permanent office has been established in Lima and additional staff engaged to meet HRL's rapidly increasing work load in Peru .

AUSTRALIA

- Discussions continue with the Federal Government and potential partners for new funding to commence drilling at the Koroit Project in Victoria.

Review of Activities

Chile

HIGHLIGHTS

- 13 geothermal tenements granted to date representing 7 separate projects
- Hot Rock positioned as the largest holder of granted geothermal projects
- MT surveys completed at the two most advanced exploration projects of Calerías and Longavi
- Maiden resources defined and assessed at each of these two projects

Over the course of the year, Hot Rock continued to build its quality geothermal portfolio in Chile comprising 13 exploration tenements spread over some 5,660km² in seven project areas, all 100% owned.



Figure 2: HRL's geothermal tenements granted in Chile and applied for and/or granted in Peru

These projects contain promising visible signs at surface of the presence of active geothermal systems at depth. These include hot springs, sinter deposits and fumaroles. In addition, most of these projects are situated near major transmission grids and large domestic and industrial power markets, providing a cost advantage to future development.

Hot Rock identified the potential and demand for sources of geothermal in Chile region at an early stage and set up an office in Santiago in 2008 to advance the opportunities. This has allowed us to 'cherry pick' a good number of highly prospective geothermal projects well before the more recent rush of companies now entering the sector. Today, the company is the largest holder of volcanic geothermal projects in the Chile holding 28% of all granted tenements.

Hot Rock's large tenement position is a significant asset given the Chile lies within the Circum Pacific 'Ring of Fire'. This belt of intense volcanic and seismic activity contains more than 300 identified geothermal areas within those nations utilizing geothermal energy for the past 50 years or so, including New Zealand, Papua New Guinea, Indonesia, Philippines, Japan, Russia, the western USA, Mexico and Central America. In total, some 10,000MWe of geothermal power is installed and operating within these areas, accounting for approximately 90% of the world's present geothermal power generating capacity. Highlighting the outstanding potential of the sector in Chile, preliminary assessments of the county wide geothermal resource potential made by the University of Chile range from 3,000MWe up to 16,000MWe. Expressed in different terms, this amounts to some 35% to 170% of the world's current geothermal power generating capacity.

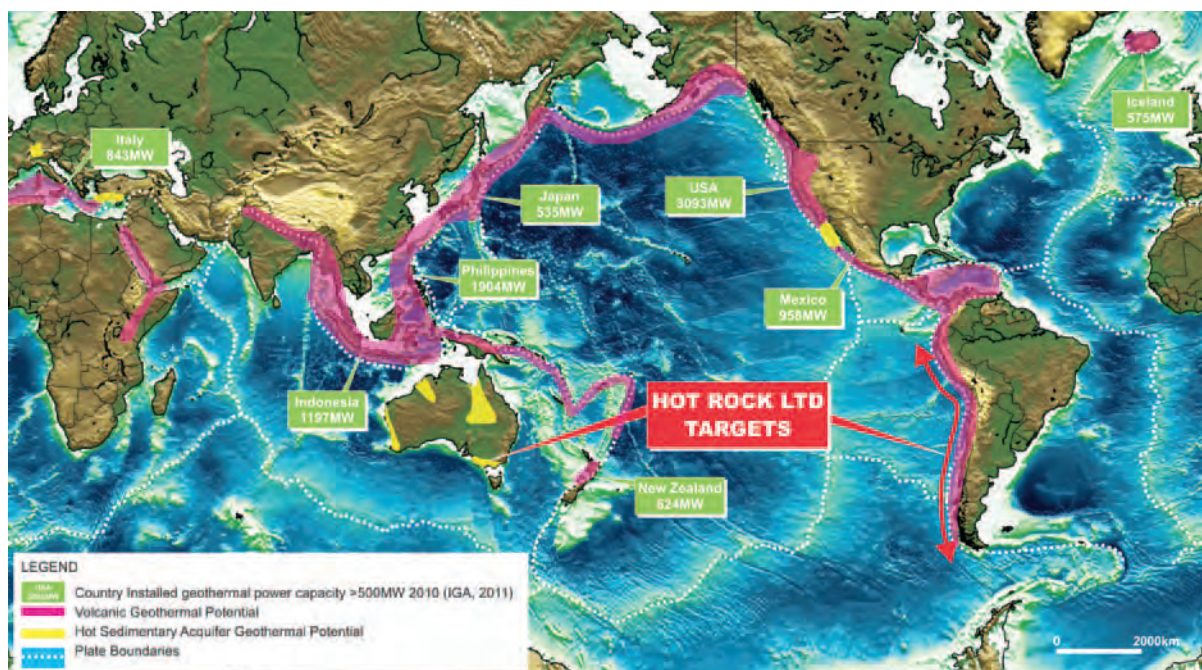



Figure 3: The “Pacific Rim of Fire”, within which 90% of the world's current geothermal capacity is installed, in the western Pacific, SE Asia and the western margin of the U.S. and in Central America. The long segment of the Rim of Fire along the western coast of south America is highly prospective for geothermal development with a high level of recent volcanism and seismicity. Hot Rock is vigorously pursuing volcanic geothermal developments throughout Chile and Peru at a pioneering level in conjunction with non volcanic hot sedimentary aquifer (HSA) geothermal developments in Australia



Despite the large geothermal energy resource base and an active domestic interest in geothermal power development since the 1960s, no geothermal prospects have yet been developed for generation of electricity in Chile. The main reason for this is that historically, power demand in Chile has been relatively low and the power market has been well supplied with generation from a combination of indigenous hydro power resources and imported natural gas from Argentina.

The situation has changed greatly in recent times. Chile's national energy market is going through a crisis today, due to both the lack of the large amounts of natural gas formerly imported from Argentina and the need for much greater reliance on international fossil fuel markets with the highly variable pricing that has occurred in recent times.

As a result of the pressing national need for power security, the very limited reserves of indigenous fossil fuel, the need to reduce dependence on imported fossil fuels and to continue to develop new generation capacity in pace with the rapid industrialisation, the development and utilisation of renewable energy resources is being vigorously promoted by the Chilean Government. In particular, geothermal power is being given substantial support due to the abundance and evident high quality of volcanic geothermal systems in the nation.

As part of the Chilean Government's active support of the renewable and geothermal sectors, a mandate was passed in 2008 targeting 5% of total electricity production

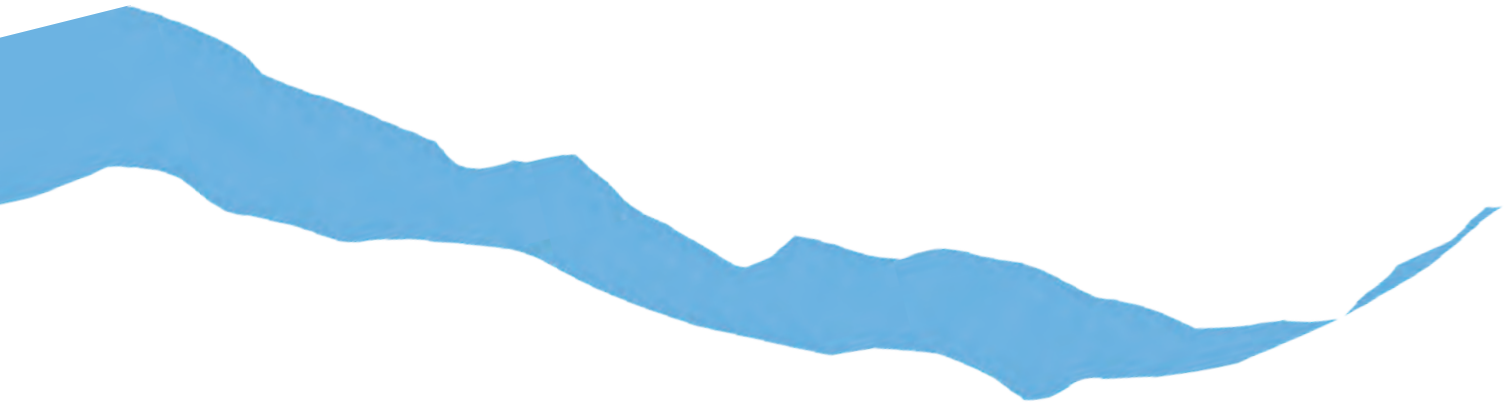
to come from renewable energy sources by 2014, further increasing to 10% by 2024. There is now active discussion within Government for further ramping this up to a target of obtaining 20% of the nation's electricity production from renewable sources by the year 2020. This would put Chile's commitment to renewable energies on the same platform that Australia is pursuing.

With the convergence in Chile of the need for new power generation, a rapidly growing government appreciation of the value of indigenous renewable energy sources, the quantity and quality of domestic geothermal projects, and an attractive power price structure able to meet the cost of geothermal power development, Hot Rock is proceeding quickly to capitalize on its early mover advantage and very strong tenement position through fast paced and systematic programs of surface exploration, assessment and declaration of geothermal resource capacity, exploration drilling, well and resource testing and assessment, feasibility studies, commitment to construction of first stage commercial scale power developments of at least 50MWe per project.

In parallel with Hot Rock's pioneering exploration programs in Chile, the development of a geothermal industry is gathering momentum. Exploration drilling is currently underway by three international companies with the expectation of the first geothermal power in Chile coming online by late 2014 (Figure 4).



Figure 4: Map showing the location of Hot Rocks granted tenements in Chile together with tenements granted to other companies and the locations of six projects that have been drilled to date, three of which are likely to proceed to development with first commercial geothermal power coming online by 2014.



CALERIAS PROJECT

Calerías is one of two of Hot Rock's projects in Chile that is now at an advanced stage of exploration and ready to move forward into the exploration drilling stage.

It is located 100km south east of Santiago and covers three tenements (Galo, San Carlos and Calerías). It has six groups of thermal springs with discharge temperatures averaging 50 to 60°C and ranging up to 75°C. The project lies immediately to the east of the El Teniente copper mine – the largest underground copper mine in the world, and is close to the large commercial electricity market in Santiago as well as the industrial power market associated with the El Teniente mine and other mines in the area.

The first of the Calerías tenements was granted in April 2010, whilst the final two were granted in December 2010. During that period, the company completed land access negotiations to enable exploration programs to proceed.

Exploration programs consisting of geological mapping and geochemical sampling commenced in February 2011. These were soon followed by a magnetotelluric (MT) geophysical survey, carried out from mid March to mid April, to define the size of the geothermal system and provide the basis for geothermal resource estimates of both in-situ and recoverable energy.

This work has allowed for the interpretation of the form and structure of a geothermal resource in the southern sector of the Calerías resource covered by the MT survey as shown in Figure 5. The northern sector remains open pending further exploration survey work which will be undertaken in the early part of the coming summer field program. It is anticipated that this additional work will result in a large increase in the size of the currently declared resource at Calerías possibly doubling the current assessment.

The results for the currently delineated resource areas are summarized in the conceptual resource model in Figure 6. The model is consistent with the southern Calerías sector being an outflow from a deep geothermal reservoir that exists either beneath the area of the Don Rolando springs situated in the middle of the diagram, or towards the Baños La Mama springs further to the north. The additional MT survey to be undertaken next summer in the northern area will delineate this resource extension. The heat source is considered to be associated with the adjacent Picos del Barroso volcanic centre shown in Figure 5.

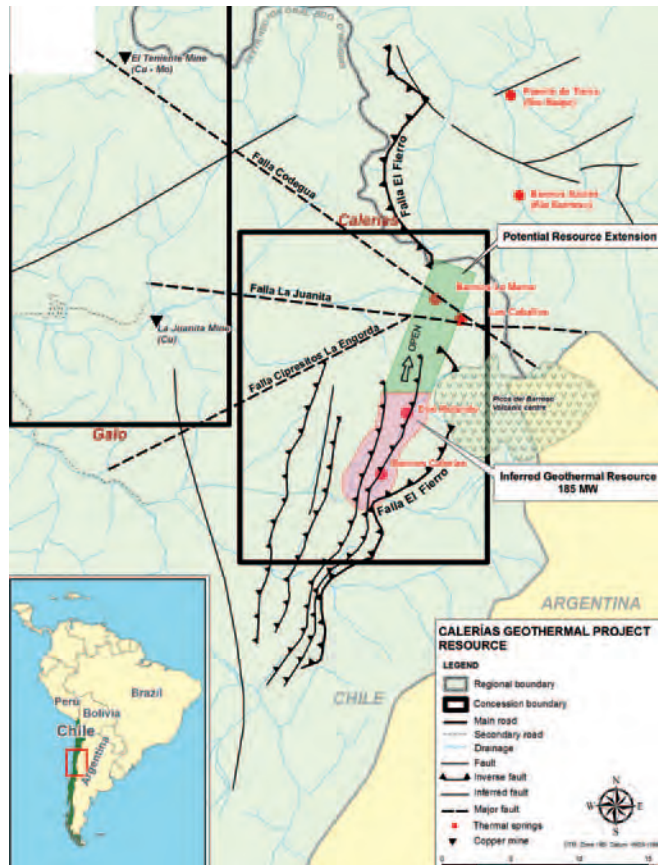


Figure 5: Location of the Calerías inferred geothermal resource

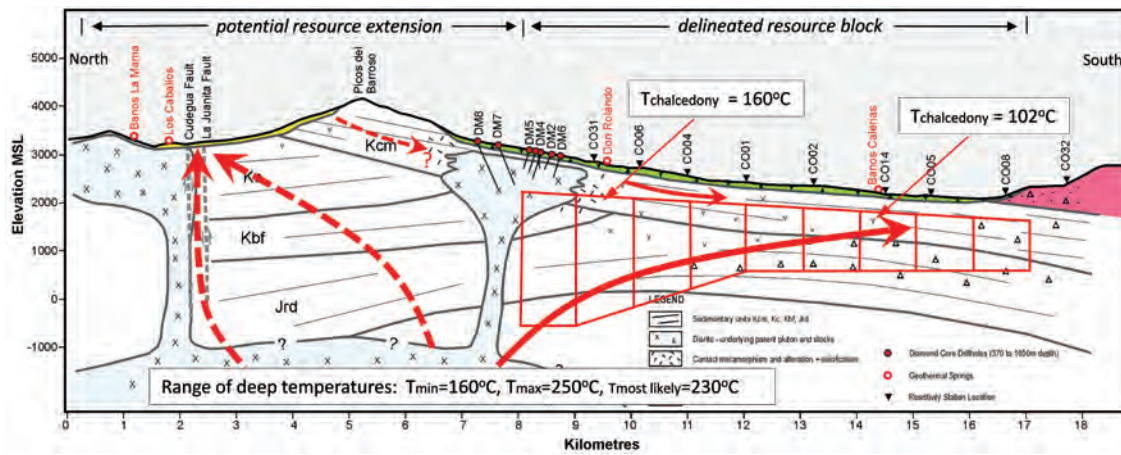


Figure 6: Geothermal resource block model for calculation of stored heat in the southern sector of the Calerías resource and the hydro-geological model. Reservoir thickness obtained from MT data and reservoir temperatures assessed from geochemical methods

The temperature of the deep reservoir at Calerías is assessed on present geochemical data to range between 160°C and 250°C, with a most likely temperature of 230°C.

The assessment of the potential size of the geothermal resource at Calerías is the first undertaken by Hot Rock in Chile and thus represents a maiden assessment. Within the definitions of the Australian Geothermal Resource Reporting Code (2nd Edition, 2010), the Calerías resource was declared in July 2011 as an “Inferred Geothermal Resource” containing 7,400PJ of in-place heat energy at an estimated P50 level of probability. This heat is contained within both the hot rocks and the hot water contained within pores and fractures in the rocks constituting the deep geothermal reservoir.

The delineation and declaration of the Calerías resource represents a significant milestone for Hot Rock, being only the second project in Chile for which a publicly declared geothermal resource assessment has been made. The resource is estimated to be sufficient to allow for 185MWe of electrical power generation for 30 years. Key assumptions underpinning this estimate include: a reservoir recovery factor of 15%, a power plant thermal to electrical efficiency of 14% and a power plant operating capacity factor of 90%. The 185MWe figure would be sufficient to meet the needs of more than 250,000 local households.

The year ahead will be very active for Hot Rock at the Calerías Project, with the aim of launching the company’s first drilling program next year. Provided drilling is successful, a Measured Geothermal Resource will be defined on the basis of the detailed resource characterization that will follow testing and flow evaluation of the wells and this will form the foundation for a technical and commercial feasibility study for the project.

LONGAVI PROJECT

The Longavi project is Hot Rock’s second advanced project in Chile and consists of four contiguous tenements totaling 2,200km², located 300km south of Santiago, on the southern and south-eastern slopes of a large basaltic-andesite strato-volcano named Nevado de Longavi (Figure 7 and Figure 8).



Figure 7: The Quaternary volcano Nevado de Longavi (viewed from the north), Region VII, Chile

In 2010, Hot Rock conducted reconnaissance scale field studies that confirmed the presence of a number of large flows of near boiling springs in the Banos Longavi area, in the centre of the Hot Rock tenements. Spring temperatures ranged from 70 to 81°C and a surface heat flow of some 15MW_{thermal} was assessed. The springs show good field evidence for having historically been depositing silica sinter from boiling spring waters, an excellent indication of high subsurface geothermal temperatures. The presence of these impressive thermal features over a large surface area and the close alignment of them with surface faults, indicate that the geothermal system at Longavi may be substantial.

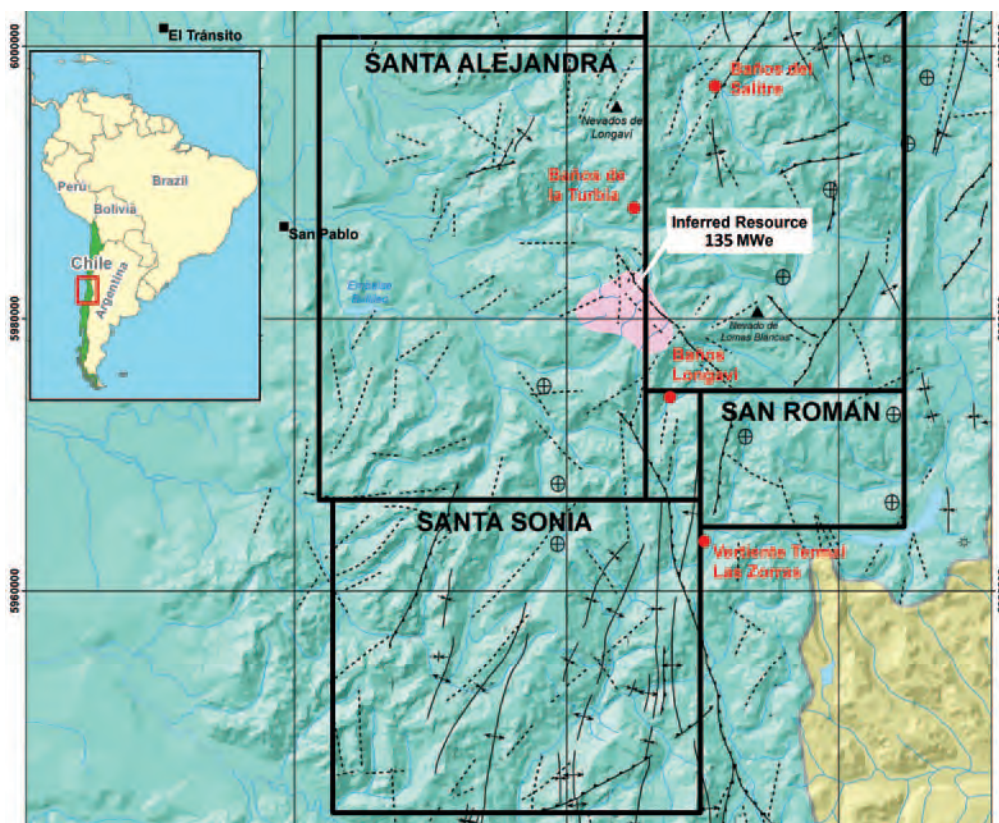


Figure 8: Location of HRL geothermal concessions at Longavi and key project features including discovered resource area

Following these reconnaissance scale investigations, detailed geological mapping and geochemical sampling were undertaken, leading to completion of a 40 station combined MT / TDEM survey in early 2011 within only a few months of the granting in early February 2011 of the two key tenements of Santa Alejandra and Santa Edita.

Field data and results have since been assessed and interpreted and a detailed hydro geological model developed for the Longavi resource. This model is consistent with the Baños Longavi springs being a shallow outflow of hot geothermal water from a deep resource centered some 7km to the north of the springs. The resource is indicated to be a deep fractured volcanic convection system, situated around cooling

magmatic/intrusive rocks, with overlying retrograde hydrothermal alteration and a modest hydrothermal clay cap.

A likely distribution of temperature through the resource volume shown in Figure 10 has been estimated from a combined interpretation of the MT resistivity data, geology and geochemical calculations of reservoir temperatures from spring chemistries. Based on the present data, the “most likely” estimate of deep reservoir temperature is 180°C, with a “possible maximum” of 220°C. This approach has allowed for the assessment of in-place heat energy within the delineated reservoir volume by a probabilistic Monte Carlo simulation method.

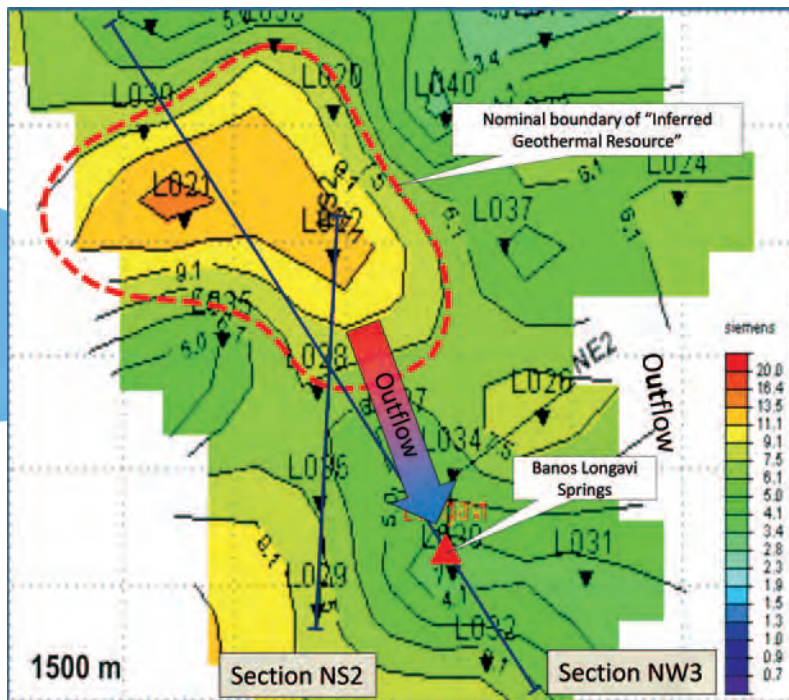


Figure 9: Plan view of conductance (from MT data) at 1500m depth from surface showing interpreted boundary of the Longavi geothermal resource (red dashed line) and model for a convective upflow of hot water in the vicinity of MT station L021 and outflow to the Banos Longavi springs to the south

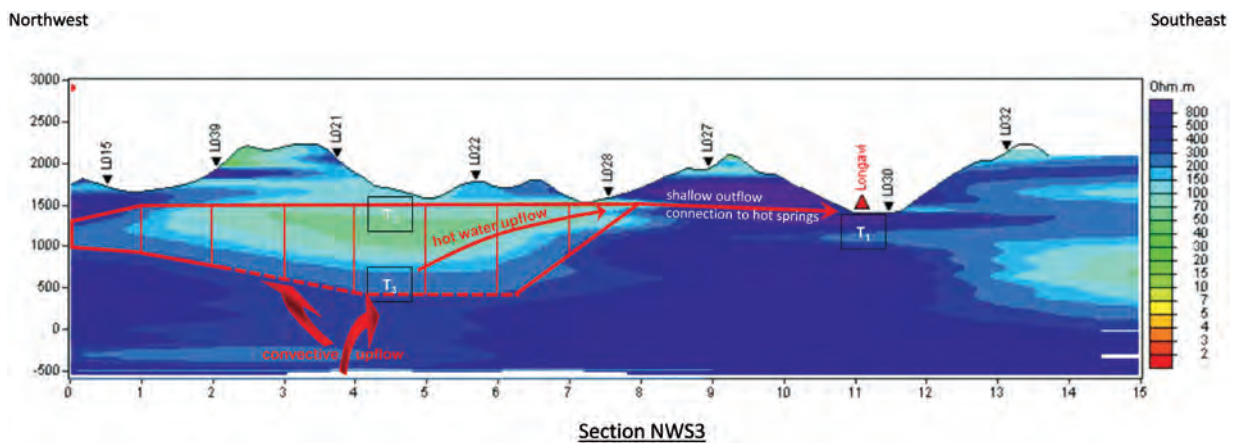



Figure 10: Section view along line NW3 through the Longavi geothermal resource showing the resource block model used for the calculation of stored heat in the resource.



From the Monte Carlo modelling, the size of the Inferred geothermal resource identified at Longavi is estimated at a P50 level of probability to have a volume of 33 km³, containing an estimated 5,400 PJ of in-place heat energy. Again, this assessment represents a significant milestone for Hot Rock, being only the third geothermal project in Chile to have publicly declared geothermal resources.

The Longavi resource is considered to be sufficiency large to allow for about 135MWe of electrical power generation over a period of 30 years, based on the key assumptions of: a reservoir recovery factor of 15%, a power plant thermal to electrical efficiency of 14% and power plant capacity factor of 90%. It is assumed in this assessment that an Organic Rankine cycle power plant would be utilised rather than steam plant.

Again the year ahead will be very active for Hot Rock at the Longavi project. It is planned to commence exploration drilling at Longavi in 2012. Provided drilling is successful a further update to the current resource assessment will be made on the basis of temperatures measured in the exploration wells drilled into the geothermal reservoir and the results of flow testing of these wells. This will allow for future upgrading the resource assessment to “Indicated Resource” and then “Measured Resource” respectively, from the “Inferred Resource” declared here, following the definitions of resource grade defined the Australian Geothermal Resource Reporting Code (2010).

Prior to drilling, Hot Rock will undertake in the early part of the upcoming summer field program a further MT / TDEM infill field measurement program to increase the MT station density to about one station per km² over the now delineated Longavi geothermal resource area. This is to gain a higher level of resolution for the resistivity structure of the

geothermal resource which will considerably aid decisions on exploration well targeting.

It is expected that the results of the infill program may significantly increase the current resource assessment through extending definition of the resource volume down to depths of at least -1000m below MSL and providing more refined estimates of the lateral boundaries of the resource.

Other Hot Rock geothermal projects in Chile

San Jorge (*HRL 100%, Region II, 600 km², see Figure 2*)

The San Jorge project is located in Northern Chile some 350km north east of Antofagasta and close to the Chile-Bolivia border. It lies immediately to the north of the Aucanquilcha volcano, which is at the centre of a cluster of more than 15 volcanoes that have been active over the past 11 million years, and to the south of the Urruputuncu volcano which has solfataric fumaroles. There are several groups of thermal springs located on the western edge of the San Jorge tenement. These are mixed chloride -sulphate springs and may represent an outflow from a geothermal system(s) associated with the volcanic complexes to the north and south.

Tuyajto (*HRL 100%, Region II, 403 km², see Figure 2*)

The Tuyajto project is located in the Antofagasta region in northern Chile, 1000 km to the north of Santiago, at the southern end of the Puntas Negras volcanic range where there has been intense volcanic activity in Pleistocene-Holocene times. The tenement is located near a large potential power market, being the major copper mining belt of northern Chile, including the Escondida and Spence copper mines.

Current work program at this project involves reconnaissance level investigations and development of an early geothermal resource model to provide a basis for evaluating further exploration requirements

Copahue (HRL 100%, Region VIII, 552 km², see Figure 2)

The project is 500km south of Santiago and associated with the Copahue-Callaqui volcanic complex, located on the Chile - Argentina border. It is comprised of two tenements (Santa Antonia & San Guillermo). The area contains a wide caldera, and a long line of nine craters with a number of lakes formed from condensed geothermal steam. The company's tenements in the Copahue project are considered to be highly prospective for future geothermal development given the extensive surface geothermal activity with the Chilean portion of this project and the results of geothermal drilling into the same system from well pads located across the border in Argentina.

Current work program at this project involves detailed consultation and information programs with local indigenous communities to obtain land access agreement for undertaking surface exploration studies including MT resistivity surveys.

San Cristobal (HRL 100%, Region XIV, 50 km², see Figure 2)

The San Cristobal tenement is located in the Lakes District of southern Chile on the lower southern flank of the Villarica volcano. This is a large mid Pleistocene to Holocene composite volcano, which has been active in recent times. The volcanic field includes a group of about 50 basaltic to basaltic-andesite scoria cones, maars and a small strato-volcano that are broadly aligned along the regional Liquine-Ofqui fault zone, a major arc parallel strike slip fault which

controls the location of many of the larger volcanoes in the Southern Volcanic Zone of central-south Chile. The San Cristobal project has a range of surface thermal springs with temperatures ranging up to 60°C. It is considered to have good prospectivity for geothermal development.

Similar to Copahue, our current work program here involves detailed consultation and information programs with local communities to obtain land access agreement for undertaking surface exploration studies including MT resistivity surveys. Some concern has been raised by operators of local hot spring bathing facilities on Hot Rock's exploration and likely future development activities. We believe these concerns can be resolved through ongoing community information programs which are in progress.

Santa Macarena (HRL 100%, Region XIV 420 km², see Figure 2)

The Santa Macarena concession is located 90km to the NE of the city of Osorno. The geothermal setting of this area very similar to Copahue, where high temperature thermal features outcrop at both sides of the Andes. Potential heat sources for surface geothermal activity in this area the Nevado Las Agujas and Nevado de Queni volcanoes.

Current work program at this project there is focused on land access and community information programs with the objective of undertaking detailed geoscientific surveys, including MT resistivity in this coming summer's field program.



Review of Activities

Peru

HIGHLIGHTS

- 3 geothermal tenements granted to date
- 3 more geothermal tenements set to be granted
- A further 2 applications recently submitted
- Hot Rock is currently the largest holder of granted geothermal tenements in Peru

Similar to Chile and perhaps even more so, Peru contains some of the most highly prospective regions for the development of geothermal energy in the world today. These have yet to be systematically explored and developed and a geothermal power industry is only just forming in response to the outstanding opportunities in Peru.

Power demand in Peru is growing rapidly, as the nation's economy prospers. The domestic electricity market was privatized in the 1990's and demand for electricity has increased substantially to keep pace with the high levels of development in manufacturing and mining reflected in Peru's GDP growth in 2010 of 7%. A recent report from the grid operator COES highlights that annual energy and capacity demand in the next 10 year period will grow 6.2% to 75TWh and 10,500MWe, respectively. This will require that the electrical generation system of Peru be doubled over the next 6 years.

Peru currently relies on fossil fuel (52%) and hydro-electric (48%) plants for its electricity.

Continuing drought is negatively impacting on electricity generation from its hydro-electric plants and it has been stated that global warming, accentuated by atmospheric fall out of airborne industrial particulates, has already led to a permanent loss of some 20 per cent of the permanent ice caps in the high Andes running through

Peru. In an effort to reduce Peru's reliance on fossil fuels and hydro-electric sources of power generation, the Peru government is vigorously supporting the development of renewable energies, including geothermal. Introduced legislation offers renewable energy sources incentives such as favorable electricity tariff mechanisms, tax benefits and priority of connection to the grid and electricity sales.

Hot Rock established an office in Lima in 2009, prior to establishing its wholly owned subsidiary company, Hot Rock Peru S.A in March 2010. The company then commenced lodging exploration applications covering exciting volcanic prospects in largely the southern Peru region within the Central Volcanic Zone of the Andes which extends from Northern Chile into Southern Peru.

By August 2010, a total of 8 geothermal exploration applications had been lodged. In February 2011, the first tenement was awarded, to Hot Rock with the granting of the Rupha tenement in the Ancash region to the north of Lima. Rupha represents the second occasion where the company's 'early mover' strategy, as adopted in Chile, has proved to be very advantageous to the company - i.e. in identifying and securing high quality geothermal projects through strong in-house geothermal exploration skills and knowledge, well before subsequent high levels of interest by both large domestic and international companies.

In April 2011, two more tenements were granted to Hot Rock, namely the Chocopata and Quellaapacheta geothermal tenements located in Southern Peru. These are conventional volcanic geothermal heat sources, which have associated surface hot springs with temperatures recorded up to 90°C and with extensive surface silica sinter

deposits. Field evidence highlights the excellent prospectivity of these tenements for the proving of geothermal reservoirs suitable for electrical power generation.

The company has progressed land ownership surveys, land access agreements, community consultation and local government information workshops within all three tenements. These programs have been very well received by the local communities due to the transparent and highly informative approach taken by Hot Rock in these engagements.

The year ahead will be very active for

Hot Rock Peru. The company anticipates being awarded at least three of the remaining five tenements in the near future and this will immediately lead onto community consultation programs and the commencement of field surveys at each new tenement grant.

With excellent progress being made on community consultation and land access, we are prioritizing at least two of the granted tenements in Southern Peru for detailed geoscientific studies and MT resistivity surveys in the upcoming summer field season.



Figure 11: Geochemical sampling steam and boiling spring features at Hot Rocks Quellaapacheta project in Southern Peru



Figure 12: Hot Rock Peru community engagement team undertaking village level briefings on the process of geothermal exploration and development and benefits to local communities

Review of Activities

Australia

HIGHLIGHTS

- Almost all approvals for 'Proof of Concept' drilling at Koroit granted
- Recent Federal Government clean energy initiatives to benefit Koroit

Contrary to the predominant focus of the domestic geothermal sector, primarily targeting Hot Fractured Rock (HFR) or Enhanced Geothermal Systems (EGS) that have yet to be commercialized anywhere in the world, Hot Rock is focused on advancing conventional proven Hot Sedimentary Aquifer (HSA) geothermal systems in Australia. HSA geothermal power utilities have been operating commercially for well over two decades, most notably in California, USA.

Subsequent to the end of the financial year, in July 2011 the Federal government announced its carbon pricing policy including \$13.2 billion earmarked for clean energy funding initiatives. This included details on the set up of an initial carbon tax of \$24 per tonne of carbon dioxide emissions. The tax is set to be implemented from July 2012, and will be ultimately replaced with a market based Emission Trading Scheme by July 2015.

As part of the Government's clean energy initiatives, two independent bodies have been set up to assist the development of emerging renewable energy projects in Australia. The Australia Renewable Energy Agency (ARENA) will now manage \$3.2 billion of spending that is already available to be spent over the next 9 years on projects, such as those being developed by Hot Rock.

In addition, the Clean Energy Finance Corporation (CEFC) will be given \$10 billion to spend over 5 years from 2013/14 on loans, loan guarantees and equity in emerging

technologies including solar, battery and geothermal as well as hybrid gas or coal plants using solar or geothermal energy. This government funding should encourage private investment into the renewable sector by carrying a significant amount of early emerging renewable energy testing costs and reducing project risk.

This funding is very relevant to Hot Rock given that geothermal remains the only clean base-load, 24/7 energy source. As such, there is no alternative renewable technology capable of replacing coal-fired power generation in Australia.

Otway Basin, Victoria (GEP - 6, 7, 8, 9 & 23 - 100% HRL)

Hot Rock has earlier completed resource studies utilizing existing data to identify, delineate and assess three geothermal resources in the Otway Basin. The most prospective of these is the Koroit project, located in GEP 8 near Warrnambool, south-west Victoria.

Koroit is a conventional HSA geothermal project with the potential to become one of the first commercial geothermal electricity generators in the nation. Ideally situated near existing transmission lines and a regional population base of 5 million, the geothermal resource at Koroit been assessed to be of a size sufficient to provide electricity for 100,000 homes, with further scope to increase this to 1 million in the long term.

The project is on the cusp of receiving all the necessary regulatory permits and approvals to be able to commence drilling two deep Proof-of-Concept wells. A successful water bore has been drilled near the first of these wells (KHR-1) to provide water to the drilling operation and a water license for 120ML's has been secured.

During the year, the company decided to put on hold the drilling and testing program of two deep Proof of Concept wells until either new government funding had been secured and/or a partner committing sufficient funds for the project to proceed. In May 2011, the deadline to utilize the Federal Government's previously awarded \$7 million Geothermal Drilling Program grant lapsed. On that front, the recent clean energy initiatives by the Federal Government have provided added confidence that funding will be secured in the near term. As such, discussions have commenced with a drilling company for the supply of a suitable rig with a view to drilling in 2012.



Figure 13: Ground water well drilling operation at Koroit. Drilling water supply for the first deep "Proof of Concept" HSA well, now tested and proven, ready for drilling to commence.



Figure 14: Full inventory of all well head valves and associated equipment for both of the two deep "Proof of Concept" HSA wells have been procured and fabricated and are currently in storage at the manufacturers yard, ready for delivery to Koroit as soon drilling commences.

Walsh Springs, Queensland *(EPG-19, 100% HRL)*

A head office review of existing data for this tenement is ongoing, preparatory to the commencement of field reconnaissance surveys in October.

Review of Activities Corporate

In December 2010 a \$3.6m capital raise program was completed through a combination of placements and a fully underwritten rights issue to existing shareholders by Bizzell Capital Partners Pty Ltd (BCP), an entity associated with Stephen Bizzell, a director of HRL.

Directors & Management



**Dr Mark Elliott -
Executive Chairman**

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

Dr Elliott has Chartered Professional (CP) accreditation in the discipline of Geology and has over 35 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, Society of Economic Geologists and Australian Institute of Geoscientists.




**Mr Peter Barnett -
Managing 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 30 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 five 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, a member of the International Geothermal Association, and a member of the Geothermal Economics and Geothermal Reporting Code Subcommittees of the Australian Geothermal Energy Association (AGEA). He is a member of the Australian Institute of Company Directors (MAICD).



**Mr Michael Sandy -
Non-Executive
Director**

*BSc (Hons),
MPESA, AICD*

For over 35 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.



**Mr Stephen Bizzell -
Non-Executive
Director**

BCom, ACA, MAICD.

Stephen Bizzell is a Chartered Accountant. In his early career, he was employed in the Corporate Finance division of Ernst & Young and the Corporate Taxation division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing and mergers and acquisitions. He has over 15 years corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies. He was a co-founder of Arrow Energy Ltd and an executive director of Arrow from 1999 up to its recent acquisition by Royal Dutch Shell and PetroChina for \$3.5 billion. He is also Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd and an Executive Director of Dart Energy Ltd.



**Paul Marshall -
Company Secretary &
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 and 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.



**Mr Palbo Mir
Balmaceda -
Director - Hot Rock
Chile SA**

*J.D. Universidad de Chile,
Cum Laude. RMMLF;
IMPS; AMLA;
IBA-SEERIL; PDAC;
SONAMI; Chilean Bar
Association*

Pablo is a lawyer in Chile specialising in the energy and mineral resources. He was recently selected as one of the best mining lawyers in Latin America by the Latin Lawyer magazine. Pablo is a senior partner in Bofill Mir & Alvarez Hinzpeter Jana, one of the five largest Chilean law firms. He was previously a partner at Grasty Quintana Majlis & Cía.

Pablo is a Member of the Rocky Mountain Mineral Law Foundation; International Mining Professionals Society (IMPS); Latin American Mining Lawyers (AMLA); International Bar Association (Energy, Environment, Natural Resources and Infrastructure); Prospectors & Developers Association of Canada (PDAC); National Mining Society (SONAMI); Member of the Chilean Bar Association.

He has a law degree from the University of Chile. Pablo's experience in Latin America is invaluable to Hot Rock's operations.



Mr Carlos Heraud Solari - Director - Hot Rock Peru S.A.

J.D. Universidad Catolica del Peru.

Lima, Peru Bar Association

Carlos is a lawyer with nearly 50 years experience. He has worked for private and public organizations including the Superintendence of Bank and Insurance where he published the compilation of provisions of the Banking Law attached to matches and relations with the civil code which had three editions in 1974, 1979 and 1984.

He has also served as a legal advisor of “La Casa de la Cultura” for nearly three years. He has been a legal advisor for the mining commission of the deputy chamber and for the agricultural commission in the senator chamber for the years 1981-1982. He has also been a member of the Board of the Reaseguradora Peruana for 1975 to 1978 year in which he served as chairman. In 1993 he was also called as an advisor for the Ministry of Justice.

In the private sector he was the founding partner of the editorial companies of the newspapers, “La Republica” and “El Popular” between 1981 and 1996. He has been chairman of Grupo AGV, a major aluminum processor company since 1997 and is a member of the Board of Directors and Legal Superintendent of the Clinics Maison de Sante. He has been a professor for almost 30 years of the school of officers of the National Police of Peru and also for several years at the National University of Engineering and the Universidad Catolica of Peru.



Mr Gonzalo Salgado Tormo - Director - Hot Rock Chile SA

(Retired 17 March 2010)

J.D. Universidad de Chile. Graduate from National Academy of Political and Strategic Studies. Chilean Bar Association.

Gonzalo is a lawyer and served as a Diplomat in the Chilean Ministry of Foreign Affairs for more than 40 years serving in Chile, Argentina, Brazil, Uruguay, Peru, USA and Australia. In Chile, he served in a number of roles, as Director of information and cultural matters in human resources and auditoria until he retired in Chile as the Ministerial Auditor of the Ministry of Foreign Affairs reporting directly to the Minister.

While in Foreign Affairs, Gonzalo served at the United Nations in New York from 1969 to 1973, serving as a member of the cabinet of the Secretary General of the United Nations, officer in special political affairs, especially in matters related to the General Assembly and liaison officer for world-wide missions.

Between 1974 to 1978, he was Secretary at the Chilean Embassy in Australia where he was in charge of political and commercial matters. He also served as Minister Counselor in the Embassies of Chile in Brazil, Uruguay, Peru and Venezuela and as Consul General in Argentina, Bolivia, Peru and Venezuela.

Gonzalo was a professor of the Diplomatic Academy in courses of international organizations and bilateral matters in Chile and a lecturer in business at the National University of Cordoba, Argentina and at the Catholic University in La Paz. He has wide experience and contacts in government and in international affairs in Latin America, which are of considerable value to Hot Rock in undertaking business in Chile.



Mr Luis Urzua

*Geothermal Resource
Manager - Hot Rock
Limited*

*Dip. Geoth. En. Tech., BSc
(Geol), BSc (Civil Eng),
MSc (1stHons)*

Luis is a qualified geologist and civil engineer with over 13 years experience in the geothermal industry.

Luis initially worked in Chile where he was responsible for a number of geothermal discoveries while employed by the Empresa Nacional del Petroleo (ENAP).

Luis was later employed by a leading New Zealand Geothermal power generator and explorer, where he undertook exploration assessments, including geophysical surveys and drilling programs along with assessing and testing reservoirs for geothermal plant operations and new developments. Luis has been involved in the drilling of over 20 geothermal wells up to a depth of 3,500m and the development of 380MW of geothermal power.

Luis has a Bachelor of Science degree in civil engineering and a Degree in Geology from the University of Chile, a Diploma in Geothermal Energy Technology and a Masters of Science degree with first class honours in geology from the University of Auckland. Luis manages the exploration and reservoir engineering functions within Hot Rock at all of its geothermal projects.



**Mr Eduardo
Ugarte Requena**

*Chile Office Manager -
Hot Rock Chile SA*

*Bachelor of Law
University of Chile (LL.B)*

Eduardo is a qualified lawyer with 15 years' experience in commercial law including company formations, mergers, labor law and renewable energy legislation in Chile. He has served in a variety public and private organizations, including the Chile Ministry of Justice, A&G Consultants of Santiago, where he was in charge of legal and commercial work, the Chile Ministry of Education where he was involved with improvement of higher education in Chile through financing supplied by the Inter-American Development Bank (IDB) and the Chile Department of Special Registers. His entry to the geothermal power industry was initially with a Chilean private company where he was responsible for the preparation and submission of geothermal concession applications and tenders to the Chile Ministry of Mines.

Eduardo joined Hot Rock Chile SA in 2009 where he is now responsible for management of Hot Rock's Santiago office and for all legal aspects of preparing and submitting applications for geothermal concessions. Over the past 18 months, he has been actively working with other members of the geothermal energy community in Chile in establishing a Geothermal Association of Chile, (ACHEGEO), under the auspices of the International Geothermal Association. Eduardo has a Bachelor of Law degree awarded by the University of Chile.



**Adriana Lituma
Canepa**

Peru Office Manager

*Bachelor in Economics,
Universidad de Lima
(Honours)*

Adriana is a qualified economist with experience in finance and community programs. In finance she worked for Banco Sudamericano (now Scotiabank) in strategic planning and management control.

She then turned to social economics becoming involved in projects aimed at improvement of living conditions and reduction of the poverty in the Sierra of Peru within the framework of the Government initiated River Basin Management program.

As a consultant she has worked on Environmental Impact Studies for companies in the mining sector where she was responsible for developing strategies to clearly communicate and explain both the impacts and benefits of proposed developments following government guidelines.

She joined Hot Rock Peru S.A. in 2009 where she is now responsible for Hot Rock's Lima Office and in charge of geothermal tenements, community programs and general management.

She has a Bachelor in Economics degree with Honours awarded by the Universidad de Lima. She is currently working on the final research report to complete her studies for a Masters in Applied Environmental Economics from the University of London.

Corporate Information

DIRECTORS

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

COMPANY SECRETARY

Paul Marshall

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

Level 5
10 Market Street
Brisbane QLD 4000

Phone: + 61 7 3212 6200

SOLICITORS

HopgoodGanim Lawyers
1 Eagle Street
Brisbane QLD 4000

Phone: + 61 7 3024 0000

SHARE REGISTRY

Link Market Services Limited
Level 12
300 Queen Street
Brisbane QLD 4000

Phone: 1300 554 474

AUDITORS

Crowe Horwath
Level 16
120 Edward Street
Brisbane QLD 4000

Phone: + 617 3233 3555

COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited

ASX Code: HRL

WEBSITE ADDRESS

www.hotrockltd.com

AUSTRALIAN BUSINESS NUMBER

ABN 99 120 896 371



Annual Financial Report Contents

Directors' Report including Remuneration Report (Audited)	35
Auditor's Independence Declaration	42
Additional Stock Exchange Information	43
Corporate Governance Statement	46
Statement of Comprehensive Income	49
Balance Sheet	50
Statement of Changes to Equity	51
Cash Flow Statement	52
Notes to the Financial Statements	53
Directors' Declaration	70
Independent Auditor's Report	71



DIRECTORS' REPORT INCLUDING REMUNERATION REPORT

Your Directors present their report on the Consolidated Entity consisting of Hot Rock Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

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 stated:

Dr Mark Elliott – Executive Chairman

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

Dr Elliott is a Chartered Professional (CP) geologist with over 35 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, Society of Economic Geologists and Australian Institute of Geoscientists.

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

- Hemisphere Resources Ltd (Oct 2006 – present)

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

- Bandanna Energy Ltd (May 2007 – Oct 2008)
- Chinalco Yunnan Copper Resources Limited (May 2006 – Nov 2009)
- New Standard Energy Limited (May 2007 – July 2008)

Mr Peter Barnett - Managing 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 30 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 five 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 35 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. Sandy 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:

- Bureson Energy Ltd (May 2006 – present)
- Caspian Oil and Gas Ltd (Sept 2005 – present)
- Tap Oil Ltd (Jun 2006 – present)

Mr Stephen Bizzell - Non-Executive Director

BCom, ACA, MAICD.

Stephen Bizzell is a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Taxation division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing and mergers and acquisitions. He has over 15 years corporate finance and public company management experience in the resources and energy sectors in Australia and Canada with various public companies. He was a co-founder of Arrow Energy Ltd and an executive director of Arrow from 1999 up to its recent 2010 acquisition by Royal Dutch Shell and PetroChina for \$3.5 billion. He is also Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd and an Executive Director of Dart Energy Ltd.

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

- Bow Energy Ltd (Dec 2004 – present)
- Dart Energy Ltd (Jul 2010 – present)
- Diversa Ltd (Aug 2010 – present)
- Renison Consolidated Mines NL (Jun 1996 – present)
- Stanmore Coal Ltd (Dec 2009 – present)
- Renaissance Uranium Ltd (Dec 2010 – present)

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

- Arrow Energy Ltd (Jun 1999 – Aug 2010)
- Liquefied Natural Gas Ltd (Dec 2007 – Mar 2010)
- Apollo Gas Ltd (Dec 2009 – January 2011)

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 and 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	9,500,000	7,000,000
Peter Barnett	3,400,000	7,000,000
Michael Sandy	3,000,000	1,000,000
Stephen Bizzell	8,712,500	7,338,985

PRINCIPAL ACTIVITY

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

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial period.

OPERATING RESULTS

For the year ended 30 June 2011, the loss for the Consolidated Entity after providing for income tax was \$1,546,402 (2010: \$1,617,171).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2010:\$nil).

REVIEW OF OPERATIONS

During the 2011 financial year the Company continued with exploration work on the Company's Volcanic projects in Chile and Peru as well as its Hot Sedimentary Aquifer (HSA) Victorian projects.

Chile

The Company continued to build its geothermal portfolio in Chile which now comprises 13 granted exploration tenements spread over some 5,660km² in seven project areas, all 100% owned.

Subsequent to the end of the financial year, maiden inferred geothermal resources were declared at the Calerías and Longavi projects based on geological, geochemical and magneto-telluric (MT) geophysical studies. These resources represent a significant milestone, being only the second and third geothermal projects in Chile to have publicly released resource estimates. At Calerías an inferred geothermal resource estimated at a P50 level of probability has 7,400PJ of in-place heat energy. The reservoir appears to extend further to the north of the current outline resource indicating the resource estimate will increase with further work. The resource itself is equivalent to 185MWe of electrical power generation, sufficient to meet the needs of more than 250,000 local households for a period of 30 years.

Similarly at Longavi an inferred geothermal resource at a P50 level of probability has estimated 5,400PJ of in-place heat energy with possible extensions to increase this resource. The resource is equivalent to 135MWe of power generation.

A detailed MT survey over the resource areas followed by a drilling programme is planned for these projects in early 2012.

Peru

Hot Rock established an office in Lima in 2009, prior to establishing its wholly owned subsidiary company, Hot Rock Peru S.A in March 2010. By August 2010, a total of 8 geothermal exploration applications had been lodged in Peru.

In February 2011, the first tenement was granted - the Rupha tenement in the Ancash region to the north of Lima.

In April 2011, Hot Rock was granted the Quellaapacheta and Chocopata geothermal tenements located in Southern Peru.

Hot Rock has progressed land ownership surveys, land access agreements, community consultation and local government information workshops within the tenements.

All three tenements are conventional volcanic geothermal heat sources, which have associated surface hot springs with temperatures recorded up to 90°C and with extensive surface silica sinter deposits.

This field evidence highlights the excellent potential of proving geothermal reservoirs suitable for electrical power generation from these tenements.

Surface programs to define the lateral and vertical extent of the geothermal systems at the granted tenements are advancing. Following this, the Company will determine priorities for MT surveys leading to estimating inferred geothermal resources.

Victoria - Otway Basin

The Company decided to put on hold the drilling and testing program of two deep Proof of Concept wells until either new government funding had been secured and/or a partner committing sufficient funds for the project to proceed. In May 2011, the deadline to utilise the Federal Government's previously awarded \$7 million Geothermal Drilling Program grant lapsed.

The recent clean energy initiatives by the Federal Government have provided added confidence that funding will be secured in the near term for the Koroit project, near Warrnambool.

The information in this Statement that relates to Geothermal Resources has been compiled by Peter Barnett, an employee of Hot Rock Limited. 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). He 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.

In this work Mr Barnett has drawn freely from reports on the geothermal resources prepared under his supervision, by both staff of Hot Rock Limited and by external consultants. The estimation of recoverable heat energy has been undertaken directly by Mr Barnett.

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.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the 2011 financial year, a total of \$3,579,416 was received and 63,819,609 ordinary shares issued in relation to a placement of shares and a rights issue. At 30 June 2011 the Consolidated Entity had 156,269,615 ordinary shares and 27,788,985 unlisted options on issue.

Financial position

The net assets of the Consolidated Entity have increased by \$1,596,387 from \$4,015,210 at 30 June 2010 to \$5,611,597 at 30 June 2011.

The Consolidated Entity's working capital, being current assets less current liabilities has decreased from \$962,381 in 2010 to \$793,583 at 30 June 2011.

During the past year the Consolidated Entity has invested in the advancement of its exploration permits held.

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

The Consolidated Entity had working capital of \$793,583 at 30 June 2011.

The Consolidated Entity has recently announced a capital raising program intended to further its exploration activities in both Australia and South America.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Consolidated Entity:

- raised \$3,579,416 by way of a placement of shares and a rights issue
- continued further exploration work on its tenements in both Australia and South America
- investigated geothermal opportunities in South America

There were no significant changes in the state of affairs that occurred in the financial period.

AFTER BALANCE DATE EVENTS

There have been no events since 30 June 2011 that impact upon the financial report as at 30 June 2011.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Consolidated Entity intends to continue its geothermal exploration activities. There are no further developments of which the Directors are aware which could be expected to affect the results of the Consolidated Entity's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Consolidated Entity.

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.

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	6	6
Peter Barnett	6	6
Michael Sandy	6	6
Stephen Bizzell	6	6

A – Number of meetings attended

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

OPTIONS

As at 30 June 2011 there were 27,788,985 unissued ordinary shares under option. 3,038,985 options were issued during the period.

During the year ended 30 June 2011 no shares were issued following the exercise of options.



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.

Such 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 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 Director's 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 ending 30 June 2011 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 ending 30 June 2011 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 agreements with the Executive Chairman, the Managing Director and the CFO have 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.

The Company has entered into an employment contract with Dr Mark Elliott as Executive Chairman of the Company. The contract commenced on 1 March 2009 and is for a 3 year term. The Company is entitled to terminate the Agreement upon giving 3 months written notice and Dr Elliott may do so upon not less than 3 months written notice. Further, the Company is entitled to terminate the Agreement immediately upon the happening of various events in respect of Dr Elliott's solvency or other conduct.

The current cost to the Company of the contract is a base fee of \$273,000 per annum plus 9% superannuation. The Company also provides a car park space. Bonus payments and option issues are at the discretion of the board.

The Company has entered into an Employment Agreement with Peter Barnett, a Director of the Company which commenced on 1 March 2009 under which Peter Barnett is engaged as the Managing Director of the Company. The Company is entitled to terminate the Agreement upon giving 3 months written notice and Mr Barnett may do so upon not less than 3 months written notice. Further, the Company is entitled to terminate the Agreement immediately upon the happening of various events in respect of Mr Barnett's solvency or other conduct.

The current cost to the Company of the contract is a base fee of \$250,000 per annum. Bonus payments and option issues are at the discretion of the board.

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 Executive Chairman
- Peter Barnett Managing 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

The Key Management Personnel are also the five most highly paid Executive Officers of the Consolidated Entity for the year ended 30 June 2011:

2011	Short-term			Post Employment		Equity	Total	Performance Related %	% consisting of options
	Salary & fees	Cash bonus	Non-cash benefits	Superannuation	Retirement benefits	Options			
Directors									
Mark Elliott	270,642	-	13,320	24,358	-	29,112	337,432	-	8.63%
Peter Barnett	250,000	-	-	-	-	40,270	290,270	-	13.87%
Michael Sandy	35,000	-	-	-	-	3,773	38,773	-	9.73%
Stephen Bizzell	35,000	-	-	-	-	3,773	38,773	-	9.73%
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	3,773	55,773	-	6.76%
	642,642	-	13,320	24,358	-	80,701	761,021		

2010	Short-term			Post Employment		Equity		Performance Related %	% consisting of options
	Salary & fees	Cash bonus	Non-cash benefits	Superannuation	Retirement benefits	Options	Total		
Directors									
Mark Elliott	270,642	-	4,548	24,358	-	103,556	403,104	-	25.69%
Peter Barnett	250,000	-	-	-	-	120,920	370,920	-	32.60%
Michael Sandy	35,000	-	-	-	-	11,227	46,227	-	24.29%
Stephen Bizzell	27,041	-	-	-	-	11,227	38,268	-	29.34%
Norm Zillman ⁽¹⁾	21,575	-	-	-	-	16,841	38,416	-	43.84%
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	11,227	63,227	-	17.76%
	656,258	-	4,548	24,358	-	274,998	960,162		

(1) Retired 23 December 2009

(c) Options granted and vested during the year ended 30 June 2011

No options over ordinary shares in the Company were granted as compensation to directors and key management personnel during the reporting period. Details on options that vested during the reporting period, but were granted in prior reporting periods are as follows:

	Grant date	No. Of Options	Option Fair value at grant date \$	Exercise price per option \$	Total Value of Options \$	Expiry date	Vesting & first exercise date	% of options vested
Directors								
Mark Elliott	1/12/2009	2,000,000	0.018	0.25	36,000	1/12/2013	1/12/2010	100%
Peter Barnett	1/12/2009	2,000,000	0.018	0.25	36,000	1/12/2013	1/12/2010	100%
Michael Sandy	1/12/2009	500,000	0.018	0.25	9,000	1/12/2013	1/12/2010	100%
Stephen Bizzell	1/12/2009	500,000	0.018	0.25	9,000	1/12/2013	1/12/2010	100%
Key Management Personnel								
Paul Marshall	1/12/2009	500,000	0.018	0.25	9,000	1/12/2013	1/12/2010	100%

The value of options granted is the fair value of the options calculated at grant date using a binominal 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 following table lists the inputs to the model:

Inputs	
Expiry Date	1/12/2013
Underlying Share Price	0.12
Option Strike Prices (cents)	0.25
Time to Maturity (Yrs)	4
Risk Free Rate (%)	4.93
Volatility (%)	39.66

No remuneration options have been granted since the end of the financial year.

(d) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of remuneration options during the 2011 or 2010 financial years.

(e) Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return since the Consolidated Entity's listing on the ASX are summarised below:

Measures	2011 \$	2010 \$	2009 \$	2008 \$
Share price at end of financial year	0.04	0.07	0.10	0.12
Market capitalisation at end of financial year (\$M)	6.25	6.47	7.00	7.34
Profit/(loss) for the financial year	(1,610,352)	(1,642,254)	(2,199,265)	(806,233)
Cash spend on exploration programs	1,764,645	1,629,356	884,728	438,643
Director and Key Management Personnel remuneration	761,021	960,162	981,558	606,849

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.

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 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

During the year Crowe Horwath the Consolidated Entity's current auditor has performed non-audit services as set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Crowe Horwath received the following amounts for the provision of non-audit services:

Tax services \$11,355

AUDITOR'S INDEPENDENCE DECLARATION

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.



Mark Elliott
Executive Chairman
Brisbane 23 September 2011



Crowe Horwath Brisbane
ABN 79 981 227 862
Member Crowe Horwath International

Level 16, 120 Edward Street
Brisbane QLD 4000 Australia
GPO Box 736
Brisbane QLD 4001 Australia
Tel: +61 7 3233 3555
Fax: +61 7 3233 3567
www.crowehorwath.com.au

A WHK Group Firm

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Hot Rock Limited:

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements of the corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

B.P. Worrall

BRENDAN WORRALL
Partner

Signed at Brisbane 23 September 2011.

Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein (Crowe Horwath). Each member firm of Crowe Horwath is a separate and independent legal entity. Crowe Horwath Brisbane and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath or any other member of Crowe Horwath and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath or any other Crowe Horwath member. © 2011 Crowe Horwath Brisbane

Liability Limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

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 21 September 2011.

(a) Distribution of equity securities

HRL – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	20
1,001 to 5,000	89
5,001 to 10,000	229
10,001 to 100,000	582
100,001 and over	202
Total	<u>1,122</u>

Number of shareholders holding less than a marketable parcel of shares	<u>451</u>
--	------------

(b) Twenty largest holders

HRL – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	LORRAINE JEAN ZILLMAN	10,500,000	6.72%
2	ELLIOTT NOMINEES P/L	8,500,000	5.44%
3	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	7,558,181	4.84%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,217,684	3.34%
5	MR IAN LINDSAY CAMPBELL	5,000,000	3.20%
6	BIZZELL NOMINEES PTY LTD	4,200,000	2.69%
7	DR BARRY JOHN BARKER & MRS JAYE ABBYE BARKER	4,100,000	2.62%
8	ALBIANO HOLDINGS PTY LTD	3,749,394	2.40%
9	PETER RODNEY BARNETT	2,800,000	1.79%
10	BCP ALPHA INVESTMENTS PTY LTD	2,800,000	1.79%
11	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,485,600	1.59%
12	SCINTILLA STRATEGIC INVESTMENTS LIMITED	2,340,000	1.50%
13	MR RICHARD GEOFFREY AUSTIN & MRS PAMELA MARGARET AUSTIN	2,315,000	1.48%
14	MR MICHAEL JOHN SANDY	2,000,000	1.28%
15	ANGORA LANE PTY LTD	2,000,000	1.28%
16	LIMITS PTY LIMITED	1,854,788	1.19%
17	MR DOUGAL MALCOLM HENDERSON	1,760,000	1.13%
18	CF2 PTY LTD	1,755,000	1.12%
19	BABADE PTY LTD	1,755,000	1.12%
20	DOUGAL MALCOLM HENDERSON	1,620,000	1.04%
		<u>74,310,647</u>	<u>47.56%</u>

(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 mining and exploration tenements as at 21 September 2011:

QUEENSLAND

Type	Location	Status	Grant Date	Expiry Date	HRL Interest
EPG19	Walsh Hot Springs	Granted	1/6/10	31/05/2015	100%

VICTORIA

Type	Location	Status	Grant / Application Date	Expiry Date	HRL Interest
GEP 6	Portland	Granted	14/05/2007	13/05/2012	100%
GEP 7	Hamilton	Granted	14/05/2007	13/05/2012	100%
GEP 8	Warrnambool	Granted	14/05/2007	13/05/2012	100%
GEP 9	Colac	Granted	14/05/2007	13/05/2012	100%
GEP 23	Mundi	Granted	28/11/2008	27/11/2013	100%

CHILE

Name	Chile Location	Status	Grant Date	Expiry Date	HRL Interest
Galo	Central	Granted	1/04/2010	31/03/2012	100%
Calerías	Central	Granted	1/12/2010	30/11/2012	100%
San Carlos	Central	Granted	31/01/2011	30/01/2013	100%
San Jorge	Northern	Granted	1/02/2011	31/01/2013	100%
Tuyajto	Northern	Granted	1/12/2010	30/11/2012	100%
Santa Antonia	South Central	Granted	1/04/2010	31/03/2012	100%
Longavi	South Central	Granted	29/01/2011	28/01/2013	100%
Santa Sonia	South Central	Granted	1/04/2010	31/03/2012	100%
Santa Alejandra	South Central	Granted	1/02/2011	31/01/2013	100%
Santa Edita	South Central	Granted	2/02/2011	1/02/2013	100%
San Roman	South Central	Granted	3/02/2011	2/02/2013	100%
San Cristobal	South Central	Granted	4/02/2011	3/02/2013	100%
Santa Macarena	South Central	Granted	7/05/2011	6/05/2013	100%

PERU

Type	Peru Location	Status	Grant Date	Expiry Date	HRL Interest
Rupha	Northern	Granted	12/02/2011	11/02/2014	100%
Chocopata	Southern	Granted	18/03/2011	17/03/2014	100%
Quellaapacheta	Southern	Granted	6/04/2011	5/04/2014	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 Stock 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 an executive officer of the Company. The Board believe 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.
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	Executive Chairman	Dr Elliott is a substantial shareholder of the Company and is employed in an executive capacity
Peter Barnett	Managing Director	Mr Barnett is employed in an executive capacity
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	5 years 1 month
Peter Barnett	3 years 9 months
Mike Sandy	4 years 3 months
Stephen Bizzell	2 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. The Company also values diversity in the organisation. In light of recent amendments to the ASX's Corporate Governance Principles, the Company intends to formalise and publish its diversity policy and set suitable diversity targets and benchmarks against which it will report.

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 assess 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 2011.

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 2011

	Note	2011 \$	2010 \$
Revenue	2	404,144	73,251
Employment and consultancy expenses		(829,912)	(990,765)
Depreciation and amortisation expenses	11	(50,151)	(37,622)
Exploration costs expensed		(530,813)	(104,383)
Finance costs		(4,771)	-
Exchange loss		(21,980)	(28,999)
Other expenses		(847,607)	(886,945)
Profit/(loss) before income tax		(1,881,090)	(1,975,463)
Income tax benefit/(expense)	3	334,688	358,292
Profit/(loss) after income tax expense		(1,546,402)	(1,617,171)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(63,950)	(25,083)
Income tax		-	-
		(63,950)	(25,083)
Total comprehensive income		(1,610,352)	(1,642,254)
		Cents	Cents
Earnings per share			
Basic earnings per share	6	(1.21)	(1.78)
Diluted earnings per share	6	(1.21)	(1.78)

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

**Consolidated Balance Sheet
As at 30 June 2011**

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	7	888,812	934,706
Trade and other receivables	8	14,252	468,456
Other current assets	9	30,174	223,888
TOTAL CURRENT ASSETS		933,238	1,627,050
NON-CURRENT ASSETS			
Trade and other receivables	8	73,056	71,127
Financial assets	10	1	1
Plant and equipment	11	92,689	94,078
Exploration expenditure	12	4,652,268	2,887,623
TOTAL NON-CURRENT ASSETS		4,818,014	3,052,829
TOTAL ASSETS		5,751,252	4,679,879
CURRENT LIABILITIES			
Trade and other payables	13	33,453	592,906
Interest bearing liabilities	14	7,335	-
Short-term provisions	15	98,867	71,763
TOTAL CURRENT LIABILITIES		139,655	664,669
TOTAL LIABILITIES		139,655	664,669
NET ASSETS		5,611,597	4,015,210
EQUITY			
Issued capital	16	10,910,886	7,872,242
Reserves	17	939,036	834,891
Accumulated losses		(6,238,325)	(4,691,923)
TOTAL EQUITY		5,611,597	4,015,210

The 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 2011**

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Reserve \$	Total \$
Balance at 1 July 2009	6,189,433	(3,074,752)	538,506	(4,759)	3,648,428
Transactions with owners in their capacity as owners					
Issue of share capital	1,800,000	-	-	-	1,800,000
Share issue costs	(117,191)	-	-	-	(117,191)
Share-based payment expense	-	-	326,227	-	326,227
Comprehensive income					
Loss after income tax	-	(1,617,171)	-	-	(1,617,171)
Other comprehensive income	-	-	-	(25,083)	(25,083)
Balance at 30 June 2010	7,872,242	(4,691,923)	864,733	(29,842)	4,015,210
Balance at 1 July 2010	7,872,242	(4,691,923)	864,733	(29,842)	4,015,210
Transactions with owners in their capacity as owners					
Issue of share capital	3,579,416	-	-	-	3,579,416
Share issue costs	(540,772)	-	-	-	(540,772)
Share-based payment expense	-	-	168,095	-	168,095
Comprehensive income					
Loss after income tax	-	(1,546,402)	-	-	(1,546,402)
Other comprehensive income	-	-	-	(63,950)	(63,950)
Balance at 30 June 2011	10,910,886	(6,238,325)	1,032,828	(93,792)	5,611,597

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

**Consolidated Cash Flow Statement
For the year ended 30 June 2011**

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Government grant monies received		385,000	-
Payments to suppliers and employees		(2,532,440)	(1,742,809)
Interest received		52,215	73,251
Finance costs		(4,771)	-
Income tax benefit received		692,980	-
Net cash used in operating activities	18	(1,407,016)	(1,669,558)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit payments		-	(7,012)
Payments for property, plant & equipment		(48,762)	(22,076)
Payments for exploration and evaluation assets		(1,764,645)	(1,629,356)
Net cash used in investing activities		(1,813,407)	(1,658,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,579,416	1,800,000
Capital raising expenses		(348,272)	(101,192)
Proceeds from borrowings		69,630	-
Repayment of borrowings		(62,295)	-
Net cash provided by financing activities		3,238,479	1,698,808
Net increase/(decrease) in cash held		18,056	(1,629,194)
Net foreign exchange differences		(63,950)	(25,083)
Cash at the beginning of the financial year		934,706	2,588,983
Cash at the end of the financial year		888,812	934,706

The Cash Flow Statement 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 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 Consolidated Entity.

Authorisation of financial report

The financial report was authorised for issue on 23 September 2011.

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.

The financial statements of the Consolidated Entity also comply with International Financial Reporting Standards 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 judgments 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.

Key estimates – impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key judgements – exploration & evaluation expenditure

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

Accounting policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Hot Rock Limited at the end of the reporting period. A controlled entity is any entity over which Hot Rock Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation

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, 20% or more 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 10.

(c) Income Tax

The income tax expense (revenue) 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 as 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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 impairment).

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.

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 economic 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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	20%
Computers and 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.

(d) Exploration Evaluation and Development Expenditure

Exploration, evaluation and development 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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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 in the periods in which they are incurred.

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

(f) 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.

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 Consolidated Entity 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 within 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 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 (eg in accordance with the revaluation model in AASB 116). 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.

(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.

Equity-settled compensation

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 statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 statement of financial position.

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. Comparative figures have also been changed where classifications of income and expenditure items have been altered from

the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(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.

Subsidiary companies

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.

(q) New Accounting Standards and Interpretations

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

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions'.
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

(r) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Standards and Interpretations Not Yet Adopted

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). 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 will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Consolidated Entity when an asset is transferred but is not utilized and new disclosure required when assets are utilized but the Consolidated Entity continues to have a continuing exposure to the asset after the sale.



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Standards and Interpretations Not Yet Adopted

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Consolidated Entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Group resulting in more assets and liabilities on the books. The Consolidated Group is currently assessing the impact of this standard.

AASB 11: 'Joints Arrangements'

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Group will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Group is currently assessing the impact of this standard.

AASB 12: 'Disclosure of interest in other Entities'

This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Group is assessing the impact of this standard.

AASB 13: 'Fair Value Measurement'

This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The Consolidated Group is currently assessing the impact of this standard.

	2011	2010
	\$	\$
NOTE 2 REVENUE		
Government grant income	350,000	-
Interest Income	54,144	73,251
	404,144	73,251

NOTE 3 INCOME TAX EXPENSE

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

Loss before income tax	(1,881,090)	(1,975,463)
At income tax rate of 30% (2010: 30%)	(564,327)	(592,659)
Non-deductible expenses	32,185	93,068
Small business and general business tax break	-	(958)
Deferred tax assets not brought to account	532,142	500,549
R&D tax concession	(334,688)	(358,292)
Income tax expense/(benefit)	(334,688)	(358,292)

Unrecognised temporary differences and tax losses

Temporary differences	(878,509)	(695,095)
Tax losses	2,480,309	1,817,888
	1,601,800	1,122,793

The deductible 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 4 AUDITORS' REMUNERATION

Remuneration for the auditor of the Parent Entity for:

- audit and review of the financial report	27,650	27,250
- taxation services	11,355	6,200
	39,005	33,450

NOTE 5 DIVIDENDS AND FRANKING CREDITS

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

NOTE 6 EARNINGS PER SHARE

Earnings used to calculate basic and dilutive EPS	(1,546,402)	(1,617,171)
	2011	2010
	Number	Number
Weighted average number of shares outstanding during the year used in calculating EPS and dilutive EPS	128,126,008	90,600,691

The 27,788,985 options outstanding at 30 June 2011 (2010: 25,500,000) are not included in the calculation of diluted earnings per share as they are anti-dilutive.



	2011	2010
	\$	\$
NOTE 7 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	888,812	934,706

NOTE 8 RECEIVABLES

CURRENT

R&D tax concession receivable	-	358,292
Other receivables	14,252	110,164
	14,252	468,456

NON-CURRENT

Security bonds	73,056	71,127
----------------	--------	--------

NOTE 9 OTHER ASSETS

Prepaid expenses	30,174	223,888
------------------	--------	---------

NOTE 10 FINANCIAL ASSETS

Equity accounted investments	1	1
------------------------------	---	---

The Consolidated Entity holds a 50% interest in Casrock Pty Ltd. Casrock Pty Ltd holds the lease of an office occupied by Hot Rock Ltd. All costs incurred by Casrock Pty Ltd are reimbursed by Hot Rock and by the other shareholder and it does not make a profit or a loss. The net assets of Casrock Pty Ltd are \$2.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

Office equipment – at cost	175,479	151,818
Accumulated depreciation	(104,848)	(57,740)
	70,631	94,078

Motor vehicles – at cost	25,101	-
Accumulated depreciation	(3,043)	-
	22,058	-

Total property, plant and equipment	92,689	94,078
-------------------------------------	--------	--------

Movements during the year

	Office Equipment	Motor Vehicles	Total
Balance at 1 July 2009	109,642	-	109,642
Additions	22,076	-	22,076
Depreciation	(37,622)	-	(37,622)
Balance at 30 June 2010	94,078	-	94,078
Balance at 1 July 2010	94,078	-	94,078
Additions	23,661	25,101	48,762
Depreciation	(47,108)	(3,043)	(50,151)
Balance at 30 June 2011	70,631	22,058	92,689

	2011	2010
	\$	\$
NOTE 12 EXPLORATION EXPENDITURE		
Capitalised exploration expenditure	4,652,268	2,887,623

Movements during the year

Balance at beginning of year	2,887,623	1,258,267
Exploration activities capitalised	1,764,645	1,629,356
Impairment	-	-
Balance at end of year	4,652,268	2,887,623

NOTE 13 TRADE AND OTHER PAYABLES

Trade payables	18,560	374,112
Other payables and accrued expenses	9,059	26,174
Payable to directors	5,834	192,620
	33,453	592,906

NOTE 14 INTEREST BEARING LIABILITIES

Insurance financing	7,335	-
---------------------	-------	---

NOTE 15 PROVISIONS

Employee benefits	98,867	71,763
-------------------	--------	--------

NOTE 16 ISSUED CAPITAL

156,269,615 fully paid ordinary shares (2010: 92,450,006)	10,910,886	7,872,242
---	------------	-----------

	2011	2010	2011	2010
	Number	Number	\$	\$
Movements during the year				
Balance at beginning of year	92,450,006	69,950,006	7,872,242	6,189,433
Share placement (\$0.08 per share)	-	22,500,000	-	1,800,000
Share placement (\$0.06 per share)	13,867,500	-	832,050	-
Rights issue (\$0.055 per share)	49,952,109	-	2,747,366	-
Issue costs	-	-	(540,772)	(117,191)
Balance at end of year	156,269,615	92,450,006	10,910,886	7,872,242

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 2011 there were 27,788,985 unissued ordinary shares under option (2010: 25,500,000). 3,038,985 options were issued during the period.

During the year ended 30 June 2011 no shares were issued following the exercise of options.



	2011	2010
	\$	\$
NOTE 17 RESERVES		
Share based payment reserve	1,032,828	864,733
Foreign currency translation reserve	(93,792)	(29,842)
	939,036	834,891

Share based payment reserve movements during the year

Balance at beginning of year	864,733	538,506
Share based payments	168,095	326,227
Balance at end of year	1,032,828	864,733

Foreign currency translation reserve movements during the year

Balance at beginning of year	(29,842)	(4,759)
Foreign exchange differences	(63,950)	(25,083)
Balance at end of year	(93,792)	(29,842)

Nature and purpose of reserves

Share based payment reserve

The share based payments reserve is used to record 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 is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	2011	2010
	\$	\$
NOTE 18 CASH FLOW INFORMATION		
Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	(1,546,402)	(1,617,171)
<i>Non-cash items in loss after income tax</i>		
Depreciation	50,151	37,622
Share based payments expense	168,095	310,227
Impairment of exploration expenditure	-	-
Accrued interest revenue	(1,929)	-
<i>Movements in assets and liabilities</i>		
Receivables	454,202	(432,220)
Other assets	1,214	(204,156)
Trade payables and accruals	(559,451)	184,155
Provisions	27,104	51,985
Cash flow from operations	(1,407,016)	(1,669,558)

NOTE 19 SHARE BASED PAYMENTS

The following share based payment arrangements were in place at 30 June 2011:

	Grant date	Grant #	Option Fair value at grant date \$	Exercise price per option \$	Expiry date	First exercise date
Issued during 2011						
Underwriting Fee	17/12/2010	2,338,985	0.0260	0.25	4/11/2013	17/12/2010
Employees – Tranche 3	7/2/2011	700,000	0.0245	0.20	31/01/2014	7/2/2011
Issued during 2010						
Directors and Employees – Tranche 1	1/12/2009	8,750,000	0.0120	0.25	1/12/2012	1/12/2009
Directors and Employees – Tranche 2	1/12/2009	6,750,000	0.0180	0.25	1/12/2013	1/12/2010
Placement Fee	20/7/2009	4,000,000	0.0040	0.25	31/7/2011	20/7/2009
Issued during 2009						
Executives – Tranche 1	4/9/2008	1,000,000	0.1250	0.30	31/7/2012	4/9/2008
Executives – Tranche 2	4/9/2008	1,000,000	0.1230	0.35	31/7/2012	4/9/2009
Executives – Tranche 3	4/9/2008	1,000,000	0.1210	0.40	31/7/2012	4/9/2010
Executives – Tranche 4	1/3/2009	1,000,000	0.1160	0.30	31/7/2013	1/3/2009
Executives – Tranche 5	1/3/2009	1,000,000	0.1147	0.35	31/7/2013	1/3/2010
Executives – Tranche 6	1/3/2009	1,000,000	0.1130	0.40	31/7/2013	1/3/2011

No options were exercised during the year ended 30 June 2011.

The options outstanding at 30 June 2011 have an average exercise price of \$0.27 and average remaining life of 1.48 years.

Included under Employee Benefits Expense in the Statement of comprehensive income is \$107,282 (2010: \$310,227), that relates, in full, to equity-settled share-based payment transactions.

Included in share issue costs is \$60,814 equity-settled share-based payments relating to options issued in part consideration for professional fees incurred as part of the capital raising during the year.

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 following table lists the inputs to the model.

	Underwriting Fee	Directors and Employees – Tranche 3
Underlying Share Price	0.08	0.05
Option Strike Prices (cents)	0.25	0.20
Time to Maturity (Yrs)	3	3
Risk Free Rate (%)	5.03%	5.03%
Volatility (%)	86.18%	120.00%



NOTE 20 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.

Summary	2011 \$	2010 \$
Short-term employee benefits	655,962	660,806
Post-employment benefits	24,358	24,358
Share-based payments	80,701	274,998
	761,021	960,162

Key management personnel shareholdings

2011	Balance 1 July 2010	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2011
Director					
Mark Elliott	7,500,000	-	-	2,000,000	9,500,000
Peter Barnett	2,000,000	-	-	1,400,000	3,400,000
Michael Sandy	3,000,000	-	-	-	3,000,000
Stephen Bizzell	5,587,500	-	-	3,125,000	8,712,500
Key Management Personnel					
Paul Marshall	1,170,000	-	-	917,090	2,087,090
	19,257,500	-	-	7,442,090	26,699,590

2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Director					
Mark Elliott	7,500,000	-	-	-	7,500,000
Peter Barnett	1,000,000	-	-	1,000,000	2,000,000
Michael Sandy	3,000,000	-	-	-	3,000,000
Stephen Bizzell	-	-	-	5,587,500	5,587,500
Norm Zillman	7,500,000	-	-	(7,500,000)	-
Key Management Personnel					
Paul Marshall	750,000	-	-	420,000	1,170,000
	19,750,000	-	-	(492,500)	19,257,500

*resigned Dec 2010

Key management personnel option holdings

2011	Balance 1 July 2010	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2011
Director					
Mark Elliott	7,000,000	-	-	-	7,000,000
Peter Barnett	7,000,000	-	-	-	7,000,000
Michael Sandy	1,000,000	-	-	-	1,000,000
Stephen Bizzell	5,000,000	-	-	2,338,985	7,338,985
Key Management Personnel					
Paul Marshall	1,000,000	-	-	-	1,000,000
	21,000,000	-	-	2,338,985	23,338,985

NOTE 20 RELATED PARTIES AND KEY MANAGEMENT PERSONELL (continued)

2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Director					
Mark Elliott	3,000,000	4,000,000	-	-	7,000,000
Peter Barnett	3,000,000	4,000,000	-	-	7,000,000
Michael Sandy	-	1,000,000	-	-	1,000,000
Stephen Bizzell	-	1,000,000	-	4,000,000	5,000,000
Norm Zillman	-	1,500,000	-	(1,500,000)*	-
Key Management Personnel					
Paul Marshall	-	1,000,000	-	-	1,000,000
	6,000,000	12,500,000	-	2,500,000	21,000,000

*resigned Dec 2010

Transactions with Director related parties

The Consolidated Entity incurred the following fees in relation to professional services provided by Bizzell Capital Partners, an entity related to Stephen Bizzell, as part of the capital raising:

- 2,338,985 options with a calculated value of \$60,814 (refer Note 19)
- \$389,503 for fees settled in cash, of which \$192,500 was paid in the prior period.

Amounts owed to Key Management Personnel

\$5,834 is owed to Directors for unpaid director fees (2010: \$192,620).

NOTE 21 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 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 2011. Credit risk is reviewed regularly by the Board.

The Consolidated Entity does not have any material credit risk exposure to any counterparty.

Maximum exposure to credit risk

Summary exposure	2011	2010
	\$	\$
Cash and cash equivalents	888,812	934,706
R&D tax concession receivable	-	358,292
Other receivables	14,252	110,164
Security bonds	73,056	71,127
	976,120	1,474,289

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

Ageing of receivables	2011	2010
	\$	\$
Not past due	87,308	539,583
Past due 0-90 days	-	-
Past due >90 days	-	-
	87,308	539,583

None of the past due receivables at 30 June 2011 were impaired because it is expected that these amounts will be received in full in the normal course of business.

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.

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 2011. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

Trade and other payables	2011	2010
	\$	\$
Less than one year	33,453	592,906
One to five years	-	-
Greater than five years	-	-
	33,453	592,906

Interest bearing liabilities	2011	2010
	\$	\$
Less than one year	7,335	-
One to five years	-	-
Greater than five years	-	-
	7,335	-

(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. The Consolidated Entity's interest rate exposure under financial instruments is minimal as it does not currently have any variable rate interest bearing financial liabilities.

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.

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

At 30 June 2011, 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	2011	2010
	\$	\$
+1.00% (100 basis points)	8,888	9,347
-1.00% (100 basis points)	(8,888)	(9,347)

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 2011, the Consolidated Entity had the following exposure to foreign currency:

	2011	2010
	\$	\$
Financial Assets		
Cash and cash equivalents (USD)	19,997	125,269
Cash and cash equivalents (Chilean Peso)	157,823	5,085
Cash and cash equivalents (Peruvian Nevo Soles)	33,233	22,729
Trade and other receivables (Chilean Peso)	10,002	37,116
	221,055	190,199
Financial Liabilities		
Trade and other payables (Chilean Peso)	4,725	10,879

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	2011	2010
	\$	\$
+10.00%	21,633	17,932
-10.00%	(21,633)	(17,932)

(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.

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. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.



NOTE 22 SEGMENT REPORTING

Reportable Segments

The principal geographical areas of operation of the Consolidated Entity are South America and Australia.

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 periods under review:

	South America \$	Australia \$	Consolidated \$
30 June 2011			
Revenue:			
Revenue from outside the Consolidated Entity	-	404,144	404,144
Other unallocated revenue	-	-	-
Revenue from Ordinary Activities			404,144
Segment result	(990,859)	(890,231)	(1,881,090)
Income tax	-	-	334,688
Net Loss			(1,546,402)
<u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	18,217	31,934	50,151
Share based payments	-	168,095	168,095
Assets:			
Segment assets	826,452	4,924,800	5,751,252
Unallocated corporate assets	-	-	-
Consolidated Total Assets			5,751,252
Liabilities:			
Segment liabilities	4,725	134,930	139,655
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities			139,655
<u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	19,312	29,450	48,762
Capitalised exploration expenditure	548,456	1,216,189	1,764,645

NOTE 22 SEGMENT REPORTING (continued)

	South America \$	Australia \$	Consolidated \$
30 June 2010			
Revenue:			
Revenue from outside the Consolidated Entity	-	73,251	73,251
Other unallocated revenue			-
Revenue from Ordinary Activities			73,251
Segment result	(465,705)	(1,509,758)	(1,975,463)
Income tax			358,292
Net Loss			(1,617,171)
<u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	(10,000)	(27,662)	(37,662)
Share based payments	-	(310,227)	(310,227)
Assets:			
Segment assets	249,592	4,430,286	4,679,878
Unallocated corporate assets			1
Consolidated Total Assets			4,679,879
Liabilities:			
Segment liabilities	10,879	653,790	664,669
Unallocated corporate liabilities			-
Consolidated Total Liabilities			664,669
<u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	11,176	10,901	22,077
Capitalised exploration expenditure	27,641	1,601,715	1,629,356

2011
\$ **2010**
\$

NOTE 23 COMMITMENTS

Operating leases

Minimum lease payments payable:

Within one year	69,567	66,571
Between one and five years	29,516	99,083
	99,083	165,654

Hot Rock Limited has entered into a lease for an office in Brisbane. It is for a period of four years and it has no renewal option. The minimum future payments under this non-cancellable operating lease are shown above.

Future Exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

The exploration obligations to be undertaken are as follows:

Within one year	17,374,518	19,977,327
Between one and five years	48,270,316	33,720,153
	65,644,834	53,697,480



NOTE 23 COMMITMENTS (continued)

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Consolidated Entity has the option to negotiate new terms or relinquish the tenements. The Consolidated Entity also has the ability to meet expenditure requirements by joint venture or farm in agreements.

NOTE 24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Entity has given bank guarantees of \$30,000 to the Victorian Government as security over the granted geothermal tenements (2010: \$30,000).

There are no other contingent liabilities or contingent assets at 30 June 2011 (2010: Nil).

NOTE 25 PARENT ENTITY INFORMATION

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

	2011 \$	2010 \$
Parent Entity Financial Information		
Current assets	712,182	1,433,304
Non-current assets	4,971,013	3,755,379
Total assets	5,683,195	5,188,683
Current liabilities	134,930	653,792
Non-current liabilities	-	219,980
Total liabilities	134,930	873,772
Net assets	5,548,265	4,314,911
Issued Capital	10,910,886	7,872,242
Share based payment reserve	1,032,828	864,733
Accumulated losses	(6,395,449)	(4,422,064)
Total Equity	5,548,265	4,314,911
Loss after income tax	(1,973,385)	(1,501,342)
Other comprehensive income	-	-
Total comprehensive income	(1,973,385)	(1,501,342)

Controlled Entities of the Parent Entity

	Percentage Owned		Parent Entity Investment	
	2011 %	2010 %	2011 \$	2010 \$
Hot Rock Chile S.A. (Chile)	100%	100%	446,843	446,843
Hot Rock Peru S.A. (Peru)	100%	100%	311,550	311,550
Hot Rock International Holding Ltd (Canada)	100%	100%	1	1
Hot Rock Holding Ltd (BVI)	100%	-%	1	-
Hot Rock Chile Ltd (BVI)	100%	-%	1	-
Hot Rock Peru Ltd (BVI)	100%	-%	1	-

NOTE 26 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2011 that impact upon the financial report as at 30 June 2011.

NOTE 27 GOING CONCERN

The Consolidated Entity incurred a net loss of \$1,546 402 (2010: \$1,617,171) for the year ended 30 June 2011 and as is typical of exploration companies which need to raise funding on an ongoing basis, has a requirement within the short term to continue exploration activities.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Consolidated Entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on its the ability to successfully raise additional capital, receive further grant funding and/or successful exploration and subsequent exploitation of areas of interest through sale or development (including by way of joint venture funding).

Based on one or more of the following:

1. The success of prior capital raisings;
2. The potential for the successful application for further grant funds;
3. The potential to attract a farm-in partner to the projects; and
4. The current portfolio of exploration assets held.

The directors have prepared the financial report on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

The Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

No adjustment 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.



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 2011 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.



Mark Elliott
Executive Chairman

Brisbane
23 September 2011

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 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the cash flow statement 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 of 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 a 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 a 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 Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.



Auditor's 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 2011 and of its' performance for the year ended on that date;
 - ii. complying with Australian Accounting Standards and complying with the *Corporations Regulations 2001*; and
- b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 27 in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,546 402 (2010: \$1,617,171) for the year ended 30 June 2011 and needs to raise funding within in the short term to continue exploration activities.

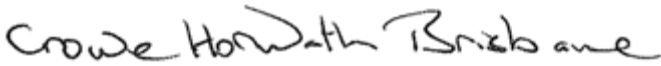
These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.



Crowe Horwath Brisbane



BRENDAN WORRALL
Partner

Signed at Brisbane 23 September 2011.

Geothermal energy is the only
**CLEAN RENEWABLE
BASE-LOAD ENERGY**
and it's beneath your feet



Hot Rock Limited (ASX: HRL) is fast-tracking exciting, conventional geothermal projects that will ultimately provide clean, renewable, base-load 24/7 energy in:

- **Chile:** first geothermal resources defined within one of the premier, emerging geothermal regions in the world today
- **Peru:** first mover advantage, exploring world-class projects.
- **Australia:** Koroit project, Otway Basin, Victoria, ready to drill

For further details visit the website at:
www.hotrockltd.com





Level 5, 10 Market Street, Brisbane Queensland 4000 Australia
Phone +61 7 3212 6200

www.hotrockltd.com

The information in this Statement that relates to Geothermal Resources has been compiled by Peter Barnett, an employee of Hot Rock Limited. 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). He 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.

In this work Mr Barnett has drawn freely from reports on the geothermal resources, prepared under his supervision, by both staff of Hot Rock Limited and by external consultants. The estimation of in-place and recoverable heat energy has been undertaken directly by Mr Barnett.

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.