



June 2012 QUARTERLY REPORT

About Hot Rock

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

Strategically, the Company is focussed on exploring and developing its extensive portfolio of volcanic prospects in Chile and Peru complimented with Hot Sedimentary Aquifer prospects in Australia.

The Company moved early and acquired a wholly owned portfolio of projects with good evidence for geothermal reservoirs suitable for electricity generation in countries with attractive infrastructure, markets and government policy.

Executive Management

Mark Elliott – Executive Chairman
Peter Barnett – Managing Director

Hot Rock Limited

Registered and Head Office

ACN 120 896 371
Level 5, 10 Market Street
Brisbane 4000
Australia
Phone (+61 7) 3212 6200
Fax (+61 7) 3212 6250

www.hotrockltd.com

HIGHLIGHTS

Energy Development Corporation (EDC) is proceeding with incorporating two joint venture companies in Peru for the Quellaapacheta and Chocopata JV projects.

Joint Ventures

- EDC has advised that it is now incorporating the Quellaapacheta and Chocopata JV companies in Peru. Once this has been completed, the tenements will be transferred from HRL into the JV companies and HRL will receive an initial payment from EDC of US\$0.8m.
- EDC completed technical assessments of the Calerias and Longavi geothermal prospects in Chile before incorporation of the JV companies and subsequently advised that it would not be proceeding with further involvement in these two projects.
- Calerias and Longavi projects are held under 100% ownership by HRL.

Peru

- Preliminary resource evaluation reports have been completed by HRL for the Quellapacheta, Chocopata, Turu and Rupha projects.
- HRL applications for a further five high quality geothermal tenements in Peru remain in process.

Chile

- Applications to extend two exploration concessions for a further two years at the 100% held Calerias and Longavi projects have been approved by the Chile Ministry of Energy. A reconnaissance field investigation program has been completed at HRL's Santa Macarena project.

Australia

- HRL's five HSA tenements in the Otway Basin, Victoria have been extended to May 2013 during which time HRL will seek funding from the newly established ARENA funding agency for proof of concept well drilling and testing at its flagship Koroit geothermal project.

COMPETITIVE ADVANTAGE

HRL has demonstrated first and early mover advantage in Chile, Peru and Australia to build an impressive number of quality geothermal projects that are now been granted or being processed to grant, allowing exploration programs to commence. The following summarises the current status of HRL's projects.

Granted tenements

HRL has progressively developed a portfolio of quality volcanic geothermal prospects in Chile and Peru with the objective of diversifying its business into conventional geothermal resource types and commercial environments outside Australia, thus providing enhanced opportunities for adding significant shareholder value.

HRL's portfolio of granted projects includes the following:

- HRL's wholly owned subsidiary Hot Rock Chile SA (HRC) holds thirteen granted geothermal exploration concessions covering 7 projects. Three of these tenements are included in the Calerías project and four in the Longavi JV project, leaving six tenements in five other projects. All remain 100% HRL owned (Figure 1).
- HRL's wholly owned subsidiary Hot Rock Peru SA (HRP) has filed applications for exploration authorizations at ten volcanic geothermal projects in Peru. Four of these have been granted to HRL and the earliest of these were in the first batch of grants awarded in Peru. This early granting of licenses has provided HRL with a pioneering first mover advantage within the nascent geothermal sector in Peru (Figure 1). Two of these projects (Quellaapacheta and Chocopata are being joint ventured with EDC (70%) / HRL (30%).
- HRL has five permits granted over the major portion of the prospective Hot Sedimentary Aquifer (HSA) geothermal province in the Otway Basin in Victoria (Figure 2). Four of these permits have been extended for an additional year to May 13, 2013.

Pending Tenement Awards

HRL has submitted to the appropriate authorities the following tenement applications and is optimistic most of these will be granted during the course of 2012:

- Chile – 7 tenement applications covering a further 4 projects which are currently under technical evaluation by the Chile Ministry of Energy.
- Peru – 5 tenement applications covering a further 5 projects which are currently under technical evaluation by the Peru Ministry of Energy.

Tenement Extensions

Two exploration concessions in Chile have been extended for a further two years - Galo (at the Calerías project) and Sta Sonia (at the Longavi project). Applications to extend a further three concessions for a further two years each are currently in preparation – San Carlos (at Calerías) and Sta Edita and Sta Alejandra (at the Longavi project).

In Australia, HRL tenements in the Otway Basin, GEP - 6, 7, 8 and 9 reached the end of 5 year exploration terms on 13 May 2012. With the depressed state of the geothermal industry in Australia at the present time, the Department of Primary Industries in Victoria has agreed for HRL to extend these 4 tenements for a further 12 months.



Figure 1: HRL's geothermal tenements applied for and/or granted in South America

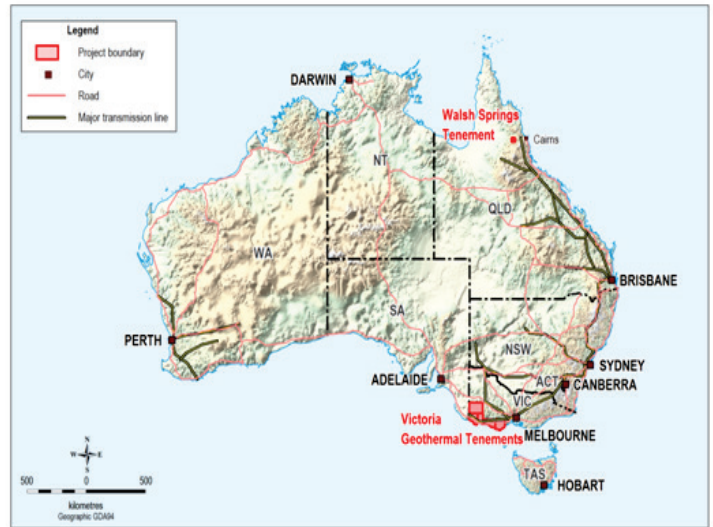


Figure 2: HRL's geothermal tenements granted in Australia

GEOTHERMAL EXPLORATION ACTIVITIES

CHILE EX-JOINT VENTURE GEOTHERMAL PROJECTS (HRL 100%)

EDC field teams completed by mid-April detailed field surveys at the Calerías and Longavi projects reported in the last quarterly report, after which they demobilized to review, assess and interpret the data collected. EDC subsequently advised that they would not proceed with the joint ventures on these projects.

CHILE GEOTHERMAL PROJECTS (100% HRL)

Work undertaken on HRL's wholly owned tenements in Chile over the past quarter includes:

- Santa Macarena: With land access approval obtained, reconnaissance scale investigations have now been completed at the prospect. This involved field visits to and geochemical sampling of all known thermal features within the prospect area. Chemical analyses are currently in progress and a preliminary evaluation of the prospect will be made when these become available.
- San Antonia, San Guillermo and San Cristobal: Land access approval continues to be sought from local communities and /or landowners for HRL to enter these three tenements for undertaking pre-drilling geoscientific studies, including MT surveys.
- Tuyajto 4: Field data and results from surface exploration studies carried out in 2011 remain under evaluation for defining the next stages in the exploration program at this tenement.
- Six further HRL tenements applications remain in process by the Chilean Ministry of Energy. Reconnaissance visits were made during the past quarter to three of these tenements in northern Chile, in anticipation of grants being made in the near future.

The Ministry of Energy advised during the past quarter that applications by Hot Rock Chile (HRC) to



extend exploration concessions for the Galo tenement at Calerías and the Santa Sonia tenements in the Longavi project have been granted for a further two years for each tenement.

PERU JOINT VENTURE GEOTHERMAL PROJECTS (HRL 100%; pending 70% EDC)

A joint EDC/HRL geo-scientific team undertook reconnaissance surveys at the Quellapachtea and Chocopata projects in June. These included geological assessment and geochemical sampling of geothermal surface activity.

EDC is proceeding with detailed exploration surveys at both of these projects. EDC is now incorporating joint venture companies for these projects under the HRL / EDC JV agreements after which the ownership of the tenements will be transferred from HRL to the JV project companies.

The detailed EDC field exploration surveys are expected to commence in the third or fourth quarters of this year.

Both the Quellapachtea and Chocopata projects are ready for exploration studies to commence with agreements from local communities and landowners to access the project areas and environmental clearances obtained from the Peru Environment Ministry (DGAAE).

PERU GEOTHERMAL PROJECTS (100% HRL)

During the past quarter, preliminary resource evaluation reports were prepared by HRL for the granted projects of Quellaapacheta, Chocopata Turu and Rupha. This work has allowed for the rationalization of the tenement area to be held at Rupha to a smaller block than was originally granted. The tenement areas held at the other three projects will be maintained as granted.

Formal advice has been received by the DGAAE granting environmental clearance for HRL to proceed with all required surface exploration works at the Turu project. HRL is now programming to undertake detailed geoscientific field studies at Turu over the fourth quarter of 2012. Community consultation activities are continuing at the Turu project in advance of the HRL field exploration program.

HRL has a further five exploration authorization applications currently under process with the Peru Ministry of Mines and Energy. It is anticipated that some of these will be granted by year end.

OTWAY BASIN, VICTORIA (GEP- 6, 7, 8, 9 & 23 - 100% HRL)

Emerging Renewable Program (ERP) and ARENA

In early March 2012, HRL submitted an expression of interest (EOI) to the Australian Centre for Renewable Energy (ACRE) for funding assistance with proof of concept well drilling and testing and pilot scale power generation at HRL's flagship hot sedimentary aquifer (HSA) geothermal project near Koroit in Victoria.

Advice was received on 26 June from ACRE that HRL's EOI had been unsuccessful and the funds that were previously available under ERP have been transferred to the newly formed Australian Renewable Energy Agency (ARENA) which commenced operation on 1 July.

ARENA has been established as a part of the government's Clean Energy Future package to improve competitiveness of renewable energy technologies and to increase the supply of renewable energy in Australia. It has \$3.2 billion funding guaranteed in legislation until 2020 of which \$1.7 billion is



currently uncommitted and will be available for ARENA to expend in accordance with its functions and powers.

HRL and other geothermal companies in Australia are working actively with the Australian Geothermal Energy Association (AGEA) in seeking funding from ARENA for progressing geothermal exploration and development Australia wide. HRL anticipates making application for funds for advancing drilling at Koroit as soon as ARENA has formulated a funding assistance strategy for the geothermal sector.

HRL GEP tenements in Victoria

The five year tenure for four Geothermal Exploration Permits (GEP6, 7, 8 and 9) held by HRL in Victoria due to expire on the 13 May 2012 were renewed for a further 12 months until the 13 May 2013. The Victorian State Department of Primary Industries (DPI) had advised HRL that it is currently formulating a strategy for the future management of all geothermal exploration permits in Victoria, including renewing permits beyond the current grant dates.

HRL strategy for the next 12 months and beyond is to:

- focus on retaining the tenements where HRL has discovered and declared geothermal resources (within GEP's 23, 6, 7 and 8).
- pursue ARENA funding over the next 6 to 12 months as the principal means for advancing HRL's hot sedimentary aquifer (HSA) projects in the Otway Basin.

WALSH SPRINGS, QUEENSLAND (EPG-19, 100% HRL)

A second annual tenement report for EPG19 has been submitted to Queensland DME for the period to 31 May 2012. An application to surrender the tenement was submitted at the same time due to the lack of prospectivity of this tenement for a geothermal resource of sufficient temperature for geothermal electricity generation.

EDC JOINT VENTURE AGREEMENTS

During the quarter, EDC advised HRL that it had completed technical assessments of the Calerías and Longavi geothermal prospects in Chile, and based on these assessments it would not be proceeding with the joint ventures on the Calerías and Longavi prospects in Chile

The decision by EDC not to proceed with the Chile joint ventures was unexpected as EDC had previously completed a due diligence program and selected the projects to form the joint ventures. HRL allowed EDC permission to undertake a work program prior to commencement of the project JVs to take advantage of the southern Chilean field season, which is restricted from October to April each year. At the time it was considered by both companies imperative to commence exploration to allow for minimum expenditure to be completed by 31 May 2012 to allow for a 2 year exploration extension to be approved by the Chilean Ministry of Energy. Under the Chilean legislation HRL still has until the end of 2014 the capacity to apply for an exploitation or production license over the Calerías resource.

HRL believe that both projects still have potential for development as mid-temperature geothermal projects. The Calerías and Longavi projects are still held 100% by HRL, which is currently reviewing its options for advancing these projects.

EDC is still proceeding with the two joint ventures that it holds with HRL for exploring and possibly developing the Quellaapacheta and Chocopata geothermal prospects in Peru. EDC is now incorporating the Peruvian Quellaapacheta and Chocopata joint venture companies in accordance



with the Peru JV agreements after which ownership of the two tenements will be transferred from HRL into the JV project companies and the JVs to then commence.

EDC has notified HRL that it wishes to undertake detailed field work programs at the Quellaapacheta and Chocopata projects in the third and fourth quarters of 2012. This program will include geological, geochemical, and geophysical surveys, plus large magneto-telluric (MT) geophysical surveys at Quellaapacheta and Chocopata.

Under the Peruvian JV agreements HRL will receive from EDC an initial payment of US\$0.8 million (\$0.4m for each of the Peru projects) after the exploration tenements have been transferred into the newly incorporated JV companies. If EDC withdraws from a project within 6 months of the tenement being transferred into a JV company, the \$0.4m is refundable. A further payment of US\$1.2 million (US\$0.6 million for each of the Peru projects) will be made to HRL provided EDC continues to be involved in each project beyond 15 months from the date of the tenement transfer.

Under the JV Agreements, EDC will sole fund up to US\$12 million for each project for surface exploration and deep exploration drilling activities before the EDC (70%) and HRL (30%) pro-rata joint venture contribution commences for any future resource development phase.

Following the completion of the sole funding stage, the subsequent resource development stage will involve completing production well drilling and testing, a definitive feasibility study, environmental impact study, power sales contract(s) and securing project financing. The successful completion of these activities would be expected to bring the two Peru projects to financial close. EDC estimates that around 50% of the steam requirement for a proposed geothermal plant will need to be tested and available at wellhead to secure project finance.

Under the joint venture agreements, HRL will maintain its 30% stake if it contributes its pro-rata share in funding the additional resource development costs. If HRL does not contribute any funds during the resource development stage it can still elect to retain an 18% minimum project interest at financial close by repaying EDC 18% of the resource development costs (plus a finance charge).

The estimated cost of completing the resource development stage, including drilling and testing of a further five production wells for each project, is in the order of \$US38m for a project designed for a plant capacity of about 50MWe. If both of the Peru projects proceed from exploration through to financial close, the joint venture could spend up to \$US100m.

These joint ventures allow HRL to participate in its first two projects in Peru through to potential development, including the drilling of approximately 50% of the production steam requirement for the proposed 50MWe development per project, which will likely be necessary to complete the project financing stage prior to proceeding with construction. This is a significant achievement, given that both drilling and financing risk has severely hampered the Australian geothermal industry for the past three years.

The initial cash contribution of \$US0.8m from EDC will assist the Company in moving forward with exploration programs at its wholly owned projects in both Peru and Chile within the current 2012 exploration program.



CORPORATE DIRECTORY

Board of Directors - HRL

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

Company Secretary & CFO

Paul Marshall

Issued Share Capital

Hot Rock has 232.04 million ordinary shares currently on issue and 27.8 million options.

Quarterly Share Price Activity

	High	Low	Last
June 2012	\$0.06	\$0.03	\$0.033

Registered and Head Office

Hot Rock Limited
 Level 5, 10 Market Street
 Brisbane QLD 4000
 Australia
 Phone (61 7) 3212 6200
 Fax (61 7) 3212 6250
www.hotrockltd.com

Share Registry

Link Market Services Limited
 Level 12, 300 Queen Street
 Brisbane QLD 4000
 Phone 1300 554 474
 Fax (61 7) 3228 4999
www.linkmarketservices.com.au

Please direct shareholding enquiries to the share registry

Compliance Statement

The information in this Statement that relates to Geothermal Resources has been compiled by Peter Barnett, an employee of Hot Rock Limited. Mr. Barnett qualifies as a Competent Person as defined by the Australian Code of Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2nd Edition, 2010). 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. 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.
