



March 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

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HIGHLIGHTS

Joint Ventures

- HRL and the Energy Development Corporation (EDC), the world's largest geothermal company, executed joint venture agreements covering four HRL geothermal projects in Chile and Peru on the 3 February 2012.
- These agreements formalize the Heads of Terms signed by the two companies on 28 November 2011 and enable EDC at their discretion to become the majority partner in HRL's Calerías and Longavi project in Chile and the Quellaapacheta and Chocopata projects in Peru.
- Upon signing the JV agreements EDC mobilised a 30 man geoscientific team to Chile which has since completed a series of surveys at the Calerías and Longavi projects between mid-February and mid-April. This work included a 50 station MT survey at Calerías to extend the MT survey conducted by HRL in 2011.
- HRL and EDC are near to finalizing project shareholder and ancillary agreements for three Joint Venture projects – Longavi, Quellaapacheta and Chocopata.
- EDC has advised HRL that it will not be proceeding with the fourth Joint Venture at HRL's Calerías project in Chile based on its assessment that exploration results were less encouraging than it had previously anticipated.

Chile

- Land access approval has been recently obtained from indigenous land owners for the Sta Macarena prospect and geoscientific exploration surveys are now in progress.
- Six previously submitted tenement applications have been refreshed with additional support material and are back under processing by the government regulator. It is expected that most of these new applications should be granted by year end.

Peru

- An important ruling has been received from the Peruvian authorities that confirm geothermal exploration can proceed in Peru without special environmental permits or approvals.
- With this ruling the two projects in the HRL/EDC JV in Peru, Quellaapacheta and Chocopata, for which full land access and community approvals have been obtained, are now ready to commence detailed surface exploration programs.
- Community approval and land access programs are underway at HRL's two 100% owned granted projects in Peru – Rupha and Turu. It is expected that geology, geochemistry and MT surveys will commence mid-year.



JOINT VENTURE AGREEMENTS

Hot Rock Limited (**HRL**) was pleased to announce to the market on the 3 February 2012 the execution of multi-project agreements for the incorporation of joint venture companies in Chile and Peru with Energy Development Corporation (**EDC**) to explore, evaluate and develop the geothermal energy potential of the Calerías and Longavi projects in Chile and the Quellaapacheta and Chocopata projects in Peru.

Both companies are near to finalizing the project shareholder and ancillary agreements for the other three Joint Venture projects – Longavi, Quellaapacheta and Chocopata. Under the arrangements, EDC will have a 70% interest and Hot Rock will have a 30% interest when the tenements are transferred into the joint venture companies.

On signing these agreements EDC is to lodge US\$3 million with an escrow agent. Upon transfer of the tenements into the joint venture companies, the escrow agent will release US\$1 million to HRL for the Longavi project and US\$0.4 million for each of the Peru projects. If EDC withdraws from a Peruvian project within 6 months, HRL will refund the US\$0.4 million. If EDC continues with a Peruvian project past 15 months, HRL will be paid a further US\$0.6 million per project.

Each joint venture program is divided into an exploration stage and a resource development stage. The exploration stage of the joint venture program requires EDC to fund 100% of the first US\$12 million per project, which includes geological, geochemical, geophysical surveys and the drilling of at least one production appraisal well. The geological and geochemical programs have been completed at Longavi and similar programs are planned to commence on the Peruvian projects in June 2012. Drilling is planned to commence in 2013 subject to exploration results. EDC has the right to withdraw at any time and retain their 70% interest.

Following a successful completion of the exploration stage, the resource development stage would commence, which involves completing five further production wells and all studies necessary to bring the project to financial close - where project finance documents for a first stage 50MW plant are ready to execute. This program would normally cover definitive feasibility study, environmental impact study, permitting, power contract(s) and negotiating finance. This stage is estimated to cost US\$38 million and take up to 2 years to complete.

Under the shareholders and loan agreements, HRL will maintain its 30% stake if it contributes its pro-rata share in funding the resource development stage. 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).

Both EDC and HRL will be joint operators of the joint venture up until financial close. The parties can withdraw at any time up until financial close which will trigger a 12 month buy out right in favour of the non-withdrawing party.

After financial close, the parties will contribute on a pro-rata basis and EDC will operate the joint venture through the construction and operation stages.

During the past quarter EDC conducted exploration work at Calerías and Longavi projects in Chile ahead of signing the final documents to be able to take advantage of the late summer field season prior to the onset of winter. Following this fieldwork EDC has advised they do not wish to proceed with the Joint Venture at Calerías.

Hot Rock will now retain 100% ownership and review its options for advancing the Calerías project in Chile.



Figure 1: Richard Tantoco, President and COO of EDC and Mark Elliott, Executive Chairman of HRL at a signing ceremony for the EDC / HRL Joint Venture Agreements

GEOTHERMAL EXPLORATION ACTIVITIES

CHILE – GENERAL

A long term National Energy Strategy for Chile was released in February for the period 2012 to 2030, based on:

- Government recognition that the regulatory framework for the energy sector has shown “significant weaknesses” to date
- The need to install 8,000 MW of new generation capacity countrywide by 2020
- Recognition of the considerable potential for NCRE (non-conventional renewable energy resources) in Chile (comprised of geothermal, solar, wind) and that only 3% of the current energy mix come from these sources (in addition to 34% from hydropower and 63% from thermal generation).

The new strategy aims to accelerate the incorporation of NCRE, promote hydropower development and reduce the proportion of thermal generation in the energy mix. Overall, the strategy provides strong impetus and support for the development of geothermal power in Chile.

After collation and assessment of comments from the geothermal development and other sectors, revisions to the Geothermal Law of Chile are in now process but these won't be passed into law for several years yet. The eventual law changes will hopefully accommodate HRL concerns on access to land issues and the very short tenures for exploration concessions given land access issues and short field seasons in South-Central Chile caused by cool climate factors.

CHILE JOINT VENTURE GEOTHERMAL PROJECTS (30% HRL / 70% EDC)

After HRL signing the joint venture deal with EDC for projects in Chile and Peru, EDC mobilized a 30-person team to Chile ahead of executing the shareholder and ancillary agreements to commence detailed exploration and early development activities at the Calerías and Longavi projects. The EDC technical team comprised geologists, geochemists, geophysicists and geophysical survey technicians.

The geophysics group in the EDC team completed a 50 station MT (magneto telluric) geophysics survey at Calerías between mid-February and mid-April. The objective of this program was to confirm and extend the boundaries of the geothermal resource area delineated by HRL from an initial MT survey conducted in the first quarter of 2011.

Another two groups from the EDC team undertook at both the Calerías and Longavi projects detailed geological mapping studies and sampling of geothermal springs and surface waters for geochemical and isotope analysis, rock samples for age dating, and surface clays for analysis of hydrothermal alteration.

The EDC teams completed all surveys by mid-April and demobilized to their home office to assess and interpret the data collected. An EDC geophysics team plan to return to Chile in the early 2012/2013 summer field season to undertake an extensive MT survey of some 100 MT stations at Longavi to delineate in detail the geothermal resource identified there by HRL in 2011 to allow for an assessment of exploratory drilling options.



Figure 2: The EDC geophysics team and Peter Barnett, Managing Director of HRL (middle) at the Calerías project working on a large MT (magneto telluric) survey in March/April.

CHILE GEOTHERMAL PROJECTS (100% HRL)

Work activities undertaken on HRL's wholly owned tenements in Chile over the past quarter were as follows:

- 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.

- Santa Macarena: Land access approval has been recently obtained from indigenous landowners for the Santa Macarena prospect for HRL to undertake geoscientific exploration surveys. Both reconnaissance geological work and geochemical sampling are underway and will be completed by the end of April, before the onset of winter which will close out the current field season.
- San Antonia, San Guillermo, San Cristobal and San Jorge: Land access approval continues to be sought from local communities and /or landowners for HRL to enter these tenements for undertaking pre-drilling geoscientific studies, including MT surveys. The assistance of a Chilean consulting company with specialist skills in working with indigenous communities has been retained to assist with securing land access at the three HRL tenements in the Araucania and Los Rios regions in South-Central Chile. Discussions remain ongoing with these communities.

In addition to work on granted tenements, further information was prepared and provided to the Chilean Ministry of Energy during the quarter in support of six further HRL tenements applications that are currently in process. It is anticipated that most of these new applications should be processed and awarded in 2012.

PERU – GENERAL

The Peru General Director of Environmental Affairs (DGAAE) issued a ruling in March confirming that environmental permits and/or approvals are not required for undertaking surface exploration at geothermal exploration authorizations. This ruling is significant in that it allows for the geothermal industry in Peru to now commence surface exploration studies after waiting on this ruling since the first quarter 2011 when the first geothermal exploration concessions were awarded in Peru.

A Geothermal Association of Peru (GAP) has been formed and will soon be affiliated with the International Geothermal Association (IGA) thereby giving the geothermal industry in Peru international recognition. Ms. Adrian Lituma, Hot Rock's Country Manager in Peru, has been elected by her industry peers as the inaugural President of the GAP. This not only reflects well on Ms Lituma's strong representations to government in Peru over the past two years on behalf of the industry on geothermal regulatory and procedural issues, but also on HRL's strong support for the IGA and affiliated organizations as evident from other HRL personnel holding director roles in the Australian, New Zealand and Chilean geothermal associations.



Figure 3: Ms. Adriana Lituma, Hot Rock's Country Manger in Peru who has been recently elected inaugural President of the Geothermal Association of Peru



PERU JOINT VENTURE GEOTHERMAL PROJECTS (30% HRL / 70% EDC)

Full community approval has been granted for land access at each of the two geothermal authorizations included in HRL/ EDC joint ventures in Peru (Quellaapacheta and Chocopata), and DGAAE approval has been granted to proceed with surface exploration studies.

These two geothermal prospects are now ready for detailed surface exploration studies to commence after the HRL/EDC joint venture companies have been formed and the tenements transferred to them, which is anticipated to occur in the third quarter.

PERU GEOTHERMAL PROJECTS (100% HRL)

Work is in progress on securing community engagement and land access approvals at HRL's two wholly owned, granted geothermal exploration authorizations at Turu and Rupha.

Broad scale geological work has been undertaken at each of these two prospects and known surface thermal activity sampled for geochemical analysis. Interpretation of the results is underway and will be reported shortly.

With the Bolivian winter season now at an end in Peru, good field weather is expected from May through to the end of November 2012 during which HRL will seek to finalize land access approvals and complete detailed geoscientific field studies, including large MT surveys at each prospect. These programs will allow for the preparation and potential estimation of a geothermal resource assessment for each area by year end.

HRL has a further five exploration authorization applications currently under process with the Peru Ministry of Mines and Energy. These should be granted before year end.

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

Four of the five GEP tenements (GEP- 6, 7, 8 & 9) held by HRL in Victoria will pass the first 5 year term in May 2012. As detailed below under "Tenements", the Department of Primary Industries has granted HRL a one year extension of these four permits to May 2013 to consider new work programs.

The Koroit Geothermal Project, GEP-8

HRL has submitted to the Australian Centre of Renewable Energy (ACRE) an expression of interest to the Emerging Renewables Program (ERP) for funding assistance with proof of concept well drilling and testing along with pilot scale power generation at HRL's flagship hot sedimentary aquifer geothermal project (HSA) near Koroit in Victoria.

Additionally, HRL is working closely with the Australian Geothermal Energy Association and the geothermal industry in formulating a broad package of geothermal resource drilling and testing activities Australia wide. This proposal will be submitted to ARENA (Australia Renewable Energy Agency) for possible funding. ARENA is a new government agency that is in the process of being established in response to the recent legislation for "Securing a Clean Energy Future for Australia". HRL considers that the Koroit project stands a good chance of being funded if this program proceeds.

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

No activities were undertaken on this project over the quarter.



TENEMENTS

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 attractive geothermal resource types and commercial environments outside Australia, thereby 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 with EDC, leaving nine tenements in six projects that remain 100% HRL owned (Figure 4).
- 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 HRP and the earliest of these were in the first batch of geothermal exploration tenements 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 4).
- HRL has five permits granted over the major portion of the prospective Hot Sedimentary Aquifer (HSA) geothermal province in the Otway Basin in Victoria, Australia (Figure 5).
- In June 2010 permit EPG-19 was granted to HRL with a 5 year term, located at Walsh Springs, west of Cairns in Queensland (Figure 5).

Pending Tenement Awards

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

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

Tenement Extensions

In Chile, applications have been filed over the past quarter to extend the granted Galo, Sta Sonia and Sta Antonia exploration concessions which were awarded with two year tenures. These can be extended upon application for a further two years provided that 25% of the committed work program expenditure can be demonstrated. No news on the outcome of these extensions applications had been received from the Chile Ministry of Energy at the end of the quarter.

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

Tenements Relinquished

Nil

CASH POSITION

At the end of the March 2012 Quarter, the company had approximately \$0.74 million cash at bank. The net cash operating and exploration expenditure for the quarter was \$719,000.



Figure 4: HRL's geothermal tenements applied for and/or granted in South America (left)

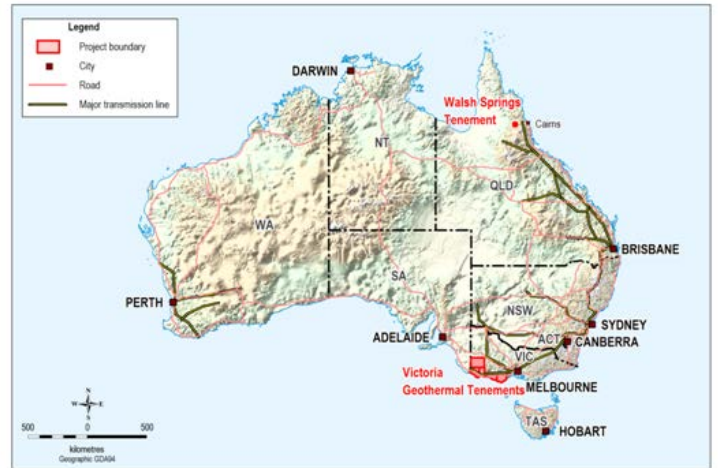


Figure 5: HRL's geothermal tenements granted in Australia (below)

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 23.8 million options.

Quarterly Share Price Activity

	High	Low	Last
March 2012	\$0.093	\$0.046	\$0.087

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