



December 2011 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

Heads of Terms signed for joint ventures in South America with the world's largest geothermal company, Energy Development Corporation (EDC).

Joint Ventures

- HRL and Energy Development Corporation (EDC) entered into a Heads of Terms on 29 November 2011 for joint ventures on two geothermal projects in each of Chile and Peru. In these EDC will acquire a 70% interest by paying HRL up to US\$4m in cash, sole funding of certain resource development costs in respect of each of the projects to financial close. Execution of binding detailed agreements is expected in February.

Funding

- \$1.9m was successfully raised through a combination of placements and a share purchase plan with the issue of 77.4 million shares. The proceeds are to be used to fund exploration programs at HRL's projects in Chile, Peru and Australia.

Chile

- Planning is advanced for large (>100 station) MT surveys to be run at Calerías and possibly Longavi projects in Q1 2012 to more closely delineate the geothermal resources for selection of exploration drilling targets.
- Land access and indigenous community approvals have been obtained at the Santa Macarena project and geoscientific work is now commencing.
- Three earlier filed but not granted exploration concessions have been resubmitted and these are now likely to be granted.
- Further large international companies have taken up aggressive geothermal tenement positions in Chile. HRL remains a major tenement holder in Chile.

Peru

- Community information programs and land access negotiations have been successfully completed at the granted Chocopata and Quellaapacheta projects. Detailed surface exploration is to commence as soon as environmental clearance is obtained.
- An application for an exploration authorization has been granted for the Turu project and a further application submitted for a new prospect at Huisco. HRL is now holding 4 granted authorizations in Peru, with 5 more applications in process.

GEOHERMAL EXPLORATION ACTIVITIES

CHILE GEOHERMAL PROJECTS (100% HRL)

HRL Work Programs

Work over the past quarter has focused on:

- Ongoing exploration activities at HRL's two most advanced projects at Longavi and Calerías (comprising seven tenements)
- Assessment of exploration results obtained at Tuyajto, HRL's third most advanced project
- Land access and community information and relationship building activities at a further 6 granted concessions comprising 4 projects
- Re-filing of a number of earlier submitted concession applications

Detailed planning has been completed to undertake detailed Magneto Telluric (MT) resistivity surveys at each of the Calerías and possibly the Longavi projects if the winter weather permits during the first quarter of 2012. These are substantial surveys with more than 100 MT stations to be measured at each project. These will augment the MT surveys carried out in early 2011. The primary objective with these larger surveys is to more closely delineate the geothermal resources identified and reported in 2011, specifically for the purposes of defining resource boundaries and selecting exploration drilling targets. It is also expected that these surveys will increase the current estimate of resource capacity through the delineation of a northern resource extension at Calerías and resolution of additional resource below 2000m depth at Longavi.

A specialist Chilean consulting company has been commissioned by HRL to assist with land access and consultation with indigenous communities in three project areas in the Araucanía and Los Ríos regions in Southern Chile (the Copahue, Santa Macarena and San Cristóbal projects – see Figures 1 and 5). This work has progressed to the stage that access has now been granted by local communities in the Santa Macarena area to allow HRL to undertake reconnaissance level field studies in early 2012. Discussions on access are continuing with communities at Copahue and San Cristóbal.

A number of earlier submitted geothermal concession applications by HRL were not granted by the Chile Ministry of Energy due to conflicts with overlapping interests, particularly national parks and military reservations. Three of these applications for geothermal exploration concessions in northern Chile have now been re-submitted with revisions to the land areas being sought. It is anticipated that these applications will be processed and awarded within 2012.

Continuing Rapid Expansion of the Geothermal Industry in Chile

The Chile Ministry of Energy announced in November 2011 the results of the second geothermal concession tender round bid of August 2010 for 20 exploration concessions.

The tender received a high level of interest from both local and international energy companies. All 20 concessions were awarded as detailed in Table 1 to eight companies who committed a total of US\$250m in work program expenditure over two years.

Of particular note in these results are the aggressive positions being adopted by several major international energy and geothermal development companies. These include the

following and their active participation makes a strong statement on the size, quality and forward potential of the rapidly developing geothermal power sector in Chile:

- The Energy Development Corporation (EDC) from the Philippines who secured 3 projects in the tender with committed work program expenditure totaling US\$50m. EDC is the largest integrated geothermal developer / operator in the world. As detailed below, HRL is currently finalizing two joint venture agreements with EDC in each of Chile and Peru
- Ormat Technologies from the USA which is a major geothermal developer and operator together with being the world's largest manufacturer of organic Rankine cycle (ORC) power plants for geothermal applications. Ormat secured 4 tender projects with committed work programs totaling US\$80m
- Origin Energy won 3 projects in the tender, thereby increasing its geothermal portfolio in Chile substantially beyond the 40% ownership it holds in Energy Andina, a leading Chilean geothermal exploration company

Concession	Colbun Chile	Energia Andina Chile/ Australia	ECM Chile	EDC Philippines	ENEL Italy	Min. Escondida Chile	GeoGlobal / MRP US / NZ	Origin Australia	Ormat Israel / US	Transmark Germany	Min. Zaldiva Chile
Aroma		X		X					15,257		
San Rafael		X	X	16,620			X				
Batea				15,917							
Aucan II			X					5,606		X	
San Alberto								X		7,484	
Quinohuen	X		X					X	15,181		
Mariman	X		X						15,031		
San Bernardo								6,926		X	
Negrillar					X	X		X			22,064
Socompa					X						11,464
Colorado	X		X		6,710			X			
Gorbea	X		X	X	X	X		X			21,964
Bayo	X		X		X	10,736		X			
Sta Lela		6,494			X						
San Jose I			X		3,990						
San Jose II		X	X		X				15,553		
Yeguas Muertas			X		3,990						
Sollipulli			X					X	19,390	X	
Newen			X	17,607						X	
Choduen								13,236		X	
	0	6,494		50,144	14,69	10,736	0	25,768	80,412	7,484	55,492
<i>All figures in USD million</i>											251,220

Table 1: Results of awards of geothermal tenements and the value of the program commitments made under the second geothermal concession tender round of August 2010

The current ownership positions in geothermal concessions in Chile are shown in Figure 2. HRL holds the second largest number of tenements in Chile, but together with its portfolio of projects in Peru, HRL is the largest geothermal tenement holder in South America (see Figure 1).

Further recent activities that demonstrate the rapidly growing stature of the Chilean geothermal industry include two major geothermal conferences held over the last quarter which had strong representation from both local and international companies involved in geothermal development in Chile. These events included:

- The annual Geothermal Resources Council conference held in the US in October which had a dedicated half day technical session on geothermal exploration and development activities in Chile. This session clearly demonstrated that geothermal exploration activities are progressing rapidly in Chile, with several companies now planning commercial scale power plants for commissioning by 2014, based on exploration drilling successes achieved to date;



Figure 1: Location of granted geothermal projects in Chile and Peru, showing the regional dominance of HRL and broad distribution of HRL projects throughout both countries

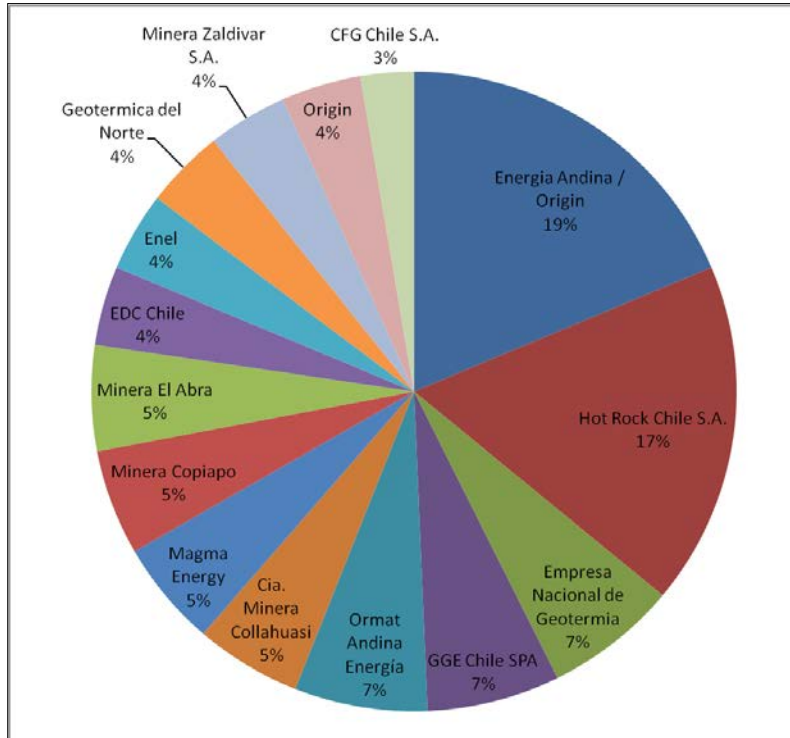


Figure 2: Analysis of geothermal tenement holdings in Chile

- The First International Congress on Geothermal Energy, held in Santiago in late November, hosted by the Chilean Association of Geothermal Energy (ACHEGEO). This event was a major success with some 300 attendees from both local and international companies and institutions. HRL was well represented, with key staff from both of our Chile and Peru offices in attendance manning an HRL exhibition stand (Figure 3). Luis Urzua, HRL's Geothermal Resource Manager, gave a major presentation to the Congress body on geothermal exploration in Chile.



Figure 3: HRL exhibition stand at The First International Congress on Geothermal Energy, held at Santiago, November 2011

PERU GEOTHERMAL PROJECTS (100% HRL)

Community information programs and land access negotiations have been successfully completed at the granted Chocopata and Quellaapacheta projects and social and land owner approval obtained to commence geoscientific surface exploration programs, comprised of detailed geological, geochemical and geophysics surveys. These will begin once a formal environmental clearance has been issued by the General Directorate of Environmental Energy (DGAAE) for HRL to proceed, and the current wet season in Southern Peru ends (which runs from December through late March). In the interim, HRL staff are continuing to maintain close contact with the local communities in each project area.

Similar community and land access program have been commenced at the other two granted projects of Turu and Rupha, comprised of information gathering on local land owners and communities and commencement of community relations programs.

An exploration authorization was granted to HRL in late December for the Turu geothermal prospect in Southern Peru¹. This is the fourth geothermal exploration authorization awarded to HRL in Peru (see Figure 5).

An exploration authorization was filed in the last quarter at a new prospect named "Huisco" (see Figure 5). It has been accepted for processing by the Peru Ministry of Energy and details on the application were published on the 10th and 11th of November 2011. It is now waiting on technical evaluation by the Ministry.

HRL has a further five exploration authorization applications currently under process. Due to a number of recent changes in senior management in the Ministry of Energy that followed the Peruvian general election concluded in June 2011, application procedures for exploration authorizations are currently under review. This has temporarily delayed the granting of a number of pending authorizations to HRL.

Work in the next quarter will continue to focus on community work at Turu and Rupha and on preparation for detailed geoscientific surveys at Chocopata and Quellaapacheta to be undertaken in the second and third quarters of 2012.

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

The Koroit Geothermal Project, GEP-8

The Federal Government has recognized geothermal as a significant future source of energy in Australia and is providing funding to help stimulate the sector via the Australian Centre of Renewable Energy (ACRE) in its Emerging Renewable Program (ERP).

It is evident that improved interest and support for the development and use of geothermal energy in Australia may be seen in 2012 due to the following factors:

- The implementation in July 2012 of the carbon price tax mechanism within the Governments package of "Clean Energy" legislation. This should clearly focus the attention of heavy industry on the economic benefits from the use of renewable energy and promote the development and use of geothermal energy
- The establishment of two independent government bodies to assist the development of emerging renewable energy projects in Australia – ARENA (Australia Renewable Energy

¹ For details see http://www.hotrockltd.com/irm/Content/investor_asx.html

Agency and the CEFC (the Clean Energy Finance Corporation). ARENA will manage \$3.2 billion of funding already made available by the government to be spent over the next 9 years. The CEFC will be given \$10 billion for expending over 5 years from 2013/14 on loans, loan guarantees and equity in emerging technologies including geothermal, solar, and battery technologies, 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.

HRL's prime geothermal project at Koroit is a conventional Hot Sedimentary Aquifer (HSA) geothermal prospect. It has the potential to become one of the first commercial geothermal electricity generation projects in Australia. Ideally situated near existing power lines and a regional population base of 5 million, Koroit already has identified geothermal resources sufficient to power 100,000 homes, with scope to increase this over a million homes.

Whilst the project is at the stage of near completion of all necessary permits and approvals required for drilling, the company has put on hold the drilling and testing program for two deep "Proof of Concept" wells until such time that either new government funding and/or a partner committing sufficient funds for the project to proceed has been secured.

With the indications noted above for an improving outlook for geothermal in 2012, HRL is optimistic that both fresh funding opportunities and improved partnering possibilities will lead to resumption of the planned Stage 1 drilling and testing program. On a more tangible level, HRL is in the process of submitting an Expression of Interest to ACRE (Australian Centre for Renewable Energy) for grant funds to support the Stage 1 Koroit project. Processing of this application will pass from ACRE into ARENA as soon as the new agency is established.

In anticipation of drilling commencing at Koroit, HRL has recently taken delivery of well head valves and well head assemblies for the two deep well drilling and testing program at the Koroit project. These are now in storage at Koroit together with all casing requirements for the first well. In addition, HRL is maintaining a program of continuing dialogue with key stake holders in the greater Koroit area on project activities so that project can be recommenced at short notice.



Figure 4: Well casings and wellhead valves in storage at Koroit ready for commencing the drilling and testing of two deep wells in the Stage 1 Koroit geothermal program



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

A head office review of existing data for this tenement is ongoing, preparatory to the commencement of a field reconnaissance survey in early 2012.

TENEMENTS

HRL has progressively developed a portfolio of high quality volcanic geothermal prospects in Chile and Peru with the objective of diversifying its business with respect to resource type and attractive commercial environments outside Australia, thus providing enhanced opportunities for adding significant shareholder value. The portfolio includes the following:

- HRL's wholly owned subsidiary Hot Rock Chile SA (HRC) which holds thirteen granted geothermal exploration concessions covering 7 projects (Figure 5) and 7 applications covering a further 4 projects.
- HRL's wholly owned subsidiary Hot Rock Peru SA (HRP) which has filed applications for exploration authorizations at ten high quality volcanic geothermal projects in Peru (Figure 5). Four of these have been granted to HRL and the earliest ones of these were in the first batch ever awarded in Peru. The remaining HRL tenement applications are currently under technical evaluation by the Peru Ministry of Mines and Energy and are expected to be granted during 2012. This early granting of licenses provides HRL with a pioneering first mover advantage within the nascent geothermal sector in Peru.
- 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 6).
- 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 6).

JOINT VENTURE AGREEMENTS

HRL is finalising two joint venture agreements with the Energy Development Corporation (EDC), for two geothermal projects in each of Chile and Peru. Both agreements are similar. EDC is the world's largest geothermal company with over 35 years experience in geothermal exploration, development and power generation, and currently supplies the Philippines with 1,150MWe of geothermal power from integrated steam field and power plants at five project locations. EDC is listed on the Philippines Stock Exchange (PH:EDC) and has a market capitalisation of US\$2.5 billion.

HRL will receive up to US\$4m cash with the first US\$2.5m cash payment on the transfer of tenements for the two Chilean projects and the two Peruvian projects into their respective JV project companies. A further US\$1.5m will be payable to HRL by EDC following the renewal of the Calerías concession in Chile and after 15 months from the transfer date of the Peru tenements. EDC will sole fund certain resource development costs in respect of each project and then the funding will proceed on a pro-rata basis to financial close. Finalisation of the joint venture agreements is expected in February.

HRL's role as a joint operator of the joint ventures with EDC recognizes HRL's expertise alongside EDC. Proposed work programs for the projects includes, mapping, sampling, magneto-telluric (MT) surveys in 2012 followed by appraisal drilling in 2013. The appraisal wells will be designed as standard geothermal production wells to allow for the incorporation of successful appraisal wells into future steam field production systems thereby reducing project development costs.

FUNDING

During the quarter, HRL successfully raised \$1.9 million through the issue of 77.8 million shares as follows:

- A total of 33.6 million shares were placed to sophisticated investors
- The remaining 44.2 million shares were placed through the share purchase plan announced to shareholders on 28 October 2011.

This successful capital raising, combined with anticipated receipt of cash payments from the EDC Joint Venture, provides sufficient funding to HRL for its planned geological and geophysical programs in 2012, focusing exclusively on HRL's other 100% owned projects, separately from the joint venture projects with EDC.

CASH POSITION

At the end of the December 2011 Quarter, the company had approximately \$1.4 million cash at bank. The net cash operating and exploration expenditure for the quarter was \$527,000.



Figure 5: HRL's geothermal tenements applied for and/or granted in South America

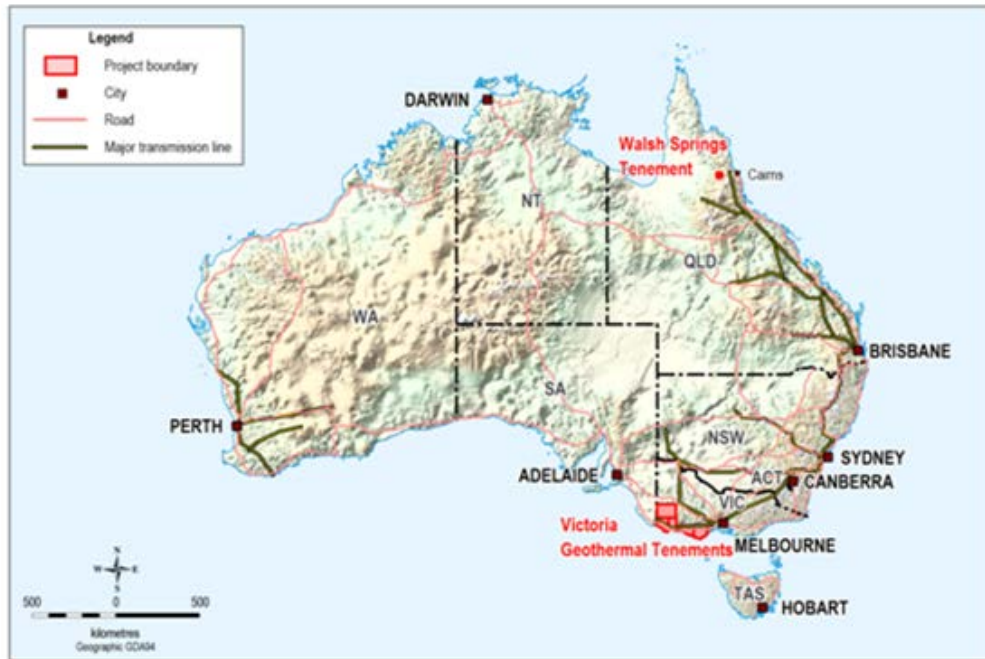


Figure 6: HRL's geothermal tenements granted in Australia

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		
Dec 2011	\$0.07	\$0.022
	\$0.046	

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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.