

Notice of Annual General Meeting and Explanatory Memorandum

Hot Rock Limited ACN 120 896 371

Date of Meeting: 29 November 2012

Time of Meeting: 3.00pm (Brisbane time)

Place of Meeting: Hot Rock Limited, Level 5, 10 Market Street,
Brisbane Qld 4000

Notice of Meeting

Notice is given that the Annual General Meeting of Shareholders of **Hot Rock Limited** ACN 120 896 371 (**Company**) will be held at Level 5, 10 Market St, Brisbane QLD 4000, on Thursday 29 November 2012 at 3.00pm (Brisbane time).

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

Agenda

Ordinary business

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Balance Sheet, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012.

1. Resolution 1 - Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution of the Company:

"That the Remuneration Report for the year ended 30 June 2012 (as set out in the Directors' Report) be adopted."

Voting

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

Voting Restriction pursuant to Section 250R(4) of the Corporations Act

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (b) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - I. does not specify the way the proxy is to vote on the resolution; and
 - II. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or, if the Company is part of a consolidated entity, for the entity.

Further details, in relation to the ability of the Chairman to vote on undirected proxies are set out in the accompanying Explanatory Statement.

2. Resolution 2 - Re-election of Mr Stephen Bizzell as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That Mr Stephen Bizzell, who retires by rotation in accordance with Rule 38.1 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Notice of Meeting

3. Resolution 3 – Approval of issue of Options to Mark Elliott

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 5,500,000 Options to Mark Elliott, being an Executive Director of the Company, or his nominee on the terms set out in the Explanatory Memorandum (**Elliott Options**).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) Mark Elliott (or his nominee); and
- (b) any associate of Mark Elliott (or his nominee) above.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4. Resolution 4 – Approval of issue of Options to Peter Barnett

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 5,500,000 Options to Peter Barnett, being an Executive Director of the Company, or his nominee on the terms set out in the Explanatory Memorandum (**Barnett Options**).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) Peter Barnett (or his nominee); and
- (b) any associate of Peter Barnett (or his nominee).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Resolution 5 – Approval of issue of Options to Michael Sandy

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 1,000,000 Options to Michael Sandy, being a Non-Executive Director of the Company, or his nominee on the terms set out in the Explanatory Memorandum (**Sandy Options**).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) Michael Sandy (or his nominee); and
- (b) any associate of Michael Sandy (or his nominee).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with

Notice of Meeting

- | |
|---|
| the directions on the proxy form; or |
| (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides. |

6. Resolution 6 – Approval of issue of Options to Stephen Bizzell

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*“That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 1,000,000 Options to Stephen Bizzell, being a Non-Executive Director of the Company, or his nominee on the terms set out in the Explanatory Memorandum (**Bizzell Options**).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) Stephen Bizzell (or his nominee); and
- (b) any associate of Stephen Bizzell (or his nominee).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

7. Resolution 7 – Ratification of issue of Options to Employees

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 7.4 and for all other purposes, the Shareholders ratify the previous allotment and issue a total of 8,000,000 Options to Pablo Mir Balmaceda, Carlos Jorge Heraud Solari, Paul Marshall, Luis Urzua, Michael Harvey, Gonzalo Salgado Barros, Gonzalo Salgado Tormo, Cristian Garrido, Adriana Lituma Canepa, Victor Vargas Rodriguez, Sandra Carbajal Licas and Noemi Flores Mamanion (together the **Employees**) on 19 October 2012 on the terms set out in the Explanatory Memorandum (**Employee Options**).”*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) the Employees; and
- (b) any associate of the Employees.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

8. Resolution 8 – Approval of Directors’ and Management Fee Plan

To consider and, if thought fit to pass the following resolution, with or without modification as an Ordinary Resolution of the Company:

*“That in accordance with the provisions of Listing Rule 7.2 (exception 9) of the Listing Rules, and for all other purposes, the Shareholders approve the issue of securities under the Hot Rock Limited Directors’ and Management Fee Plan (**DMFP**) approved by the Board on 8 October 2012 as an exception to Listing Rule 7.1.”*

Notice of Meeting

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) the Directors (or their nominees); and
- (b) any associate of the Directors (or their nominees).

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

9. **Resolution 9 – Approval of Issue of Directors’ Shares in Lieu of 50% of Director Fees under DMFP**

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

*“That in accordance with Listing Rule 10.14 and for the purposes of Listing Rule 7.2 exception 9 and for all other purposes the Company be authorised to issue Shares to Dr Mark Elliott, Mr Peter Barnett, Mr Michael Sandy and Mr Stephen Bizzell, (**Participating Directors**) or their nominees (**Directors’ DMFP Shares**) under the DMFP in lieu of 50% of the fees of the Participating Directors as detailed in the Explanatory Memorandum”.*

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- (a) the Directors; and
- (b) any associate of the Directors.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Special Business

10. **Resolution 10 – Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A**

To consider and, if thought fit, to pass the following resolution with or without amendment, as a Special Resolution of the Company:

*“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of this Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (**Placement Securities**).”*

Notice of Meeting

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Special Resolution by a person and any associates of that person who:

- (a) may participate in the issue of the Placement Securities; or
- (b) might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Important Note:

The proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

BY ORDER OF THE BOARD

Paul Marshall
Company Secretary
26 October 2012

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of **Hot Rock Limited ACN 120 896 371 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the offices of Hot Rock Limited, Level 5, 10 Market Street, Brisbane Qld 4000 on 29 November 2012, commencing at 3.00pm (Brisbane time).

The Directors recommend that Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum are defined in Section 10.

2. Consider the Company's Annual Financial Report

The Company's Annual Financial Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Balance Sheet, Statement of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2012 were released to ASX Limited on 26 September 2012.

The Company's Annual Report is placed before the Shareholders for discussion.

No voting is required for this item.

3. Resolution 1 - Remuneration Report

3.1 *Remuneration Report*

In accordance with section 250R of the Corporations Act, the Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding advisory resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report for the period ending 30 June 2012.

The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

3.2 *The "Two Strikes Rule"*

The Corporations Act requires that listed companies must put their remuneration report to a non-binding advisory shareholder vote at the AGM (**Remuneration Report**

Explanatory Memorandum

Resolution). The “Two Strikes Rule” was introduced by the *Corporations Legislation (Improving Accountability on Director and Executive Remuneration) Act 2011* and commenced on 1 July 2011.

Under the “Two Strikes Rule” if the Remuneration Report Resolution receives a “no” vote of 25% or more (a **Strike**) at two consecutive AGMs, a resolution to spill the board and hold Director re-elections, in accordance with Part 2G.2, Division 9 of the Corporations Act (**Spill Resolution**) must be put to Shareholders.

3.3 **Recommendation**

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

A vote on this Resolution is advisory only and does not bind the Directors of the Company, except in relation to the “Two Strikes Rule”.

3.4 **Voting restrictions on Key Management Personnel and their Closely Related Parties and their proxies**

Members of the Key Management Personnel (**KMP**) and their Closely Related Parties (**CRP**) (**Restricted Voters**) and proxies of Restricted Voters are restricted from voting on a resolution which is connected directly or indirectly with the remuneration of a member of the Key Management Personnel (**Voting Restriction**).

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction applies to Resolution 1. However, it does not apply where:

- (a) the member of the Key Management Personnel is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment specifies the way the proxy is to vote on the resolution; or
- (b) the Chairperson is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting (including Resolution 1) subject to compliance with the Corporations Act.

The Proxy Form attached to this Notice has been prepared on this basis.

4. **Resolution 2 - Re-election of Mr Stephen Bizzell**

Article 38.1(c) of the Company’s Constitution and Listing Rule 14.4 requires that at each AGM, one-third of the Directors in office (excluding directors appointed to fill casual vacancies or a Managing Director) must stand for re-election, with Directors required to retire based upon length of tenure.

Mr Stephen Bizzell was appointed as a director of the Company on 22 September 2009.

Explanatory Memorandum

Mr Bizzell retires in accordance with the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election as a Non-Executive Director.

Mr Bizzell's qualifications and experience

BCom, MAICD.

Mr Bizzell is Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies. Mr Bizzell was an Executive Director of Arrow Energy Ltd from 1999 until its takeover for \$3.5 billion by Royal Dutch Shell and PetroChina in August 2010. Early in his career Mr Bizzell was employed in the corporate finance division of Ernst & Young and the tax division of Coopers & Lybrand and qualified as a Chartered Accountant.

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

- 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)
- Titan Energy Services Ltd (Dec 2011 – present)
- Armour Energy Ltd (Mar 2012- present)

In the past three years Mr 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)
- Bow Energy Ltd (Dec 2004 – Jan 2012)

The Directors (with Mr Bizzell abstaining) recommend that you vote in favour of this ordinary resolution.

5. Resolutions 3, 4, 5 & 6 – Issue of Options to Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell

5.1 Background

In recognition of the key functions that Mr Elliott, Mr Barnett, Mr Sandy and Mr Bizzell have in executing the Company's business plan, the Company has elected to issue:

- (a) 5,500,000 Options to Mark Elliott or his nominee (**Elliott Options**);
- (b) 5,500,000 Options to Peter Barnett or his nominee (**Barnett Options**);
- (c) 1,000,000 Options to Michael Sandy or his nominee (**Sandy Options**); and
- (d) 1,000,000 Options to Stephen Bizzell or his nominee (**Bizzell Options**),

(collectively the **Director Options**).

The terms of the Director Options are set out in more detail below.

Explanatory Memorandum

Approval for the issue of the Director Options is sought in accordance with the Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

In order for the Director Options to be granted to a Director, the requirements of Chapter 2E of the Corporations Act need to be observed.

5.2 Option Terms

The Director Options will be issued on the following terms:

- (a) an exercise price of \$0.04 per Director Option;
- (b) the Director Options vest on issue;
- (c) The Director Options of the respective Directors expire on the earlier of:
 - (1) the date which is 3 years from the date of issue of the Directors' Options; and
 - (2) the date which is 30 days (or such later date agreed to by the Board) after the respective Director ceases to hold office;

(Expiry Date), and
- (d) otherwise on the terms set out in Annexure 'A' to this Explanatory Memorandum.

5.3 Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolutions 3, 4, 5 & 6, if passed, will confer financial benefits on the recipients of those Director Options (being related parties of the Company) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(a) **The related parties to whom Resolutions 3, 4, 5 & 6 would permit the financial benefit to be given**

Mark Elliott (or his nominee), Peter Barnett (or his nominee), Michael Sandy (or his nominee) and Stephen Bizzell (or his nominee) all being Directors of the Company.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (1) the grant of 5,500,000 Elliott Options to Mark Elliott (or nominee) as referred to in Resolution 3;
- (2) the grant of 5,500,000 Barnett Options to Peter Barnett (or nominee) as referred to in Resolution 4;

Explanatory Memorandum

- (3) the grant of 1,000,000 Sandy Options to Michael Sandy (or nominee) as referred to in Resolution 5;
- (4) the grant of 1,000,000 Bizzell Options to Stephen Bizzell (or nominee) as referred to in Resolution 6;
- (5) the Director Options shall be granted for nil consideration;
- (6) the Director Options shall vest and be capable of exercise into fully paid ordinary Shares on and from the issue date;
- (7) the Director Options shall be exercisable into Shares on or before the date that is three years from the date of issue; and
- (8) the exercise price for the Director Options shall be \$0.04 per Director Option.

Presently Mark Elliott holds 4,000,000 unlisted Options, Peter Barnett holds 7,000,000 unlisted Options, Michael Sandy holds 1,000,000 unlisted Options and Stephen Bizzell holds 3,338,985 unlisted Options. These existing Options are exercisable at various prices ranging between \$0.20 and \$0.40 and have various expiry dates, the latest being 31 January 2014.

It has been the practice of the Board, to have a combination of short term incentives in the form of cash bonuses and long term incentives by the issue of Options. The intention of this practice being that upon exercise, those directors will have contributed equity to the Company and are, by holding Shares, bound by and incentivised to act to improve, the performance of the Company in the longer term.

(c) **Directors' Recommendation**

With respect to Resolution 3, all Directors other than Mark Elliott recommend that Shareholders vote in favour of this resolution. Mark Elliott is interested in the outcome of Resolution 3, accordingly he makes no recommendation to Shareholders in respect of Resolution 3.

With respect to Resolution 4, all Directors other than Peter Barnett recommend that Shareholders vote in favour of this resolution. Peter Barnett is interested in the outcome of Resolution 4, accordingly makes no recommendation to Shareholders in respect of Resolution 4.

With respect to Resolution 5, all Directors other than Michael Sandy recommend that Shareholders vote in favour of this resolution. Michael Sandy is interested in the outcome of Resolution 5, accordingly he makes no recommendation to Shareholders in respect of Resolution 5.

With respect to Resolution 6, all Directors other than Stephen Bizzell recommend that Shareholders vote in favour of this resolution. Stephen Bizzell is interested in the outcome of Resolution 6, accordingly he makes no recommendation to Shareholders in respect of Resolution 6.

The reasons for the recommendations by the Directors include:

- (1) the grant of the Director Options as proposed to Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell will provide them with reward and incentive for future services they will provide to the Company to further the progress of the Company;

Explanatory Memorandum

- (2) the Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
 - (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Director Options provide a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g.; cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options to a third party.
- (d) **Directors' Interest and other remuneration**

Mark Elliott

Mark Elliott has a material personal interest in the outcome of Resolution 3, as it is proposed that Director Options be granted to him (or his nominee).

Excluding the Elliott Options, Mark Elliott (and entities associated with him) holds 20,250,000 Shares and 4,000,000 unlisted Options in the Company.

Mark Elliott is the Chairman of the Company and is considered a key member of the Company's management team. Dr Elliott's contract with the Company was renewed on 1 March 2012 and is for a three year term terminable on three months' notice. The total amount (including superannuation and non-cash benefits) paid to Mark Elliott in Australian Dollar equivalent during the 12 month period to 30 June 2012 was \$321,423.00 as detailed on page 8 of the Remuneration Report within the 2012 Annual Report.

Peter Barnett

Peter Barnett has a material personal interest in the outcome of Resolution 4, as it is proposed that Director Options be granted to him (or his nominee). Excluding the Barnett Options, Peter Barnett (and entities associated with him) holds 8,100,000 Shares and 7,000,000 unlisted Options in the Company.

Peter Barnett is the Company's Managing Director and is considered a key member of the Company's management team. Mr Barnett's contract with the Company was renewed on 1 March 2012 and is terminable on three months' notice. The total amount paid to Mr Barnett in Australian Dollar equivalent during the 12 month period to 30 June 2012 was \$260,000 as detailed on page 8 of the Remuneration Report within the 2012 Annual Report.

Michael Sandy

Michael Sandy has a material personal interest in the outcome of Resolution 5, as it is proposed that Director Options be granted to him (or his nominee). Excluding the Sandy Options, Michael Sandy (and entities associated with him) holds 6,300,000 Shares and 1,000,000 unlisted Options in the Company.

Michael Sandy is the a Non-Executive Director of the Company and is considered a key member of the Company's management team. The total amount paid to Michael Sandy in Australian Dollar equivalent during the 12 month period to 30 June 2012 was \$35,000 as detailed on page 8 of the Remuneration Report within the 2012 Annual Report.

Explanatory Memorandum

Stephen Bizzell

Stephen Bizzell has a material personal interest in the outcome of Resolution 6, as it is proposed that Director Options be granted to him (or his nominee). Excluding the Bizzell Options, Stephen Bizzell (and entities associated with him) holds 17,643,750 Shares and 3,338,985 unlisted Options in the Company.

Stephen Bizzell is the a Non-Executive Director of the Company and is considered a key member of the Company's management team. The total amount paid to Stephen Bizzell in Australian Dollar equivalent during the 12 month period to 30 June 2012 was \$35,000 as detailed on page 8 of the Remuneration Report within the 2012 Annual Report.

(e) Effect of Options on Directors' Shareholding in the Company

If all of the Director Options granted are exercised by Mr Elliott, Mr Barnett, Mr Sandy and Mr Bizzell (or their respective nominee as the case may be), the following will be the effect on their holding in the Company:

Director	Current Share Holding ^{1,2}	% of Total Share Capital ²	Current Option Holding	Number of Director Options proposed to be issued	Share Capital Upon Exercise of Director Options (and not Current Options) ¹	% of Total Share Capital ³
Mark Elliott	20,250,000	6.14	4,000,000	5,500,000	25,750,000	7.52
Peter Barnett	8,100,000	2.46	7,000,000	5,500,000	13,600,000	3.97
Michael Sandy	6,300,000	1.91	1,000,000	1,000,000	7,300,000	2.13
Stephen Bizzell	17,643,750	5.35	3,338,985	1,000,000	18,643,750	5.44
Total	52,293,750	15.87	15,338,985	13,000,000	65,293,750	19.06

Notes

1. There are currently 20,788,985 Options on issue which have vested (**Current Options**), 15,338,985 of which are held by Mr Elliott, Mr Barnett, Mr Sandy and Mr Bizzell (or their respective nominee as the case may be).

This % calculation assumes that none of the Current Options on issue in the Company (including those held by Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell) are exercised.

This assumption is made on the basis that because:

- i. the Current Options all have exercise prices of between \$0.20 and \$0.40 (**Exercise Prices**); and
- ii. the Company's Share price is currently significantly below the Exercise Prices (the 12 month WVAP to 17 October 2012 was \$0.058 with a highest price of 11 cents);

Explanatory Memorandum

- iii. 11,750,000 of the Current Options will expire on or before 1 March 2013 and the balance of the Current Options will expire on or before 31 January 2014,

the Board considers that it is highly unlikely that any of the Current Options will be exercised. Accordingly, it would not provide an accurate depiction of the potential effect of the issue of the Director Options on the Directors' shareholding in the Company if the Current Options were included in this calculation.

2. This assumes that there are currently 329,613,633 Shares on issue and no other Shares are issued, including those the subject of Resolution 9.
3. This assumes that there will be 342,613,633 Shares on issue upon the exercise of all of the Director Options.

(f) **Valuation**

The Director Options are not quoted on the ASX and as such have no market value. The Director Options each grant the holder a right of grant of one Share in the Company upon exercise of the Director Options and payment of the exercise price of the Director Options described above. Accordingly, the Director Options may have a present value at the date of their grant.

The Director Options may acquire future value dependent upon the extent to which the Share price exceeds the exercise price of the Director Options during the term of the Director Options.

As a general proposition, Options to subscribe for ordinary fully paid shares in a company have a value. Various factors impact upon the value of Options including:

1. the period outstanding before the expiry date of the Options;
2. the exercise price of the Options relative to the underlying price or value of the securities into which they may be converted;
3. the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the Options represent a controlling or other significant interest);
4. the value of the shares into which the Options may be converted; and
5. whether the Options are listed (i.e. readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of Options (including the formula known as the Black-Scholes Model Option valuation formula).

The Company has undertaken a valuation of the Options, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass Resolutions 3, 4, 5 and 6 and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Black-Scholes Model, which is the most widely used and recognised model for pricing Options. The value of an Option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Explanatory Memorandum

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

1. the exercise price of the Director Options being \$0.04;
2. a market price of Shares of \$0.015;
3. expiry date of 3 years from date of issue;
4. a volatility measure of 75% (historical 12 months);
5. a risk-free interest rate of 3.25% on the Director Options proposed to be issued; and
6. a dividend yield of nil.

Some relatively minor variables were included in the calculation to estimate the value of Director Options as "American style" Options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" Options (being exercisable only on the exercise date).

Based on the valuation of the Director Options, the Board considers that the value of the Director Options to be issued pursuant to Resolutions 3, 4, 5 and 6 respectively is:

1. Mark Elliott - \$19,250;
2. Peter Barnett - \$19,250;
3. Michael Sandy - \$3,500; and
4. Stephen Bizzell - \$3,500.

(g) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

The Director Options valuation noted above is based on a market price per Share of \$0.015.

There is a possibility that the market price of the Shares will change up to the date of the Meeting.

Trading History

The Company does not intend to apply for listing of the Director Options on the ASX. However, the Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Director Option.

In the 12 months prior to 18 October 2012, the Company's trading history is as follows:

- the highest trading price was 11 cents on 3 April 2012; and

Explanatory Memorandum

- the lowest trading price was 1.3 cents on 28 September 2012;
- The VWAP per Share was 5.8 cents;
- The most recent trading price of the Shares on the close of trading on 17 October 2012 was 1.5 cents.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Director Options to the Director is the potentially diluted impact on the issued Share capital of the Company (in the event that the Director Options are exercised). Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares may be detrimental to the Company, if at all, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms.

It is also considered that the potential increase of value in the Director Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at fair value of the equity instrument on the grant date. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the grant date and the vesting date are different, the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

There are currently 329,613,633 Shares on issue and there are currently 20,788,985 Options on issue which have vested (**Current Options**), 15,338,985 of which are held by Mr Elliott, Mr Barnett, Mr Sandy and Mr Bizzell (or their respective nominee as the case may be).

There will be 342,613,633 Shares on issue upon the exercise of all of the Director Options assuming that no further securities are issued, including those the subject of Resolution 8 and no Current Options are exercised.

The assumption that no Current Options will be exercised has been made on the basis that because:

- the Current Options all have exercise prices of between \$0.20 and \$0.40 (**Exercise Prices**); and
- the Company’s Share price is currently significantly below the Exercise Prices (the 12 month VWAP to 17 October 2012 was \$0.058 with a highest price of 11 cents in this period);

Explanatory Memorandum

- 11,750,000 of the Current Options will expire on or before 1 March 2013 and the balance of the Current Options will expire on or before 31 January 2014,

the Board considers that it is highly unlikely that any of the Current Options will be exercised. Accordingly, it would not provide an accurate depiction of the potential effect of the issue of the Director Options on the Directors' shareholding in the Company if the Current Options were included in this calculation.

If all of the Director Options granted are exercised by Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell (or their respective nominees), and there are no other securities issued or Options exercised, then the effect of their holdings in the Company will dilute existing shareholders' interest by 19.06%.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a Related Party. Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell all being Directors of the Company, are each a Related Party of the Company. Accordingly, because the issue of the Director Options will result in the Company issuing securities to a Related Party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Director Options to be issued is 5,500,000 Director Options to Mark Elliott, 5,500,000 Director Options to Peter Barnett, 1,000,000 Director Options to Michael Sandy and 1,000,000 Director Options to Stephen Bizzell;
- The Director Options are intended to be granted as soon as possible following the Meeting, but in any event, within one (1) month of the date of the Meeting;
- The Director Options are being issued for nil consideration; and
- No funds are being raised by the grant of the Director Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 3, 4, 5 and 6.

6. Resolution 7 – Ratification of Issue of Options to Employees

6.1 Background

On 19 October 2012, the Company issued a total of 8,000,000 Options (**Employee Options**) to the following employees of the Company Pablo Mir Balmaceda, Carlos Jorge Heraud Solari, Paul Marshall, Luis Urzua, Michael Harvey, Gonzalo Salgado Barros, Gonzalo Salgado Tormo, Cristian Garrido, Adriana Lituma Canepa, Victor Vargas Rodriguez, Sandra Carbajal Licas and Noemi Flores Mamanion (**Employee**).

The Employee Options have an exercise price of \$0.04.

Explanatory Memorandum

6.2 Summary of Options terms

The Employee Options were issued on the following terms:

- (a) an exercise price of \$0.04 per Option;
- (b) the Employee Options of the respective Employees expire on the earlier of:
 - 30 November 2015;
 - the date which is 30 days (or such later date agreed to by the Board) after the respective employee ceases to be employed by the Company; and
 - if the Employee is dismissed for misconduct (determined by the Board in their absolute discretion), the date on which the Employee is dismissed,
(Expiry Date).
- (c) each Option may be exercised into one Share; and
- (d) otherwise on the terms set out in Annexure 'B' to this Explanatory Memorandum.

6.3 ASX Listing Rule 7.4

ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new equity securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with ASX Listing Rule 7.4, Shareholder approval is sought to ratify the issue of the Employee Options, being an issue of Options made by the Company for which Shareholder approval has not already been obtained.

If this Resolution 7 is approved it will have the effect of refreshing the Company's ability to issue up to a further capital during the next 12 months without the need to obtain further Shareholder approval (subject to the Listing Rules and the Corporations Act). If Resolution 7 is not passed, the Employee Options will be counted towards the 15% limit pursuant to Listing Rule 7.1 for a period of 12 months from the date of issue.

For the purposes of Listing Rule 7.5, the Company advises:

- (a) a total of 8,000,000 Employee Options were issued to Pablo Mir Balmaceda, Carlos Jorge Heraud Solari, Paul Marshall, Luis Urzua, Michael Harvey, Gonzalo Salgado Barros, Gonzalo Salgado Tormo, Cristian Garrido, Adriana Lituma Canepa, Victor Vargas Rodriguez, Sandra Carbajal Licas and Noemi Flores Mamanion;
- (b) each Employee Option is capable of being exercised into one Share. If all of the Employee Options are exercised an additional 8,000,000 Shares in the Company will be issued;
- (c) the Employee Options have an exercise price of \$0.04 per Option;

Explanatory Memorandum

- (d) the Employee Options were issued on the terms set out in 6.2 (above) and in Annexure B; and
- (e) no funds were raised from the issue of the Employee Options.

The Directors unanimously recommend that you vote in favour of this Resolution.

7. Resolution 8 – Approval of Directors’ and Management Fee Plan

Pursuant to Resolution 8, the Company is seeking Shareholder approval to potential future issues of securities to persons who are not a Related Party of the Company, under the terms of a Directors’ and Management Fee Plan (**DMFP**) as an exception to Listing Rule 7.1, pursuant to Listing Rule 7.2 (Exception 9).

7.1 Background

The Board’s objective for executive remuneration is a reward framework that ensures reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

In consultation with key members of the Board who have many years industry operational experiences, the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders’ interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to key employee’s interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

Explanatory Memorandum

In line with the executive remuneration framework, the Board of the Company approved and adopted the DMFP on 8 October 2012 as a means of rewarding and incentivising its directors and some of its key senior management. A summary of the terms of the DMFP is set out below and in Annexure C.

The full terms of the DMFP are available on the Company's website (www.hotrockltd.com).

7.2 Summary of Directors' and Management Fee Plan

- (a) The DMFP is to extend to all Executive and Non-executive Directors of the Company and to selected senior employees (**Eligible Participants**).
- (b) The terms of the DMFP under which Eligible Participants may be issued Shares, including the formula for calculating the issue price, are set out in Annexure C.
- (c) Shares under the DMFP shall be issued at the VWAP of the Shares calculated over the 3 months prior to issue and any fractional entitlement of Shares to be issued shall be rounded up to the nearest whole number.

7.3 Listing Rules

Under Listing Rule 7.1, a listed company is generally prevented from issuing more Equity Securities (including shares and options) than would equate to (when all other issues of securities are aggregated) 15% of its share capital in any twelve (12) month period, without first obtaining shareholder approval.

As a result, any issue of shares by the Company to Eligible Participants under the DMFP would reduce the Company's 15% capacity under Listing Rule 7.1.

Exception 9 of Listing Rule 7.2, however, allows the Company to issue Equity Securities without specific shareholder approval and without reducing the 15% capacity under Listing Rule 7.1 where Shareholders have approved the issue of securities under the DMFP as an exception to Listing Rule 7.1, within three (3) years prior to the issue of the securities.

Resolution 8 is being put to Shareholders for this purpose in order to enable the Company to utilise Exception 9 to Listing Rule 7.2 to issue Equity Securities under the DMFP for three (3) years from the date of the Resolution being passed. Where the Company proposes to issue Equity Securities to a Related Party under the DMFP, specific Shareholder Approval will be sought in accordance with Listing Rule 10.14 (as applicable).

For the purposes of Listing Rule 7.2 (Exception 9), the Company notes that:

- (a) a summary of the terms of the DMFP is set out in section 7.2 of this Explanatory Memorandum, and in more detail in Annexure C;
- (b) As the DMFP is being put to Shareholders for approval for the first time at this Meeting, no securities have previously been issued under the DMFP or any other employee incentive scheme of the Company; and
- (c) a voting exclusion statement is set out under Resolution 8 in the Notice of Meeting.

7.4 Recommendation

The Directors recommend that you vote in favour of this Ordinary Resolution.

Explanatory Memorandum

8. Resolution 9 – Approval of Issue of Directors’ Shares in lieu of 50% of Directors Fees under DMFP

8.1 Introduction

The Directors have resolved to refer to Shareholders for approval of the proposed issue of up to a maximum of 22,666,667 Shares to Dr Mark Elliott, Mr Peter Barnett, Mr Michael Sandy and Mr Stephen Bizzell or their nominees (**Participating Directors**) in accordance with the DMFP. The terms of the Shares to be issued to the Participating Directors (**Directors’ DMFP Shares**) are set out in more detail below.

Approval for the issue of the Directors DMFP Shares is sought in accordance with the Listing Rule 10.14 and for the purposes of Exception 9 of Listing Rule 7.2. As approval is being sought under Listing Rule 10.14, approval will not be required under Listing Rule 10.11.

8.2 Background to the Proposal

The Directors wish to implement an employee incentive scheme in the form of a Directors’ and Management Fee Plan which will allow for the issue of Shares to all Directors and selected senior management in lieu of fees.

All Participating Directors have agreed to have approximately 50% of their remuneration paid in cash and approximately 50% payable in shares (pending this approval) for the ensuing 12 months.

Approval is sought under Resolution 9 for the Directors’ DMFP Shares to be issued to the Participating Directors in lieu of a portion of their fees and salary for the forthcoming financial year. As such the Directors’ DMFP Shares will be granted for nil cash consideration and no funds will be raised.

Because each of the Participating Directors is a Related Party of the Company for the purposes of Listing Rule 10.11, the proposed issues of the Directors’ DMFP Shares to Participating Directors must be approved under Listing Rule 10.14.

The Company also seeks Shareholder approval of the issue of the Directors’ DMFP Shares under the DMFP as an exception to Listing Rule 7.1 (being exception 9 of Listing Rule 7.2), which limits the securities that the Company may issue without shareholder approval to 15% of its issued capital over 12 months (**15% Capacity**).

If approved, the issue of the Directors Shares pursuant to Listing Rule 10.14 (and for the purposes of Listing Rule 7.2 exception 9) will not be counted towards the Company’s 15% Capacity for the purpose of Listing Rule 7.1. As a result, the Directors of the Company will be able to consider additional funding initiatives consistent with the provisions of ASX Listing Rule 7.1 without diminishing its issue capacity under Listing Rule 7.1.

8.3 Information on the DMFP and Issue

The terms of the DMFP under which Participating Directors may be issued Shares in lieu of fees, including the formula for calculating the issue price, are set out in Annexure C.

8.4 Directors’ Interest

All Participating Directors have a material personal interest in the outcome of Resolution 9, as it is proposed that Directors’ DMFP Shares be granted to them (or their nominee).

Explanatory Memorandum

Excluding the Directors' DMFP Shares, details of the Shares and Options held by the Directors in the Company are set out in the "Dilutionary Table" in Annexure D.

Details of the Director's remuneration for each of the Directors (inclusive of superannuation) per annum (total cost to the Company) is set out in the following table:

Director	Remuneration per annum (inclusive of superannuation)	50% of Remuneration per annum
Mark Elliott	\$325,000	\$162,500.00
Peter Barnett	\$285,000	\$142,500.00
Michael Sandy	\$35,000	\$17,500.00
Stephen Bizzell	\$35,000	\$17,500.00
Total	\$680,000	\$340,000.00

Under the DMFP all Directors' DMFP Shares shall be issued at the VWAP of the Shares calculated over the 3 months prior to issue. Because the trading price for the Shares of the Company on ASX may fluctuate over the 12 month period, approval is sought for the issue of a maximum of 22,666,667 Shares (**Maximum Shares**). The number for the Maximum Shares has been calculated assuming an issue price of 1.5 cents which was the closing price on the ASX on 16 October 2012, and assuming that 50% of the total Director Remuneration (set out in the Director Remuneration Table above) is paid by issue of Directors' DMFP Shares.

If the Maximum Shares are issued then this would represent 6.43% of the expanded issued share capital of the Company, assuming no other Shares were issued.

At the date of this Notice of Meeting no remuneration is owing to the Directors, however some fees will have accrued from 1 October 2012. If each of the Directors participated in a grant of the Maximum Shares, proportional to their total remuneration over a 12 month period then the effect on the holding of each of the Directors in the Company is shown in the 'Dilutionary Table' in Annexure D.

8.5 Additional Information

For the purposes of Listing Rule 10.15 (and Listing Rule 7.2 (Exception 9)) and for the benefit of Shareholders in considering this Resolution, the Company advises as follows:

- (a) each of the Participating Directors are Directors of the Company;
- (b) the maximum number of Shares that may be acquired by the Participating Directors is 22,666,667 Shares, which has been calculated as specified in section 8.4 above;
- (c) under the DMFP all Directors' DMFP Shares shall be issued at the VWAP of the Shares calculated over the 3 months prior to issue;
- (d) the Company has not previously sought approval for the issue of Shares under the DMFP and accordingly, no Shares have previously been issued under the DMFP;
- (e) the Participating Directors are the only persons referred to in Listing Rule 10.14 who are currently entitled to participate in the DMFP. Directors' Shares will only be issued to the Participating Directors under any approval obtained and will not be issued to any person not named in this Notice of Meeting without

Explanatory Memorandum

obtaining further shareholder approval to any such issue under Listing Rule 10.14;

- (f) a voting exclusion statement is set out under Resolution 9 in the Notice of Meeting;
- (g) details of any shares issued under the DMFP will be published in the Annual Report in respect of the period in which Shares under the DMFP are issued;
- (h) there are no loans in relation to the DMFP Shares;
- (i) the Directors' DMFP Shares are intended to be issued to the Participating Directors for the period from 1 October 2012 for up to 12 months, the intention being that Directors' DMFP Shares would be issued to the Participating Directors in arrears at the end of each quarter but in any event by no later than twelve (12) months from the date of the Meeting;
- (j) the Directors' DMFP Shares will be issued on the same terms and rank *pari passu* with all other Shares on issue in the Company; and
- (k) no funds are being raised by the grant of the Directors' Shares and the Company has not previously obtained approval under Listing Rule 10.14 for the issue of securities under the DMFP.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 9.

8.6 Directors' Recommendation

Each of Dr Mark Elliott, Mr Peter Barnett, Mr Michael Sandy and Mr Stephen Bizzell has a material personal interest in the resolution and do not make any recommendations.

9. Resolution 10 – Approval for the Company to issue an additional 10% of the issued capital of the Company over a twelve month period pursuant to Listing Rule 7.1A

9.1 Introduction

Pursuant to Resolution 10, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period pursuant to Listing Rule 7.1A. If passed, this resolution will allow the Company to allot and issue up to the number of new Equity Securities calculated in accordance with Listing Rule 7.1A.2 (**Placement Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's Equity Securities in that class (calculated over the last 15 days on which trades in the Equity Securities are recorded immediately before the date on which the price at which the Placement Securities are to be issued is agreed, or if the Placement Securities are not issued within five trading days of that date, the date on which the Placement Securities are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A which recently came into effect. Under Listing Rule 7.1A small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary shareholders by Special Resolution at the annual general meeting, are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the annual general meeting (**Additional 10% Placement**). The Additional 10% Placement under Listing Rule

Explanatory Memorandum

7.1A is in addition to the ability of the Company to issue 15% of its issued capital without shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the Placement Securities to raise funds for the Company and for non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards exploration on its South American projects and for working capital.

The Directors of the Company unanimously recommend that Shareholders vote in favour of Resolution 10.

9.2 Listing Rule 7.1A

(a) General

(1) Eligibility

An entity is eligible to undertake an Additional 10% Placement if at the time of its annual general meeting it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

For illustrative purposes only, on 12 October 2012, the Company's market capitalisation was \$4.6 million based on the closing trading price on that date. The calculation of market capitalisation will be based on the closing price of the shares, on the last trading day on which trades in the shares were recorded before the date of the AGM, multiplied by the number of shares on issue (excluding restricted securities and securities quoted on a deferred settlement basis).

The Company is also not included in the S&P/ASX300 Index as at the time of this AGM, however, it should be noted that the S&P/ASX300 Index is rebalanced twice a year in March and September.

The Company is therefore an Eligible Entity and able to undertake an Additional 10% Placement under Listing Rule 7.1A.

In the event that the Company for any reason ceases to be an Eligible Entity after the Company has already obtained shareholders' approval pursuant to this Resolution 10, the approval obtained will not lapse and the Company will still be entitled to issue the Placement Securities.

(2) Special Resolution

Listing Rule 7.1A requires this Resolution 10 to be passed as a Special Resolution, which means that it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution. Pursuant to Listing Rule 7.1A, no Placement Securities will be issued until and unless this Special Resolution is passed at the meeting.

Explanatory Memorandum

(3) Shareholder approval

The ability to issue the Placement Securities is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the meeting.

(b) 10% Placement Period - Listing Rule 7.1A.1

Assuming Resolution 10 is passed, Shareholder approval of the Additional 10% Placement under Listing Rule 7.1A is valid from the date of the AGM and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the AGM; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX.

If approval is given for the issue of the Placement Securities then the approval will expire, on 29 November 2012 unless shareholder approval is granted pursuant to Listing Rules 11.1.2 or 11.2 prior to that date.

(c) Calculation for Additional 10% Placement - Listing Rule 7.1A.2

Listing Rule 7.1A.2 provides that Eligible Entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

Where:

A is the number of ordinary securities on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid ordinary securities that became fully paid in the 12 months;
- (3) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rules 7.1 or 7.4 (but note that this does not include an issue of fully paid ordinary securities under the entity's 15% placement capacity without shareholder approval); and
- (4) less the number of fully paid ordinary securities cancelled in the 12 months.

D is 10 percent.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement

Explanatory Memorandum

to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

(d) **Listing Rule 7.1A.3**

(1) **Equity Securities**

Any Equity Securities issued under the Additional 10% Placement must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of this notice of meeting, the only class of Equity Securities in the Company quoted on the ASX are Ordinary Shares. The Company presently has 329,613,633 Shares on issue at the date of this Notice of Meeting.

(2) **Minimum Issue Price**

The issue price for the Placement Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 trading days immediately before:

- (A) the date on which the price at which the relevant Placement Securities are to be issued is agreed; or
- (B) if the relevant Placement Securities are not issued within five trading days of the date in paragraph (A) above, the date on which the relevant Placement Securities are issued.

(e) **Information to be given to ASX - Listing Rule 7.1A.4**

If Resolution 10 is passed and the Company issues any Placement Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the Placement Securities and the number of Placement Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, which will be released to the market on the date of issue:
 - (A) details of the dilution to the existing holders of Equity Securities caused by the issue;
 - (B) where the Equity Securities are issued for cash consideration, a statement of the reasons why the Company issued the Equity Securities as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing shareholders would have been eligible to participate;
 - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
 - (D) any other fees or costs incurred in connection with the issue.

Explanatory Memorandum

(f) **Listing Rules 7.1 and 7.1A**

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice of Meeting, the Company has on issue 329,613,633 Shares. The Company will have the capacity to issue the following Equity Securities on the date of the Meeting:

- (1) 49,442,044 Equity Securities under Listing Rule 7.1; and
- (2) subject to shareholder approval being obtained under Resolution 10, 82,403,408 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described above).

9.3 **Specific Information required by Listing Rule 7.3A**

(a) **Minimum Price of securities issued under Listing Rule 7.1A - Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.1A.3, the Placement Securities issued pursuant to approval under Listing Rule 7.1A must have an issue price of not less than 75% of the VWAP for the Equity Securities over the 15 trading days immediately before:

- (1) the date on which the price at which the Placement Securities are to be issued is agreed; or
- (2) if the Placement Securities are not issued within five trading days of the date in paragraph (1) above, the date on which the Placement Securities are issued.

The Company will disclose to the ASX the issue price on the date of issue of the Placement Securities.

(b) **Risk of economic and voting dilution - Listing Rule 7.3A.2**

As provided by Listing Rule 7.3A.2, if Resolution 10 is passed and the Company issues the Placement Securities, there is a risk of economic and voting dilution to the existing shareholders. The Company currently has on issue 329,613,633 Shares. The Company could issue 82,403,408 shares on the date of the Meeting (however, it is important to note that the exact number of Equity Securities which may be issued will be calculated at the time issue in accordance with the formula contained in Listing Rule 7.1A.2 details of which are set out above). Any issue of Placement Securities will have a dilutive effect on existing shareholders.

There is a specific risk that:

- (1) the Market Price for the Company's Equity Securities may be significantly lower on the date of the issue of any Placement Securities than it is on the date of the Meeting; and

Explanatory Memorandum

- (2) the Placement Securities may be issued at a price that is at a discount to the Market Price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue or the value of the Placement Securities.

As required by Listing Rule 7.3A.2, Table 1 below shows the potential economic and voting dilution effect, in circumstances where the issued share capital has doubled and the Market Price of the Shares has halved. Table 1 also shows additional scenarios in which the issued share capital has increased (by both 50% and 100%) and the Market Price of the shares has:

- decreased by 50%; and
- increased by 100%.

Table 1

Variable A (Issued Share Capital) referred to in Listing Rule 7.1.A.2	Dilution					
	50% decrease in Market Price \$0.0075		Current Market Price \$0.015		100% increase in Market Price \$0.030	
	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised	10 % Voting Dilution	Capital Raised
Present Variable A 329,613,633 shares	32,961,363	\$247,210.22	32,961,363	\$494,420.45	32,961,363	\$988,840.90
50% Increase in Variable A 494,420,449 shares	49,442,045	\$370,815.34	49,442,045	\$741,630.67	49,442,045	\$1,483,261.35
100% Increase in Variable A 659,227,266 shares	65,922,727	\$494,420.45	65,922,727	\$988,840.90	65,922,727	\$1,977,681.80

Assumptions and explanations

- The Market Price is \$0.015, based on the closing price of the shares on ASX on 17 October 2012.
- The above table only shows the dilutionary effect based on the issue of the Placement Securities, and not any Shares issued under the 15% under Listing Rule 7.1.
- The 10% voting dilution reflects the aggregate dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of Placement Securities.
- The issued share capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 12 October 2012.
- The issue price of the Placement Securities used in the table is the same as the Market Price and does not take into account the discount to the Market Price (if any).

Explanatory Memorandum

(c) **Final date for issue - Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the Placement Securities during the 12 months after the date of this Meeting which, provided there is no adjournment of the Meeting, will end on 29 November 2013. The approval under Resolution 10 for the issue of the Placement Securities will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the AGM.

(d) **Purpose - Listing Rule 7.3A.4**

As noted above, the purpose for which the Placement Securities may be issued include to raise funds for the Company and for non-cash consideration (further details of which are set out below). Funds raised from the issue of Placement Securities, if undertaken, would be applied towards exploration on its South American projects and for working capital.

(e) **Shares Issued for Non-cash consideration - Listing Rule 7.3A.4**

The Company may issue Placement Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Placement Securities for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Placement Securities complies with Listing Rule 7.1A.3.

(f) **Company's Allocation Policy - Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of the Placement Securities. The identity of the allottees of Placement Securities will be determined on a case-by-case basis having regard to a number of factors including but not limited to the following:

- (1) the methods of raising funds that are available to the Company including, but not limited to, rights issue or other issue in which existing shareholders can participate;
- (2) the effect of the issue of the Placement Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the Placement Securities have not been determined as at the date of this Notice but may include existing substantial shareholders and new shareholders who are not Related Parties or associates of a Related Party of the Company.

Further, if the Company is successful in acquiring new assets or investments for which Placement Securities are issued as consideration, it is likely that the allottees of some of the Placement Securities will be the vendors of the new assets or investments.

(g) **Company not previously obtained shareholder approval under listing rule 7.1A**

Explanatory Memorandum

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

9.4 Voting Exclusion Statement

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the proposed allottees of any Placement Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the Placement Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

10. Interpretation

AGM means annual general meeting;

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited ACN 008 624 69.

Board means the board of directors of the Company.

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (d) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph.

Company means Hot Rock Limited ACN 120 896 371.

Corporations Act means the *Corporations Act 2001* (Commonwealth).

Directors means the Directors of the Company from time to time.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means the explanatory statement accompanying this Notice.

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

Listing Rules means the listing rules of the ASX.

Market Price has the meaning given to that term in the Listing Rules.

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum.

Meeting means the Annual General Meeting of the Company to be held on 29 November 2012.

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders.

Options means options to subscribe for Shares.

Explanatory Memorandum

Related Party has the meaning given to that term in the Corporations Act.

Resolution means a resolution to be proposed at the Meeting.

Shares means ordinary fully paid shares in the issued capital of the Company.

Shareholder means a shareholder of the Company.

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

Annexure

ANNEXURE A

Rights Attaching to Director Options

1. The Director Options are Options to subscribe for ordinary shares (**Shares**) in the capital of the Company.
2. The exercise price for each Director Option is \$0.04 per Option (**Exercise Price**).
3. The Director Options of the respective Directors expire on the earlier of:
 - a) The date which is 3 years from the date of issue; and
 - b) The date which is 30 days (or such later date agreed to by the Board) after the respective Director ceases to hold office,
(Expiry Date).
4. The Director Options are transferable in whole or in part.
5. The Director Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Director Option to the Company at any time on or after the Director Options vest and on or before the Expiry Date.
6. Upon the valid exercise of the Director Options and payment of the Exercise Price, the Company will issue Shares ranking pari passu with the then issued Shares.
7. Holders of Director Options do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Director Options, in accordance with the requirements of the ASX Listing Rules.
8. The holder of Director Options does not participate in any dividends unless the Director Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
9. The Company does not intend to apply for listing of the Director Options on the ASX.
10. Subject to the Company being listed on the ASX, the Company shall apply for listing on the ASX of the resultant Shares of the Company issued upon exercise of any Director Options.
11. If there is a pro rata issue (except a bonus issue), the exercise price of a Director Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

Where:

O' = the new exercise price of the Director Options.

O = the old exercise price of the Director Options.

E = the number of underlying Shares into which one Option is exercisable.

Annexure

- P = if the Company is listed on the ASX, the average market price per Share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date; or
- if the Company is not listed on the ASX, the market value determined by the auditor of the Company.
- S = the subscription price for a Share under the pro rata issue.
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.
12. If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Director Options is exercisable may be increased by the number of Shares which the Option holder would have received if the Director Options had been exercised before the record date for the bonus issue.
13. The terms of the Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Director Options shall not be changed to reduce the Exercise Price, increase the number of Director Options or change any period for exercise of the Director Options.
14. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
- a) the number of Director Options, the Exercise Price, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Director Options which are not conferred on shareholders; and
 - b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Director Options will remain unchanged.

Annexure

ANNEXURE B

Rights Attaching to Employee Options

1. The Employee Options are Options to subscribe for ordinary shares (**Shares**) in the capital of the Company.
2. The exercise price for each Employee Option is \$0.04 per Option (**Exercise Price**).
3. The Employee Options of the respective Employees expire on the earlier of:
 - a) 30 November 2015;
 - b) The date which is 30 days (or such later date agreed to by the Board) after the respective employee ceases to be employed by the Company; and
 - c) if the Employee is dismissed for misconduct (determined by the Board in their absolute discretion), the date on which the Employee is dismissed,

(Expiry Date).
4. The Employee Options are transferable in whole or in part.
5. The Employee Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Employee Option to the Company at any time on or before the Expiry Date.
6. Upon the valid exercise of the Employee Options and payment of the Exercise Price, the Company will issue Shares ranking pari passu with the then issued Shares.
7. Holders of Employee Options do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Employee Options, in accordance with the requirements of the ASX Listing Rules.
8. The holder of Employee Options does not participate in any dividends unless the Employee Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
9. The Company does not intend to apply for listing of the Employee Options on the ASX.
10. Subject to the Company being listed on the ASX, the Company shall apply for listing on the ASX of the resultant Shares of the Company issued upon exercise of any Employee Options.
11. If there is a pro rata issue (except a bonus issue), the exercise price of a Employee Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

Where:

- O' = the new exercise price of the Employee Options.
 O = the old exercise price of the Employee Options.

Annexure

- E = the number of underlying Shares into which one Option is exercisable.
- P = if the Company is listed on the ASX, the average market price per Share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date; or
if the Company is not listed on the ASX, the market value determined by the auditor of the Company.
- S = the subscription price for a Share under the pro rata issue.
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.
12. If there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Employee Options is exercisable may be increased by the number of Shares which the Option holder would have received if the Employee Options had been exercised before the record date for the bonus issue.
13. The terms of the Employee Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Employee Options shall not be changed to reduce the Exercise Price, increase the number of Employee Options or change any period for exercise of the Employee Options.
14. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
- a) the number of Employee Options, the Exercise Price, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Employee Options which are not conferred on shareholders; and
 - b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Employee Options will remain unchanged.

Annexure

ANNEXURE C

Terms for Issue of Shares in Lieu of Directors' Fees

1. All Executive and Non-executive Directors and specified senior employees (**Participant**) of the Company shall be entitled during the term of the Directors' and Management Fee Plan (**DMFP** or **Plan**) to elect by notice in writing to the Company (**Election Notice**) to be paid some or all of the remuneration due and owing to them by the Company from time to time as fees for services (**Outstanding Remuneration**) by way of an issue of ordinary shares (**Plan Shares**).
2. An Election Notice may be given by a Participant within 10 Business Days after each Quarter during the Plan and shall specify:
 - a) the amount of any Outstanding Remuneration that a Participant wishes to be paid by way of Plan Shares under the Plan; and
 - b) whether the Participant wishes to have the Plan Shares issued in his or her own name or in the name of a nominee (**Recipient**).
3. An Election Notice may be given to the Company in any manner permitted under the Constitution for service by the Company of notices.
4. Upon receipt of an Election Notice, Plan Shares may be issued to each Participant who elects to be issued Plan Shares in lieu of any Outstanding Remuneration.
5. The obligation of the Company to issue any Plan Shares is subject to the Company obtaining any approvals which may be required under;
 - a) the Listing Rules; and
 - b) the Corporations Act 2001(Cth).
6. The Plan Shares shall be issued at the VWAP of the Shares calculated over the 3 months prior to issue and any fractional entitlement of Plan Shares to be issued shall be rounded up to the nearest whole number.
7. The Company shall:
 - a) issue the Plan Shares to a Recipient within five Business Days of receipt of an Election Notice;
 - b) forthwith deliver a statement of holding to the Recipient in respect of the Plan Shares; and
 - c) cause the Plan Shares to be listed on ASX as soon as reasonable practicable at the Company's cost and expense.
8. Unless otherwise approved by shareholders of the Company, the maximum number of Plan Shares which may be issued by the Company to the Participating Directors in each 12 months during the term of the Plan shall be 22,666,667 Plan Shares.
9. For the purposes of interpretation of this Plan:
 - a) **Constitution** means the Constitution of the Company;
 - b) **Quarter** means a period of three months commencing on 1 January, 1 April, 1 July or 1 October;
 - c) **Listing Rules** means the Listing Rules of ASX Limited;
 - d) **Shares** means fully paid ordinary shares in the Company; and
 - e) Other terms used herein shall have the meanings ascribed to them in the Listing Rules.

Annexure

ANNEXURE D

Dilutionary Table

Dilutionary Table

Director	Current Share Holding ¹	% of Total Share Capital ²	Current Option Holding	Number of Director Options proposed to be issued	Maximum Shares Issued	Share Holding Upon Issue of Maximum Shares ³	% of Total Share Capital ⁴	Share Holding Upon Issue of Maximum Shares and Exercise of proposed Options ⁵	% of Total Share Capital (assuming exercise of proposed Options) ⁶
Mark Elliott	20,250,000	6.14 %	4,000,000	5,500,000	10,833,333	31,083,333	8.82%	36,583,333	10.02%
Peter Barnett	8,100,000	2.46 %	7,000,000	5,500,000	9,500,000	17,600,000	5.00%	23,100,000	6.32%
Michael Sandy	6,300,000	1.91 %	1,000,000	1,000,000	1,166,667	7,466,667	2.12%	8,466,667	2.32%
Stephen Bizzell	17,643,750	5.35 %	3,338,985	1,000,000	1,166,667	18,810,417	5.34%	19,810,417	5.42%
Total	52,293,750	15.86	15,338,985	13,000,000	22,666,667	74,960,417	21.28%	87,960,417	24.08%

Notes

1. There are currently 20,788,985 Options on issue which have vested (**Current Options**), 15,338,985 of which are held by Mr Elliott, Mr Barnett, Mr Sandy and Mr Bizzell (or their respective nominee as the case may be).

This assumes that none of the current Options on issue in the Company (including those held by Mark Elliott, Peter Barnett, Michael Sandy and Stephen Bizzell) or the Director Options proposed to be issued under Resolutions 3,4,5 and 6 are exercised and that no further securities are issued.

This assumption is made on the basis that because:

- a. the Current Options all have exercise prices of between \$0.20 and \$0.40 (**Exercise Prices**); and
 - b. the Company's Share price is currently significantly below the Exercise Prices (the 12 month WVAP to 17 October 2012 was \$0.058 with a highest price of 11 cents);
 - c. 11,750,000 of the Current Options will expire on or before 1 March 2013 and the balance of the Current Options will expire on or before 31 January 2014, the Board considers that it is highly unlikely that any of the Current Options will be exercised. Accordingly, it would not provide an accurate depiction of the potential effect of the issue of the Director Options on the Directors' shareholding in the Company if the Current Options were included in this calculation.
2. This assumes that there are currently **329,613,633** Shares on issue.
 3. This assumes that the Director Options proposed to be issued under Resolutions 3,4,5, and 6 will not be exercised.
 4. This assumes that there will be **352,280,300** Shares on issue upon the issue of the Maximum Shares.
 5. This assumes that the Director Options proposed to be issued under Resolutions 3,4,5, and 6 will be exercised.
 6. This assumes that there will be **365,280,300** Shares on issue upon the issue of the Maximum Shares and exercise of the Director Options.



LODGE YOUR VOTE

By mail: Hot Rock Limited, PO Box 216, Brisbane QLD 4001

By fax: 07 3212 6250

All enquiries to: Telephone: 07 3212 9212

HOTROCK LIMITED
ACN 120 896 371



X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Hot Rock Limited and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY
the Chairman of the Meeting (mark box) OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.
If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 3:00 pm on Thursday, 29 November 2012, at Hot Rock Limited, Level 5, 10 Market Street, Brisbane Qld 4000 and at any adjournment or postponement of the meeting.
The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an X

STEP 2 VOTING DIRECTIONS
Resolutions For Against Abstain*
1 Remuneration Report
2 Re-election of Mr Stephen Bizzell as a Director
3 Approval of issue of Options to Mark Elliott
4 Approval of issue of Options to Peter Barnett
5 Approval of issue of Options to Michael Sandy
6 Approval of issue of Options to Stephen Bizzell
7 Ratification of issue of Options to Employees
8 Approval of Directors' and Management Fee Plan
9 Approval of Issue of Directors' Shares in Lieu of 50% of Director Fees under DMFP
10 Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 IMPORTANT - VOTING EXCLUSIONS
If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 3, 8 and 9 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Items and that votes cast by him/her for those Items, other than as proxyholder, would be disregarded because of that interest.
The Chairman of the Meeting intends to vote undirected proxies in favour of Items 3, 8 and 9.

STEP 4 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED
Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

HRL PRX202R



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting. If you have directed your proxy how to vote on a Resolution and your named proxy either does not attend the Meeting or attends the Meeting but does not vote on a poll on the Resolution, the Chairman of the meeting will become your proxy in respect of that Resolution.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses (except in relation to Resolution 1 where you have appointed a member of the key management personnel of the Company (other than the Chairman) or their closely related parties as your proxy, or Resolution 3 or 9 where you have appointed the Chairman of the Meeting as your proxy or the Chairman becomes your proxy by default, in which case there are additional restrictions explained below). If you mark more than one box on an item your vote on that item will be invalid.

Resolution 3, 8 and 9

If the Chairman of the Meeting is appointed your proxy (or becomes your proxy by default), by checking the box under Step 3, you authorise the Chairman to exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chairman of the Meeting for Resolution 3, 8 and 9 other than as a proxy holder will be disregarded because of that interest, subject to the requirements of the *Corporations Act 2001* (Cth).

Exercise of undirected proxies by Key Management Personnel:

If a member of the Company's key management personnel (other than the Chairman) or their closely related parties is your proxy, if you have not directed the proxy how to vote, that person will not vote your shares on Item 1 (being a resolution which is connected directly or indirectly with the remuneration of a member of Key Management Personnel).

If the Chairman of the Meeting is appointed your proxy (or becomes your proxy by default), you authorise the Chairman to exercise your proxy on Item 1 even though Item 1 is connected directly or indirectly with the remuneration of a member of Key Management Personnel (and the Chairman is a member of Key Management Personnel).

Key management personnel of the company are the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly. The Remuneration Report identifies the company's Key Management Personnel for the financial year to 30 June 2012. Their closely related parties are defined in the *Corporations Act 2001* (Cth), and include certain of their family members, dependants and companies they control.

The Chairman of the Meeting intends to vote undirected proxies in favour of all Items. If you do not wish to authorise the Chairman to vote your proxy in this way, you should direct your proxy in accordance with the instructions in this proxy form.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00 pm on Tuesday, 27 November 2012**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged:



by mail:

Hot Rock Limited
PO Box 216,
Brisbane QLD 4001



by fax:

07 3212 6250



by hand:

delivering it to Hot Rock Limited, Level 5, 10 Market St, Brisbane QLD 4000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**