HOT ROCK LIMITED

ABN 99 120 896 371

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CORPORATE INFORMATION

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

COMPANY SECRETARY
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COUNTRY OF INCORPORATION
Australia

STOCK EXCHANGE LISTING
Australian Stock Exchange Limited
ASX Code: HRL

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AUSTRALIAN BUSINESS NUMBER
ABN 99 120 896 371

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DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of Hot Rock Limited (HRL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

DIRECTORS

The following persons were directors of Hot Rock Limited during the whole of the financial period and up to the date of this report, unless stated:

Dr Mark Elliott	*Executive Chairman*
Mr Peter Barnett	*Managing Director*
Mr Michael Sandy	*Non-Executive Director*
Mr Stephen Bizzell	*Non-Executive Director*

REVIEW OF OPERATIONS

Chile

Work on detailed definition of development requirements (costs and schedules) for both the Longavi and Calerias projects continued during the period, in conjunction with ongoing discussions with potential joint venture investors in the Calerias and Longavi projects.

During the period HRL filed applications for five new geothermal prospect areas in southern Chile, to the south of Puerto Montt. These prospects are located within the southern end of the Southern Volcanic Zone of South America. They have considerable potential for high temperature volcanic geothermal systems within a particularly favourable, potentially highly permeable, structural geological regime.

A final evaluation of the San Jorge, Tuyajto IV and Santa Macarena exploration concessions has led to the internal decision not to further pursue the exploration of these three areas due to their lower commercial prospectivity relative to the remainder of HRL's portfolio in Chile.

Peru

In August Energy Development Corporation (EDC) requested access to the Quellaapacheta project ahead of the formal commencement of the Joint Venture to allow EDC to take advantage of the 2012 field season remaining through to the end of November when seasonal snow and rains commence with the onset of the Bolivian winter.

EDC teams undertook detailed geological and geochemical field surveys at Quellaapacheta in September / October and contracted an international geophysics company to undertake a magneto telluric (MT) resistivity survey in November. This resulted in 29 MT stations being measured up to the close of the field season. The field data from the MT survey is currently being processed and modeled by EDC. This will be integrated with the results from the EDC detailed geoscientific field surveys and used to guide and optimize a more detailed MT program of a further 70 stations to be undertaken in the early part of the 2013 field season, commencing in May.

A geothermal exploration authorization was granted to HRL in late October for the Achumani geothermal prospect, located 90km north of the city of Arequipa in southern Peru. This is a high quality volcanic geothermal prospect with similar prospectivity to the Queallaapacheta project.

During the period HRL staff continued with community information and engagement programs at Chocopata and Turu, its two other 100% owned and granted projects in Southern Peru.

Victoria - Otway Basin

HRL's prime geothermal project at Koroit is a conventional Hot Sedimentary Aquifer (HSA) geothermal prospect. Whilst the project is at the stage of near completion of all necessary permits and approvals required for drilling, the Company has put on hold the drilling and testing program for two deep “Proof of Concept” wells until such time that either new government funding and/or a partner committing sufficient funds for the project to proceed has been secured.

HRL continues to work actively with the Australian Geothermal Energy Association (AGEA) and other geothermal companies in Australia in seeking funding from the recently formed Australian Renewable Energy Agency (ARENA) for advancing drilling at its Koroit Project.

A final evaluation of GEP 7 and GEP 9 exploration tenements has led to the internal decision not to seek renewal of these two areas due to their lower commercial prospectivity. The company will still retain GEP 6, GEP 8 and GEP 23 being the tenements with greatest prospectivity.

AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2012 that impact upon the interim financial report as at 31 December 2012.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration on page 6 forms part of the Directors' Report.

Signed in accordance with a resolution of the board of directors of Hot Rock Limited.

Mark Elliott
Executive Chairman
Brisbane, 7 March 2013

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Auditor's Independence Declaration

As auditor for the review of Hot Rock Limited for the half year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

I. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

II. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hot Rock Limited and the entities it controlled during the period.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa De Waal
Partner

Signed in Brisbane 7 March 2013

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2012

	December 2012 $	December 2011 $
Revenue	11,810	20,430
Employment and consultancy expenses	(788,979)	(530,893)
Depreciation and amortisation expenses	(21,056)	(32,342)
Project generation expenses	-	(11,414)
Finance costs	(86)	(1,488)
Other expenses	(302,479)	(425,555)
Impairment of exploration and evaluation expenditure	(449,893)	-
Loss before income tax attributable to the members of the parent entity	(1,550,683)	(981,262)
Income tax benefit/(expense)	-	-
Loss after income tax expense	(1,550,683)	(981,262)
Other comprehensive income/(loss)		
Foreign currency translation differences for foreign operations	16,338	(59,602)
Income tax		-
	(1,534,345)	(59,602)
Total comprehensive income/(loss) attributable to the members of the parent entity	(1,534,345)	(1,040,884)

	Cents	Cents
Earnings per share		
Basic earnings per share	(0.54)	(0.57)
Diluted earnings per share	(0.54)	(0.57)

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

Consolidated Balance Sheet
As at 31 December 2012

	Note	December 2012 $	June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		383,756	59,807
Trade and other receivables		24,988	35,926
Other current assets		49,356	24,678
TOTAL CURRENT ASSETS		458,100	120,411
NON-CURRENT ASSETS			
Trade and other receivables		51,353	75,136
Financial assets		1	1
Plant and equipment		28,410	62,542
Exploration and evaluation assets		5,062,406	5,299,777
TOTAL NON-CURRENT ASSETS		5,142,170	5,437,456
TOTAL ASSETS		5,600,270	5,557,867
CURRENT LIABILITIES			
Trade and other payables	4	142,550	132,735
Interest bearing liabilities		-	5,509
Short-term provisions		158,283	151,018
TOTAL CURRENT LIABILITIES		300,833	289,262
TOTAL LIABILITIES		300,833	289,262
NET ASSETS		5,299,437	5,268,605
EQUITY			
Issued capital	2	14,100,499	12,700,722
Reserves		1,072,064	890,326
Accumulated losses		(9,873,126)	(8,322,443)
TOTAL EQUITY		5,299,437	5,268,605

The Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2012

	Share Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Reserve	Total
	$	$	$	$	$
Balance at 1 July 2011	10,910,886	(6,238,325)	1,032,828	(93,792)	5,611,597
Transactions with owners in their capacity as owners					
Issue of share capital	1,894,140	-	-	-	1,894,140
Share issue costs	(104,304)	-	-	-	(104,304)
Comprehensive income					
Loss after income tax	-	(981,262)	-	-	(981,262)
Other comprehensive income	-	-	-	(59,602)	(59,602)
Balance at 31 December 2011	12,700,722	(7,219,587)	1,032,828	(153,394)	6,360,569
Balance at 1 July 2012	12,700,722	(8,322,443)	1,032,828	(142,502)	5,268,605
Transactions with owners in their capacity as owners					
Issue of share capital	1,493,676	-	-	-	1,493,676
Share issue costs	(93,899)	-	-	-	(93,899)
Share-based payment expense	-	-	165,400	-	165,400
Comprehensive income					
Loss after income tax	-	(1,550,683)	-	-	(1,550,683)
Other comprehensive income	-	-	-	16,338	16,338
Balance at 31 December 2012	14,100,499	(9,873,126)	1,198,228	(126,164)	5,299,437

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2012

	December 2012 $	December 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(867,718)	(861,192)
Interest received	5,013	19,204
Finance costs	(86)	(1,488)
Net cash used in operating activities	(862,791)	(843,476)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property, plant & equipment	20,000	-
Refund of security deposits	23,783	-
Payments for property, plant & equipment	-	(29,945)
Payments for exploration and evaluation assets	(185,416)	(278,709)
Net cash used in investing activities	(141,633)	(308,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,463,676	1,894,140
Capital raising expenses	(93,899)	(104,304)
Repayment of borrowings	(30,509)	(22,744)
Net cash provided by financing activities	1,339,268	1,767,092
Net increase/(decrease) in cash and cash equivalents held	334,844	614,962
Net foreign exchange differences	(10,895)	(58,347)
Cash and cash equivalents at the beginning of the financial period	59,807	888,812
Cash and cash equivalents at the end of the financial period	383,756	1,445,427

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Hot Rock Limited and its controlled entities (the Consolidated Entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Consolidated Entity. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Consolidated Entity for the year ended 30 June 2012, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report.

Going Concern

The Consolidated Entity has incurred a loss after income tax of $1,534,345 (2011: $1,040,884), for the half year ended 31 December 2012. The Consolidated Entity has accumulated losses of $9,873,126 (2011: $8,322,443) as at 31 December 2012. The company had cash reserves at 31 December 2012 amounting to $383,756 and, as is typical of exploration companies which need to raise funding on an ongoing basis, has a requirement to raise additional funds within the short term to meet overhead costs and continue exploration activities.

The above matters create a material uncertainty that may cast significant doubt as to the ability of the Consolidated Entity to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

The Consolidated Entity has prepared detailed cash flow forecasts and assumptions for the period ending 12 months after the date of this report, and the directors consider that the cash flow forecasts are reasonable in the circumstances to support the Consolidated Entity's continued going concern.

The cash flow forecast is underpinned by the following assumptions:

- The successful transfer of the Quellaapacheta tenement to the newly formed Joint Venture with Energy Development Corporation and the subsequent receipt of the first amount owing to the company from EDC, as well as the further commitment from EDC to further exploration activities;
- The Consolidated Entity's ability to effectively manage costs;
- Consolidated Entity's ability to raise additional funding in the short term;
- No significant expenditure is required to maintain the consolidated entity's tenements as current.

Based on one or more of the following:

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

Achieving the forecast, together with managing monthly operating costs will ensure the Consolidated Entity has sufficient funds from existing cash and assets, and generated by the activities highlighted above in the next 12 months to meet its obligations and pay its debts as they become due and payable.

The Directors will continue to monitor the Consolidated Entity's progress against the cash flow forecasts on a regular basis and are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Key judgements – exploration & evaluation expenditure

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

A final evaluation of the San Jorge, Tuyajto IV and Santa Macarena exploration concessions in Chile, and GEP 7 and GEP 9 exploration tenements in Victoria has led to the internal decision not to seek renewal of these areas due to their lower commercial prospectivity. The cost associated with these projects has been impaired in the statement of comprehensive income.

Included in the balance of the capitalised exploration expenditure is an amount of $3,214,175 that relates to 2 tenements in Victoria that on 23 February 2012 were granted a twelve month extension by the Victorian Department of Primary Industries to 13 May 2013. This extension was granted to Hot Rock Limited as an interim measure whilst the Government formulated a strategy for the future management of all geothermal exploration permits.

The strategy will focus on the renewal of exploration permits and the Department of Primary Industries will liaise with permit holders prior to the strategy's inception to explore options for the renewal of permits. Based on discussions with the Victorian Government the Company believes, once the Government finalises its strategy for the future management of geothermal permits in Victoria, it is likely that these tenements will be renewed.

NOTE 2 ISSUED CAPTIAL

	December 2012 $	June 2012 $
331,613,633 fully paid ordinary shares (June: 232,035,215)	14,100,499	12,700,722

	December 2012 Number	June 2012 Number	December 2012 $	June 2012 $
Movements during the period				
Balance at beginning of period	232,035,215	156,269,615	12,700,722	10,910,886
Share placement ($0.025 per share)	-	33,600,000	-	840,000
Share placement ($0.015 per share)	2,000,000	-	30,000	-
Share purchase plan ($0.025 per share)	-	42,165,600	-	1,054,140
Rights issue ($0.015 per share)	97,578,418	-	1,463,676	-
Issue costs	-	-	(93,899)	(104,304)
Balance at end of period	331,613,633	232,035,215	14,100,499	12,700,722

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

As at 31 December 2012 there were 32,938,985 unissued ordinary shares under option (June: 23,788,985). 21,000,000 options were issued during the period.

During the half-year ended 31 December 2011 no shares were issued following the exercise of options.

NOTE 3 SEGMENT REPORTING

Reportable Segments

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

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

Segment Revenues and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review:

31 December 2012	South America $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	-	11,810	11,810
Other unallocated revenue			-
Revenue from Ordinary Activities			11,810
Segment result	(355,872)	(1,194,811)	(1,550,683)
Income tax benefit / (expense)			-
Net Loss			(1,550,683)
Non-cash items included in loss above:			
Depreciation and amortisation	(8,906)	(12,150)	(21,056)
Impairment of exploration expenditure	(66,038)	(383,855)	(449,893)
Assets:			
Segment assets	1,041,270	4,558,999	5,600,269
Unallocated corporate assets			1
Consolidated Total Assets			5,600,270
Liabilities:			
Segment liabilities	19,157	281,676	300,833
Unallocated corporate liabilities			-
Consolidated Total Liabilities			300,833
Segment acquisitions:			
Acquisition of property, plant and equipment	-	-	-
Capitalised exploration expenditure	185,416	-	185,416

NOTE 3 SEGMENT REPORTING (continued)

31 December 2011	South America $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	9,386	11,044	20,430
Other unallocated revenue			-
Revenue from Ordinary Activities			20,430
Segment result	(384,272)	(596,990)	(981,262)
Income tax benefit / (expense)			-
Net Loss			(981,262)
Non-cash items included in loss above:			
Depreciation and amortisation	(14,244)	(18,098)	(32,342)
Assets:			
Segment assets	822,990	5,810,821	6,633,811
Unallocated corporate assets			1
Consolidated Total Assets			6,633,812
Liabilities:			
Segment liabilities	6,893	266,350	273,243
Unallocated corporate liabilities			-
Consolidated Total Liabilities			273,243
Segment acquisitions:			
Acquisition of property, plant and equipment	29,945	-	29,945
Capitalised exploration expenditure	250,733	27,976	278,709

	December 2012 $	June 2012 $
NOTE 4 TRADE AND OTHER PAYABLES		
Trade payables	17,133	50,118
Other payables and accrued expenses	33,209	34,700
Payable to directors and employees	-	47,917
Amounts payable to directors and employees under the DMFP[1]	92,208	-
	142,550	132,735

[1] Represents amounts payable under the Directors' and Management Fee Plan (DMFP) approved by shareholders on 29 November 2012. Under the DMFP, Directors' and Management may elect to receive up to 50% of their remuneration in HRL shares. The participant shares shall be issued at the volume weighted average price of the shares calculated over the 3 months prior to issue.

NOTE 5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2012.

NOTE 6 EVENTS AFTER BALANCE DATE

There have been no events since 31 December 2012 that impact upon the financial report as at 31 December 2012.

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached financial statements and notes as set out on pages 7 to 14 are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Mark Elliott
Executive Chairman

Brisbane
7 March 2013

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Independent Auditor's Review Report

To the Members of Hot Rock Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hot Rock Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is if free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hot Rock Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hot Rock Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1, in the financial report, which indicates that the consolidated entity incurred a net loss of $1,534,345 during the period ended 31 December 2012 and had accumulated losses totalling $9,873,126 at 31 December 2012. These conditions, along with the other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

Crowe Horwath Brisbane

Crowe Horwath Brisbane

Vanessa de Waal
Partner

Signed at Brisbane, 7 March 2013