



June 2013 QUARTERLY REPORT

About Hot Rock

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

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

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

Executive Management

Mark Elliott – Executive Chairman
Peter Barnett – Managing Director

Hot Rock Limited

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HIGHLIGHTS:

Strategic Review

The Board of Hot Rock Limited has commenced a strategic review of the Company and its projects. This includes potential options for a restructuring, cost cutting and refocusing program for the Company's projects which may include the sale or other disposal of projects currently held.

This comes in response to current market conditions in which the ability of the Company to raise sufficient capital or to attract joint venture partners to develop the current projects has proved to be extremely difficult despite the quality of the projects held by Hot Rock. The Company will advise the market of any material developments in relation to the review as and when they occur.

Industry Developments

There has been a marked increase in high level interest over the past quarter on addressing the two key issues affecting geothermal exploration and development in Latin America:

- The risk of failure in the first few wells at each new prospect
- High capital costs required in drilling wells

This interest includes:

- Drilling risk insurance on offer from a major European insurance company which has developed a strong position in the geothermal industry. This initiative into Chile is also receiving considerable interest and support from World Bank and IFC.
- The establishment by CAF, the Development Bank of Latin America, and KfW, a leading global development bank from Germany, of a drilling fund to meet the high capital cost of proceeding from first exploration well drilling through to project finance for the balance of wells and power plant for application throughout Latin America.

Peru

Commencement of our first joint venture in Peru, where EDC can fund the Quellaapacheta project to financial close.

A recent Japan International Cooperation Agency ("JICA") study has confirmed that HRL holds 3 of the 4 top geothermal prospects in Peru.

A detailed, second round of MT geophysics has been completed at Quellaapacheta under the EDC/HRL JV. These results will be reviewed in detail in August-September and a decision taken whether to drill, and if so, where to drill and when.

Achumani is close to receiving community support to proceed with detailed surface exploration. It is expected to have this work completed by year end, subject to available finance, and the project drill ready by mid 2014.



EDC JOINT VENTURE

The company achieved during the quarter a major milestone by the commencement of our first joint venture, where EDC can fund the Quellaapacheta project in Peru to financial close. The final steps were completed on 15 April, involving the transfer of the Quellaapacheta tenement into the joint venture (JV) company, Geotermica Quellaapacheta Peru S.A.C (GQP), owned by EDC (70%) and HRL (30%). Both EDC and HRL are operators of the JV. The JV was formed to explore and develop the high quality volcanic Quellaapacheta geothermal project in southern Peru.

The joint venture program at Quellaapacheta is divided into an exploration stage and a resource development stage before the possible construction of a geothermal plant. The exploration stage of the joint venture program requires EDC to fund 100% of the first US\$12 million expenditure, which includes geological, geochemical, geophysical surveys and the drilling and testing of at least one production appraisal well. Following the successful completion of the exploration stage, resource development stage will commence, which involves completing five further production wells and all studies necessary to bring the project to financial close, where project finance documents for a first stage 50MW plant are ready to execute. This program would normally cover definitive feasibility study, environmental impact study, permitting, power contract(s) and negotiating finance. This stage is estimated to cost US\$38 million and take up to a further 2 years to complete.

Under the Quellaapacheta JV agreement, HRL has received from EDC an initial payment of US\$0.4 million. If EDC withdraws from the project within 6 months from 15 April 2013, the US\$0.4m is refundable. A further payment of US\$0.6 million will be made to HRL providing EDC continues to be involved in the project beyond 15 months from 15 April 2013.

EDC is the world's largest integrated geothermal company with over 35 years' experience in geothermal exploration, development and power generation, and currently supplies the Philippines with 1,130MWe of geothermal power from integrated steam field and power plants at four project locations. EDC is listed on the Philippines Stock Exchange (PH:EDC) and has a market capitalization of approximately US\$2.6billion.

GEOHERMAL EXPLORATION ACTIVITIES

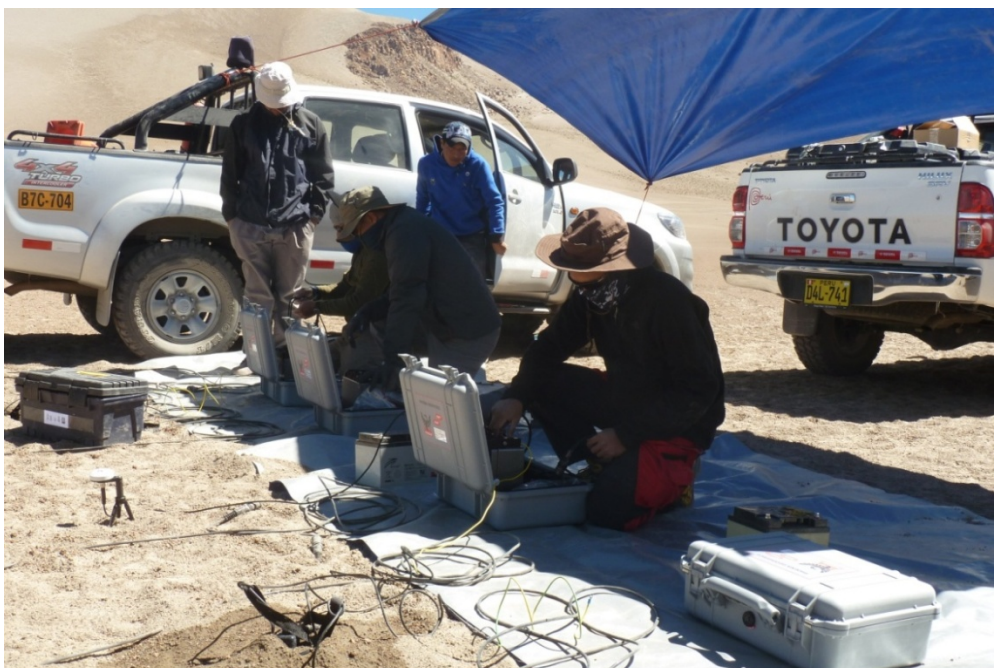
PERU JOINT VENTURE GEOHERMAL PROJECT (70% EDC / 30% HRL)

During the quarter, EDC completed a second MT (magneto telluric) resistivity survey at Quellaapacheta. This substantially extended the first survey of 29 stations undertaken in November-December 2012. The second survey was commenced on 01 May and was completed on 25 May with 80 stations having been occupied and read over a project area of some 100km².

EDC are now in the process of interpreting the data from the 109 MT stations, integrating these with geological and geochemical data and developing a multi-discipline conceptual hydrogeological model for the geothermal resource at Quellaapacheta. EDC and HRL will convene a detailed technical meeting in August-September to review and discuss the results and to examine the implications of

the surface exploration field programs with regards to commencing deep exploration drilling at this prospect.

Overall, the second MT survey went very smoothly. It was carried out by EDC utilizing nine sets of new MT equipment procured from Phoenix Geophysics of Canada, the preeminent global manufacturer of such equipment. The EDC team consisted of two senior geophysicists, 6 geophysics technicians and some 40 locally hired personnel, arranged as three independent field teams. Due to the generally subdued nature of the project terrain and good network of roads, no helicopter support was required.



Figures 1 and 2: MT Geophysics team working at Quellaapacheta on second MT survey

PERU GEOTHERMAL PROJECTS(100% HRL)

JICA Master Plan

The Japan International Cooperation Agency (JICA) has completed a nationwide geothermal power development plan for Peru to promote and accelerate geothermal generation by the private sector in that country. This work was undertaken from 2008 to 2012.

In the course of this work, JICA has identified 61 geothermal fields in Peru, of which 34 have one or more hot springs with discharge temperatures of greater than 60°C. In prioritizing the 61 geothermal fields, JICA assessed the geothermal resource potential, ease of access and those projects that occur outside protected areas that would not require detailed EIS studies.

JICA ranked nine of the most promising geothermal fields based on geological, geochemical and resource studies as having considerable early development potential for private development. Of these nine fields, HRL has three out of the top four listed in the JICA report, including the top project, assessed on estimated possible power generation capacities as follows;

JICA Ranking	Name	Possible Generation Capacity (MWe)
1	Achumani	150MW
3	Quellaapacheta	100MW
4	Ocururane	90MW

The estimation of possible generation capacity has been made by JICA on a basis more or less similar to that prescribed in the Australian Geothermal Resource Reporting Code of 2010, but it does not adhere explicitly to the Code.

Achumani(granted)

Over the past quarter Hot Rock has been working actively on seeking community approval to proceed with surface exploration activities at the Achumani project which was granted in November 2012.

These activities include:

- a large workshop on geothermal resources at regional level in Arequipa City, with the support of INGEMMET (the Peru Geological Survey) and the DGE (Electricity Directorate within the Ministry of Energy and Mines)
- Numerous informative meetings at local level, in the towns of Chivay, Cabanaconde, Maca and Pinchollo.

Formal approval is expected to be obtained from these communities in August/September for commencing surface exploration activities. Subject to available finance, this will allow for detailed geological and geotechnical surveys to commence this field season, which ends in November. It is anticipated that this work program will lead to a decision on deep exploration drilling at this prospect by end of first quarter 2014.

Chocopata(granted)

Geological and geochemical surface exploration at Chocopata is at a relatively advanced stage. Hot Rock has programmed to undertake a 50 station MT program at this project immediately following the Achumani program subject to available finance. Depending on the results of this work, a second more detailed MT survey may be run in 2014 after the Bolivian winter.

Huisco(granted)

This project was granted in February 2013. Current work involves securing from the government an environmental clearance to proceed with surface exploration. Once this is granted, community agreements for land access will be sought.

Ocururane and Ocururane Sur(in application)

These two projects are both in the application stage. Ocururane is located within a Regional Park with Ocururane Sur alongside it but outside the park. The application for Ocururane was recently rejected by the Peru Ministry of Energy and Mines and Hot Rock has subsequently appealed on the basis that geothermal development is consistent with the objectives upon which the park was established for economic resource developments and will impact on only a small portion of the greater park. Hot Rock expects that once the Ocururane application is resolved the Ocururane Sur application will be more or less automatically granted, irrespective of the outcome of the Ocururane application.

Achuco(in application)

This project also remains at an application stage. It lies within the same Regional Park that affects the Ocururane protected area thus its granting rests on the outcome of the current appeal for Ocururane.

CHILE GEOTHERMAL PROJECTS (100% HRL)

Longavi and Calerías Projects

Work on detailed definition of the development requirements (costs and schedules) for both the Longavi and Calerías projects continued during the quarter, in conjunction with ongoing discussions with potential joint venture partners in both projects. This has included formulation of detailed specifications for geothermal development at the Longavi project within a collaborative working relationship with a Chilean commercial business development company which is assisting HRL with establishing a JV for the Longaví project.

Quotations have been obtained for undertaking an extended MT (magneto-telluric resistivity) survey at Longavi in early summer 2013/14 subject to available funding. Access permits have been organized with landowners over the past quarter to allow for the MT work to be undertaken.

Other Projects

HRL was granted an exploration permit for the Santa Edita area in Northern Chile in March. HRL plan to commence work on this project with a reconnaissance scale survey in the third quarter of 2013 once the current winter snow has lifted.

HRL has 12 further exploration permit applications currently under process by the Ministry of Energy. These include 5 projects in northern Chile, 2 in south-central Chile and five in the south Chile.

ACHEGEO Annual Conference

The second annual Chilean geothermal conference was held on 11 and 12 April in Santiago, hosted by the Chile Geothermal Association, ACHEGEO. This was a major success, attracting 430 people from 22 countries.

Hot Rock was well represented at the conference with Gonzalo Salgado - Hot Rock's Country Manager for Chile - giving the opening address at the conference with a paper titled "Analysis of the Current State of Geothermal in Chile" and Victor Vargas, our Exploration Manager in Peru presenting a detailed review of our tenements and projects in Peru.



Figure 4: *Gonzalo Salgado, Hot Rock's Country Manager for Chile delivering the inaugural presentation at the Second Chile Geothermal Conference, April 2013.*

OTWAY BASIN, VICTORIA (GEP'S 6 AND 8 - 100% HRL)

Funding Otway Basin Drilling Program

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 our Koroit Project. Other avenues of funding from private and public sectors are being explored.

Research programs using the existing data and experiences from other projects are being

investigated to reduce project risk and increase confidence of potential partners wanting to become involved in the exploration and development of our Hot Sedimentary Aquifer projects in the Otway Basin. Several examples of such collaboration include:

- The National ICT Australia or NICTA, a leading team of University experts based in four states, who are collaborating to find better, automated ways to delineate geothermal resources. This group holds a fully funded \$5 million research program designed to use scientific data to assist in quantifying the probability that geothermal reservoir targets will be found in any given area prior to drilling. ARENA's Emerging Renewables Program is funding \$1.9 million of the total cost of the program, which is to be completed by March 2014. HRL's contribution to the Project is to supply existing geological and geophysical data plus provide expertise in the discovery and development of geothermal resources.
- The South Australian Centre for Geothermal Energy Research, SACGER, is undertaking fundamental research on primary and secondary permeability in both HSA and EGS resources. HRL has commenced collaboration with this group and has provided a very large data set from a 176 station MT (magneto-telluric resistivity) survey carried out by HRL at our flagship HSA geothermal project in Koroit in Victoria. SACGER will attempt to correlate these data with seismic measurements over the same area and petrophysical properties of cores from petroleum wells drilled in the area. Peter Barnett, HRL's Managing Director, has been recently appointed to the SACGER Advisory Board to assist with establishing strategic direction for this group.

Otway Basin Hot Sedimentary Aquifer Projects

The State Minister for Energy and Resources in Victoria agreed in May to a policy for the management of currently allocated geothermal exploration permits (GEP's) in Victoria. This requires that the number of permits be rationalised down to a minimum strategic permit holding of approximately 1 or 2 permits only per permit holder, and as required by section 29 of the Geothermal Energy Resources Act 2005 (GERA), any permits that are to be renewed must be reduced in size to 50%, or greater, of the area originally granted.

On this basis HRL has taken the following actions:

- To relinquish GEP's 7, 9 and 23
- Applied for the renewal of a reduced area of less than 50% in each of GEP 6 and 8, for a further period of 5 years from 1 July 2013 to 30 June 2018

With these actions, HRL hopes to move geothermal resource discoveries made in both the Koroit Trough in GEP 8 and in the Penola Trough in GEP 6 into exploration drilling, following further pre-drilling resource delineation activities through the collaborative studies described above, and the availability of funding from ARENA and/or an improvement in capital markets.

CORPORATE

The Board of Hot Rock Limited has commenced a strategic review of the Company and its projects. The review will include potential options for a restructuring, cost cutting and refocusing program for the Company's projects which may include the sale or other disposal of projects currently held. This comes in response to current market conditions in which the ability of the Company to raise sufficient capital or to attract joint venture partners to develop the current projects has proved to be extremely difficult despite the quality of the projects held by Hot Rock. The Company will advise the market of any material developments in relation to the review as and when they occur.

There has been some encouraging recent developments that would assist the geothermal industry in Chile and Peru to move forward. One of the key areas of attracting JV partners into geothermal projects is to reduce project risk at the exploration drilling stage. HRL and its commercial partner in Chile are assisting in attracting a partner into a project and have been working with an international insurance broker and a European based insurance company to obtain Exploration Risk Insurance (ERI) to cover the costs of the wells in the event of unsuccessful exploration, providing security for investment and planning. We are looking at the opportunity of getting insurance cover for early exploration drilling as well as for thermal output from full production size wells. Initially, we are looking at using this product at Longavi to reduce drilling and project risk. This type of insurance has been used successfully in Germany and Turkey and has encouraged companies to drill geothermal wells, breaking through the issues of high cost barrier and early risk.

A second key area in moving geothermal projects forward to drilling is accessing funds to meet the large capital requirements, of typically some USD 50m to advance any 50MW sized project from first exploration drilling to financial closure for obtaining project debt funds for drilling the balance of production wells and construction of a first stage power plant and transmission system. In this regard a recent announcement by CAF, the Development Bank of Latin America, which is now the main source of multilateral financing for infrastructure and energy in Latin America, together with KfW, a leading global development bank from Germany with considerable experience in the geothermal sector, is very timely. CAF has called for consultant support in developing a feasible design for the commissioning of a geothermal development fund for application in Chile, Peru, Bolivia, Colombia and Ecuador. As CAF and KfW note, this fund would "act as a key element of risk mitigation in the initial drilling stages and represents a giant step forward for the development of geothermal energy in Latin America". HRL is following these developments with great interest.

TENEMENTS

Chile

The two key exploration concessions held by HRL at Longavi - Santa Edita and Santa Alejandra, have been formally extended for two additional years, through to February 2015.

The Santa Victoria exploration concession was awarded to HRL in late March 2013. This is located in Northern Chile in Region 2, approximately 100km SE of the town of Calama, and to the immediate south of the Alitar field, a known geothermal field. The prospect is situated within the seismically

active Calama-Olacapato-Toro (COT) fault zone, delineated by a 170 km long NW-SE trending volcanic belt running between Volcano Lascar in the NW (the most active volcano in Northern Chile) and the Tocomar-Tuzgle volcanic complex in Argentina to the SE (which is considered to be highly prospective for geothermal development). The COT belt includes twenty-two volcanic centers. Reconnaissance scale field work is planned by Hot Rock at the Santa Victoria tenement over the third quarter of 2013.

Applications to relinquish Hot Rock’s San Jorge and Tuyajto exploration concessions were submitted to the Ministry of Energy in December 2012. This was due to the lower prospectivity of these two tenements relative to others in Hot Rock’s portfolio and the imminence of the granting of a number of new exploration tenements. Applications are currently in preparation to also relinquish the Sta Macarena and Galo (at the Calerías project) tenements.

Peru

There have been no changes to report on the status of HRL’s tenement holdings in Peru over the past quarter.



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



CORPORATE DIRECTORY

Board of Directors - HRL

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

Company Secretary & CFO

Paul Marshall

Issued Share Capital

Hot Rock has 345.4million ordinary shares currently on issue and 30.038 million options.

Quarterly Share Price Activity

	High	Low	Last
June Qtr2013	\$0.015	\$0.008	\$0.008

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Please direct shareholding enquiries to the share registry