



March 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

Registered and Head Office

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HIGHLIGHTS:

Hot Rock's (HRL) first Joint Venture commenced with Energy Development Corporation (EDC) in Peru

- JV officially commenced in mid-April
- Received \$0.4m initial participation fee from EDC
- Detailed Magneto Telluric (MT) survey to commence under JV Company in early May

Discussions advancing with companies on JV's on projects in Chile and Peru

- Further joint ventures under discussion with parties on projects in Chile and Peru

HRL joins \$5m NICTA geothermal targeting project

- HRL joined NICTA research program in early April
- Extensive data supplied on Otway Basin tenements to help identify/confirm geothermal targets

"HRL's first joint venture commenced on the 15 April 2013 marking an exciting milestone for us."

Mark Elliott, Executive Chairman, Hot Rock Limited



EDC JOINT VENTURE

The company achieved 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 drilling and testing of at least one production appraisal well. Following the successful completion of the exploration stage, the 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 the 15 April, 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 the 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\$3.0 billion.

GEOTHERMAL EXPLORATION ACTIVITIES

PERU JOINT VENTURE GEOTHERMAL PROJECT (HRL 30%; 70% EDC)

EDC has purchased new MT equipment and plans to complete the Quellaapacheta MT survey on behalf of the GQP JV Company. A detailed survey of 91 stations has been planned by EDC to complete the November-December 2012 magneto telluric (MT) survey consisting of 29 stations. In April, EDC geophysicists and operators have been mobilized from Manila to Peru and local personnel have been hired to undertake the survey, planned to commence in early May.

The new MT data will be processed and modeled and then it will be integrated with the results from the previous MT survey carried out in November and December 2012 along with geological and geochemical geoscientific field data to identify a geothermal reservoir and drill targets as may be determined by the MT results.

HRL has assisted EDC and GQP with local community and government meetings to assist land access for the MT survey and to hire local personnel to assist with the field survey.

PERU GEOTHERMAL PROJECTS (100% HRL)

A number of Hot Rock's granted geothermal exploration authorizations in Peru were delayed in initial implementation while waiting on environmental clearances from the government agency General Directorate of Environmental Energy of Peru (**DGAEE**) for Hot Rock to commence field surveys. These delays have now been recognized by the Peru Ministry of Mines and a Supreme Decree has been prepared by the Ministry of Energy for signing by the President which will extend the period available for surface exploration activities by up to an additional year. The tenements are granted for a 3 year term.

With the granting of the Achumani exploration authorization in November 2012, work has commenced at this prospect on community information programs. These will be followed by specific programs to obtain land access agreements at community level. The information programs are being conducted initially through consultation with key government ministries and organizations at the regional level. These meetings will then be followed by a series of workshops explaining how geothermal energy works, how we explore and how it may affect the community. The workshops are provided by Hot Rock at the regional and district levels and then again at community level. This approach has proven to be very successful at Hot Rock's other geothermal projects in Peru, increasing the understanding of geothermal energy and gaining support at the community level. The message gets reinforced downwards to the communities through strong support for geothermal development from regional and local governments.

It is anticipated that the current community program for Achumani will lead to land access agreements being obtained by August 2013 after which detailed surface exploration surveys can be commenced, including (MT) magneto telluric resistivity surveys.

Over the past quarter, Hot Rock Peru staff have been actively engaged with other geothermal development companies in Peru (through the Geothermal Association of Peru – AGP) and various Government agencies at the national and regional level in assessing and defining regulatory requirements for geothermal exploration drilling in Peru. These interactions are ongoing and it is hoped that these will lead directly to the formulation of clear guidelines for all regulatory requirements for exploration drilling. With the Quellaapacheta project likely advancing to exploration drilling in early 2014, it is important that these guidelines be available to Hot Rock and the GQP by mid-2013.

CHILE GEOTHERMAL PROJECTS (100% HRL)

Industry Status

High electricity prices continue in Chile. It was recently confirmed that the mean cost of electricity in Chile for 2012 was USD \$189 per MWh. This is the highest cost in the last 5 years. Additionally, weather forecasts indicate that 2013 will be likely be a dry year for Chile for which it is estimated that spot prices for electricity may rise to as high as USD \$300 MWh. In the longer term, there remains considerable demand for new electricity generation with investment in the energy intensive mining sector estimated to be some \$100 billion over the next 10 to 12 years. Lack of electricity is the single biggest barrier to the development of these mining projects¹. These market conditions continue to stimulate strong interest in geothermal power development in Chile.

¹ <http://www.emol.com/noticias/economia/2013/01/14/579063/inversion-minera-en-chile-sumaria-100000-millones-en-los-proximos-10-a-12-anos.html>



Staff from Hot Rock Chile and Hot Rock Peru attended the second annual Chile geothermal conference which was held in Santiago on 11 and 12 April and presented papers on the regulatory issues in the geothermal sector in Chile and on Hot Rock's geothermal projects in Peru. This proved to be a highly successful conference with 430 participants from 20 countries - a good indication of the high level of local and international interest in the geothermal industry in Chile.

Longavi and Calerías Projects

Work on detailed definition of 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 Longavi project.

Quotations have been obtained for undertaking an extended magneto telluric survey at Longavi in early summer 2013/14 and for the drilling of a slim well once a JV partner has been secured. Preferred service suppliers have been identified. Access permits have been organized with landowners over the past quarter to allow for the MT and drilling work to proceed. Discussion is ongoing for sourcing a supply of drilling water from a permitted water source.

Other Projects

Reports on annual work accomplishments at each of Hot Rocks 13 geothermal exploration concessions were prepared and submitted to the Ministry of Energy at the end of March.

OTWAY BASIN, VICTORIA (GEP- 6, 7, 8, 9 & 23 - 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.

NICTA

One such research project, which HRL has joined in early April, is managed by National ICT Australia (NICTA) which is leading a team of University experts, based in four states, that are collaborating to find better automated ways to outline geothermal resources.

NICTA is part of a fully funded \$5 million research program designed to use scientific data to assist in quantifying the probability that geothermal reservoir targets that 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. NICTA is Australia's Information and



Communications Technology Research Centre of Excellence, which pursues high impact research excellence to create national benefits and wealth for Australia.

HRL's contribution to the Project is to supply existing geological and geophysical data plus its expertise in discovery and development of geothermal resources. The objective is to further de-risk geothermal reservoir targets before undertaking high cost drilling programs to increase the probability of commercial discoveries.

CORPORATE

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, assisting in attracting a partner into a project, 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 cover for early exploration slim holes as well as thermal output for production 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 high cost barrier and early risk.

TENEMENTS

Chile

The two key exploration concessions at Longavi, Santa Edita and Santa Alejandra, have been formally extended by the Chile Ministry of Energy for two additional years, through to February 2015.

The Santa Victoria exploration concession was awarded to Hot Rock in March 2013. This is located in Northern Chile in Region 2, approximately 100km SE of the town of Calama. 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 in 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.

Applications to relinquish Hot Rock's San Jorge and Tuyajto exploration concessions were submitted in Dec 2012 to the Ministry of Energy. This was due to the lower prospectively of these two tenements relative to others in Hot Rock's portfolio and the imminence of the granting of a number of earlier submitted applications as new exploration tenements.

Peru

HRL announced on 18 March that it had been granted the Huisco tenement in Southern Peru for exploration (Figure 1). The Huisco prospect is located in Southern Peru at the northern end of the Central Volcanic Zone of South America. From reconnaissance level field studies carried out to date, the evidence is that the Huisco prospect is a medium to high temperature, fracture controlled hot

water geothermal system. Detailed surface field investigation will commence at Husico in the second half of 2013.



Figure 1: HRL's geothermal tenements applied for and/or granted in South America including the newly granted Husico tenement

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 33.038 million options.

Quarterly Share Price Activity

| | High | Low | Last |
|------------|---------|---------|---------|
| MarQtr2013 | \$0.016 | \$0.011 | \$0.013 |

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