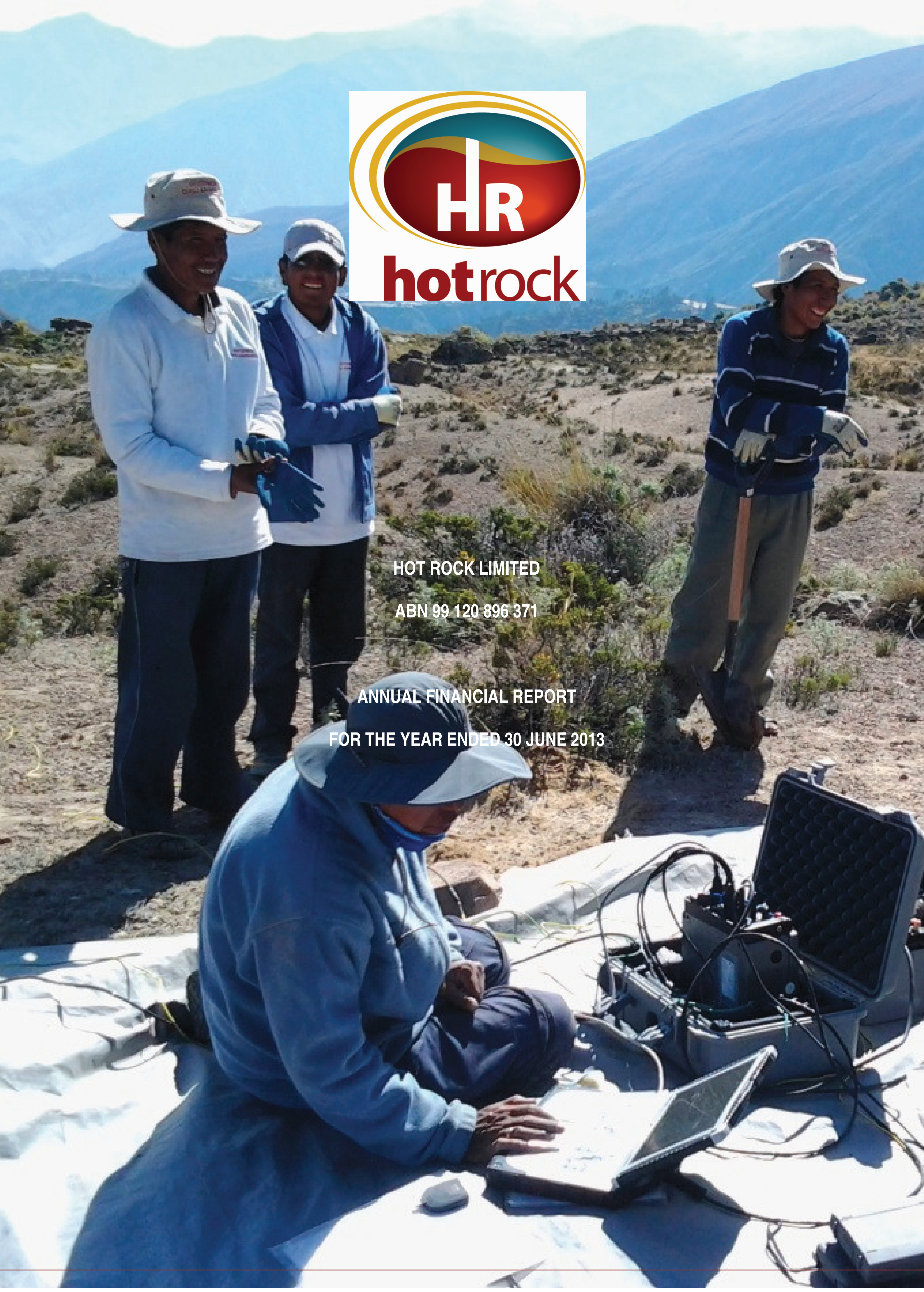

HOT ROCK LIMITED

ABN 99 120 896 371

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

CORPORATE INFORMATION

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

COMPANY SECRETARY
Paul Marshall

REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE
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10 Market Street
Brisbane QLD 4000
Phone: + 61 7 3212 6200

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SHARE REGISTRY
Link Market Services Limited
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Brisbane QLD 4000
Phone: 1300 554 474

AUDITORS
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Phone:+ 617 3233 3555

COUNTRY OF INCORPORATION
Australia

STOCK EXCHANGE LISTING
Australian Stock Exchange Limited
ASX Code: HRL

INTERNET ADDRESS
www.hotrockltd.com

AUSTRALIAN BUSINESS NUMBER
ABN 99 120 896 371

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Chairman's Report

Dear Shareholders,

The past year has been a very difficult year for the resource industry and especially the geothermal sector, caused by contraction of investment within global capital markets, lack of financial support from the previous Australian government and companies not prepared to enter into new commercial transactions.

Apart from funding issues, Hot Rock Limited (HRL or the Company) has been very successful in securing high quality geothermal projects. In 2012, the Japan International cooperation Agency (JICA) produced a master plan of the geothermal energy in Peru. Of the 61 geothermal fields identified it 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 (Achumani) based on estimated possible power generation capacity.

Our Australian projects in the Otway Basin represent long-term attractive Hot Sedimentary Aquifer projects but are on a reduced work program given the government policy and funding uncertainties in Australia.

Despite the progress the Company has made in Peru with the farm-out of our Quellaapacheta project and HRL starting early stage exploration work on our newly granted Achumani project, the Board has, in July 2013, decided to undertake a strategic review of the Company due to the lack of available funding to advance our projects.

The key outcome of this review was to continue to focus efforts on locating partners for our top projects and reduce our administration costs to an absolute minimum. As a result office costs in all operations were reduced and staff in Chile and Peru were retrenched, with services retained to ensure the tenements are maintained in good standing. The Board decided to look at restructuring and has investigated the potential of selling our projects to cash up the Company during these difficult times, and subsequently look for other resource opportunities. Discussions are ongoing with a number of parties on all of our geothermal projects with the objective of putting the Company on a firm financial position thus enabling management to restore value to your Company.

Based on difficult capital markets, the Board has taken the prudent decision to provide for impairment of all of the assets in our financial statements until current commercial discussions are completed. An improvement in investment markets could still allow Hot Rock to raise capital to fund future exploration and development activities. If this does not occur the Company will be forced to sell its assets and search for new opportunities in the resource sector to add shareholder value.

I wish to thank our Directors, staff and ex-staff for all their hard work and dedication during this difficult year. To our shareholders, the Board and I appreciate your ongoing support and assure you of our firm commitment of delivering value to you.

Mark Elliott
Executive Chairman

DIRECTORS' REPORT INCLUDING REMUNERATION REPORT

Your Directors present their report on the Consolidated Entity consisting of Hot Rock Limited (the Company or HRL) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

DIRECTORS

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

Dr Mark Elliott – Executive Chairman

Dip App Geol., PhD, FAICD, (CP) FAusIMM, FSEG, FAIG

Dr Elliott is a Chartered Professional (CP) geologist with over 38 years' experience in economic geology, exploration, mining, project development and corporate management. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including energy.

He has a diploma in Applied Geology from the Ballarat School of Mines and a Doctor of Philosophy degree from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, Australasian Institute of Mining and Metallurgy, Society of Economic Geologists and Australian Institute of Geoscientists.

Dr Elliott is currently a director of the following other ASX listed company:

- Nexus Minerals Ltd (Oct 2006 – present)

Mr Peter Barnett - Managing Director

BSc, MSc, MAICD

Peter was previously Geothermal Manager and Principal with global technology consulting company Sinclair Knight Merz (acknowledged as one of the world's leading geothermal consultants). Peter has more than 30 years' experience in the geothermal industry gained in New Zealand, the Philippines, Indonesia, Japan, East Africa, Iran, El Salvador, New Guinea and Chile. He has been involved in a wide variety of geothermal projects which in aggregate amount to some 40% of the world's installed geothermal power capacity.

His skills areas include geothermal exploration and development, geothermal risk, geothermal reservoir monitoring and management, power plant process issues, project costing and financial analysis, project valuations and assessment, geothermal business and market development, institutional strengthening of geothermal capability and geothermal regulatory issues. Over the past six years Peter has had a significant involvement in Australia's emerging geothermal industry. He has worked on a variety of Australian geothermal projects ranging from a feasibility study on the expansion of the Birdsville geothermal power plant, the only geothermal power plant yet operating in Australia, to studies for large scale geothermal developments of up to 500 MWe in the Cooper Basin and for the development of large Hot Sedimentary Aquifer (HSA) geothermal systems in the Otway Basin of Victoria.

Peter holds a Bachelor of Science degree and a Master of Science degree from the University of Auckland. He is currently a board member of the New Zealand Geothermal Association and a member of the International Geothermal Association.

Mr Michael Sandy - Non-Executive Director

BSc (Hons), MPESA, AICD

For over 35 years Mike Sandy has worked in Australia and internationally in the resources industry with companies such as Oil Search, Novus Petroleum and as a consultant, as well as a brief stint as an energy analyst (for BZW). He worked initially in minerals exploration and as a research scientist with CSIRO before moving into petroleum exploration in 1983. Sandy helped establish Novus Petroleum in 1994 and remained until the company was taken over in 2004, along the way holding various senior executive roles including asset management (Australia, SE Asia, Middle East, USA) and business development.

Mike Sandy is currently a director of the following other ASX listed companies:

- Burleson Energy Ltd (May 2006 – present)Tap Oil Ltd (Jun 2006 – present)

In the past three years Michael Sandy has been a director of the following other ASX listed company:

- Equus Mining Ltd (Sep 2005 – Feb 2013)

Mr Stephen Bizzell - Non-Executive Director

BCom, MAICD

Stephen 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. Stephen 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 Stephen Bizzell was employed in the corporate finance division of Ernst & Young and the tax division of Coopers & Lybrand and qualified as a Chartered Accountant. During the year ended 30 June 2013 Stephen was appointed to the Board of Queensland Treasury Corporation.

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

- Dart Energy Ltd (Jul 2010 – present)
- Diversa Ltd (Aug 2010 – present)
- Laneway Resources Ltd (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 Stephen Bizzell has been a director of the following other ASX listed companies:

- Apollo Gas Ltd (Dec 2009 – Jan 2011)
- Bow Energy Ltd (Dec 2004 – Jan 2012)
- Arrow Energy Ltd (Jun 1999 - Aug 2010)

COMPANY SECRETARY

Paul Marshall has been the Secretary of Hot Rock Ltd and the entities it controlled throughout the year and until the date of this report.

Paul Marshall - Company Secretary and Chief Financial Officer

LLB, ACA

Paul Marshall holds a Bachelor of Law degree, a post Graduate Diploma in Accounting and is a Chartered Accountant. He has more than 25 years' experience initially with Ernst & Young and subsequently fifteen years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Interests in the shares and options of the Consolidated Entity

As at the date of this report, the interests of the Directors in the shares and options of Hot Rock Limited are shown in the table below:

Director	Fully Paid Ordinary Shares	Unlisted Options
Mark Elliott	25,465,782	7,500,000
Peter Barnett	13,050,129	7,500,000
Michael Sandy	6,907,911	1,500,000
Stephen Bizzell	18,251,661	3,838,985

PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the financial year was the exploration of prospective geothermal energy prospects.

REVIEW OF OPERATIONS

During the 2013 financial year HRL continued with exploration work on its geothermal projects. Below is a summary of the main activities conducted during the year:

Peru

<u>Quellaapacheta Joint Venture Project with Energy Development Corporation (EDC)</u>

The Quellaapacheta tenement covers 125 km2 and is located 100 km south-east of Arequipa and 60 km north-east of the city of Moquegua. Geologically, this prospect is in the Andean volcanic belt on the northwest flank of the Ticsani volcano.

In May 2013, Energy Development Corporation (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 completed on 25 May 2013 with 80 stations having been occupied and read over a project area of some 100km2.

Overall, the second MT survey went very smoothly. It was carried out by EDC utilizing nine sets of new MT equipment they 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.

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 is now expected to review and discuss the results with HRL and to examine the implications of the surface exploration field programs with regards to commencing deep exploration drilling at this prospect in a future program.

<u>Achumani</u>

The Achumani project was granted to HRL on the 22 February 2013. Similar to Quellaapacheta, it is a high quality, high temperature volcanic system with high elevation fumaroles and boiling mud pools, peripheral to low elevation boiling chloride springs.

Since granting, HRL has been busily providing local residents in three surrounding communities with information on geothermal exploration and development and seeking land access agreements, finalising agreement with one of the three communities to date. All parties have agreed to provide access.

<u>Huisco</u>

The Huisco geothermal exploration authorisation was granted on the 15 February 2013. It is located 25 km northwest of Puquio province, in the Ayacucho Region of Southern Peru. Geologically, the tenement is associated with the partially eroded Huisco volcanic complex located in the western Cordillera of southern Peru at the northern end of the Central Volcanic Zone - a belt of present day volcanic activity that extends through Southern Peru into Northern Chile, which hosts numerous geothermal systems.

Reconnaissance work conducted by HRL to date at Huisco has identified five zones of surface thermal activity. Chemically the sampled spring waters range from neutral pH sodium chloride to mixed bicarbonate waters. These are typical surface expressions of an underlying geothermal reservoir. Chemical geothermometry estimates of subsurface minimum temperatures, derived from spring analysis range from 200° to 220°C. These early resource results are very encouraging and suggest the presence of a benign medium to high temperature hot water geothermal reservoir in the vicinity of the Huisco volcanic centre.

<u>Applications</u>

HRL anticipates a further three projects in Peru; Ocururane, Ocururane Sur and Achuco could be granted in the coming year. These projects are regarded as highly prospective.

Chile

<u>Longavi</u>

The Longavi project consists of four contiguous tenements, located 300km south of Santiago, on the southern and south-eastern slopes of a large volcano named Nevado de Longavi.

During the year the exploration concession for Sta Sonia was renewed for a further two years. Renewal applications for exploration concessions at Sta Alejandra and Sta Edita were approved in early 2013 and extend these for a further two years.

HRL has also been working with a local Chilean business company, seeking investors in Chile to invest in the exploration drilling phase at Longavi.

Copahue

This project is situated 500km south of Santiago, associated with the Copahue-Callaqui volcanic complex, located on the Chile - Argentina border. It represents a classic high temperature volcanic geothermal system which is partly covered by the Company's San Guillermo and Sta Antonia tenements.

Despite the high geothermal development potential of Copahue, HRL has been unable to obtain agreement from the local indigenous communities to access the area to allow geo-scientific exploration surveys to be undertaken. HRL's work program at the Copahue project over the past year has therefore continued on interaction and dialogue with the indigenous groups. HRL engaged a Chilean environmental management consulting company with considerable experience in working with indigenous communities in Chile. This process is still ongoing and HRL is hopeful that through a process of open, honest and transparent community engagement, which underpins all of HRL's activities in South America, access to the Copahue Project will eventually be obtained, allowing for detailed geoscientific surveys to be commenced at this high quality geothermal prospect.

Applications

HRL has 12 geothermal prospect areas awaiting grant. Five of these are located in southern Chile near Puerrto Aysen and are potentially high quality, situated in a very favourable volcano tectonic setting offering both high temperature and good structural permeability.

Australia

HRL has been working closely with the Australian Renewable Energy Agency and the Australian Geothermal Energy Association in attempting to resolve a way forward with funding for both HRL's and other companies' geothermal projects but with little success.

HRL continues to maintain the Koroit project in a state of readiness for further evaluation and drilling. Well head valves and well head assemblies for the two proof of concept wells, and steel casings for the first of these, have been procured, delivered and are in storage at Koroit.

OPERATING RESULTS

For the year ended 30 June 2013, the loss for the Consolidated Entity after providing for income tax was $7,696,487 (2012: $2,084,118).

Despite extensive efforts to source both funding and joint venture partners to develop the Consolidated Entity's geothermal prospects, the Consolidated Entity has been unsuccessful in attracting sufficient interest to warrant further expenditure on its projects.

As a result the Consolidated Entity has impaired all of its exploration prospects, resulting in an impairment charge of $5.2 million.
Employment and consultancy expenses ($1.3 million) were $0.3 million higher than the previous year due to:

- The issue of director and employee options with a total value of $0.16 million; and
- Reduced allocation of management wages to projects.

Since year end the Consolidated Entity has reduced the number of staff from 10 to 3.

Administration expenses ($0.8 million) were $0.2 million lower than the previous year as the Consolidated Entity implemented a cost reduction program, which is being further accelerated in the 2014 financial year.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the 2013 financial year, the Company raised $1.6 million through the issue of 113,392,552 ordinary shares.

At 30 June 2013 the Company had 345,427,767 ordinary shares and 29,938,985 unlisted options on issue.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity and funding

As at 30 June 2013, the Consolidated Entity had:

- Net loss of $7,696,487 for the year ended 30 June 2013 (2012: $2,132,828);
- Net liabilities of $556,607 at 30 June 2013 (2012: net assets of $5,268,605);
- Net current liabilities of $810,053 at 30 June 2013 (2012: $168,851);
- Negative operating cash flows of $1,493,500 for the year ended 30 June 2013 (2012: $1,750,017); and

The Company has a requirement to raise additional funds within the short term to meet its obligations.

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 based on one or more of the following occurring:

1. attracting a farm-in partner or selling the Company's projects outright; and
2. raising additional capital.

If the above fail to occur as anticipated, there is material uncertainty that the Consolidated Entity will be able to continue as a going concern.

Balance Sheet

The net assets of the Consolidated Entity declined $5.8 million during the period, largely as a result of a $5.5 million impairment charge.

With no current funding arrangements in place to develop the Consolidated Entity's geothermal prospects, the Directors have resolved to impair these prospects.

Despite this impairment, it is the intention of the Consolidated Entity to keep these prospects in good standing and seek to either farm-out or sell the prospects outright.

The remaining $0.3 million decline in net assets is attributable to the Consolidated Entity's expenditure exceeding the amount of equity raised during the period.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2012:$nil).

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Due to the ongoing lack of available project funding, the Board made the decision to undertake a strategic review of the Company in July 2013.

The key outcome of this review was to continue to focus efforts on locating partners for the Company's top projects and reduce our administration costs, with all projects being placed on a care and maintenance footing.

As a result, office costs in all operations have been reduced and staff in Chile and Peru was retrenched, whilst still ensuring the tenements are maintained in good standing.

The Board is currently looking at restructuring the Company, including considering the option of selling projects for cash, and potentially looking towards other resource opportunities.

Discussions are ongoing with a number of parties in relation to all of the Company's geothermal projects.

AFTER BALANCE DATE EVENTS

Since 30 June 2013, the Directors have provided additional loans amounting to $160,000 to the Consolidated Entity. The loans are interest free and are only repayable once the Consolidated Entity has sufficient working capital to do so.

There have been no other events since 30 June 2013 that impact upon this financial report.

ENVIRONMENTAL ISSUES

The Consolidated Entity is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

OPTIONS

As at 30 June 2013 there were 29,938,985 unissued ordinary shares under option. 21,000,000 options were issued during the period.

During the year ended 30 June 2013 no shares were issued following the exercise of options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Board is currently looking at restructuring the Company, including considering the option of selling projects for cash, and potentially looking towards other resource opportunities.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings	
	A	B
Mark Elliott	5	5
Peter Barnett	5	5
Michael Sandy	5	5
Stephen Bizzell	5	5

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee

The Board does not have a Remuneration and Nomination Committee. The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company.

Remuneration structure

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the company.

In accordance with best practice corporate governance, the structure of Executive and Non-Executive Director remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

The Constitution of Hot Rock Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in a General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for Directors' fees is for a total of $250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Directors or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of Non-Executive Directors for the year ended 30 June 2013 is detailed in this Remuneration Report.

Executive Directors and Senior Management Remuneration

The Company aims to reward Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward Executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Directors and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, and the process consists of a review of company wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the year.

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2013 is detailed in this Remuneration Report.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees. The current employment agreements with the Executive Chairman, the Managing Director and the CFO have a three month notice period. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have contracts of employment.

The Company has entered into an employment contract with Dr Mark Elliott as Executive Chairman of the Company. The contract was renewed on 1 March 2012 and is for a 3 year term. The Company is entitled to terminate the Agreement upon giving 3 months written notice and Dr Elliott may do so upon not less than 3 months written notice. Further, the Company is entitled to terminate the Agreement immediately upon the happening of various events in respect of Dr Elliott's solvency or other conduct.

The current cost to the Company of the contract is a base fee of $325,000 per annum inclusive of superannuation. The Company also provides a car park space. Bonus payments and option issues are at the discretion of the Board.

The Company has entered into an Employment Agreement with Peter Barnett, a Director of the Company which was renewed on 1 March 2012 under which Peter Barnett is engaged as the Managing Director of the Company. The Company is entitled to terminate the Agreement upon giving 3 months written notice and Mr Barnett may do so upon not less than 3 months written notice. Further, the Company is entitled to terminate the Agreement immediately upon the happening of various events in respect of Mr Barnett's solvency or other conduct.

The current cost to the Company of the contract is a base fee of $285,000 per annum. Bonus payments and option issues are at the discretion of the Board.

The Company Secretary and CFO Mr Paul Marshall is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on services provided. The contract provides for a three month notice period.

(a) Details of Directors and other Key Management

Directors

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

Key Management Personnel

- Paul Marshall — Company Secretary and CFO

(b) Remuneration of Directors and other Key Management Personnel

The Key Management Personnel are also the five most highly paid Executive Officers of the Consolidated Entity for the year ended 30 June 2013:

	Short-term			Post Employment	Equity				
2013	Salary & fees	Cash bonus	Non-cash benefits	Superan-nuation	DMFP [1]	Options	**Total**	Performance Related %	% consisting of options
Directors									
Mark Elliott	223,623	-	9,621	26,835	74,542	42,900	377,521	-	11.36%
Peter Barnett	213,750	-	-	-	71,250	42,900	327,900	-	13.08%
Michael Sandy	26,250	-	-	-	8,750	7,800	42,800	-	18.22%
Stephen Bizzell	26,250	-	-	-	8,750	7,800	42,800	-	18.22%
Key Management Personnel									
Paul Marshall	39,000	-	-	-	13,000	8,000	60,000	-	13.33%
	528,873	**-**	**9,621**	**26,835**	**176,292**	**109,400**	**851,021**		

[1] Represents amounts paid via shares 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 were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue.

	Short-term			Post Employment		Equity			
2012	Salary & fees	Cash bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options	**Total**	Performance Related %	% consisting of options
Directors									
Mark Elliott	280,169	-	16,039	25,215	-	-	321,423	-	-
Peter Barnett	260,000	-	-	-	-	-	260,000	-	-
Michael Sandy	35,000	-	-	-	-	-	35,000	-	-
Stephen Bizzell	35,000	-	-	-	-	-	35,000	-	-
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	662,169	**-**	**16,039**	**25,215**	**-**	**-**	**703,423**		

(c) Equity instruments issued as part of remuneration for the year ended 30 June 2013

Options

All options are issued by Hot Rock Limited for no consideration. All options vest on issue and therefore hold no vesting conditions. The number and terms of the options issued are as follows:

	Grant date	No. of Options	Option fair value at grant date $	Exercise price per option $	Total value of options $	Expiry date	Vesting and First exercise date	% of options vested
Directors								
Mark Elliott	29/11/2012	5,500,000	0.0078	0.04	42,900	30/11/2015	29/11/2012	100%
Peter Barnett	29/11/2012	5,500,000	0.0078	0.04	42,900	30/11/2015	29/11/2012	100%
Michael Sandy	29/11/2012	1,000,000	0.0078	0.04	7,800	30/11/2015	29/11/2012	100%
Stephen Bizzell	29/12/2012	1,000,000	0.0078	0.04	7,800	30/11/2015	29/12/2012	100%
Key Management Personnel								
Paul Marshall	19/10/2012	1,000,000	0.0080	0.04	8,000	30/11/2015	19/10/2012	100%

The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. The model takes into account the following factors:

Inputs into pricing model	Directors	Executives and Staff
Grant date	29 November 2012	19 October 2012
Vesting date	29 November 2012	19 October 2012
Exercise price	$0.04	$0.04
Share price at grant date	$0.02	$0.02
Life of the options	3 years	3 years
Underlying share price volatility	100%	100%
Expected dividends	Nil	Nil
Risk free interest rate	3.25%	3.25%

There were no shares issued on the exercise of remuneration options during the 2013 or 2012 financial years.

Directors' and Management Fee Plan

The Directors' and Management Fee Plan (DMFP) was 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 were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue. The following shares were issued under the plan:

	Value of base remuneration received as equity	No. of shares issued
Directors	$	
Mark Elliott	74,542	5,215,782
Peter Barnett	71,250	4,950,129
Michael Sandy	8,750	607,911
Stephen Bizzell	8,750	607,911
Key Management Personnel		
Paul Marshall	8,000	903,181

These amounts related to fees for the period 1 October 2012 to 31 March 2013.

(d) Equity instruments (including options and DMFP shares) granted as part of remuneration

2013	Value of equity instruments granted during the year $	Value of equity instruments exercised during the year $	Value of equity instruments lapsed during the year $
Directors			
Mark Elliott	117,442	-	380,350
Peter Barnett	114,150	-	380,350
Michael Sandy	16,550	-	6,000
Stephen Bizzell	16,550	-	6,000
Key Management Personnel			
Paul Marshall	21,000	-	6,000

There were no shares issued on the exercise of remuneration options during the 2013 or 2012 financial years.

(e) Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return in the past 5 years are summarised below:

Measures	2013 $	2012 $	2011 $	2010 $	2009 $
Share price at end of financial year	0.008	0.033	0.04	0.07	0.10
Market capitalisation at end of financial year ($M)	2.76	7.66	6.25	6.47	7.00
Loss for the financial year	(7,696,487)	(2,084,118)	(1,610,352)	(1,642,254)	(2,199,265)
Cash spend on exploration programs	234,357	756,436	1,764,645	1,629,356	884,728
Director and Key Management Personnel remuneration	851,021	703,423	761,021	960,162	981,558

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a geothermal company. Share prices are subject to the influence of international energy prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each Director and the Secretary of the Consolidated Entity has the right of access to all relevant information. The Consolidated Entity has insured all of the Directors and Officers of Hot Rock Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Consolidated Entity has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purposes of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

During the year Crowe Horwath, the Consolidated Entity's current auditor, has performed non-audit services as set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Crowe Horwath received the following amounts for the provision of non-audit services:

Tax services $5,775 (2012: $13,547).

AUDITOR'S INDEPENDENCE DECLARATION

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Hot Rock Limited support and have adhered to the principles of corporate governance. The Consolidated Entity's Corporate Governance Statement is included in this report.

Signed in accordance with a resolution of the directors.

M Elliott

Mark Elliott
Executive Chairman
Brisbane 30 September 2013

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Auditor's Independence Declaration

As auditor of Hot Rock Limited and its controlled entities for the year ended 30 June 2013, 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 audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Crowe Horwath Brisbane

CROWE HORWATH BRISBANE

Valerie Main

VALERIE MAIN
Partner

Signed at Brisbane, 30 September 2013

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2013.

(a) Distribution of equity securities

HRL – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	32
1,001 to 5,000	68
5,001 to 10,000	202
10,001 to 100,000	592
100,001 and over	336
Total	**1,230**
Number of shareholders holding less than a marketable parcel of shares	822

(b) Twenty largest holders

HRL – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	ELLIOTT NOMINEES P/L	23,365,782	6.76%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	13,185,403	3.82%
3	BIZZELL NOMINEES PTY LTD	11,988,472	3.47%
4	LORRAINE JEAN ZILLMAN	11,100,000	3.21%
5	BARJAYE PTY LIMITED	10,376,220	3.00%
6	LEET INVESTMENTS PTY LIMITED	9,300,000	2.69%
7	DOWNSHIRE INVESTMENTS PTY LTD	8,021,059	2.32%
8	MR RUSSELL NEIL CREAGH	7,950,000	2.30%
9	NORMAN JOSEPH ZILLMAN & LORRAINE JEAN ZILLMAN	7,933,333	2.30%
10	MR PETER RODNEY BARNETT & MR ALFRED BRIAN BARNETT & MS MARIA KATRINA BARNETT	7,300,000	2.11%
11	ALBIANO HOLDINGS PTY LTD	6,447,049	1.87%
12	MR DOUGAL MALCOLM HENDERSON	6,090,000	1.76%
13	CITICORP NOMINEES PTY LIMITED	5,826,000	1.69%
14	MR ANDREW MURRAY GREGOR	5,377,882	1.56%
15	MR MICHAEL JOHN SANDY & DR PENELOPE LYNN BURNS	5,300,000	1.53%
16	PETER RODNEY BARNETT	5,150,129	1.49%
17	MR JOSE LEVISTE JNR	5,000,000	1.45%
18	MR IAN LINDSAY CAMPBELL	5,000,000	1.45%
19	LIMITS PTY LIMITED	4,175,833	1.21%
20	BCP ALPHA INVESTMENTS LIMITED	3,528,509	1.02%
		162,415,671	**47.02%**

(c) Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

INTERESTS IN EXPLORATION TENEMENTS

Hot Rock Limited held the following interests in exploration tenements as at 30 September 2013:

VICTORIA

Type	Location	Status	Grant	Expiry Date	HRL Interest
GEP 6	Portland	Granted	14/05/2007	13/05/2013*	100%
GEP 8	Warrnambool	Granted	14/05/2007	13/05/2013*	100%
GEP 23	Mundi	Granted	28/11/2008	27/11/2013	100%

* The Victorian Department of Primary Industries is currently in the process of reviewing the renewal application for these exploration permits. Based on discussions with the Victorian Government the Company believes it is likely that these tenements will be renewed.

CHILE

Name	Chile Location	Status	Grant Date	Surrender Date **	HRL Interest
Galo	Central	Granted	1/04/2010	31/03/2016	100%
Calerias	Central	Granted	1/12/2010	30/11/2014	100%
San Carlos	Central	Granted	31/01/2011	30/01/2015	100%
Santa Antonia	South Central	Granted	1/04/2010	31/03/2014	100%
San Guillermo	South Central	Granted	29/01/2011	28/01/2015	100%
Santa Sonia	South Central	Granted	1/04/2010	31/03/2016	100%
Santa Alejandra	South Central	Granted	1/02/2011	31/01/2017	100%
Santa Edita	South Central	Granted	2/02/2011	1/02/2017	100%
San Roman	South Central	Granted	3/02/2011	2/02/2017	100%
San Cristobal	South Central	Granted	4/02/2011	3/02/2015	100%
Santa Victoria	North	Granted	17/072013	17/07/2015	100%

** Chile legislation grants the holders of exploration concessions the right to carry out exploration work to determine geothermal potential and an exclusive right for up to 2 years after its expiry date to apply for an exploitation concession. An exploitation concession gives the holder the right to carry out all the activities required to develop a geothermal reservoir, build and operate a geothermal energy plant for an indefinite period. Hot Rock Limited intends to exercise its right to an exploitation concession on each of the above concessions if required. The above surrender dates are the dates the exploitation concession expires.

PERU

Type	Peru Location	Status	Grant Date	Expiry Date	HRL Interest
Rupha	Northern	Granted	12/02/2011	11/02/2014	100%
Chocopata	Southern	Granted	18/03/2011	1/03/2015	100%
Turu	Southern	Granted	5/12/2011	5/07/2015	100%
Achumani	Southern	Granted	27/10/2012	22/02/2016	100%
Huisco	Southern	Granted	15/02/2013	15/02/2016	100%
Quellaapacheta	Southern	Granted	6/04/2011	5/04/2014	30%

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Hot Rock Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of Hot Rock Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Hot Rock Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the Board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

The Board endorses the ASX Principles of Good Corporate Governance and Best Practice Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the Company.

The Company is committed to ensuring that its corporate governance systems maintain the Company's focus on transparency, responsibility and accountability. For further information on corporate governance policies adopted by Hot Rock Limited, refer to our website: www.hotrockltd.com

ASX Principles and Recommendations not followed by the Company and the reasons for non-compliance are as follows.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1	A majority of the board is not independent	The current board has one independent director and three directors who are considered to be not independent. The position of each director and as to whether or not they are considered to be independent is set out below. The Board believe that the individuals on the board can and do make quality and independent judgements in the best interest of the Company and other stakeholders notwithstanding that they are not independent directors in accordance with the criteria set out in the recommendations.
2.2	The Chairman is not independent	The Chairman of the company is not considered to be independent as he is an executive officer of the Company. The Board believes that the current Chairman can and does make quality and independent judgements in the best interest of the Company and other stakeholders notwithstanding that he is not an independent director in accordance with the criteria set out in the recommendations.
2.4	A separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a separate nomination committee. The board as a whole will undertake the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants may be engaged to identify possible new candidates for the board.
3.2, 3.3	Measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them have not been implemented	The Board has established a Diversity Policy. There are some aspects of the recommendations that are difficult to comply with due to the Company's size. The Board at this juncture has not set measurable objectives. This policy will be reviewed as part of the annual compliance review to ensure that the Diversity Policy is being progressed as required and to set measurable objectives when appropriate for the Company.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed	The Board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
7.2	Management has not reported to the board as to the effectiveness of the company's management of its material business risks.	While the design and implementation of a basic risk management and internal control system is in place, a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board, and is not considered necessary at this stage for the size and nature of the Company's current activities.
8.1	There is no separate Remuneration committee	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation for the remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and any executives of the Company.

Structure of the Board
The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets. In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered not to be independent:

Name	Position	Reason for not being Independent
Mark Elliott	Executive Chairman	Dr Elliott is a substantial shareholder of the Company and is employed in an executive capacity
Peter Barnett	Managing Director	Mr Barnett is employed in an executive capacity
Mike Sandy	Non-Executive Director	Mr Sandy is independent
Stephen Bizzell	Non-Executive Director	Mr Bizzell and his associated entities are in aggregate a substantial shareholder (greater than 5%) in the Company

Hot Rock Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Hot Rock Limited due to their considerable industry and corporate experience. There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
Mark Elliott	7 years 1 month
Peter Barnett	5 years 9 months
Mike Sandy	6 years 3 months
Stephen Bizzell	4 years

Trading Policy
The Board has adopted a policy and procedure on dealing in the company's securities by Directors, officers and employees which prohibits dealing in the company's securities when those persons possess inside information. Trading is also only permitted during certain pre-determined windows.

Company Code of Conduct
The Company is committed to operating ethically, honestly, responsibly and legally in all its business dealings. Accordingly, the Company requires employees to act in the Company's best interests in a professional, honest and ethical manner, and in full compliance with the law, both within and on behalf of the Company.

The Company has an established Code of Conduct (Code) which outlines the behaviour that is expected of employees. The Code governs all the Company's operations and the conduct of Directors, management and employees when they represent the Company.

The Code clearly sets out the process for dealing with complaints of breaches. The Board, senior executives, management and all employees of the Company are committed to implementing this Code and each individual is accountable for such compliance.

A copy of the Code is given to all employees, contractors and relevant personnel, including Directors and senior executives. Appropriate training is provided for Directors, senior executives and employees on a regular basis, where applicable.

Recruitment and Selection Processes
The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit.

Diversity
As the context permits, the Company is committed to workplace diversity. The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

The Company values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably.

The Company has a number of objectives in place to continually work towards its vision. These objectives include:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity;
- Awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Company seeks to achieve these objectives by:

- recruiting and managing on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- providing equal opportunities based on merit;
- fostering a culture that empowers people to act in accordance with this policy;
- fostering an inclusive, supportive and respectful culture to enable all personnel to reach their full potential;
- respecting the unique attributes that each individual brings to the workplace; and
- establishing and reviewing measurable objectives, particularly on gender diversity.

The proportion of women employees in the whole organisation, women in senior management positions and women on the board are as follows:

Measure	Female proportion
Organisation	23%
Senior management	Nil
Board	Nil

Board committees
The board's charter allows it to establish committees if and when required to assist in the execution of the duties of the board. As at the date of this report, no committees have been established as the structure of the board, the size of the Company and the scale of its activities, allows all directors to participate fully in all decision making. When the circumstances require it, the committees will be instituted with each having its own charter approved by the board that will set the standards for the operation of the committees. All matters that would be considered by committee are dealt with by the board.

Remuneration and Nomination
The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Audit and Risk Management
The responsibilities of Audit and Risk Management Committee are undertaken by the full Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management policies can be found within the Audit and Risk Management Committee Charter available on the Company's website.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

While the design and implementation of a basic risk management and internal control system is in place a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board and is not considered necessary at this stage for the size and nature of the Company's current activities.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that they system is operating effectively in all material respects in relation to financial reporting risks.

Performance
The Board considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board. The performance of the individual members of the Board is reviewed on an on-going basis as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2013.

Remuneration
It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the company's financial and operations performance.

The expected outcomes of the remuneration structure are:

- retention and motivation of Key Management Personnel
- attraction of quality management to the company
- performance incentives which allow Executives to share the rewards of the success of Hot Rock Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the highest paid (Non-Director) Executives during the year, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Hot Rock Limited and the performance of the individual during the year.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors. The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy
Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. A copy of the Continuous Disclosure Policy can be found within the Company's Corporate Governance Statement on the Company's website.

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue	2	13,337	34,244
Employment and consultancy expenses		(1,335,911)	(1,018,218)
Depreciation and amortisation expenses	11	(23,465)	(64,753)
Exploration costs expensed		-	(65,123)
Finance costs		(86)	(3,730)
Exchange loss		(50,206)	-
Impairment of exploration expenditure	12	(5,472,451)	(108,927)
Impairment of plant and equipment	11	(24,794)	-
Administration expenses		(802,911)	(1,021,611)
Loss before income tax		(7,696,487)	(2,248,118)
Income tax benefit	3	-	164,000
Loss after income tax expense attributable to members of the parent entity		(7,696,487)	(2,084,118)
Other comprehensive income			
Foreign currency translation differences for foreign operations		107,611	(48,710)
Income tax		-	-
		107,611	(48,710)
Total comprehensive income attributable to members of the parent entity		(7,588,876)	(2,132,828)

		Cents	Cents
Earnings per share			
Basic earnings per share	6	(2.46)	(1.03)
Diluted earnings per share	6	(2.46)	(1.03)

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

Consolidated Balance Sheet
As at 30 June 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	179,770	59,807
Trade and other receivables	8	8,534	35,926
Other current assets	9	15,298	24,678
TOTAL CURRENT ASSETS		203,602	120,411
NON-CURRENT ASSETS			
Trade and other receivables	8	52,198	75,136
Equity accounted investments	10	197,619	1
Plant and equipment	11	3,629	62,542
Exploration expenditure	12	-	5,299,777
TOTAL NON-CURRENT ASSETS		253,446	5,437,456
TOTAL ASSETS		457,048	5,557,867
CURRENT LIABILITIES			
Trade and other payables	13	826,327	132,735
Interest bearing liabilities	14	-	5,509
Short-term provisions	15	187,328	151,018
TOTAL CURRENT LIABILITIES		1,013,655	289,262
TOTAL LIABILITIES		1,013,655	289,262
NET (LIABLITIES)/ASSETS		(556,607)	5,268,605
EQUITY			
Issued capital	16	14,298,986	12,700,722
Reserves	17	1,163,337	890,326
Accumulated losses		(16,018,930)	(8,322,443)
TOTAL EQUITY		(556,607)	5,268,605

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

	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)
Total transactions with owners in their capacity as owners	1,789,836	-	-	-	1,789,836
Comprehensive income					
Loss after income tax	-	(2,084,118)	-	-	(2,084,118)
Other comprehensive income	-	-	-	(48,710)	(48,710)
Total comprehensive income for the year	-	(2,084,118)	-	(48,710)	(2,132,828)
Balance at 30 June 2012	12,700,722	(8,322,443)	1,032,828	(142,502)	5,268,605
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	1,692,163	-	-	-	1,692,163
Share issue costs	(93,899)	-	-	-	(93,899)
Share-based payment expense	-	-	165,400	-	165,400
Total transactions with owners in their capacity as owners	1,598,264	-	165,400	-	1,763,664
Comprehensive income					
Loss after income tax	-	(7,696,487)	-	-	(7,696,487)
Other comprehensive income	-	-	-	107,611	107,611
Total comprehensive income for the year	-	(7,696,487)	-	107,611	(7,588,876)
Balance at 30 June 2013	14,298,986	(16,018,930)	1,198,228	(34,891)	(556,607)

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,499,109)	(1,942,451)
Interest received		5,695	32,164
Finance costs		(86)	(3,730)
Income tax benefit received		-	164,000
Net cash used in operating activities	18	(1,493,500)	(1,750,017)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		20,000	-
Proceeds from the sale of interest in exploration prospects		388,199	-
Refund of security deposits		23,783	-
Payments for plant and equipment		-	(31,518)
Payments for exploration and evaluation assets		(234,357)	(756,436)
Net cash from/(used in) investing activities		197,625	(787,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,463,676	1,894,140
Capital raising expenses		(93,899)	(104,304)
Proceeds from borrowings		310,000	25,000
Repayment of borrowings		(280,508)	(54,073)
Net cash from financing activities		1,399,269	1,760,763
Net increase/(decrease) in cash and cash equivalents held		103,394	(777,208)
Net foreign exchange differences		16,569	(51,797)
Cash and cash equivalents at the beginning of the financial year		59,807	888,812
Cash and cash equivalents at the end of the financial year		179,770	59,807

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Hot Rock Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Hot Rock Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is geothermal exploration.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Consolidated Entity.

Authorisation of financial report
The financial report was authorised for issue on 30 September 2013.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements of the Consolidated Entity also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared under the historical convention, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

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.

Refer to Note 12 for details on impairment of exploration & evaluation expenditure.

Going Concern
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.

No adjustment 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.

Refer to Note 28 for further details.

Accounting policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Hot Rock Limited at the end of the reporting period. A controlled entity is any entity over which Hot Rock Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated balance sheet and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Investments in Associates

Associates are companies in which the Consolidated Entity has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Consolidated Entity's share of net assets of the associate company. In addition, the Consolidated Entity's share of the profit or loss of the associate company is included in the Consolidated Entity's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Consolidated Entity's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Consolidated Entity and the associate are eliminated to the extent of the Consolidated Entity's interest in the associate.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, the Consolidated Entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Consolidated Entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Consolidated Entity's investments in associates are provided in Note 10.

(c) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).
Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and Equipment (continued)

which they are incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset is:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computers and Office Equipment	20 - 33%
Motor Vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Exploration Evaluation and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(g) Financial Instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Consolidated Entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Employee Benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee Benefits (continued)

Contributions to defined contribution plans are expensed when incurred.

Equity-settled compensation
Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

(k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Government grants are recognised at fair value when there is a reasonable assurance that the Consolidated Entity will comply with the conditions attaching to them and the grants will be received.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(m) Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(p) Foreign Exchange

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Subsidiary companies
The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(q) New Accounting Standards and Interpretations

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the year:

- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
- AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity does not expect any material impacts when the standard is adopted.

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Entity resulting in more assets and liabilities on the books. The Consolidated Entity will adopt this standard from 1 July 2013, and it is expected there will be no material impacts on the Consolidated Entity.

AASB 11: 'Joints Arrangements'

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Entity will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Entity will adopt this standard from 1 July 2013, and it is expected there will be no material impacts on the Consolidated Entity.

AASB 12: ' Disclosure of interest in other Entities'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Consolidated Entity.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Consolidated Entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Adoption of these amendments will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Consolidated Entity.

	2013 $	2012 $
NOTE 2 REVENUE		
Interest income	13,337	34,244

NOTE 3 INCOME TAX EXPENSE

A reconciliation of income tax expense/(benefit) applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax benefit at the Company's effective income tax rate for the years ended 30 June 2013 and 2012 is as follows:

	2013 $	2012 $
Loss before income tax	(7,696,487)	(2,248,118)
At income tax rate of 30% (2012: 30%)	(2,308,946)	(674,436)
Non-deductible expenses	1,473,828	-
Deferred tax assets not bought to account	835,118	674,436
R&D tax concession	-	(164,000)
Income tax benefit	-	(164,000)

Unrecognised temporary differences and tax losses

	2013 $	2012 $
Temporary differences	339,597	368,283
Tax losses	2,545,853	2,010,359
	2,885,449	2,378,642

The deductable temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise these benefits.

NOTE 4 AUDITORS' REMUNERATION

	2013 $	2012 $
Remuneration for the auditor of the Parent Entity for:		
- audit and review of the financial report	27,500	28,900
- taxation services	5,775	13,547
	33,275	42,447

NOTE 5 DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year (2012: Nil). There were no franking credits available to the shareholders of the Consolidated Entity.

NOTE 6 EARNINGS PER SHARE

	2013 $	2012 $
Earnings used to calculate basic and dilutive EPS	(7,696,487)	(2,084,118)

	2013 Number	2012 Number
Weighted average number of shares outstanding during the year used in calculating EPS and dilutive EPS	312,802,578	201,431,785

The 29,938,985 options outstanding at 30 June 2013 (2012: 23,788,985) are not included in the calculation of diluted earnings per share as they are anti-dilutive.

	2013 $	2012 $
NOTE 7 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	179,770	59,807

	2013 $	2012 $
NOTE 8 TRADE AND OTHER RECEIVABLES		
CURRENT		
Other receivables	8,534	35,926
NON-CURRENT		
Security bonds	52,198	75,136

	2013 $	2012 $
NOTE 9 OTHER ASSETS		
Prepaid expenses	15,298	24,678

	2013 $	2012 $
NOTE 10 EQUITY ACCOUNTED INVESTMENTS		
Casrock Pty Ltd	1	1
Geotermica Quellaapacheta Peru S.A.C	197,618	-
	197,619	1

Movements during the year

	Casrock Pty Ltd	Geotermica Quellaapacheta Peru S.A.C	Total
Balance at 1 July 2012	1	-	1
Transfers from exploration expenditure	-	197,618	197,618
Balance at 30 June 2013	1	197,618	197,619

Casrock Pty Ltd
The Consolidated Entity holds a 29% interest in Casrock Pty Ltd. Casrock Pty Ltd holds the lease of an office occupied by Hot Rock Ltd. All costs incurred by Casrock Pty Ltd are reimbursed by Hot Rock and by the other shareholders and it does not make a profit or a loss. The net assets of Casrock Pty Ltd are $2.

Geotermica Quellaapacheta Peru S.A.C
The Consolidated Entity holds a 30% interest in Geotermica Quellaapacheta Peru S.A.C., with Energy Development Corporation (EDC) holding the other 70% interest. Geotermica Quellaapacheta Peru S.A.C holds the Quellaapacheta concession in southern Peru. Under the terms of the joint venture agreement, EDC is sole funding up to US$12 million on surface exploration and deep exploration drilling activities before HRL is required to commence joint funding of its 30% share of funding costs.

EDC has the right to withdraw from the joint venture agreement at any time up to 14 July 2013.

Under the terms of the joint venture agreement with EDC, in addition to receiving a 30% interest in Geotermica Quellaapacheta Peru S.A.C, HRL is also to receive US$1.0 million USD in two tranches. HRL has received from EDC the first tranche of US$0.4 million. If EDC withdraws from the project before 14 October 2013, the US$0.4 million is refundable. The second tranche of US$0.6 million is due and payable on 14 July 2014.

Geotermica Quellaapacheta Peru S.A.C was incorporated on 15 April 2013 at which time the Consolidated Entity reclassified its project expenditures incurred to date on the Quellaapacheta concession from Exploration Expenditure to Equity Accounted Investments. These project expenditures were transferred at cost.

Geotermica Quellaapacheta Peru S.A.C incurred a loss for the period from 15 April 2013 to 30 June 2013 amounting to $117,586 and reported net liabilities of $93,842 as at 30 June 2013. The Consolidated Entity has not recognised its share of this loss and net liabilities, as EDC is sole funding up to US$12 million on surface exploration and deep exploration drilling activities before HRL is required to commence joint funding of its 30% share of funding costs and EDC may still withdraw from the agreement up to 14 July 2014. HRL will commence equity accounting of this interest in Geotermica Quellaapacheta Peru S.A.C from 14 July 2014, when the fifteen month withdrawal period has lapsed.

NOTE 10 EQUITY ACCOUNTED INVESTMENTS (continued)

Further details of Geotermica Quellaapacheta Peru S.A.C at 30 June 2013:

Primary activity	Geothermal Exploration
Equity interest of HRL	30%
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total assets	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total liabilities	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's total revenue	Nil
HRL's share of Geotermica Quellaapacheta Peru S.A.C's committed expenditure	Nil
Contingent assets and liabilities of Geotermica Quellaapacheta Peru S.A.C	Nil

	2013 $	2012 $
NOTE 11 PLANT AND EQUIPMENT		
Office equipment – at cost	182,183	182,183
Accumulated depreciation	(153,760)	(135,407)
Accumulated impairment	(24,794)	-
	3,629	46,776
Motor vehicles – at cost	-	25,101
Accumulated depreciation	-	(9,335)
	-	15,766
Total plant and equipment	3,629	62,542

Movements during the year

	Office Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2011	70,631	22,058	92,689
Additions	34,606	-	34,606
Depreciation	(58,461)	(6,292)	(64,753)
Balance at 30 June 2012	46,776	15,766	62,542
Balance at 1 July 2012	46,776	15,766	62,542
Additions	-	-	-
Disposals	-	(13,204)	(13,204)
Foreign exchange movements	2,550	-	2,550
Depreciation	(20,903)	(2,562)	(23,465)
Impairment	(24,794)	-	(24,794)
Balance at 30 June 2013	3,629	-	3,629

	2013 $	2012 $
NOTE 12 EXPLORATION EXPENDITURE		
Capitalised exploration expenditure	-	5,299,777

Movements during the year

	2013 $	2012 $
Balance at beginning of year	5,299,777	4,652,268
Exploration activities capitalised	269,983	756,436
Foreign exchange movements	100,309	-
Transfer to equity accounted investments	(197,618)	-
Impairment	(5,472,451)	(108,927)
Balance at end of year	-	5,299,777

Impairment of exploration expenditure

Despite extensive efforts to source both funding and joint venture partners to develop the Consolidated Entity's geothermal prospects, the Consolidated Entity has been unsuccessful in attracting sufficient interest to warrant further expenditure on its projects.

With no current funding arrangements in place to develop the above geothermal prospects, the Directors of the Consolidated Entity have resolved to impair these prospects. Despite this impairment, it is the intention of the Consolidated Entity to keep these prospects in good standing and seek to either farm-out or sell the prospects outright.

In addition, the Directors of the Consolidated Entity have resolved not to apply for renewal on the following prospects, which have also been impaired:

- GEP 23 – Mundi, Australia (expires 27 November 2013)
- GEP 9 – Colac, Australia (expired 13 May 2013)
- GEP 7 – Hamilton, Australia (expired 13 May 2013)

	2013 $	2012 $
NOTE 13 TRADE AND OTHER PAYABLES		
Trade payables	113,296	50,118
Other payables and accrued expenses	89,092	34,700
Unearned income – sale of interest in Quellaapacheta	437,972	-
Payable to directors - loans	60,000	25,000
Payable to directors – outstanding wages and fees	125,967	22,917
	826,327	132,735

Unearned income – sale of interest in Quellaapacheta

Under the terms of the joint venture agreement with EDC (refer Note 10), HRL has received an initial payment of US$0.4 million from EDC. If EDC withdraws from the project before 14 October 2013, the US$0.4 million is refundable.

Payables to directors – loans and outstanding wages and fees

To assist with the short term funding of the Consolidated Entity, the directors have deferred payment of wages and fees and also provided short term loans. Both of these amounts are interest free and are only repayable once the Consolidated Entity has sufficient working capital to do so.

	2013 $	2012 $
NOTE 14 INTEREST BEARING LIABILITIES		
Insurance financing	-	5,509
NOTE 15 PROVISIONS		
Employee benefits	187,328	151,018

			2013 $	2012 $
NOTE 16 ISSUED CAPTIAL				
345,427,767 fully paid ordinary shares (2012: 232,035,215)			14,298,896	12,700,722

	2013 Number	2012 Number	2013 $	2012 $
Movements during the year				
Balance at beginning of year	232,035,215	156,269,615	12,700,722	10,910,886
Share placement ($0.025 per share)	-	33,600,000	-	840,000
Share purchase plan ($0.025 per share)	-	42,165,600	-	1,054,140
Share placement ($0.015 per share)	2,000,000	-	30,000	-
Rights issue ($0.015 per share)	97,578,418	-	1,463,676	-
DMFP Shares ($0.0144 per share) [1]	13,814,134	-	198,487	-
Issue costs	-	-	(93,899)	(104,304)
Balance at end of year	345,427,767	232,035,215	14,298,986	12,700,722

[1] Represents amounts paid via shares 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 were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue.

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 30 June 2013 there were 29,938,985 unissued ordinary shares under option (2012: 23,788,985). Refer to Note 19 and 20 for further details on options.

During the year ended 30 June 2013 no shares were issued following the exercise of options.

	2013 $	2012 $
NOTE 17 RESERVES		
Share based payment reserve	1,198,228	1,032,828
Foreign currency translation reserve	(34,891)	(142,502)
	1,163,337	890,326

Share based payment reserve movements during the year		
Balance at beginning of year	1,032,828	1,032,828
Share based payment expense	165,400	-
Balance at end of year	1,198,228	1,032,828

Foreign currency translation reserve movements during the year		
Balance at beginning of year	(142,502)	(93,792)
Foreign exchange differences	107,611	(48,710)
Balance at end of year	(34,891)	(142,502)

Nature and purpose of reserves

Share based payment reserve

The share based payments reserve records the value of share based payments provided to directors and employees as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	2013 $	2012 $

NOTE 18 CASH FLOW INFORMATION

Reconciliation of cash flow used in operations with loss after income tax

	2013 $	2012 $
Loss after income tax	(7,696,487)	(2,084,118)
Non-cash items in loss after income tax		
Depreciation and amortisation	23,465	64,753
Share based payments expense - options	165,400	-
Share based payments expense – DMFP shares	198,487	-
Share based payments expense – placement shares	30,000	-
Impairment of exploration expenditure	5,472,451	108,927
Impairment of plant and equipment	24,794	-
Gain on disposal of plant and equipment	(6,796)	-
Foreign exchange loss on Quellaapacheta unearned income	49,773	-
Accrued interest revenue	(845)	(2,080)
Movements in assets and liabilities		
Trade and other receivables	27,392	(21,675)
Other assets	9,380	5,496
Trade and other payables	173,176	126,529
Provisions	36,310	52,151
Cash flow from operations	(1,493,500)	(1,750,017)

Non-cash financing transactions

During the year the Consolidated Entity issued 13,814,134 ordinary shares at average price of $0.0144 per share under the Directors' and Management Fee Plan in consideration for 50% of the participant's remuneration.

NOTE 19 SHARE BASED PAYMENTS

The following share based payment arrangements were in place at 30 June 2013:

Options

	Grant date	# of options on issue and not yet expired or exercised	Option Fair value at grant date $	Exercise price per option $	Expiry date	First exercise date
Issued during 2013						
Directors – Tranche 3	29/11/2012	13,000,000	0.0078	0.04	30/11/2015	29/11/2012
Employees – Tranche 4	19/10/2012	8,000,000	0.0080	0.04	30/11/2015	19/10/2012
Issued during 2011						
Underwriting Fee	17/12/2010	2,338,985	0.0260	0.25	4/11/2013	17/12/2010
Employees – Tranche 3	7/2/2011	600,000	0.0245	0.20	31/01/2014	7/2/2011
Issued during 2010						
Directors and Employees – Tranche 2	1/12/2009	6,000,000	0.0180	0.25	1/12/2013	1/12/2010
Total		29,938,985				

The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. The model takes into account the following factors:

Inputs into pricing model	Directors Tranche 3	Employees Tranche 4
Grant date	29 November 2012	19 October 2012
Vesting date	29 November 2012	19 October 2012
Exercise price	$0.04	$0.04
Share price at grant date	$0.02	$0.02
Life of the options	3 years	3 years
Underlying share price volatility	100%	100%
Expected dividends	Nil	Nil
Risk free interest rate	3.25%	3.25%

No options were exercised during the year ended 30 June 2013 (2012: Nil).

The options outstanding at 30 June 2013 have an average exercise price of $0.12 and average remaining life of 1.66 years.

Included under Employee Benefits Expense in the Statement of comprehensive income is $165,400 (2012: $Nil), that relates, in full, to equity-settled share-based payment transactions.

Directors' and Management Fee Plan

The Directors' and Management Fee Plan (DMFP) was 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 were issued quarterly at the volume weighted average price of the shares calculated over the 3 months prior to issue. The following shares were issued under the plan:

	Value of base remuneration received as equity	No. of shares issued
Directors	163,292	11,381,733
Employees	35,195	2,432,401

NOTE 20 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

Summary	2013	2012
	$	$
Short-term employee benefits	538,494	678,208
Post-employment benefits	26,835	25,215
Share-based payments	285,692	-
	851,021	703,423

Key management personnel shareholdings

2013	Balance 1 July 2012	Granted Under DMFP	On Exercise of Options	Net Change Other	Balance 30 June 2013
Director					
Mark Elliott	13,500,000	5,215,782	-	6,750,000	25,465,782
Peter Barnett	5,400,000	4,950,129	-	2,700,000	13,050,129
Michael Sandy	4,200,000	607,911	-	2,100,000	6,907,911
Stephen Bizzell	11,762,500	607,911	-	5,881,250	18,251,661
Key Management Personnel					
Paul Marshall	4,087,090	903,181	-	3,365,333	8,355,604
	38,949,590	12,284,914	-	20,796,583	72,031,087

2012	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2012
Director					
Mark Elliott	9,500,000	-	-	4,000,000	13,500,000
Peter Barnett	3,400,000	-	-	2,000,000	5,400,000
Michael Sandy	3,000,000	-	-	1,200,000	4,200,000
Stephen Bizzell	8,712,500	-	-	3,050,000	11,762,500
Key Management Personnel					
Paul Marshall	2,087,090	-	-	2,000,000	4,087,090
	26,699,590	-	-	12,250,000	38,949,590

Key management personnel option holdings

2013	Balance 1 July 2012	Granted as Remuneration	On Exercise of Options	Expired	Balance 30 June 2013
Director					
Mark Elliott	7,000,000	5,500,000	-	(5,000,000)	7,500,000
Peter Barnett	7,000,000	5,500,000	-	(5,000,000)	7,500,000
Michael Sandy	1,000,000	1,000,000	-	(500,000)	1,500,000
Stephen Bizzell	3,338,985	1,000,000	-	(500,000)	3,838,985
Key Management Personnel					
Paul Marshall	1,000,000	1,000,000	-	(500,000)	1,500,000
	19,338,985	14,000,000	-	(11,000,000)	21,838,985

NOTE 20 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Key management personnel option holdings

2012	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2012
Director					
Mark Elliott	7,000,000	-	-	-	7,000,000
Peter Barnett	7,000,000	-	-	-	7,000,000
Michael Sandy	1,000,000	-	-	-	1,000,000
Stephen Bizzell	7,338,985	-	-	(4,000,000)	3,338,985
Key Management Personnel					
Paul Marshall	1,000,000	-	-	-	1,000,000
	23,338,985	-	-	(4,000,000)	19,338,985

Transactions with Director related parties

2012: The Consolidated Entity paid $8,460 in fees for investor relation services provided by Bizzell Capital Partners, an entity related to Stephen Bizzell. (2013: Nil)

Transactions with other related parties

The Consolidated Entity holds a 29% interest in Casrock Pty Ltd. Casrock Pty Ltd holds the lease of an office occupied by Hot Rock Ltd. All costs incurred by Casrock Pty Ltd are reimbursed by Hot Rock and by the other shareholders and it does not make a profit or a loss

Amounts owed to Key Management Personnel

$125,967 is owed to Directors for unpaid director fees (2012: $22,917).

$30,000 is owed to Mark Elliott for an interest free loan provided during the period. The loan is unsecured and is repayable when the Consolidated Entity has sufficient working capital to do so (2012: $Nil).

$30,000 is owed to Mike Sandy for an interest free loan provided during the period. The loan is unsecured and is repayable when the Consolidated Entity has sufficient working capital to do so (2012: $Nil).

2012: $25,000 was owed to Peter Barnett for an interest free loan provided during the prior year. The loan was unsecured and repaid during the year (2013: $Nil).

$60,000 is owed to Peter Barnett for the reimbursement of business related expenses. This amount is repayable when the Consolidated Entity has sufficient working capital to do so (2012: $Nil).

$24,836 is owed to Mark Elliott for the reimbursement of business related expenses. This amount is repayable when the Consolidated Entity has sufficient working capital to do so (2012: $Nil).

NOTE 21 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is cash flow interest rate and foreign exchange risk.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity. It arises from exposure to customers as well as through deposits with financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2013. Credit risk is reviewed regularly by the Board.

The Consolidated Entity does not have any material credit risk exposure to any counterparty.

NOTE 21 FINANCIAL RISK MANAGEMENT

Maximum exposure to credit risk

Summary exposure	2013 $	2012 $
Cash and cash equivalents	179,770	59,807
Other receivables	8,534	35,926
Security bonds	52,198	75,136
	240,502	170,869

Ageing of receivables		
Not past due	8,534	35,926
Past due 0-90 days	-	-
Past due >90 days	-	-
	8,534	35,926

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2013. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

Trade and other payables	2013 $	2012 $
Less than one year	826,327	132,735

Interest bearing liabilities		
Less than one year	-	5,509

To assist with the short term funding of the Consolidated Entity, the directors have deferred payment of wages and fees ($125,967) and also provided short term loans ($60,000). Both of these amounts are interest free and are only repayable once the Consolidated Entity has sufficient working capital to do so.

(c) Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

All cash assets have floating interest rates. At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Impact on profit and equity	2013	2012
	$	$
+1.00% (100 basis points)	1,798	598
-1.00% (100 basis points)	(1,798)	(598)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 30 June 2013, the Consolidated Entity had the following exposure to foreign currency:

	2013	2012
Financial Assets	$	$
Cash and cash equivalents (USD)	132,696	18,506
Cash and cash equivalents (Chilean Peso)	33,515	14,039
Cash and cash equivalents (Peruvian Nevo Soles)	8,148	11,123
Trade and other receivables (Chilean Peso)	-	9,826
Trade and other receivables (Peruvian Nevo Soles)	-	2,420
	174,359	55,914
Financial Liabilities		
Trade and other payables (Chilean Peso)	4,452	34,937
Trade and other payables (Peruvian Nevo Soles)	9,858	20,922
	14,310	55,859

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

Impact on profit and equity	2013	2012
	$	$
+10.00%	16,005	6
-10.00%	(16,005)	(6)

(d) Capital Risk Management

When managing capital, the directors objective is to ensure that the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Consolidated Entity may seek to issue new shares.

Consistent with other exploration companies, the Consolidated Entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Consolidated Entity has no minimum capital requirements, and capital is calculated as shown in the balance sheet.

The Consolidated Entity has yet to establish a formal policy for raising capital through debt instruments. The directors will introduce such a policy when it becomes prudent for the Consolidated Entity to consider raising funds through debt.

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 22 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 operating 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 year under review. Results shown below are prepared under the same basis as described in Note 1.

30 June 2013	South America $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	-	13,337	13,337
Other unallocated revenue			-
Revenue from Ordinary Activities			13,337
Segment result	(1,625,608)	(6,070,879)	(7,696,487)
Income tax			-
Net Loss			(7,696,487)
Non-cash items included in loss above:			
Depreciation and amortisation	(9,019)	(14,445)	(23,465)
Impairment of exploration expenditure	(923,576)	(4,548,875)	(5,472,451)
Impairment of plant and equipment	(24,794)	-	(24,794)
Gain on disposal of plant and equipment	-	6,796	6,796
Foreign exchange loss on Quellaapacheta unearned income	-	(49,773)	(49,773)
Share based payments expense - options	-	(165,400)	(165,400)
Share based payments expense – DMFP shares	-	(198,487)	(198,487)
Share based payments expense – placement shares	-	(30,000)	(30,000)
Assets:			
Segment assets	313,011	144,037	457,048
Unallocated corporate assets			-
Consolidated Total Assets			457,048
Liabilities:			
Segment liabilities	39,581	974,074	1,013,655
Unallocated corporate liabilities			-
Consolidated Total Liabilities			1,013,155
Segment acquisitions:			
Capitalised exploration expenditure	141,904	128,079	269,983

NOTE 22 SEGMENT REPORTING (continued)

30 June 2012	South America $	Australia $	Consolidated $
Revenue:			
Revenue from outside the Consolidated Entity	9,384	24,860	32,244
Other unallocated revenue			-
Revenue from Ordinary Activities			32,244
Segment result	(823,279)	(1,424,839)	(2,248,118)
Income tax			164,000
Net Loss			2,084,118
Non-cash items included in loss above:			
Depreciation and amortisation	31,067	33,686	64,753
Impairment of exploration expenditure	80,188	28,739	108,927
Assets:			
Segment assets	920,264	4,637,603	5,557,867
Unallocated corporate assets			-
Consolidated Total Assets			5,557,867
Liabilities:			
Segment liabilities	58,036	231,226	289,262
Unallocated corporate liabilities			-
Consolidated Total Liabilities			289,262
Segment acquisitions:			
Acquisition of property, plant and equipment	33,032	1,574	34,606
Capitalised exploration expenditure	337,929	418,507	756,436

	2013 $	2012 $
NOTE 23 COMMITMENTS		
Operating leases		
Minimum lease payments payable:		
Within one year	12,176	29,516
Between one and five years	-	-
	12,176	29,516

Hot Rock Limited has entered into a non-cancellable lease for an office in Brisbane. It is for a period of four years but Hot Rock Limited can vacate after giving 6 months' notice. The non-cancellable minimum future payments under this operating lease are shown above.

NOTE 24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Entity has given bank guarantees of $30,000 to the Victorian Government as security over the granted geothermal tenements (2012: $30,000). No liability has been recognised by the Consolidated Entity as bank deposits totaling $30,000 are in place to satisfy any obligation to the bank. Upon relinquishment of the tenements, the Victorian Government will release the security.

There are no other contingent liabilities or contingent assets at 30 June 2013 (2012: Nil).

NOTE 25 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is Hot Rock Limited.

	2013 $	2012 $
Parent Entity Financial Information		
Current assets	29,240	65,250
Non-current assets	114,797	5,330,999
Total assets	144,037	5,396,249
Current liabilities	974,080	231,226
Total liabilities	974,080	231,226
Net (liabilities)/assets	(830,043)	5,165,023
Issued capital	14,298,722	12,700,722
Share based payment reserve	1,198,228	1,032,828
Accumulated losses	(16,326,993)	(8,568,527)
Total equity	(830,043)	5,165,023
Loss after income tax	(7,758,466)	(2,173,328)
Other comprehensive income	-	-
Total comprehensive income	(7,758,466)	(2,173,328)

Controlled Entities of the Parent Entity

	Percentage Owned		Parent Entity Investment	
	2013 %	2012 %	2013 $	2012 $
Hot Rock Chile S.A. (Chile)	100%	100%	-	446,843
Hot Rock Peru S.A. (Peru)	100%	100%	-	311,550
Hot Rock International Holding Ltd (Canada)	100%	100%	1	1
Hot Rock Holding Ltd (BVI)	100%	100%	1	1
Hot Rock Chile Ltd (BVI)	100%	100%	1	1
Hot Rock Peru Ltd (BVI)	100%	100%	1	1

The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date. The Parent Entity has no contractual commitment for acquisition of plant and equipment at balance date.

	2013 $	2012 $
NOTE 26 EXPENSES		
Loss before income tax includes the following specific expenses:		
Superannuation expense	32,343	29,451
Rental expense from operating leases	58,246	76,336

NOTE 27 EVENTS AFTER BALANCE DATE

Since 30 June 2013, the Directors have provided additional loans amounting to $160,000 to the Consolidated Entity. The loans are interest free and are only repayable once the Consolidated Entity has sufficient working capital to do so.

There have been no other events since 30 June 2013 that impact upon this financial report.

NOTE 28 GOING CONCERN

The following conditions 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, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business:

- Net loss after tax of $7,696,487 for the year ended 30 June 2013 (2012: $2,084,118);
- Net liabilities of $556,607 at 30 June 2013 (2012: net assets of $5,268,605);
- Net current liabilities of $810,053 at 30 June 2013 (2012: $168,851);
- Negative operating cash flows of $1,493,500 for the year ended 30 June 2013 (2012: $1,750,017); and
- The Company has a requirement to raise additional funds within the short term to meet its obligations.

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 the ability to successfully raise additional capital, and/or successful exploration and subsequent exploitation of areas of interest through sale or development (including by way of joint venture funding).

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 based on one or more of the following occurring:

1. attracting a farm-in partner or selling outright the Company's projects; and
2. raising additional capital.

If the above fail to occur as anticipated, there is material uncertainty that the Consolidated Entity will be able to continue as a going concern. Should the Consolidated Entity not be able to continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in this financial report. 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.

DIRECTORS' DECLARATION

In the opinion of the Directors

(a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and

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

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

M Elliott

Mark Elliott
Executive Chairman

Brisbane
30 September 2013

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Independent Auditor's Report

To the members of Hot Rock Limited

Report on the Financial Statements

We have audited the accompanying financial report of Hot Rock Limited, which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of a 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 of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation of the financial report that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

a) the financial report of Hot Rock Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards, and the *Corporations Regulations 2001*; and

b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter – Going Concern

Without modifying our opinion, we draw attention to note 28 in the financial report which indicates that the consolidated entity incurred a net loss of $7,696,487 and negative operating cash flows of $1,493,500 for the year ended 30 June 2013 and had net liabilities of $556,607 and net current liabilities of $810,053 as at 30 June 2013. The consolidated entity needs to raise additional funds within the short term to meet its obligations.

These conditions, along with other matters as set forth in note 28, indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Hot Rock Limited and its controlled entities for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Brisbane

CROWE HORWATH BRISBANE

Valerie Main

VALERIE MAIN
Partner

Signed at Brisbane, 30 September 2013