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Joint Venture Contracts for Chile and Peru Projects

Hot Rock and EDC finalise and execute Joint Venture contracts on three projects in Chile and Peru

HIGHLIGHTS

- Energy Development Corporation (**EDC**), the world's largest integrated geothermal company, has signed detailed agreements for incorporating JV companies in Chile and Peru covering three of Hot Rock's (**HRL**) projects, Longavi in Chile and Quellaapacheta and Chocopata in Peru, with the agreements covering funding of each project up to financial close.
- Following transfer of tenements into the project companies, HRL will receive an initial \$US1.8m cash payment and a further \$US1.2m subject to certain conditions.
- EDC will acquire a 70% interest in each project company and will sole fund the exploration stage up to \$US12m per project. The total expenditure for sole funding of the three projects is up to \$US36m.
- In the subsequent resource development stage, EDC (70%) and HRL (30%) will contribute to the joint venture for each project on a pro-rata basis. HRL can contribute its own funds or request EDC to advance a loan to HRL to fund evaluation and production drilling through to securing project finance (financial close) for each project. The estimated cost of the evaluation stage for each project is in the order of \$US38m.
- If all projects proceed from exploration stage to financial close, an estimated total of \$US150m could be spent over the three projects.

Hot Rock Limited (**HRL**) is pleased to announce the execution of the detailed individual project agreements for the incorporation of joint venture companies in Chile and Peru with Energy Development Corporation (**EDC**) to explore, evaluate and develop the geothermal energy potential of the Longavi project in Chile and the Quellaapacheta and Chocopata projects in Peru, as previously announced to the market on the 3 February 2012.

EDC is the world's largest integrated owner/operator geothermal company with a total of 1,130MWe of installed capacity and over 30 years of operational geothermal experience.

Under the arrangements, EDC will have a 70% interest when the tenements are transferred into the joint venture companies, with Hot Rock holding the remaining 30% interest.

Longavi, Quellaapacheta and Chocopata Projects

Having signed the three individual project agreements, EDC will now lodge US\$3 million with an escrow agent. Upon the transfer of the tenements into the joint venture companies, the escrow agent will release US\$1 million to HRL for the Longavi project and US\$0.4 million for each of the Peru projects. If EDC withdraws from a Peruvian project within 6 months, HRL will refund the US\$0.4 million. If EDC continues with a Peruvian project past 15 months, HRL will be paid a further US\$0.6 million per project.

Each joint venture program is divided into an exploration stage and a resource development stage. EDC will solely fund 100% of the first US\$12 million exploration stage per project, which is expected to include geological, geochemical, geophysical surveys and at least one production appraisal well. The geological and geochemical programs have already been completed at Longavi and the data are currently being evaluated. Exploration is planned to commence on the Peruvian projects in 3Q 2012. Drilling is planned to commence in 2013 subject to exploration results.

Following the successful completion of the exploration stage, resource development will commence, involving completing production wells and all studies necessary to bring the project to financial close, where project finance documents for a first stage 50MW plant are ready to execute. This program would normally cover definitive feasibility study, environmental impact study, permitting, power contract(s) and negotiating finance. This stage is estimated to cost US\$38 million per project and take up to 2 years to complete.

Under each shareholders agreement, HRL will maintain its 30% stake in each project if it contributes its pro-rata share in funding the resource development stage. If HRL does not contribute any funds during the resource development stage, it can still elect to retain an 18% minimum project interest at financial close by repaying EDC 18% of the resource development costs (plus a finance charge).

Both EDC and HRL will be joint operators of the joint venture projects up until financial close. EDC can withdraw at any time while HRL can decide to withdraw 30 days prior to execution of project finance documents. Withdrawal by either party from a project under the relevant shareholders agreement will trigger a 12 month buy out right in favour of the non-withdrawing party. After financial close, the parties will contribute on a pro-rata basis and EDC will operate the joint venture through the construction and operation stages.

Hot Rock Executive Chairman, Dr Mark Elliott stated: "The joint venture paves the way forward to accelerate exploration over three highly prospective projects in South America.

"We are excited to have a company of the calibre and size of EDC, unsurpassed in terms of expertise and experience in commercialising geothermal projects, as a joint venture partner, and believes that the partnership will ultimately lead to a new, clean energy industry in both Chile and Peru.

"We are now advancing exploration programs over several of our own projects (100% interest) in the region through to potential resource definition in 2012, whilst concurrently accelerating development at up to three of our most advanced projects via the joint venture.

"We are excited about our projects and the opportunity to be able to move three projects forward to potential financial close and development with EDC".

Richard Tantoco, President and COO of EDC stated that "EDC is very pleased to complete the individual project agreements and now look forward to commencing exploration work on the projects. We are committed to developing a strong and long-term relationship with Hot Rock and pursuing our joint ambition for the development of geothermal power in Chile and Peru."

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About Energy Development Corporation

EDC (PSE: EDC) is the world's largest integrated geothermal company with a total of 1,130MWe of installed capacity with over 35 years of operational geothermal experience supplying the Philippines with geothermal power across five steam fields. EDC is a public company with a market capitalisation of around US\$2.4 billion. The World Bank-International Finance Corporation (WB-IFC), Government of Singapore Investment Corporation (GIC) and First Gen are key investors and continue to support the company. EDC has met all the WB-IFC and GIC operational, environmental and social impact performance standards.

EDC owns 8 drill rigs and has drilled more than 900 geothermal wells over the past 35 years. It has one of the most experienced geothermal operations team in the world and has embarked upon an aggressive global growth strategy to build its geothermal business.

EDC recognised the importance of high quality under-explored geothermal prospects in South America by setting up a Chile office in 2011.

About the Projects

Longavi Project – Chile

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

A number of large flows of near boiling springs in the Banos Longavi area occur in the centre of the project. Spring temperatures range from 70°C to 81°C and a surface heat flow in the area of the springs of some 15MWthermal has been assessed. The springs show good field evidence for having historically been depositing silica sinter from boiling spring waters, an excellent indication of high subsurface geothermal temperatures. The presence of these impressive thermal features over a large surface area and the close alignment of them with surface faults, indicate that the geothermal system at Longavi may be substantial. A MT survey was completed by HRL over the project in early 2011 and identified a resource "upstream" from the Banos Longavi springs. A detailed resource assessment study indicates the Longavi resource is sufficiently large to allow for about 135MWe of electrical power generation over a period of 30 years, based on the key assumptions of: a reservoir recovery factor of 15%, a power plant thermal to electrical efficiency of 14% and power plant capacity factor of 90%. It is expected that further MT survey and future drilling will increase this estimate substantially.

Quellaapacheta – Peru

The Quellaapacheta exploration tenement is located 120 km north of Tacna, near the town of Calacoa along the Putina River in the province of Moquegua in Southern Peru. The project is associated with the Ticsani Volcano in the Peruvian Southern Cordilleran Volcanic Zone.

Steaming ground and fumaroles have recently been discovered by Hot Rock on the upper flanks of the Ticsani volcano. At least fifteen hot springs occur at lower elevations along the Putina and Cuchumbaya rivers, tributaries of the Rio Tambo. These range in temperature from 54°C to 89°C with pH's ranging from 5.8 to 8.3. In geochemical terms the springs are described as mixed chloride-

bicarbonate waters indicating the presence of a benign geothermal reservoir at depth. Carbonate and silica sinter deposition products occur around the lower elevation thermal features.

The presence of chloride-rich water actively depositing silica sinter at low elevations and fumarolic activity at higher elevations confirms that Quellaapacheta is a classic steep terrain, high temperature geothermal volcanic system.

Chocopata – Peru

The Chocopata exploration tenement is located 120 km north-east of Arequipa and 100km north west of Puno. The tenement is flanked north, east and west by three 138 kV transmission lines, all located about 70 km from the centre of the tenement.

The main thermal area at Chocopata is called Pinaya and is located close to the southern edge of the tenement. This is characterized by numerous hot springs with temperatures ranging between 40 to 90° C and with pH's ranging from 5 to 6. The Pinaya hot springs have a substantial flow rate estimated at 10 l/s. Similar to Quellaapacheta, the occurrence of a primary chloride reservoir with indications for high reservoir temperatures suggest that Chocopata is a classic steep terrain, high temperature geothermal volcanic system.

Overall, the geological setting, the strong surface geothermal activity and the proximity of the projects to the national grid highlight the excellent prospectivity of the Chocopata project.

About Hot Rock Limited

Hot Rock Limited (ASX: HRL) is a geothermal energy company that offers investors an opportunity to participate in socially responsible and ethical investment choices through the development of sustainable, emission-free, base load power generation. Strategically, HRL has elected to focus on the commercially proven Hot Sedimentary Aquifer (HSA) and Volcanic Geothermal type projects in its quest to become a leading supplier of geothermal power.

In Australia, the company is focused on developing HSA projects in its large Otway Basin tenements in south-west Victoria. The flagship Koroit project is ready to drill and test and is awaiting the outcome of ongoing discussions with the Federal government and potential joint venture partners to fund this project.

HRL has expanded internationally into South America where high quality geothermal resources and attractive regulatory environments and market conditions are present. The Company established offices in Santiago and Lima in 2009. Exploration tenement applications covering exciting volcanic prospects have been granted to Hot Rock in both countries and exploration is now well advanced at a number of these tenements. Energy Development Corporation (EDC), the largest integrated geothermal company in the world has entered into a joint venture with HRL to fund one project in Chile and two projects in Peru.