



March 2009 QUARTERLY REPORT

About Hot Rock

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

The company is the largest holder of geothermal acreage in Australia with its position in the Otway Basin Geothermal Province and Queensland. HRL is planning to drill its first flagship geothermal project at Koroit in the Otway Basin, Victoria in 2009-10.

Management

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Highlights

Otway Basin, Victoria

- Hot Rock Limited (HRL) advanced the assessment of its newly granted GEP23 covering the northern section of the Penola Trough in Victoria and announced a geothermal discovery based on recently released data from previously drilled petroleum well Glenaire ST1, which reported the highest temperature in the Otway Basin of 158°C at a depth of 3,702m.
- Work focused on HRL's flagship Koroit Project in the Otway Basin, preparing for its proof of project concept program which consists of drilling and testing two appraisal wells into the Koroit Hot Sedimentary Aquifer reservoir to verify temperatures and well flow rates.
- Interpretation of the Magneto Telluric (MT) survey data and detailed three dimensional geological modelling in preparation for drilling at Koroit was continued over the past quarter and will be completed in the next quarter.
- Geothermal resource and reserve calculations have been completed subject to independent review, but will not be released until the results of the MT survey and structural interpretation have been completed.

Funding

- HRL was unsuccessful in being awarded an Australian Government Geothermal Drilling Program grant in Round 1 for the advised reason that HRL had not secured project funding to match the grant. However, the government strongly recommend that HRL reapply for Round 2 funding.
- In this regard, HRL is in ongoing discussions with a number of potential joint venture partners and private equity groups who invest in renewable energy projects and who have expressed strong interest in the Koroit Project.

Corporate

- As at 31 March 2009, HRL's cash reserves were approximately \$2.5 million.

GEOHERMAL EXPLORATION ACTIVITIES

During the quarter, HRL focussed activities on progressing its flagship Koroit Project and reviewing extensive petroleum seismic and well databases in our new GEP23 permit covering the northern portion of the Penola Trough in the Victorian Otway Basin.

Five permits are granted over most of the Otway Basin in Victoria and one permit is awaiting grant covering hot springs in the Walsh Creek area, west of Cairns in Queensland (Figure 1).

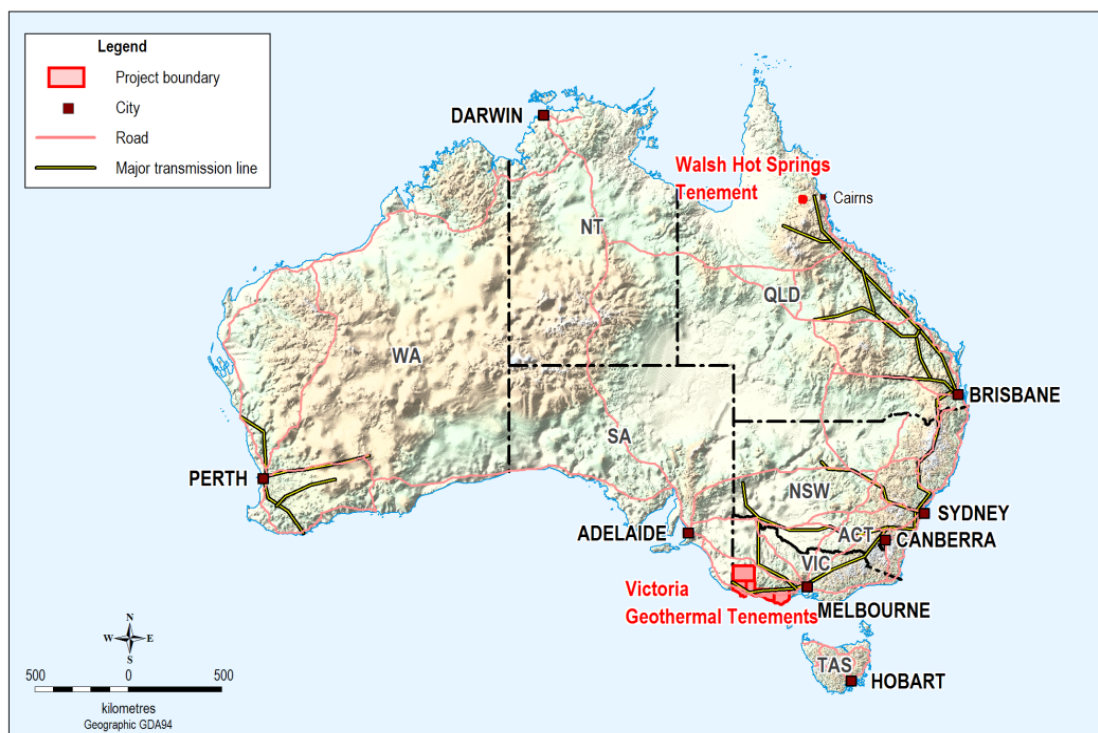


Figure 1: *Permits held by Hot Rock*

OTWAY BASIN, VICTORIA (GEP- 6, 7, 8, 9 & 23 - 100% HRL)

A review of seismic and drill hole data covering the Penola Trough in permits GEP6 and 23 has confirmed its prospectivity of the Trough as a geothermal target with direct evidence for temperatures suitable for supplying geothermal fluids to binary cycle power plants. A Horner corrected bottom hole temperature of 158°C was recorded at 3702m in petroleum well Glenaire ST1, leading to what is now regarded as a geothermal discovery. Horner corrections are frequently used in the petroleum and geothermal industry to correct temperature measurements made in wells at, or soon after drilling is completed and before they have been able to regain the natural state temperature equilibrium existing prior to drilling.

This well was drilled into the central part of the Penola Trough and intersected reservoir rock consisting of sandstone assigned to the Pretty Hill Formation (Figure 2). The Pretty Hill Formation is also the main geothermal target reservoir elsewhere throughout the Otway Basin.

Interpretation of seismic sections in GEP6 and 23 shows that the Pretty Hill Formation varies from 500m to over 1000m in thickness above 4000m depth, providing significant reservoir targets in the permits. Figure 3 is a geological cross-section interpreted from seismic lines and shows the deepening and thickening of the Pretty Hill Formation in the Penola Trough from the north-east to the south-west. A thick, thermal insulating blanket of mudstone, siltstone and coal beds lies above the Pretty Hill Formation reservoir and this is interpreted to contain heat within the reservoir.

Although there is a lack of water flow rate data from the petroleum wells in GEP23, structural geological analysis indicates the reservoir is highly fractured thus increasing the likelihood for economic hot water flow rates being available, not only from primary porosity within the sandstone rock but also from the secondary permeability provided by fractures and faults.

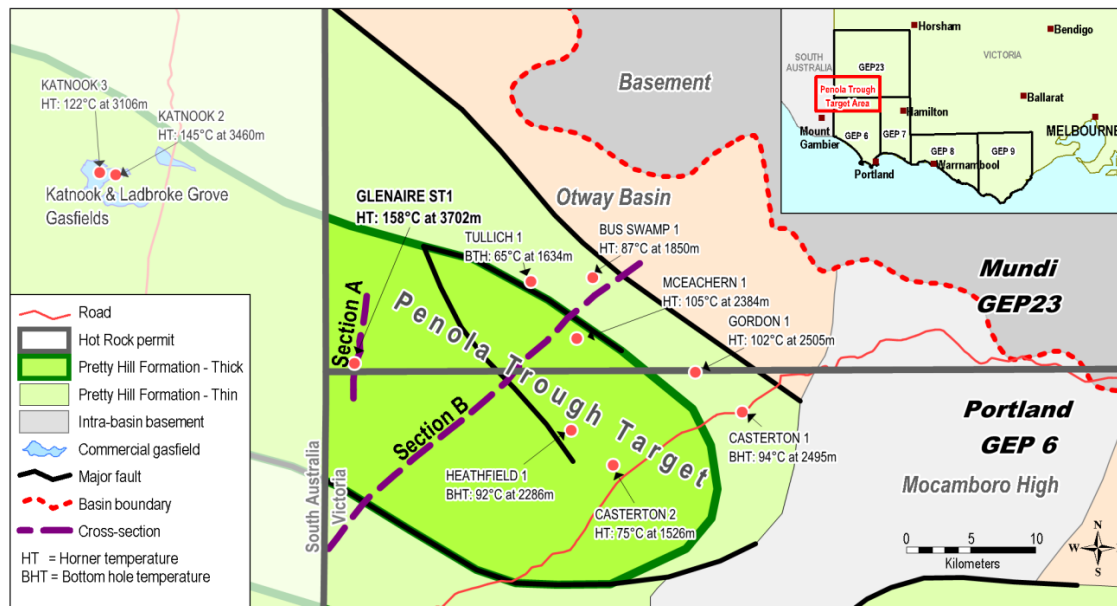


Figure 2: Location of the Penola Trough in GEP's 6 and 23, showing the location of wells, in particular the Glenaire ST1 discovery well

Gas production from the Pretty Hill Formation at Katnook and Ladbroke gas fields is located only 25km to the north-west of the Glenaire ST1 Well (Figure 2). This shows that the Pretty Hill Formation reservoir unit has suitable porosity and permeability to support commercial gas flow rates and therefore potential water flow rates in the range required for geothermal power plants, at least from similar reservoir depths of around 3000m.

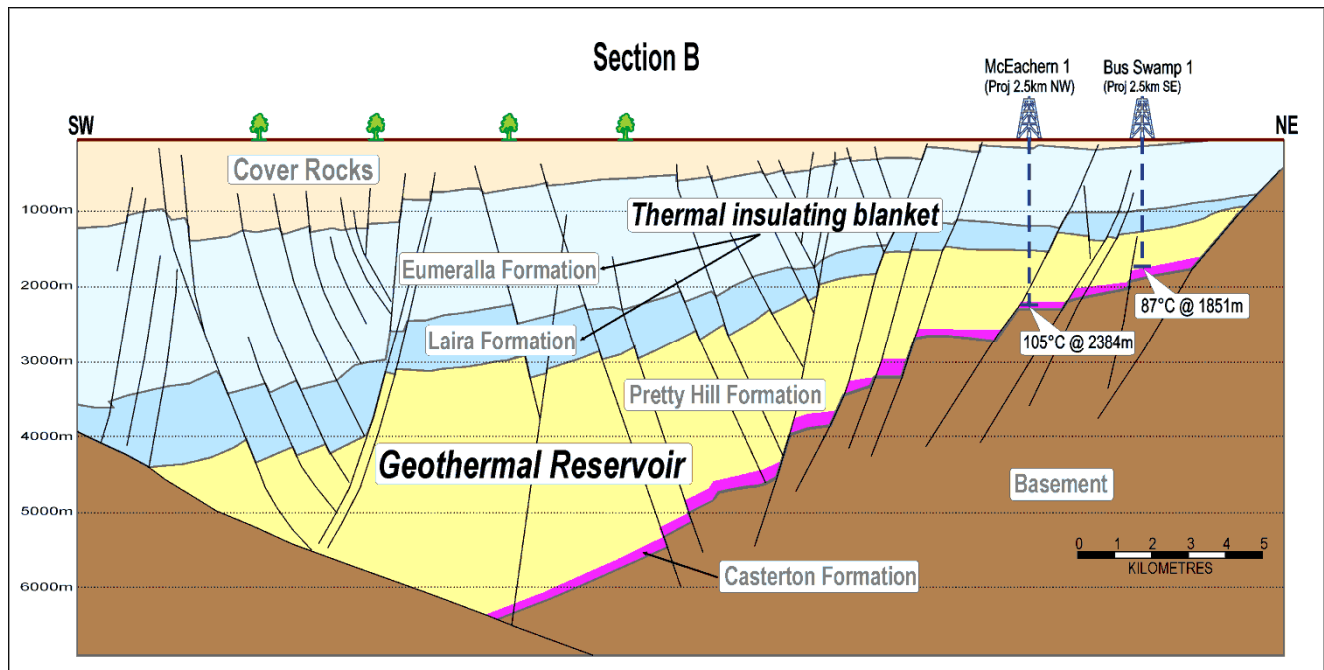


Figure 3: Geological cross-section B through the central section of Penola Trough showing the extensive development of the geothermal sandstone reservoir rock and the thermal insulating blanket consisting of mainly mudstone, siltstone and coal beds

HRL now has five interpreted geothermal discovery wells in its five Otway Basin permits, which provide evidence for suitably thick reservoir rock sequences being present throughout the permits and with geothermal temperatures suitable for power generation from binary cycle power plants (Figure 4). These Hot Sedimentary Aquifer (HSA) targets are attractively located relative to existing transmission lines and electricity markets for the development of clean base-load power from geothermal energy.

Detailed resource characterisation work is proceeding on our flagship first proof-of-concept project in the Koroit area of GEP8 where two discovery wells are located. Interpretation of geothermal reservoir depth, thickness, temperature, permeability and porosity and other reservoir characteristics support potential commercial binary power plant developments in the Koroit area.

HRL's proof-of-concept and development technical program during the quarter focussed on three key activities for the Koroit Project. This is a project area of 250 km² with high geothermal prospectivity located within Permit GEP8, in the vicinity of 20 petroleum wells including Taralea 1 (131°C at 2798m) and Killara 1 (126°C at 2409m) and extensive seismic lines. These activities are as follows:

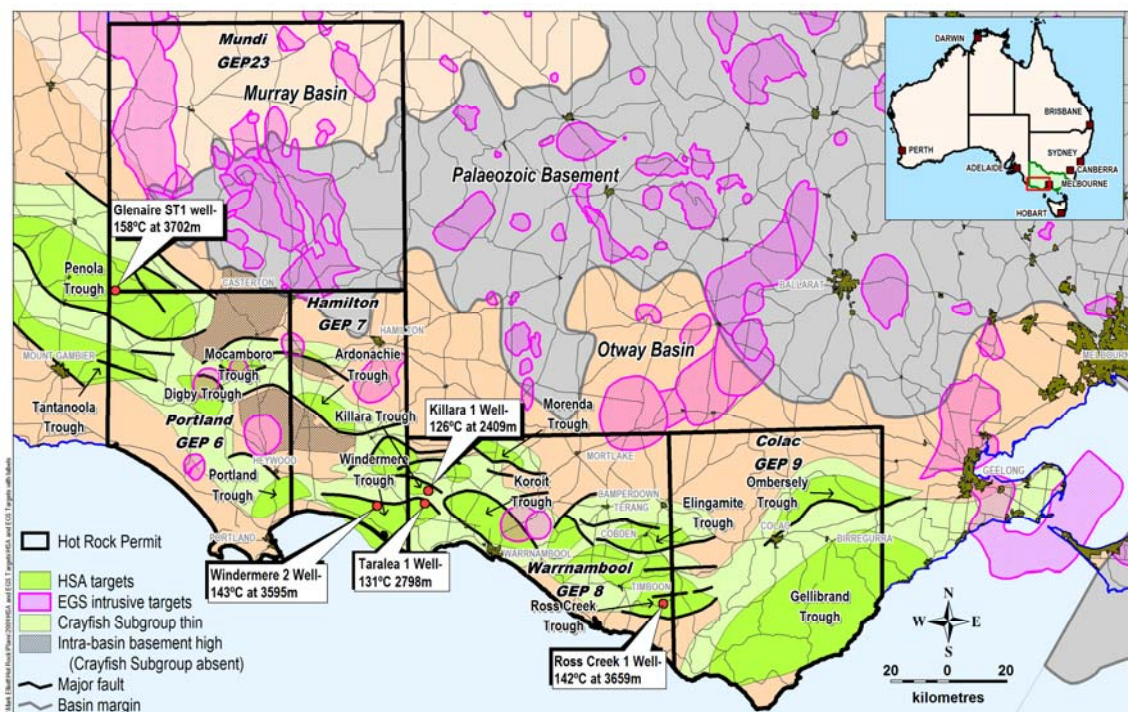


Figure 4: Geothermal reservoir targets (HSA targets) and discoveries

1. Ongoing Delineation of the Geothermal Reservoir at Koroit

Magneto Telluric (MT) Interpretation

Computer processing and interpretation of Magneto-Telluric (MT) geophysical survey data conducted over the Koroit Project area was ongoing during the quarter. The Koroit MT survey is the largest survey and data interpretation of its type undertaken by MT specialist, Quantec Geoscience based in Toronto, Canada. Once an initial problem with calibration of field measurement coils was corrected, the large data files and exceedingly lengthy computer modeling runs during data processing slowed down the delivery of the results. Computer processing to produce one, two and three dimensional MT models (1D, 2D and 3D inversions) is nearing completion and is now expected in May.

Three Dimensional (3D) Geological Modelling

Consultant 3D-GEO is investigating geothermal temperatures, porosity and permeability throughout the Koroit geothermal reservoir, together with an assessment of the structural and geological controls on geothermal fluid hydrology. Preliminary results of their work support the prospectivity of the Koroit Project and further enhance it through:

- recognising the highly fractured nature of the reservoir from detailed structural analysis of well logs and seismic data.
- good evidence that a large proportion of the faults and fractures are of an open nature and therefore probably permeable
- delineation through seismic attribute mapping of a series of areally extensive and thick (typically 500m) sections of clean bar sands between reservoir depths of 2500 and 4000m which are expected to have high primary permeability
- some localised heat anomalies appear to be associated with potential basement faults and capable of feeding hot fluid upwards into the overlying reservoir rocks. This significantly increases the prospects for obtaining high well flow rates at depths below 3500m, and with higher fluid temperatures than would be expected from temperature gradient considerations alone, thus increasing the likelihood of achieving commercial flow rates from future production wells.

2. Resource and Reserve Estimation

An assessment of the geothermal resources and reserves contained within the Koroit project area has been completed and is to be reviewed by an independent third party consulting company. However, it was decided not to release this important study until 3D-GEO's geological/structural and Quantec's MT interpretations and reports were completed. This work will be completed in the next quarter.

3. Preparation for Drilling

During the quarter, HRL continued to investigate well design options to achieve our objective of testing the reservoir for temperature and well flow rate at an acceptable cost. The cost of the planned large diameter wells has increased due to recent declines in the value of the Australian dollar against the US dollar, due to the high content of overseas costs in the well materials and equipment. Slim hole designs have therefore been investigated as these could be drilled with a smaller drill rig and cost less to achieve the same objectives. They would be of less use as production wells later in the project but the cost of wells at the early project proof of concept stage is an important issue.

As a result, expressions of interest have been sent to six drilling companies to provide information on availability of suitable rigs to drill slim test holes to a depth of 3500m. The new well design being investigated reduces the final hole diameter from 12 inches to 6 inches. All drilling materials have been specified and quantities determined and costed. Long lead procurement items have been identified and HRL is preparing to place orders with suppliers, when funding has been secured and well design finalised.

HRL has entered into a Drilling Club with another Australian geothermal developer and has separately executed a Letter of Intent with ThermaSource Inc, a large, experienced international geothermal drilling company headquartered in California, USA. This arrangement is on hold until the well design and program funding have been determined.

FUNDING

HRL was notified on 20 April that its application for a \$7million Geothermal Drilling Program grant from the Australian Government's Department of Resources, Energy and Tourism (DRET) was unsuccessful. Although this news is disappointing, DRET stated that the main reason the application was unsuccessful was that project funding by HRL was not yet secured. DRET stated that "the project, however, was strongly recommended to reapply for Round 2". We understand Round GDP grant applications will probably open in June 2009. HRL will be applying for GDP grant Round 2.

HRL is continuing discussions with potential Australian and overseas joint venture partners and investors interested in the Koroit Project.

CORPORATE

Cash Position

At the end of the March 2009 Quarter, the Company had approximately \$2.5 million cash at bank. The net cash operating and exploration expenditure for the quarter was \$614,000.

New Head Office

During the quarter, HRL moved into a new Head Office in Brisbane at Level 5, 10 Market Street as a result of office space no longer being available at our registered office in Brisbane. We are doing it on a shared basis with a commercial services company to contain costs.

Website

During the quarter the website was updated in order to keep all interested parties up to date with the Company's activities. Please go to the website at www.hotrockltd.com.

CORPORATE DIRECTORY

Board of Directors

Norm Zillman	Non-Exec Chairman
Mark Elliott	Managing Director
Peter Barnett	COO and Executive Technical Director
Mike Sandy	Non-Executive Director

Company Secretary & CFO

Paul Marshall

Issued Share Capital

Hot Rock has 61.2 million ordinary shares currently on issue and 6 million options.

Quarterly Share Price Activity

	High	Low	Last
Mar 2009	\$0.12	\$0.08	\$0.10

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