



**HOT ROCK LIMITED**

**ABN 99 120 896 371**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

## 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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### **SOLICITORS**

HopgoodGanim Lawyers  
1 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3024 0000

### **SHARE REGISTRY**

Link Market Services Limited  
Level 12  
300 Queen Street  
Brisbane QLD 4000  
Phone: 1300 554 474

### **AUDITORS**

Crowe Horwath Brisbane  
Level 16  
120 Edward Street  
Brisbane QLD 4000  
Phone: + 617 3233 3555

### **COUNTRY OF INCORPORATION**

Australia

### **STOCK EXCHANGE LISTING**

Australian Stock Exchange Limited  
ASX Code: HRL

### **INTERNET ADDRESS**

[www.hotrockltd.com](http://www.hotrockltd.com)

### **AUSTRALIAN BUSINESS NUMBER**

ABN 99 120 896 371

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## DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of Hot Rock Limited (HRL) and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

### DIRECTORS

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

Dr Mark Elliott	<i>Executive Chairman</i>
Mr Peter Barnett	<i>Managing Director</i>
Mr Michael Sandy	<i>Non-Executive Director</i>
Mr Stephen Bizzell	<i>Non-Executive Director</i>

### REVIEW OF OPERATIONS

During the period, the Company continued with exploration work on the Company's Volcanic projects in Chile and Peru as well as its Hot Sedimentary Aquifer (HSA) Victorian projects.

#### Chile

Work over the past 6 months has focused on:

- Ongoing exploration activities at HRL's two most advanced projects at Longavi and Calerías (comprising seven tenements)
- Assessment of exploration results obtained at Tuyajto, HRL's third most advanced project
- Land access and community information and relationship building activities at a further 6 granted concessions comprising 4 projects
- Work to progress the grant of other submitted concession applications

Detailed planning has been completed to undertake detailed Magneto Telluric (MT) resistivity surveys at each of the Longavi and Calerías projects during the first quarter of 2012. These are substantial surveys with more than 100 MT stations to be measured at each project. These will augment the MT surveys carried out in early 2011. The primary objective with these larger surveys is to more closely delineate the geothermal resources identified and reported in 2011, specifically for the purposes of defining resource boundaries and selecting exploration drilling targets. It is also expected that these surveys will increase the current estimate of resource capacity through the delineation of a northern resource extension at Calerías and resolution of additional resource below 2000m depth at Longavi. This work will be undertaken as part of the EDC joint venture finalised after the end of the reporting period (see below).

A specialist Chilean consulting company has been commissioned by HRL to assist with land access and consultation with indigenous communities in three project areas in the Araucanía and Los Ríos regions in Southern Chile (the Copahue, Santa Macarena and San Cristóbal projects). This work has progressed to the stage that access has now been granted by local communities in the Santa Macarena area to allow HRL to undertake reconnaissance level field studies in early 2012. Discussions on access are continuing with communities at Copahue and San Cristóbal.

A number of earlier submitted geothermal concession applications by HRL were not granted by the Chile Ministry of Energy due to conflicts with overlapping interests, particularly national parks and military reservations. Three of these applications for geothermal exploration concessions in northern Chile have now been re-submitted with revisions to the land areas being sought.

#### Peru

Community information programs and land access negotiations have been successfully completed at the granted Chocopata and Quellaapacheta projects and social and land owner approval obtained to commence geoscientific surface exploration programs, comprised of detailed geological, geochemical and geophysics surveys. These will begin once a formal environmental clearance has been issued by the General Directorate of Environmental Energy (DGAAE) for HRL to proceed, and the current wet season in Southern Peru ends (which runs from December through late March). In the interim, HRL staff are continuing to maintain close contact with the local communities in each project area.

Similar community and land access programs have been commenced at the other two granted projects of Turu and Rupha, comprised of information gathering on local land owners and communities and commencement of community relations programs.

An exploration authorisation was granted to HRL in late December for the Turu geothermal prospect in Southern Peru. This is the fourth geothermal exploration authorisation awarded to HRL in Peru.

## **Victoria - Otway Basin**

HRL's prime geothermal project at Koroit is a conventional Hot Sedimentary Aquifer (HSA) geothermal prospect. Whilst the project is at the stage of near completion of all necessary permits and approvals required for drilling, the Company has put on hold the drilling and testing program for two deep "Proof of Concept" wells until such time that either new government funding and/or a partner committing sufficient funds for the project to proceed has been secured.

HRL is optimistic that both fresh Government funding opportunities and improved partnering possibilities will lead to resumption of the planned Stage 1 drilling and testing program. On a more tangible level, HRL is in the process of submitting an Expression of Interest to ACRE (Australian Centre for Renewable Energy) for grant funds to support the Stage 1 Koroit project. Processing of this application will pass from ACRE into ARENA (Australia Renewable Energy Agency) as soon as the new agency is established.

In anticipation of drilling commencing at Koroit, HRL has recently taken delivery of well head valves and well head assemblies for the two deep well drilling and testing program at the Koroit project. These are now in storage at Koroit together with all casing requirements for the first well. In addition, HRL is maintaining a program of continuing dialogue with key stake holders in the greater Koroit area on project activities so that project can be recommenced at short notice.

### **REVIEW OF FINANCIAL CONDITION**

During the period, the Company successfully raised \$1.9 million through the issue of 75.8 million shares:

- A total of 33.6 million shares were placed to sophisticated investors and the Directors of Hot Rock Limited;
- The remaining 44.2 million shares were placed through the share purchase plan announced to shareholders on 28 October 2011.

This successful capital raising, combined with anticipated receipt of cash payments from the EDC Joint Venture (see below), is expected to provide sufficient funding to HRL for its planned geological and geophysical programs in 2012, focusing exclusively on HRL's other 100% owned projects, separately from the joint venture projects with EDC.

### **AFTER BALANCE DATE EVENTS**

On 2 February 2012, Hot Rock Limited executed binding joint venture agreements with Energy Development Corporation (EDC) covering four of Hot Rock's projects, two each in Chile and Peru.

The Chile and Peru joint venture agreements formalise the Heads of Terms signed by the two companies on 28 November 2011.

EDC will make payments to HRL of \$US2.5m when the project tenements are transferred into the newly formed joint venture companies. EDC will make further payments of \$US1.5m to HRL subject to certain conditions being satisfied, including certain Government renewals and approvals taking place.

EDC will then acquire a 70% interest in the projects and be responsible for sole funding the exploration stage of each project up to \$US12m. The exploration stage includes geological, geochemical, geophysical surveys and at least drilling one production appraisal well.

In the subsequent resource development stage, with an estimated further cost of up to \$US38m, 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. If HRL does not contribute any funds during the additional resource development stage it can still elect to retain an 18% minimum project interest at financial close by repaying EDC 18% of the additional resource development costs (plus a finance charge).

There have been no other events since 31 December 2011 that impact upon the interim financial report as at 31 December 2011.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration on page 7 forms part of the Directors' Report.

Signed in accordance with a resolution of the board of directors.

A handwritten signature in blue ink, appearing to read 'M Elliott', is positioned above the printed name.

Mark Elliott  
Executive Chairman  
Brisbane, 29 February 2012



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## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Hot Rock Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011 there have been:

- i. no contraventions of the auditor independence requirements of the corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads "Crowe Horwath Brisbane".

**Crowe Horwath Brisbane**

A handwritten signature in black ink that reads "B.P. Worrall".

**BRENDAN WORRALL**  
Partner

Signed at Brisbane, 29 February 2012

**Consolidated Statement of Comprehensive Income  
For the half-year ended 30 June 2011**

	December 2011 \$	December 2010 \$
Revenue	20,430	295,541
Employment and consultancy expenses	(530,893)	(409,052)
Depreciation and amortisation expenses	(32,342)	(19,702)
Project generation expenses	(11,414)	(276,111)
Finance costs	(1,488)	(1,872)
Exchange loss	-	(14,290)
Other expenses	(425,555)	(469,387)
Profit/(loss) before income tax	(981,262)	(894,873)
Income tax benefit/(expense)	-	334,688
Profit/(loss) after income tax expense	(981,262)	(560,185)
<b>Other comprehensive income/(loss)</b>		
Foreign currency translation differences for foreign operations	(59,602)	(36,546)
Income tax	-	-
	(59,602)	(36,546)
<b>Total comprehensive income/(loss)</b>	<b>(1,040,864)</b>	<b>(596,731)</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>		
Basic earnings per share	(0.57)	(0.56)
Diluted earnings per share	(0.57)	(0.56)

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

**Consolidated Balance Sheet  
As at 31 December 2011**

Note	December 2011 \$	June 2011 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,445,427	888,812
Trade and other receivables	29,434	14,252
Other current assets	64,655	30,174
<b>TOTAL CURRENT ASSETS</b>	<b>1,539,516</b>	<b>933,238</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	74,282	73,056
Financial assets	1	1
Plant and equipment	89,036	92,689
Exploration and evaluation assets	4,930,977	4,652,268
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,094,296</b>	<b>4,818,014</b>
<b>TOTAL ASSETS</b>	<b>6,633,812</b>	<b>5,751,252</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	112,855	33,453
Interest bearing liabilities	36,838	7,335
Short-term provisions	123,550	98,867
<b>TOTAL CURRENT LIABILITIES</b>	<b>273,243</b>	<b>139,655</b>
<b>TOTAL LIABILITIES</b>	<b>273,243</b>	<b>139,655</b>
<b>NET ASSETS</b>	<b>6,360,569</b>	<b>5,611,597</b>
<b>EQUITY</b>		
Issued capital	2	12,700,722
Reserves	879,434	10,910,886
Accumulated losses	(7,219,587)	939,036
<b>TOTAL EQUITY</b>	<b>6,360,569</b>	<b>5,611,597</b>

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

**Consolidated Statement of Changes in Equity  
For the half-year ended 31 December 2011**

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Reserve \$	Total \$
<b>Balance at 1 July 2010</b>	7,872,242	(4,691,923)	864,733	(29,842)	4,015,210
<b>Transactions with owners in their capacity as owners</b>					
Issue of share capital	3,579,416	-	-	-	3,579,416
Share issue costs	(540,772)	-	-	-	(540,772)
Share-based payment expense	-	-	144,753	-	144,753
<b>Comprehensive income</b>					
Loss after income tax	-	(560,185)	-	-	(560,185)
Other comprehensive income	-	-	-	(36,546)	(36,546)
<b>Balance at 31 December 2010</b>	10,910,886	(5,252,108)	1,009,486	(66,388)	6,601,876
<b>Balance at 1 July 2011</b>	10,910,886	(6,238,325)	1,032,828	(93,792)	5,611,597
<b>Transactions with owners in their capacity as owners</b>					
Issue of share capital	1,894,140	-	-	-	1,894,140
Share issue costs	(104,304)	-	-	-	(104,304)
Share-based payment expense	-	-	-	-	-
<b>Comprehensive income</b>					
Loss after income tax	-	(981,262)	-	-	(981,262)
Other comprehensive income	-	-	-	(59,602)	(59,602)
<b>Balance at 31 December 2011</b>	12,700,722	(7,219,587)	1,032,828	(153,394)	6,360,569

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

**Consolidated Cash Flow Statement  
For the half-year ended 31 December 2011**

	December 2011 \$	December 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Government grant monies received	-	385,000
Payments to suppliers and employees	(861,192)	(1,532,052)
Interest received	19,204	16,241
Finance costs	(1,488)	(1,872)
Income tax benefit received	-	692,980
Net cash used in operating activities	(843,476)	(439,703)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant & equipment	(29,945)	(17,368)
Payments for exploration and evaluation assets	(278,709)	(951,684)
Net cash used in investing activities	(308,654)	(969,052)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,894,140	3,579,416
Capital raising expenses	(104,304)	(320,581)
Proceeds from borrowings	-	69,630
Repayment of borrowings	(22,744)	(20,514)
Net cash provided by financing activities	1,767,092	3,307,951
Net increase/(decrease) in cash and cash equivalents held	614,962	1,899,196
Net foreign exchange differences	(58,347)	(36,976)
Cash and cash equivalents at the beginning of the financial period	888,812	934,706
<b>Cash and cash equivalents at the end of the financial period</b>	<b>1,445,427</b>	<b>2,796,926</b>

*The Cash Flow Statement should be read in conjunction with the Notes to the Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Hot Rock Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial report of the Group for the year ended 30 June 2011, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report.

### Going Concern

The financial report has been prepared on a going concern basis. The directors are of the opinion that the going concern assessment is appropriate for 12 months after the signing of the financial report based on:

- Existing cash reserves, combined with the anticipated receipt of cash payments from the EDC Joint Venture (refer Note 5) which are expected to provide sufficient funding to HRL for its planned geological and geophysical programs during 2012.
- The success of prior capital raisings; and
- The potential to farm-out other 100% owned projects.

The directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

## NOTE 2 ISSUED CAPITAL

	December 2011 \$	June 2011 \$
232,035,215 fully paid ordinary shares (June: 156,269,615)	12,700,722	10,910,886

	December 2011 Number	June 2011 Number	December 2011 \$	June 2011 \$
<b>Movements during the period</b>				
Balance at beginning of period	156,269,615	92,450,006	10,910,886	7,872,242
Share placement (\$0.025 per share)	33,600,000	-	840,000	-
Share placement (\$0.06 per share)	-	13,867,500	-	832,050
Share purchase plan (\$0.025 per share)	42,165,600	-	1,054,140	-
Rights issue (\$0.055 per share)	-	49,952,109	-	2,747,366
Issue costs	-	-	(104,304)	(540,772)
Balance at end of period	232,035,215	156,269,615	12,700,722	10,910,886

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 31 December 2011 there were 23,788,985 unissued ordinary shares under option (June: 27,788,985). No options were issued during the period.

During the half-year ended 31 December 2011 no shares were issued following the exercise of options.

### NOTE 3 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 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 periods under review:

<b>31 December 2011</b>	<b>South America \$</b>	<b>Australia \$</b>	<b>Consolidated \$</b>
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	9,386	11,044	20,430
Other unallocated revenue			-
<b>Revenue from Ordinary Activities</b>			<b>20,430</b>
Segment result	(384,272)	(596,990)	(981,262)
Income tax benefit / (expense)			-
<b>Net Loss</b>			<b>(981,262)</b>
<u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	(14,244)	(18,098)	(32,342)
<b>Assets:</b>			
Segment assets	822,990	5,810,821	6,633,811
Unallocated corporate assets			1
<b>Consolidated Total Assets</b>			<b>6,633,812</b>
<b>Liabilities:</b>			
Segment liabilities	6,893	266,350	273,243
Unallocated corporate liabilities			-
<b>Consolidated Total Liabilities</b>			<b>273,243</b>
<u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	29,945	-	29,945
Capitalised exploration expenditure	250,733	27,976	278,709

**NOTE 3 SEGMENT REPORTING (continued)**

<b>31 December 2010</b>	<b>South America \$</b>	<b>Australia \$</b>	<b>Consolidated \$</b>
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	-	295,541	295,541
Other unallocated revenue			-
<b>Revenue from Ordinary Activities</b>			<b>295,541</b>
Segment result	(490,453)	(404,420)	(894,873)
Income tax benefit / (expense)			334,688
<b>Net Loss</b>			<b>(560,185)</b>
<u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	(5,254)	(14,448)	(19,702)
Share based payments	-	(144,753)	(144,753)
<b>Assets:</b>			
Segment assets	324,873	6,645,673	6,970,546
Unallocated corporate assets			1
<b>Consolidated Total Assets</b>			<b>6,970,547</b>
<b>Liabilities:</b>			
Segment liabilities	5,808	362,863	368,671
Unallocated corporate liabilities			-
<b>Consolidated Total Liabilities</b>			<b>368,671</b>
<u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	16,807	561	17,368
Capitalised exploration expenditure	43,471	908,213	951,684

**NOTE 4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are no contingent liabilities or contingent assets at 31 December 2011.

**NOTE 5 EVENTS AFTER BALANCE SHEET DATE**

On 2 February 2012, Hot Rock Limited executed binding joint venture agreements with Energy Development Corporation (EDC) covering four of Hot Rock's projects, two each in Chile and Peru.

The Chile and Peru joint venture agreements formalises the Heads of Terms signed by the two companies on 28 November 2011.

EDC will make payments to HRL of \$US2.5m when the project tenements are transferred into the newly formed joint venture companies. EDC will make further payments of \$US1.5m to HRL subject to certain conditions being satisfied, including certain Government renewals and approvals taking place.

EDC will then acquire a 70% interest in the projects and be responsible for sole funding the exploration stage of each project up to \$US12m. The exploration stage includes geological, geochemical, geophysical surveys and at least drilling one production appraisal well.

In the subsequent resource development stage, with an estimated further cost of up to \$US38m 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. If HRL does not contribute any funds during the additional resource development stage it can still elect to retain an 18% minimum project interest at financial close by repaying EDC 18% of the additional resource development costs (plus a finance charge).

There have been no other events since 31 December 2011 that impact upon the financial report as at 31 December 2011.

## DIRECTORS' DECLARATION

In the Directors opinion:

- (a) the attached financial statements and notes *as set out on pages 8 to 14*:
  - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - (ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mark Elliott  
Executive Chairman

Brisbane  
29 February 2012

## Independent Auditor's Review Report

To the members of Hot Rock Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hot Rock Limited, which comprises the consolidated balance sheet as at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the financial year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hot Rock Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hot Rock Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Crowe Horwath Brisbane

**Crowe Horwath Brisbane**

B.P. Worrall .

**Brendan Worrall  
Partner**

**Signed at Brisbane, 29 February 2012**