earthheat

ASX ANNOUNCEMENT

January 31, 2013

Earth Heat Resources Ltd

Operations Report

October 1, 2012 to December 31, 2012

Earth Heat Resources Ltd
Registered Offices

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CORPORATE SUMMARY

During the Reporting Period the Company investigated potential funding both domestically and internationally for its portfolio of projects. Responding to a broader insufficient lack of investor and overall market interest in the geothermal sector, the Company undertook an internal review of its business strategy and future funding requirements. One of its key outcomes was the recognition for an immediate need to broaden the spectrum of energy assets to provide more appropriate short, medium and long term investment drivers.

In support of broadening the energy focus, the Company announced (and subsequently completed) a circa $1.3m rights issue and $220,000 placement through DJ Carmichael Pty Ltd.

Subsequent to the end of the Reporting Period the internal review was extended to a broader strategic review to ensure the Company is able to continue to be a viable investment proposition for existing and new shareholders. As announced to the market on 3rd January 2013 this review will include, inter alia, the identification of and assessment of expressions of interest from third parties in respect to the Company's existing geothermal assets.

OPERATIONAL SUMMARY

Argentina

Due to extreme constraints on the availability of capital, there was no material progression made with the Copahue project during the Reporting Period. Without a significant change in investor appetite, and access to funding, this situation is unlikely to change. As announced to the market subsequently on 3rd January 2013 and 24th January 2013 the Company is undertaking a Strategic Review which will include obtaining third party and existing joint venture party expressions of interest in the Copahue Project.

Australia

All interests in Australian Geothermal projects were relinquished.

Djibouti

No progress was made in Djibouti pending the outcome of discussions with various potential Joint Venture partners and the project will be subject to the current Strategic Review.

General

The Company initiated an investigation of new venture opportunities involving broader energy projects both domestically and abroad.

CAPITAL

During the quarter $220,000 was raised from the issue 110,000,000 special placement shares. The placement included 55,000,000 free attaching options that will be issued following shareholder approval at the AGM in February 2013. In addition, 10,000,000 shares were released from Escrow during the quarter.

On December 12, 2012, 10,000,000 unquoted stock option expired.

The 40,000,000 unquoted performance rights were cancelled on December 21, 2012.

The Company had the following securities on issue at December 31, 2012:

	Number
Ordinary shares quoted on the ASX	861,010,038
Ordinary shares not quoted on the ASX	3,264,423
Total ordinary shares	864,274,461
Unquoted stock options on issue(1)	38,158,228

(1) Excludes 55,000,000 free attaching options that will be issued following shareholder approval at the AGM in February 2013

FINANCIAL

Reconciliation of expenditure

This is the first quarterly report for Earth Heat Resources Limited for the year ending September 30, 2013.

Exploration and evaluation

The estimated exploration and evaluation expenditure cash flows amounted to $150,000, actual expenditure amounted to $292,899. The increase is due to exploration costs being paid earlier than expected.

Administration

The estimated administration expenditure cash flows included in the previous report amounted to $150,000, actual expenditure amounted to $222,302. The increase in administration expenditure is due to higher professional fees $55,000; and rights issue costs paid in advance $18,000.

Cash at the end of the quarter

Cash at September 30, 2012 was $37,696.

Since the quarter end the Company has raised net $1,147,920 from the rights issue announced on December 13, 2012 and a further $133,786 being the net proceeds from the first tranche of a placement announced on January 16, 2013. The Company notes that it deems the Socius facilities unusable and that the AGS Facilities remain undrawn from the previous quarter.

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from October 1, 2012 to December 31, 2012.

OPmarshall

Torey Marshall
Managing Director
BSc (Hons), MSc University of South Australia
Chartered Professional Member of AusIMM

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

EARTH HEAT RESOURCES LTD

ABN	Quarter ended ("current quarter")
ABN 86 115 229 984	31 DECEMBER 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (3 months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors –sale of project	-	-
1.2	Payments for (a) exploration & evaluation	(293)	(293)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(222)	(222)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(514)	(514)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(514)	(514)

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		Current quarter $A'000	Year to date (3 months) $A'000
1.13	Total operating and investing cash flows (brought forward)	(514)	(514)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	220	220
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(12)	(12)
	Net financing cash flows	208	208
	Net increase (decrease) in cash held	(306)	(306)
1.20	Cash at beginning of quarter/year to date	344	344
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	38	38

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	2
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Cash payment in respect of directors' superannuation.

Appendix 5B

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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Bank overdraft $10,000	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(100)
4.2	Development	
4.3	Production	-
4.4	Administration	(150)
	Total	**(250)**

Appendix 5B

Mining exploration entity quarterly report

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter $A'000	Previous quarter $A'000
5.1 Cash on hand and at bank	38	294
5.2 Deposits at call	-	50
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	**38**	**344**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Relinquished:			
	Mt Grainger SA Australia[1]	GEL 337	Direct	100%	Nil%
	Paratoo SA Australia[1]	GEL 338	Direct	100%	Nil%
	Waroonee SA Australia[1]	GEL 339	Direct	100%	Nil%
	Bulninnie SA Australia[1]	GEL 503	Direct	100%	Nil%
	Mt Grainger SA Australia[1]	GEL 504	Direct	100%	Nil%
	Price Hill Australia [1]	GEL 507	Direct	100%	Nil%
	Kimberlite Project Australia [1]	GEL 523	Direct	100%	Nil%
	Kimberlite Project Australia [1]	GEL 524	Direct	100%	Nil%
	Kimberlite Project Australia [1]	GEL 525	Direct	100%	Nil%
6.2	Interests in mining tenements acquired or increased	N/A			

(1) The Company received PIRSA confirmation that all Australian projects have been surrendered, effective October 25, 2012.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities***(description)*	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	**+Ordinary securities**	**864,274,461** Includes 3,264,423 unquote shares held in Canada	**861,010,038**		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	110,000,000 Nil	110,000,000 Nil	$0.002 each	$0.002 each
7.5	**+Convertible debt securities** *(description)*	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

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		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.7	**Options***(description and conversion factor)*	23,500,000 12,658,228 2,000,000 **<u>38,158,228</u>** -	Nil Nil Nil Total Nil	*Exercise price* $0.04 $0.079 $0.03 N/A Unquoted performance rights	*Expiry date* 10/08/2015 14/2/2016 30/7/2013 N/A
7.8	Issued during quarter	Nil	Nil		
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Unquoted Options <u>(10,000,000)</u> Unquoted Performance Rights <u>(40,000,000)</u>	Nil Nil	*Exercise price* $0.06 N/A Unquoted performance rights	*Expiry date* 12/12/2012 N/A
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

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Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 31 January 2013
(Company secretary)

Print name: Mr Malcolm Lucas Smith

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.