earthheat

ASX ANNOUNCEMENT

Earth Heat Resources Ltd

Operations Report

January 1, 2013 to March 31, 2013

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 lack of investor or 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, it was announced that the Company has divested its interest in the Copahue project to Geothermal One Inc of Canada, consistent with conclusions of the Company's internal review.

As announced on January 3, 2013 the Company had implemented a significant cost cutting exercise, including significant reductions in non-executive director fees and in the salary of the Managing Director Mr Torey Marshall.

OPERATIONAL SUMMARY

Argentina

The Company announced on April 23, 2013, that it has executed a legally binding agreement whereby the Company has withdrawn from the Copahue Joint Venture. Geothermal One will assume all current and future liabilities with respect to the Copahue Project, inclusive of assuming all of EHR's staff and/or in-country representative liabilities as well as provide an indemnity against any and all third party legal action effective from January 7, 2013. In exchange for assuming these liabilities, Geothermal One has been paid $120,017 (US$125,000) and provided with an unsecured loan of $143,266 (US$150,000) which may be paid back within 3 years.

Djibouti

No progress was made in Djibouti pending the outcome of 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 $1,692,000 was raised from the issue 735,874,704 special placement shares, rights issue and exercised Options.

The Company had the following securities on issue at March 31, 2013:

	Number
Ordinary shares quoted on the ASX	1,765,335,408
Ordinary shares not quoted on the ASX	3,113,757
Total ordinary shares	1,768,449,165
Stock Option on Issue:	
Quoted EHRO expiring 31/1/2016 exercise price $0.007	1,092,636,983
Unquoted stock options expiring 31/1/2014 exercise price $0.005	422,801,241
Unquoted stock options on issue expiring various dates	38,158,228

FINANCIAL

Reconciliation of expenditure

This is the second 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 $100,000, actual expenditure amounted to $120,838.

Administration

The estimated administration expenditure cash flows included in the previous report amounted to $150,000, actual expenditure amounted to $492,159. The increase in administration expenditure is due to strategic changes in the business (including due diligence costs for new projects), share issue costs resultant registry and exchange costs plus advisory, thus resulting in higher professional fees $187,005, $20,722 travel costs, $28,896 legal fees and insurance costs $30,433.

Cash at the end of the quarter

Cash at March 31, 2013 was $824,893.

The Company notes that it deems the Socius facilities unusable and that the AGS Facilities remain undrawn from the previous quarter.

Cash outflows for next quarter are estimated to be $200,000 based on the current capital expenditure rates and ongoing negotiations on a material acquisition.

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from January 1, 2013 to March 31, 2013.

TRMarshall

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 MARCH 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors –sale of project	-	-
1.2	Payments for (a) exploration & evaluation	(121)	(414)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(493)	(715)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(612)	(1,126)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	(143)	(143)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(144)	(144)
1.13	Total operating and investing cash flows (carried forward)	(756)	(1,270)

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.

		Current quarter $A'000	Year to date (6 months) $A'000
1.13	Total operating and investing cash flows (brought forward)	(756)	(1,270)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,692	1,912
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)	(149)	(161)
	Net financing cash flows	1,543	1,751
	Net increase (decrease) in cash held	787	481
1.20	Cash at beginning of quarter/year to date	38	344
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	825	825

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	43
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' remuneration and superannuation.

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.

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

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Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	50,000
4.2	Development	
4.3	Production	-
4.4	Administration	150,000
	Total	**200,000**

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	825	38
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**825**	**38**

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.

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:			
	Copahue JV	Interest in JV	Direct	Earning up to 100%	Nil%
6.2	Interests in mining tenements acquired or increased	N/A			

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**	**1,768,449,165** Includes 3,113,757 unquote shares held in Canada	**1,765,335,408**		
7.4	Changes during quarter (a) Increases through issues	1,691,515 77,506 39,669 58,300,000	1,691,515 77,506 39,669 58,300,000	$0.002 each $0.005 each $0.007 each Issue in lieu of fees	$0.002 each $0.005 each $0.007 each Issue in lieu of fees
	(b) Decreases through returns of capital, buy-backs	Nil	Nil		
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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Mining exploration entity quarterly report

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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)*	Unquoted Various		*Exercise price*	*Expiry date*
		23,500,000	Nil	$0.04	10/08/2015
		12,658,228	Nil	$0.079	14/2/2016
		2,000,000	Nil	$0.03	30/7/2013
		38,158,228	Total		
		422,801,241	Nil	$0.005	31/1/2014
		1,092,636,983	1,092,636,983	$0.007	31/1/2016
7.8	Issued during quarter	422,878,747	Nil	$0.005	31/1/2014
		1,092,676,652	1,092,676,652	$0.007	31/1/2016
7.9	Exercised during quarter	(77,506)	Nil	$0.005	31/1/2014
		(39,669)	(39,669)	$0.007	31/1/2016
7.10	Expired during quarter	Nil	Nil		
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

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Mining exploration entity quarterly report

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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: 30 April 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.