

**EARTH HEAT RESOURCES LTD**  
ARBN 86 115 229 984

**NOTICE OF THE ANNUAL GENERAL MEETING OF  
SHAREHOLDERS TO BE HELD ON FEBRUARY 23, 2012**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of the shareholders of Earth Heat Resources Ltd. (the "Company") will be held at City Tattersall's Club Limited, The Sydney Room, Level 2, 194-204 Pitt Street, Sydney NSW on Thursday February 23, 2012 at 11.30am to conduct the Business as detailed in this Notice of Meeting.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed Voting Form. Information to assist Shareholders with the lodgement of proxies and the relevant time frame for lodgement, is provided on page 5 of this Notice under the heading "Important Information".

The enclosed Management Information Circular accompanies and forms part of this Notice of Meeting. Shareholders are advised to read these documents in full as important background information is included.

Where permitted by law, the Chairman will be casting undirected proxy votes held by him in favour of the Resolutions.

**BUSINESS**

**A. Financial Statements**

To receive and consider the comparative financial statements of the Company for the financial years ended September 30, 2011 and 2010, together with the report of the auditor thereon. Consideration of the financial statements does not require a formal vote.

**B. Proposed Resolutions:**

The following resolutions are ordinary resolutions requiring a simple majority of votes from shareholders attending in person or voting by proxy.

**1. To set the number of Directors for the ensuing year**

Resolution 1 - as an Ordinary resolution

*"That the number of Directors for the ensuing year be set at 3"*

**2. To re-elect Raymond Douglas Shaw as a Director**

Resolution 2 - as an Ordinary Resolution

*"That Raymond Douglas Shaw be re-elected as a Director of the Company."*

**3. To re-elect Torey Robert Marshall as a Director**

Resolution 3 - as an Ordinary Resolution

*"That Torey Robert Marshall be re-elected as a Director of the Company."*

**4. To re-elect Norman Joseph Zillman as a Director**

Resolution 4 - as an Ordinary Resolution

*"That Norman Joseph Zillman be re-elected as a Director of the Company."*

**5. To appoint auditors for the ensuing year and to authorize the Directors to fix their remuneration**

Resolution 5 - as an Ordinary Resolution

*"That Grant Thornton Audit Pty Ltd be appointed as auditors of the Company for the ensuing year and the Directors be authorised to fix the auditors remuneration as appropriate."*

**6. Consideration of Remuneration Report**

Resolution 6 – as an Ordinary Resolution

*“That the Remuneration Report be adopted.”*

**7. To issue Performance Rights to Managing Director, Torey Robert Marshall pursuant to his Employment Agreement**

**Resolution 7 - as an Ordinary Resolution**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Shareholders approve the issue of 40,000,000 Performance Rights to Torey Robert Marshall in the manner and subject to the conditions specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 7**

The Company will disregard any votes cast on Resolution 7 by:

- Torey Robert Marshall; and
- Any associate of Torey Robert Marshall.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**8. To approve an issue of shares to Director, Dr. Raymond Douglas Shaw in lieu of cash payment for accrued director's fees**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Members approve the issue of fully paid ordinary shares to Dr. Raymond Douglas Shaw (or his nominee) in the manner specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 8**

The Company will disregard any votes cast on Resolution 8 by:

- Dr. Raymond Douglas Shaw; and
- Any associate of Dr. Raymond Douglas Shaw.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**9. To approve an issue of shares to Director, Norman Joseph Zillman in lieu of cash payment for accrued director's fees**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Members approve the issue of fully paid ordinary shares to Norman Joseph Zillman (or his nominee) in the manner specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 9**

The Company will disregard any votes cast on Resolution 9 by:

- Norman Joseph Zillman; and
- Any associate of Norman Joseph Zillman.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or

- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**10. To approve an issue of shares to ex Director, David Henty Sutton in lieu of cash payment for accrued director's fees**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Members approve the issue of fully paid ordinary shares to David Henty Sutton (or his nominee) in the manner specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 10**

The Company will disregard any votes cast on Resolution 10 by:

- David Henty Sutton; and
- Any associate of David Henty Sutton.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**11. To approve an issue of shares to ex Director, Stephen William Pearce in lieu of cash payment for accrued director's fees**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Members approve the issue of fully paid ordinary shares to Stephen William Pearce (or his nominee) in the manner specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 11**

The Company will disregard any votes cast on Resolution 11 by:

- Stephen William Pearce; and
- Any associate of Stephen William Pearce.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**12. To approve an issue of shares to ex Director, Alex Rose-Innes in lieu of cash payment for accrued director's fees**

*“That for the purposes of ASX Listing Rule 10.11, and all other purposes, Members approve the issue of fully paid ordinary shares to Alex Rose-Innes (or his nominee) in the manner specified in the Management Information Circular which accompanies and forms part of this Notice of Meeting.”*

**Voting Restriction on Resolution 12**

The Company will disregard any votes cast on Resolution 12 by:

- Alexander Rose-Innes; and
- Any associate of Alexander Rose-Innes.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**13. Approval of future share placement**

Resolution 13 - as an Ordinary Resolution

*"That for the purposes of Listing Rule 7.1 and all other purposes the shareholders approve the allotment and issue of up to 136,000,000 fully paid ordinary shares to any party or parties nominated by the Company (who shall not be related parties) at an issue price for the shares being at least 80% of the volume weighted average market price of securities in this class calculated over the last 5 days on which sales in the securities were recorded before the day on which the issue is made or, if there is a Prospectus, Offer Information Statement or Product Disclosure Statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date on which the Prospectus, Offer Information Statement or Product Disclosure Statement is signed, on the terms and conditions set out in the Explanatory Memorandum."*

**Voting Restriction on Resolution 13**

The Company will disregard any votes cast on Resolution 13 by:

- Any person who may participate in the proposed issue of securities;
- A person who may obtain a benefit except solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- Any associate of those persons.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**14. Approval to future unquoted option placement**

Resolution 24 - as an Ordinary Resolution

*"That for the purposes of Listing Rule 7.1 and all other purposes, Shareholders approve and authorise the Company, at the sole and absolute discretion of the Directors, to issue at no cost to the recipient(s) (who shall not be related parties), up to 50,000,000 unquoted options to acquire fully paid ordinary shares in the Company, as required for corporate purposes, in the manner and on the terms described in the accompanying Management Information Circular."*

**Voting Restriction on Resolution 14**

The Company will disregard any votes cast on Resolution 14 by:

- Any person who may participate in the proposed issue of securities;
- A person who may obtain a benefit except solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- Any associate of those persons.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the voting form; or
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

**C. Chairman's address on significant events during the financial year.**

To be presented at the Meeting.

**IMPORTANT INFORMATION**

The accompanying Management Information Circular provides additional information relating to the matters to be addressed at the Meeting and is deemed to form part of this Notice.

**Record Date**

The Directors have fixed the close of business on January 19, 2012 as the record date for determination of shareholders entitled to notice of and the right to vote at the Meeting, either in person or by proxy.

**Proxy voting by holders of common stock**

Shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the proxy. A proxy will not be valid unless it is deposited by mail or by fax at the office of Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, ON M5J 2Y1 (Fax: Within North America: 1-866-249-7775. Outside North America: (416) 263-9524 not less than 72 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or an adjournment thereof.

**Proxy voting by holders of CDIs**

Holders of CDIs are invited to attend the meeting. CDI holders may complete, sign and return the enclosed CDI Voting Instruction Form to Computershare Investor Services Pty Limited, at GPO Box 242, Melbourne, Victoria, 3001 Australia (free fax number within Australia: 1800 753 447 or outside Australia: +61 3 9473 2555) in order to direct CHES Depositary Nominees Pty Ltd. ("CDN") to vote the relevant underlying Common Shares on his or her behalf or may instruct CDN to appoint such CDI holder or his or her nominee as proxy to vote the Common Shares underlying the CDIs in person at the meeting. In either case, the CDI Voting Instruction Form needs to be received at the address shown on the Form not less than 72 hours (excluding Saturdays and holidays) before the time fixed for the Meeting or an adjournment thereof.

**DATED** at Sydney, Australia, this 4th day of January 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**



M E Lucas-Smith  
Company Secretary

MANAGEMENT INFORMATION CIRCULAR  
FOR AN ANNUAL GENERAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON FEBRUARY 23, 2012

**Earth Heat Resources Ltd.**

**Australia**

Level 7, Ferrari House,  
28-30 Grenfell Street,  
Adelaide SA 5000

**British Columbia**

Suite 711, 675 West Hastings Street  
Vancouver, BC V6B 1N2 Canada

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**LEGAL JURISDICTION**

As the Company is incorporated in the province of British Columbia, Canada, registered in Australia as a foreign company and listed on the Australian Securities Exchange our legal advisers are of the view that the Australian Corporations Act 2001 as well as the Business Corporations Act (British Columbia) and the ASX Listing Rules apply. Accordingly this Management Information Circular (or "MIC") and the accompanying Notice of Meeting are issued in accordance with the requirements of the relevant legislations and the ASX Listing Rules.

**A. CONSIDERATION OF FINANCIAL STATEMENTS**

The Annual Report of the Company including the comparative Financial Statements for the financial years ended September 30, 2011 and 2010 will be presented to the meeting for review and discussion. A representative of the Company's auditor, Grant Thornton will be present at the meeting to answer questions on the Financial Statements. Consideration of the Annual Report and Financial Statements does not require a resolution.

**B. PROPOSED RESOLUTIONS**

**RESOLUTION 1: SET NUMBER OF DIRECTORS**

At the AGM held on 23 February 2011 management nominated (and the Shareholders appointed) six (6) Directors. Since that time three (3) of those Directors, David Sutton, Stephen Pearce and Alex Rose-Innes have resigned as part of the Company's preparation for a North American listing. Management has nominated the three (3) remaining Directors for appointment and the proposed Resolutions are detailed in the Notice of Meeting which accompanies this Management Information Circular. All are existing Directors elected by the Shareholders at the 2010 AGM, and are now being submitted for re-election in accordance with the requirements of the Company's Constitution.

Details of each of the nominees qualifications and experience is provided below and further information regarding all positions held in the Company and Director's compensation may be found in the Annual Report made available to Shareholders in accordance with their indicated preference i.e. by mail, email or notice of availability on the Company web site.

Details are provided hereunder and in the Annual Report for the Director nominees as required by Canadian National Instrument 51-102F5 including all positions and offices in the Company presently held by such nominees, the nominee's municipality of residence, principal occupation at present and during the preceding five years, the period during which the nominee has served as a director, and the number and percentage of Common Shares of the Company that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the date of this Management Information Circular.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in Table 1. to the Board of Directors.**

Management does not contemplate that any of such nominees will be unable to serve as directors. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, **proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors.** Each director elected will hold office until the next Annual General Meeting of Shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company or the provisions of the Business Corporations Act (British Columbia) (the “BCBCA”) to which the Company is subject.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution. The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

#### **RESOLUTIONS 2 TO 4: RE-ELECTION OF DIRECTORS**

ASX Listing Rule 14.4 requires that Directors must not hold office (without re-election) past the third AGM following the Director’s appointment or 3 years whichever is longer, and ASX Listing Rule 14.5 requires an entity to hold an election of Directors each year. However the Company's Constitution requires all Directors to be re-elected each year. Accordingly existing Directors, Dr. Raymond Shaw, Mr. Torey Marshall and Mr. Norman Zillman are submitted for re-election. Details of their qualifications and experience are provided below.

#### **Dr. Raymond Douglas Shaw - Non-executive Chairman**

Dr. Shaw was appointed a Director of the Company on January 22, 2010 and has been a resident of Sydney NSW for longer than the last 5 years.

#### **Experience and expertise:**

Dr Raymond Shaw is a geologist and geophysicist with more than 30 years’ experience in the resources energy sector including the oil, gas and coal industries. He commenced his professional career as a petroleum explorationist with Shell Development Australia in Perth, prior to working for various consulting groups including the Swiss based international consulting firm Petroconsultants SA, as resident director based in Singapore and responsible for its Far East operations.

He has consulted extensively to industry, government, and international aid agencies on a variety of resource projects throughout Australia and Asia, including the World Bank, Asia Development Bank and Ausaid. He was a part time consultant with the New South Wales Department of Mineral Resources for 7 years providing input for industry initiatives during the late 1990's and early 2000's. Dr Shaw was founding Managing Director of Great Artesian Oil and Gas Limited prior to its listing on the ASX in 2003 until April 2007.

In May 2007 he became Executive Chairman of ASX listed Enterprise Energy Limited. In 2008, Ray Shaw oversaw the merger and backdoor listing of some \$250 million of coal assets into Enterprise Energy as part of a restructuring and change in business to form Bandanna Energy Limited, of which he is currently Managing Director. Bandanna holds extensive thermal coal assets in the Galilee and Bowen basins of Queensland.

#### *Special responsibilities*

Chairman of Board of Directors

**Mr. Torey Robert Marshall - Managing Director**

Mr. Marshall was appointed a Director of the Company on January 22, 2010, has been resident in Adelaide SA for 4 years and previously a resident of Sydney NSW for longer than 5 years.

**Experience and expertise:**

Mr Torey Marshall is a geologist with broad based technical and business development experience in the minerals, petroleum and geothermal sectors. This has resulted in the successful execution of various exploration programs (some resulting in discoveries), in a number of different areas. Having worked extensively as an exploration geoscientist, his skills have been considerably expanded to include senior management experience of various private and public (unlisted) companies. As part of his consulting practice, he has developed strategies for, and acquired projects on behalf of a number of clients.

He has assisted a number of private and public (unlisted) companies build their businesses to enhance shareholder value such as Phoenix Oil and Gas Ltd, Australian Oil Company Ltd, Red Gum Resources Ltd, Great Artesian Oil and Gas Ltd & QGC Ltd (A BG Group Company). He is a director of Red Gum Resources Ltd.

Mr Marshall is a Director of Red Gum Resources Ltd and Polymetallic Exploration Pty Ltd.

Mr Marshall holds a B.Sc (Hons) and M.Sc from the University of South Australia, and is a Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy, a member of the Geological Society of Australia and American Association of Petroleum Geologists.

*Special responsibilities*

Managing Director

**Mr. Norman Joseph Zillman**

Mr. Zillman was appointed a Director of the Company on February 26, 2010 and has been a resident of Devonport Tas. for longer than 5 years

**Experience and expertise:**

Mr Zillman has held positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach, and Manager of the Petroleum Branch of the Queensland Department of Mines and Energy and State Mining Engineer for Petroleum.

Mr Zillman has also held the position of Regional Manager of Northern Queensland for the Department of Mines and Energy based in Charters Towers where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines. This broad experience base provided Mr Zillman with an intimate knowledge of the Queensland resource sector.

Consequently he has held a wide variety of public company positions including foundation Managing Director of Queensland Gas Company Limited, foundation Chairman of Great Artesian Oil and Gas Limited, director of Planet Gas Limited and non-executive Chairman of Blue Energy Limited. Mr Zillman is currently Chairman of China Yunnan Copper Limited, non-executive director of Burleson Energy Ltd, non-executive director of Red Gum Resources Ltd and non-executive Chairman of Hot Rocks Limited. Mr Zillman is a Member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.



Mr Zillman holds a Bachelor of Science degree in Geology and a Bachelor of Science (Hons) degree in Botany from the University of Queensland. Mr Zillman has nearly 40 years experience as a professional geologist. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia.

*Special responsibilities*

Member of the audit committee

**DIRECTORS' INTERESTS IN VOTING SECURITIES**

The following table sets forth the number of voting securities that are beneficially owned, or controlled or directed, directly or indirectly by each proposed Director

Table 1. Directors Interests in Ordinary Voting Securities in the Company

Director	Number of Shares owned or controlled	Percentage of issued Capital
Raymond Douglas Shaw	68,089,641	11.36%
Torey Robert Marshall	69,363,925	11.57%
Norman Joseph Zillman	66,408,294	11.46%
Total	203,861,860	34.39%

**EXECUTIVE COMPENSATION**

**Summary Compensation**

The following Table 2 sets forth all annual and long term compensation for services in all capacities to the Corporation for the three most recently completed fiscal years, in respect of the individual(s) who were, during this period, acting in a capacity similar to Chief Executive Officer of the Corporation and the four most highly compensated Executive Officers whose compensation was greater than \$100,000 (“**Named Executive Officer(s)**”).

**Table 2**

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Option/SA Rs Granted <sup>(1)</sup> (No.)	Restricted Shares or Restricted Share Units (\$)	LTIP <sup>(2)</sup> Payouts (\$)	All Other Compensation (\$)
Torey Robert Marshall Managing Director	2011	\$279,816	nil	\$58,822	nil/nil	nil	n/a	nil
	2010	\$146,345	nil	\$16,916	nil/nil	nil	n/a	nil
	2009	nil	nil	nil	nil/nil	nil	n/a	nil

Dr. Raymond Shaw Non Executive Director Chairman	2011 2010 2009	\$65,000 \$44,905 nil	nil nil nil	nil nil nil	nil/nil nil/nil nil/nil	nil nil nil	n/a n/a n/a	nil nil nil
Jack Mulready Executive Director	2011 2010 2009	nil \$63,737 \$226,872	nil nil nil	nil \$485,281 \$13,128	nil/nil nil/nil nil/nil	nil nil nil	n/a n/a n/a	nil nil nil

**Notes:**

- (1) “SARs” or “**Stock appreciation right**” means a right granted by the Corporation as compensation for services rendered, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.
- (2) “LTIP” or “**long term incentive plan**” means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.
- (3) Jack Mulready resigned as an Executive Director from January 12, 2010.

**Option/SAR Grants During the Most Recently Completed Financial Year**

There were no stock options granted to the Named Executive Officers during the year ended September 30, 2011.

**Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values**

There were no stock options or free standing SARs exercised by a Named Executive Officer, during the Corporation’s most recent fiscal year and the fiscal year end of unexercised options and SARs.

**Long-Term Incentive Plans – Awards in Most Recently Completed Fiscal Year**

On February 23, 2010 Shareholders approved an Employee Share Option Scheme full details of which were provided in the Management Information Circular for that meeting. The Company has not issued any stock options under the Scheme.

**Pension and Retirement Plans and Payments Made Upon Termination of Employment**

The Company does not have any pension or retirement plan. The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person in connection with or related to the retirement, termination or resignation of such person and the Company has provided no

compensation to such persons as a result of change of control of the Company, its subsidiaries or affiliates. The Company is not party to any compensation plan or arrangement resulting from the resignation, retirement or termination of employment of such persons.

### **Compensation of Directors**

There are no arrangements under which directors were compensated by the Company and its subsidiaries during the most recently completed financial year for their services in their capacity as directors or consultants, other than as described below and as disclosed under “Summary Compensation Table”.

The following Table 3 sets forth compensation awarded or paid to, or earned by, the other directors of the Company in all capacities for services provided to the Company during the financial year ended September 30, 2011:

**Table 3**

<b>Name of Director</b>	<b>Directors’ Compensation (A\$)</b>	<b>All Other Compensation Paid (A\$)</b>	<b>Number of Shares Under Option</b>	<b>Exercise Price</b>	<b>Date Granted/ Expiry Date</b>
Norman Zillman	\$48,000	Nil	Nil	n/a	n/a
Stephen Pearce	\$28,760	Nil	Nil	n/a	n/a
Alex Rose-Innes	\$50,000	Nil	Nil	n/a	n/a
David Sutton	\$28,760	Nil	Nil	n/a	n/a

**Note:**

Directors Pearce, Rose-Innes and Sutton resigned effective May 6, 2011.

For further information on Directors’ experience and expertise including attendances at Directors’ Meetings refer to the Directors’ Report contained in the Consolidated Financial Statements for the year ended September 30, 2011.

### **Indebtedness of Directors and Senior Officers**

During the most recently completed financial year, no director or senior officer, nominee for election as a director, nor any of their respective associates or affiliates, is, or has been at any time since the beginning of the last completed financial year, indebted to the Corporation nor has any such person been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

### **Management Contracts**

During the most recently completed financial year, no management functions of the Corporation were to any substantial degree performed by a person or company other than the directors of the Corporation.

### **Securities Authorized For Issuance Under Equity Compensation Plans**

The following Table 4 sets out, as of the end of the Company's financial year ended September 30, 2011, all information required with respect to compensation plans under which equity securities of the Company are authorized for issuance:

**Table 4**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by securityholders	Nil <sup>(1)</sup>	N/A	26,013,836 <sup>(2)</sup>
Equity compensation plans not approved by securityholders <sup>(3)</sup>	N/A	N/A	N/A
Total	NIL	N/A	26,013,836

- (1) Options outstanding which have been granted pursuant to the Company's Stock Option Plan.
- (2) The Company has an Employee Share Option Scheme. The aggregate number of common shares reserved for issuance is a maximum of 5% of the issued and outstanding share capital of the Company at the date of grant. As at September 30, 2011, 26,013,836 options remained available for issuance.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth herein and below, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or Named Executive Officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing in any transaction in the preceding financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

### **Audit Committee**

The Company does not currently have a properly constituted Audit Committee due to an insufficient number of Independent Directors. Consequently the responsibilities of the Audit Committee are held by

the full Board. A summary of the responsibilities, activities and desirable membership of the Audit Committee is set out below and is followed by the Board in the discharge of that responsibility.

## **The Audit Committee's Charter**

### **Mandate**

The primary function of the audit committee (the "Committee") is to assist the board of directors in fulfilling its financial oversight responsibilities. The Committee reviews the financial reports and other financial information provided by the Company to regulatory authorities and its shareholders and reviews the Company's systems of internal controls regarding finance and accounting including our auditing, accounting and financial reporting processes. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

### **Composition**

The Committee is comprised of three directors as determined by the Board of Directors. At least one member of the Committee should have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee are elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

### **Meetings**

The Committee is to meet at least once annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee is to meet at least annually with the external auditors in separate sessions.

### **Responsibilities and Duties**

To fulfil its responsibilities and duties, the Committee shall:

#### Documents/Reports Review

- (a) Review and update the Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial

information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable the Board of Directors and the Committee as representatives of the shareholders of the Company.
- (b) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (c) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (d) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors.

Provided pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

#### Financial Reporting Processes

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and account principles and practices as suggested by the external auditors and management.
- (d) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (e) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (f) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (g) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (h) Review certification process.
- (i) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

## **Other**

- (a) Review any related party transaction.

### **Composition of the Audit Committee**

As stated above the functions and responsibilities of the Audit Committee are currently conducted by the full Board.

### **Relevant Education and Experience**

Each audit committee member has gained financial literacy through their years of experience serving as directors or officers of other companies. In these positions, each member would be responsible for receiving financial information relating to their company and obtaining an understanding of the balance sheet, income statement and statement of cash flows and how these statements are integral in assessing the financial position of the company and its operating results. Each member has significant understanding of the oil and gas business which the Company engages in and has an appreciation for the relevant accounting principles for that business.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of Multilateral Instrument 52-110.

### **Pre-Approval of Policies and Procedures**

The Directors' have adopted specific policies and procedures for the engagement of non-audit services and are satisfied that the provision of non-audit services during the period by the auditor (or by another person or firm on the auditors' behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The aggregate fees billed by the Company's external auditors for each of the last two financial years was \$67,420 for 2011 and \$52,340 for 2010 as follows in Table 5:

**Table 5**

	<b>Grant Thornton Audit Pty Ltd.</b>		<b>K S Black &amp; Co</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Audit Fees - Full Year	28,480	Nil	Nil	\$24,490
- Half Year	Nil	Nil	\$8,250	\$7,850
Tax related services		Nil	\$18,690	\$800
Other	10,000	Nil	\$2,000	\$19,200
<b>TOTALS</b>	<b>\$38,480</b>		<b>\$28,940</b>	<b>\$52,340</b>

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution. The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

#### **RESOLUTION 5: APPOINTMENT OF AUDITOR**

On December 14, 2011 it was announced that K S Black & Co. had resigned as auditors of the Company in view of the Company's previously announced intention to seek re-listing on the TSXV and KS Black & Co. not being Canadian compliant and / or CPAB registered. Consequently, the Directors appointed Grant Thornton Audit Pty Ltd who are Canadian compliant auditors and Grant Thornton Audit Pty Ltd have conducted the audit of the Company's 2011 financial statements.

Accordingly, Management now nominates Grant Thornton Audit Pty Ltd, as auditor of the Company to hold office until the next Annual General Meeting of Shareholders with the Directors authorised to fix the auditor's remuneration.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution. The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

#### **RESOLUTION 6: CONSIDERATION OF REMUNERATION REPORT**

The Annual Report forwarded to Members with this Notice, or made available according to each Shareholder's nominated preference, includes a Remuneration Report commencing at page 10. The Corporations Act 2001 requires that a resolution to adopt the Remuneration Report is put to the Members at each AGM. The Directors commend the Remuneration Report to the Members.

#### **Chairman and key Management Personnel prohibited from voting undirected proxies on the Remuneration Report**

Recent amendments to the Corporations Act in respect to voting on the Remuneration Report at an Annual General Meeting have left the ability of the Chairman and other key management personnel of the Company unclear in respect to their ability to vote undirected proxies on the Remuneration Report.



It is understood that Parliament intends to clarify the position, however until that time the Chairman and other key management personnel will not be able to vote any undirected proxies on the Remuneration Report.

The Board requests that each Shareholder voting on the Remuneration Report by proxy and appointing the Chairman or any other key management personnel of the Company as their proxy, specifically mark the proxy form as to their voting intention. If any Shareholder appoints the Chairman or any key management personnel (being any Director, the Company Secretary or the Finance Manager) as their proxy, and fails to direct the proxy holder how to vote on the Remuneration Report, then as the law currently stands that vote will not be counted on a poll.

The prohibition only applies to the Chairman or key management personnel voting undirected proxies in respect to the Remuneration Report and will not affect any of the other proposed resolutions. If a Shareholder appoints a person other than the Chairman or one of the key management personnel as their undirected proxy, then no prohibition applies and that proxy holder may vote those shares on all resolutions as he or she decides.

#### Introduction of the "2 Strikes Rule"

Recent amendments to the Corporations Act have also introduced what has become known as the "2 Strikes Rule". Under this Rule:

- if 25% of the votes cast at an AGM in respect to the Remuneration Report oppose the Report, and Shareholders make comments at the Meeting, then the following year the board must report on any proposed responses to those comments, or explain why it does not propose any response;
- if 25% of the votes cast at two consecutive AGMs oppose the adoption of the Remuneration Report, then at the second AGM, the Company must give Shareholders the option (if 50% or more of votes cast are in favour of a "spill") to require the entire board (except the managing director) to stand for re-election at a further general meeting. This further general meeting must take place within 90 days.

For the information of Members, the "No" vote cast on the Remuneration Report at the 2011 AGM was 0.03%.

The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

#### **RESOLUTION 7: ISSUE OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR, TOREY MARSHALL, PURSUANT TO HIS EMPLOYMENT AGREEMENT**

Resolution 7 is proposed to obtain approval for the issue of 40,000,000 unquoted performance Rights to acquire fully paid ordinary shares in the Company, to the Company's Managing Director, Mr. Torey Marshall in accordance with the terms of his Employment Agreement. The Performance Rights are a long term incentive and have not yet been issued to Mr. Marshall.

The Performance Rights will be issued within 7 days, and in any event no later than 1 month, of the date of the meeting and conversion into shares will be subject to achievement of the Key Performance Indicators ("KPIs") at the discretion of the Board, and achievement of one the vesting conditions as listed below. In addition the Performance Rights will be escrowed for 2 years from the date of issue.

Each Performance Right entitles the holder (Mr. Marshall) to receive one share for no cash consideration once the relevant performance hurdles have been met and the right has vested in the holder.

### **Key Performance Indicators**

All to be achieved, at the discretion of the Board.

1. Completion of a third Capital Raising for the Company (in addition to the 2 raisings completed prior to the Commencement Date of this Agreement);
2. Introduction of a new project in Africa;
3. The Company progresses any of the projects of the Company including but not limited to a farmout or joint venture agreement entered into between the Company and a third party;
4. Completion of a Bankable Feasibility Study for one of the projects in the Company's portfolio;
5. Closing at least one phase of project finance for any project in the Company's portfolio;
6. Listing of the Company on a North American Stock Exchange on which it is not listed at the Commencement Date;
7. The share price of the Company remaining at 7 cents or more for 2 consecutive months during the Term;
8. The Executive being employed by the Company in the Position for at least 2 years.

### **Vesting Conditions**

One to be achieved.

1. Achievement of each of the Performance Rights KPIs (as determined by the Board, in its complete discretion);
2. The Executive ceases to be employed by the Company in the Position, notwithstanding that he may be employed by the Company in another role;
3. 50% or more of the shareholding of the Company is acquired by a third party following a takeover bid by that party (whether recommended by the Board or not) and rollover tax relief is not available to the Executive;
4. The expiration of 10 years from the date of issue of the Performance Rights by the Company to the Executive.

Given that Mr. Marshall is a related party, approval is being sought for the proposed issue in accordance with ASX Listing Rule 10.11. ASX Listing Rule 10.11 provides that an entity must not issue or agree to issue equity securities to a related party, without the approval of Members.

If approval is obtained under ASX Listing Rule 10.11 then approval under ASX Listing Rule 7.1 is not required. ASX Listing Rule 7.1 provides that an entity must not issue, or agree to issue, more than fifteen percent (15%) of its capital without the approval of its Members.

This proposed Resolution is subject to a voting restriction as detailed in the Notice of Meeting.

As the Performance Rights will be issued to Mr. Marshall as part of his remuneration no funds will be raised from the issue of the Performance Rights. Nor will any funds be raised upon conversion of the Performance Rights (assuming the KPIs are achieved), into ordinary fully paid shares.

In the event that all the Performance Rights are ultimately converted then provided the current issued capital remains unchanged until that time, Mr. Marshall's related party holdings will increase to 109,363,925 which will be 17.10% of the Company's then issued capital.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution.  
The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

#### **RESOLUTIONS 8 to 12: SHARE ISSUE TO PAST AND PRESENT DIRECTORS IN LIEU OF CASH PAYMENTS FOR UNPAID DIRECTORS' FEES**

Following the acquisition of Earth Heat Limited in January 2010 by Fall River Resources Ltd (now Earth Heat Resources Ltd), it was proposed by the Board in February 2010 that, commencing immediately, in an effort to preserve available cash, all non executive directors (and executive director Alex Rose-Innes) agree to defer payment of their director's fees (already accrued and to accrue) to a future date when consideration may be given to either a cash payment or an equivalent issue of shares. The Directors concerned are Messrs Shaw, Zillman, Sutton, Pearce and Rose-Innes with the last three having since resigned effective 6 May 2011. The total accrued directors' fees for the varying periods averaging around two years (except for Mr. Rose-Innes which was less than one year) is \$436,354.59 based upon the then total annual fees of \$259,000 as follows:

Chairman - Dr. Shaw \$65,000 per annum;

Non Executive Directors - Messrs NJ Zillman, DH Sutton & SW Pearce \$48,000 PA each; and

Executive Director A Rose-Innes \$50,000 in total.

Note:

Following the resignations of Directors Sutton, Pearce & Rose-Innes the actual annual non executive directors fees are now \$113,000.

With available cash remaining tight it is now proposed that the outstanding Director's fees be settled by the issue of fully paid ordinary shares as detailed in table 6 below. The parties have agreed that the most appropriate way to determine the issue price for these shares is to utilise the VWAP over the 5 trading days immediately prior to the date of this meeting. Shareholders will appreciate that it is virtually impossible to accurately determine the likely future price of the Company's shares 6 weeks hence, however the Directors consider it likely that the price will remain fairly constant over that period.

During the accrual period concerned (which exceeds more than 2 years) the Company share price has ranged from \$0.013 to \$0.091 and at the date of this MIC is \$0.041. If the share price at the date of this MIC is adopted for the purposes of an example, the number of shares to be issued as a result of this resolution will be as estimated in table 6 below. The shares will be issued within one month of the date of the meeting and no funds will be raised by the issue.

Table 6 - Estimated number of shares to be issued in lieu of cash payments of outstanding Directors' fees

<b>Grantees</b>	<b>Date of Resignation</b>	<b>Directors' Fees Foregone \$</b>	<b>Estimated No. of shares</b>
R D Shaw	Not applicable	136,988.25	3,341,177
N J Zillman	Not applicable	96,280.00	2,348,293
D H Sutton	6 May 2011	79,363.42	1,935,693
S W Pearce	6 May 2011	73,722.92	1,798,120
A Rose-Innes	6 May 2011	50,000.00	1,219,512
<b>TOTAL</b>		<b>436,354.59</b>	<b>10,642,795</b>

Notes:

- 1) The number of shares issued may be greater or lower than the estimate in Table 6 depending on the actual share price over the 5 day VWAP period prior to this meeting.
- 2) ASX Listing Rule 10.13.5 requires the issue price of the shares to be disclosed however, as stated above, that is not possible at the date of this MIC as the future VWAP of the shares over the 5 trading days immediately prior to the date of this meeting is unknown. Accordingly the Company has applied to the ASX for a waiver from that requirement of Listing Rule 10.13.5. In the event that the waiver application is unsuccessful Resolutions 8 to 12 will be withdrawn from the meeting. For the purposes of completing proxy forms, shareholders should proceed on the assumption that the waiver will be granted.

Given that Messrs Shaw and Zillman are currently related parties and Messrs Sutton, Pearce and Rose-Innes were related parties during most of the period concerned, approval is being sought for the proposed issues in accordance with ASX Listing Rule 10.11. ASX Listing Rule 10.11 provides that an entity must not issue or agree to issue equity securities to a related party, without the approval of Members.

If approval is obtained under ASX Listing Rule 10.11 then approval under ASX Listing Rule 7.1 is not required. ASX Listing Rule 7.1 provides that an entity must not issue, or agree to issue, more than fifteen percent (15%) of its capital without the approval of its Members.

#### **Listing Rule 10.13**

In accordance with Listing Rule 10.13 the following information is provided in relation to the issue of the Shares:

**a) The maximum number of securities the entity is to issue**

As stated above it is not possible to accurately determine the number of shares to be issued as the issue is dependent upon the VWAP of the shares traded over the 5 trading days immediately prior to this meeting. Based upon the share price at the date of this MIC of \$0.041, the total number of shares to be issued would be 10,642,795 as detailed in table 6.

**b) The date by which the entity will issue the securities**

The shares will be issued no later than one month after the date of the Meeting.

**c) The issue price of the Placement Shares**

The issue price will be no less than 100% of the volume weighted average market price (**VWAP**) of the securities in this class calculated over the last 5 days on which sales in the securities are recorded before the date of this meeting.

**d) The names of the allottees**

The names of the allottees are as detailed in Table 6 above.

**e) The terms of the securities**

The shares will be fully paid ordinary shares that rank equally in all respects with the existing fully paid ordinary shares.

The proposed Resolutions are subject to voting restrictions as detailed in the Notice of Meeting. The Chairman will be casting undirected proxy votes held by him in favour of this Resolution. The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

## **RESOLUTIONS 13 & 14: APPROVAL OF FUTURE SECURITIES PLACEMENTS**

On October 10, 2011 the Shareholders approved the issue of up to 136,000,000 ordinary shares and up to 20,000,000 unquoted options to any party or parties nominated by the Company, who shall not be related parties. During the period since the February 23, 2011 AGM the Company has released regular Corporate Updates in respect to recent and historic activities and the conclusions reached for future directions.

The circumstances leading to the consideration of the two resolutions at the October 10, 2011 EGM are unchanged and to date only 20,000,000 of the shares and 10,000,000 of the options have been issued in accordance with the approval.

As stated in the MIC for the October 12, 2011 EGM, the Board has concluded that future success of the Company could be best accommodated by embracing opportunities within the "New Energy" sector, including green power such as geothermal power. This is particularly so in emerging economies where they do not have to compete with existing and established infrastructure and pre-existing market share.

The ASX does not have a large following in the New Energy Sector. For this reason the Company has been considering a secondary listing, such as on the TSXV, where there is a greater depth of investors more aligned with our future activities. As yet however, the Board has not made any final decision on this.

The Company now has the potential to establish 180 MW of power via relatively advanced development projects. In light of these developments the Company has been discussing with potential cornerstone investors various financing models. A number of Confidentiality Agreements have been signed with various parties both in Europe and North America, however, at this stage the Company has not yet proceeded with any specific third party financing arrangements.

Earth Heat has been actively engaging with various financing groups to assist in progressing key projects in Djibouti and Argentina. Review of the geothermal sector clearly shows that financing, on the scale of developments contemplated by the Company is not readily available in Australia at this time. In contrast investor appetite for this particular style of investment is much stronger particularly in North America and Europe, as evidenced by recent capital raisings by Magma Energy and Ram Power on the TSX. Therefore, EHR is considering all finance options which include the potential dual listing or transfer of the Company on or to an exchange that recognises the value in New Energy investments.

Potential cornerstone investors have approached the Company and these include both finance organisations in addition to other groups such as engineering firms. On November 24, 2011 the Company announced that Inter-American Development Bank had been mandated to raise up to USD134m in project finance for the development of the 30MWe Copahue project in Argentina. At the present time the Company is in confidential discussions with a number of groups and made a detailed announcement on December 22, 2011 regarding the solid progress to date.

The Managing Director, Torey Marshall observed in the Corporate Update that:

"Taken together, the progress and position of our Project Finance now puts the Company in an enviable position. We stand out as the only ASX listed Geothermal Company which has a clearly identified plan for its funding solution – and one so far in advance of the completion of a Bankable Feasibility Study. This reflects genuine third party interest and the quality of the Copahue Project itself. Project Financing milestones which we have already achieved would not normally be attained until either after, or well into, the Bankable Feasibility Stage. The current situation is particularly heartening given the relative size of the Company and the funding level requirements for the project. This is particularly more so given the advances we have recently made in what are extremely difficult macro-economic conditions.

The Company is now connected with just about every major Geothermal financier in the world on some level, and has exceeded any reasonable expectations for obtaining project finance. Considering that shareholders are often exposed to significant project CAPEX, our funding solution once implemented will virtually eliminate the chances of future large equity raises for this project"

### **Resolution 13: Approval of future share placement**

Aggressive and rapid expansion of the Company's activities, particularly in respect to major overseas jurisdictions as planned by the Board, will require significant financial investment. Accordingly, Shareholders are asked to pre-approve a placement of up to 136,000,000 fully paid ordinary shares (**Placement Shares**) at an issue price of no less than 80% of the volume weighted average market price (**VWAP**) of the securities in this class calculated over the last 5 days on which sales in the securities are recorded before the day on which the issue is made, or if there is a Prospectus, Offer Information Statement or Product Disclosure Statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date on which the Prospectus, Offer Information Statement or Product Disclosure Statement is signed, on the terms and conditions set out in this Explanatory Statement.

At the date of this Management Information Circular the closing price of the Company's shares was 4.1 cents (\$0.041) each. If the share price remains unchanged during the period to when the placement is made and the Board determines to place the full 136,000,000 shares, the Company will raise \$4,460,800. Depending on movements in the share price during the period and the actual share placement price, the Company may potentially raise more or less than the stated amount. If the share price has increased during the period and depending on the circumstances at the time, the Board may determine to place a lesser number of shares than the stated number.

However, the Directors are of the opinion that the Company is substantially undervalued at present and it remains their intention to attempt a placement at a premium to market rather than a discount. Unfortunately, given the state of the financial markets at present, it may not be possible to achieve a premium hence the conservative nature of the proposed resolution.

If the full number of 136,000,000 shares are issued to a single Holder that Holder will control 18.2% of the then issued capital of the Company being 746,175,438 (assuming the approval of the share issues detailed in Table 6 above) and become the cornerstone investor.

### **Listing Rule 7.1**

Listing Rule 7.1 broadly provides, subject to certain exceptions, that a company may not issue or agree to issue securities which represent more than 15% of the company's issued capital at the beginning of any 12 month period without obtaining Member approval. The Company's proposed issue of the Placement Shares requires Member approval under Listing Rule 7.1 and none of the exceptions under Listing Rule 7.2 apply.

### **Listing Rule 7.3**

In accordance with Listing Rule 7.3 the following information is provided in relation to the issue of the Placement Shares:

**a) The maximum number of securities the entity is to issue**

The maximum number of Placement Shares to be issued is 136,000,000.

**b) The date by which the entity will issue the securities**

The Placement Shares and Placement Options will be issued no later than 3 months after the date of the Meeting.

**c) The issue price of the Placement Shares**

The issue price will be no less than 80% of the volume weighted average market price (VWAP) of the securities in this class calculated over the last 5 days on which sales in the securities are recorded before the day on which the issue is made, or if there is a Prospectus, Offer Information Statement or Product Disclosure Statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date on which the Prospectus, Offer Information Statement or Product Disclosure Statement is signed, on the terms and conditions set out in the Explanatory Memorandum.

**d) The names of the allottees**

The names of the allottees are currently not known but will be a party or parties nominated by the Company or by an entity appointed by the Company for that purpose, and will not be related.

**e) The terms of the securities**

The Placement Shares will be fully paid ordinary shares that rank equally in all respects with the existing fully paid ordinary shares.

**f) The dates of allotment**

The dates of allotment are unknown. Allotment may occur progressively and no later than 3 months after the date of the meeting.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution. The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

**Resolution 14: Approval to future unquoted option placement**

The Company considers that it would be advantageous to the various corporate negotiations and possible future Placements, if up to 50,000,000 unquoted options were available for issue (to non related parties) as a way of assisting with those negotiations and to preserve cash in lieu of paying fees to relevant parties. The options would only be issued if the Directors considered in their sole and absolute discretion, that it would be in the best interests of the Company to do so in order to bring any negotiations or corporate activities to a satisfactory conclusion and in a timely fashion.

If required to be issued in association with a Placement, the options will have an exercise price being 200% of the Placement share price the subject of Resolution 13, or if issued for corporate purposes then at 200% of the VWAP over the 5 trading days immediately prior to the issue, both with an expiry date 36 months after issue. If approved the options the subject of this Resolution will be issued within three months of the meeting.

This Resolution 14 seeks approval for the purposes of Listing Rule 7.1. The effect of Shareholder approval being obtained under Listing 7.1 is that the ability of the Company to issue further securities up to the 15% limited imposed by Listing Rule 7.1 is preserved.

**Listing Rule 7.3**

In accordance with Listing Rule 7.3 the following information is provided in relation to the issue of the securities:

**a) The maximum number of securities the entity is to issue**

The maximum number of unquoted options to be issued is 50,000,000.

**b) The issue price of the securities**

The unquoted options will be issued at no cost to the recipient.

**c) The date by which the entity will issue the securities**

The unquoted options will be issued no later than 3 months after the date of the Meeting.

**d) The exercise price of the securities**

The exercise price of the unquoted options, if issued in association with a Placement, will be 200% of the issue price of the placement shares to be issued pursuant to Resolution 13, or if issued for general corporate purposes then at 200% of the VWAP over the 5 trading days immediately prior to the issue.

Resolution 13 provides for a share issue price of no less than 80% of the volume weighted average market price (**VWAP**) of the securities in this class calculated over the last 5 days on which sales in the securities are recorded before the day on which the issue is made, or if there is a Prospectus, Offer Information Statement or Product Disclosure Statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date on which the Prospectus, Offer Information Statement or Product Disclosure Statement is signed, on the terms and conditions set out in this Explanatory Statement. Therefore, by way of example, if the shares the subject of Resolution 13 were to be issued at an issue price per share of \$0.0328 (80% of the current share price of \$0.041) then the exercise price of the options the subject of this Resolution 14 would be \$0.0656 each.

Alternatively, if the options are issued for general corporate purposes not associated with a Placement, the exercise price shall be 200% of the VWAP over the 5 trading days immediately prior to the issue. By way of example, if the current share price of \$0.041 is adopted as the applicable VWAP then the option exercise price shall be \$0.082.

**e) The names of the grantees**

The names of the grantees are currently not known but will be a party or parties nominated by the Company, or by an entity appointed for that purpose, and will not be related parties.

**f) The terms of the securities**

The unquoted options will have a term of 36 months.

**g) The dates of grant**

The dates of grant are unknown and may occur progressively but no later than 3 months after the date of the meeting.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution.

The Directors of the Company unanimously recommend to all Shareholders that they vote in favour of this Resolution.

**OTHER BUSINESS**

While there is no other business other than that business mentioned in the Notice of Meeting to be presented for action by the shareholders at the Meeting, **it is intended that the proxies hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act there under.**



## **GENERAL**

**Unless otherwise directed, it is management's intention to vote proxies in favour of the resolutions set forth herein.** All proposed Resolutions are ordinary resolutions and require, for the passing of the same, a simple majority of the votes cast at the Meeting by the holders of Common Shares.

Additional information relating to the Company may be found on the Company's web site [www.earthheat.com](http://www.earthheat.com) and on SEDAR at their web site [sedar.com](http://sedar.com). Shareholders may contact the Company to request copies of the Company's financial statements and MD&A by sending a request to either of the Adelaide or the Vancouver office of the Company.

Contact details are provided on page one of this document. Financial information is provided in the Company's comparative financial statements and MD&A for the financial year ended September 30, 2011.

## **IMPORTANT INFORMATION SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR ("MANAGEMENT INFORMATION CIRCULAR") IS PROVIDED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF EARTH HEAT RESOURCES LTD. (THE "COMPANY")** of proxies from the holders of common shares (the "**Common Shares**") for the annual general meeting of the shareholders of the Company (the "Meeting") to be held on Wednesday, February 23, 2011 at the time and place for the purposes set forth in the Notice of Meeting.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares (as defined below) held of record by such persons and the Company may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Company.

## **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named (the "**Management Designees**") in the enclosed instrument of proxy ("**Instrument of Proxy**") have been selected by the directors of the Company and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (who need not be a shareholder) other than the Management Designees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting there from the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Company. Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Company's transfer agent, Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1, at least forty-eight (48) hours, excluding Saturdays,

Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

A shareholder who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the shareholder or by his authorized attorney in writing, or, where the shareholder is a Company, under its corporate seal by an officer or attorney thereof duly authorized, either at the registered office of the Company at 711 -- 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2 or with Computershare Trust Company of Canada at 100 University Avenue, Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof at which the proxy is to be used, or by depositing the instrument in writing with the Chairman of such Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked by the shareholder personally attending the Meeting and voting his shares.

#### **ADVICE TO BENEFICIAL SHAREHOLDERS**

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name.**

Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Management Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Company’s registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder’s name. Such Common Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for the Canadian Depositary for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications (“**ADP**”) in Canada. ADP typically prepares a machine readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of the Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

**Beneficial Shareholders who receive an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or the intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity.

**Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Management Information Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

## **VOTING OF PROXIES**

Each shareholder may instruct his proxy how to vote his Common Shares by completing the blanks on the Instrument of Proxy. All Common Shares represented at the Meeting by properly executed proxies will be voted or withheld from voting (including the voting on any ballot), and where a choice with respect to any matter to be acted upon has been specified in the Instrument of Proxy, the Common Shares represented by the proxy will be voted in accordance with such specification.

**In the absence of any such specification as to voting on the Instrument of Proxy, the Management Designees, if named as proxy, will vote in favour of the matters set out therein. In the absence of any specification as to voting on any other form of proxy, the Common Shares represented by such form of proxy will be voted in favour of the matters set out therein.**

**The enclosed Instrument of Proxy confers discretionary authority upon the Management Designees, or other persons named as proxy, with respect to amendments to or variations of matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting. As of the date hereof, the Company is not aware of any amendments to, variations of or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the Management Designees intend to vote in accordance with the judgment of management of the Company.**

## **CDI HOLDERS**

Many shareholders having an interest in the Common Shares hold such interests in the form of CHESS Depositary Instruments ("CDIs"). CHESS is the electronic settlement system used in Australia. The main difference between holding CDIs and holding Common Shares is that a holder of CDIs has beneficial ownership of the equivalent number of Common Shares of the Company instead of legal title. Legal title is held by the CHESS Depositary Nominees Pty Ltd. ("CDN"). The Common Shares registered in the name of CDN are held by that entity on behalf of and for the benefit of the CDI holder.

## **CDI HOLDERS MAY GIVE DIRECTIONS TO CDN**

Pursuant to the Articles of the Company, the Company will permit CDI holders to attend the Meeting. Each CDI holder has the right to:

(a) direct CDN how to vote in respect of their CDIs; or

(b) instruct CDN to appoint the CDI holder or a person nominated by the holder as the holder's proxy for the purposes of attending and voting at the Meeting.

If you are a CDI holder and you wish to direct CDN how to vote in respect of your CDIs or appoint yourself or a nominee as your proxy, you should read, complete, date and sign the accompanying CDI Voting Instruction Form and deposit it with Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, Australia, 3001 not later than 11:00 am (Melbourne time) on February 17, 2012.

#### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of common shares (previously defined as "**Common Shares**"). As at the effective date of the Management Information Circular (the "**Effective Date**"), which is January 4, 2012, the Company has 599,532,643 Common Shares without nominal or par value outstanding. The Common Shares are the only securities entitled to be voted at the Meeting, and holders of Common Shares are entitled to one vote for each Share held.

Of the 599,532,643 Common Shares outstanding on January 4, 2011, 596,218,676 Common Shares were held by CDN, a wholly owned subsidiary of the Australian Securities Exchange ("**ASX**") on behalf of holders of CDIs. CDN has issued CDIs that represent beneficial interests in the Common Shares held by CDN. CDIs are traded on the electronic transfer and settlement system operated by the ASX. Holders of Common Shares of record at the close of business of January 19, 2012 (the "**Record Date**") are entitled to vote such Common Shares at the Meeting on the basis of one vote for each Common Share held except to the extent that:

- (a) the holder has transferred the ownership of any of his Common Shares after the Record Date, and
- (b) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demand not later than ten (10) days before the day of the Meeting that his name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote his Common Shares at the Meeting.

To the knowledge of the Directors and Executive Officers of the Company, as at the Effective Date, no person, firm or Company beneficially owned, directly or indirectly, or exercised control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company, except as disclosed in Table 1. above and in the Annual Report of the Company.

#### **BOARD APPROVAL**

The Board of Directors of the Company has approved the contents and the sending of the Notice of Meeting and this Management Information Circular.

**DATED** at Sydney, Australia this 4th day of January 2012.



Mal Lucas-Smith  
Company Secretary

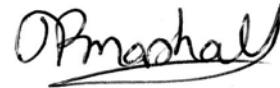
**ALBERTA CERTIFICATE**

The foregoing contains no untrue statement of a material fact (as defined in the Securities Act (Alberta), as amended) and does not omit to state a material fact that is required to be stated or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it is made.

**DATED** at Sydney, Australia this 4th day of January 2012.

A stylized handwritten signature in black ink, appearing to read 'R. Shaw', with a horizontal line underneath.

**Dr. Raymond Shaw"**  
Chairman

A handwritten signature in black ink, appearing to read 'T. Marshall', with a horizontal line underneath.

**Torey Marshall**  
Managing Director

### Lodge your vote:



#### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

#### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 EHR  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## CDI Voting Instruction Form

 For your vote to be effective it must be received by 11.30am (AEDT) Monday February 20, 2012

### How to Vote on Items of Business

Each CHESS Depositary Interest (CDI) is equivalent to one share of Company Common Stock, so that every 1 (one) CDI that you own at January 19, 2012 entitles you to one vote.

You can vote by completing, signing and returning your CDI Voting Instruction Form. This form gives your voting instructions to CHESS Depositary Nominees Pty Ltd, which will vote the underlying shares on your behalf. You need to return the form no later than the time and date shown above to give CHESS Depositary Nominees Pty Ltd enough time to tabulate all CHESS Depositary Interest votes and to vote on the underlying shares.

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the Australian registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Only duly authorised officer/s can sign on behalf of a company. Please sign in the boxes provided, which state the office held by the signatory, i.e. Sole Director, Sole Company Secretary or Director and Company Secretary.

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** →



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**



**Review your securityholding**



**Update your securityholding**

**Your secure access information is:**

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## CDI Voting Instruction Form

Please mark ☒ to indicate your directions

### STEP 1 CHESS Depositary Nominees will vote as directed

XX

#### Voting Instructions to CHESS Depositary Nominees Pty Ltd

I/We being a holder of CHESS Depositary Interests of Earth Heat Resources Ltd hereby direct CHESS Depositary Nominees Pty Ltd to vote the shares underlying my/our holding at the Annual General Meeting of Earth Heat Resources Ltd to be held at City Tattersall's Club Limited, The Sydney Room, Level 2, 194-204 Pitt Street, Sydney NSW, Thursday February 23, 2012 at 11.30am and at any adjournment of that meeting. By execution of this CDI Voting Form the undersigned hereby authorises CHESS Depositary Nominees Pty Ltd to appoint such proxies or their substitutes to vote in their discretion on such business as may properly come before the meeting.

### STEP 2 Items of Business



PLEASE NOTE: If you mark the Abstain box for an item, you are directing CHESS Depositary Nominees Pty Ltd or their appointed proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		FOR	AGAINST
1	To set the number of Directors for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Raymond Douglas Shaw as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Torey Robert Marshall as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect Norman Joseph Zillman as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5	To appoint auditors for the ensuing year and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6	That the Remuneration Report be adopted.	<input type="checkbox"/>	<input type="checkbox"/>
7	To issue Performance Rights to Managing Director, Torey Robert Marshall pursuant to his Employment Agreement.	<input type="checkbox"/>	<input type="checkbox"/>
8	To approve an issue of shares to Director, Dr. Raymond Douglas Shaw in lieu of cash payment for accrued director's fees.	<input type="checkbox"/>	<input type="checkbox"/>
9	To approve an issue of shares to Director, Norman Joseph Zillman in lieu of cash payment for accrued director's fees.	<input type="checkbox"/>	<input type="checkbox"/>
10	To approve an issue of shares to ex Director, David Henty Sutton in lieu of cash payment for accrued director's fees.	<input type="checkbox"/>	<input type="checkbox"/>
11	To approve an issue of shares to ex Director, Stephen William Pearce in lieu of cash payment for accrued director's fees.	<input type="checkbox"/>	<input type="checkbox"/>
12	To approve an issue of shares to ex Director, Alex Rose-Innes in lieu of cash payment for accrued director's fees.	<input type="checkbox"/>	<input type="checkbox"/>
13	Approval of future share placement.	<input type="checkbox"/>	<input type="checkbox"/>
14	Approval to future unquoted option placement.	<input type="checkbox"/>	<input type="checkbox"/>

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

Contact  
Daytime  
Telephone

Date / /