

ASX

ANNOUNCEMENT

17 April 2012

ASX : EHR

Copahue Project Update

Earth Heat Resources Limited ('Earth Heat' or 'the Company') has completed its first phase field program at its Copahue Project located in Western Argentina.

Highlights

- Phase 1 field program successfully completed
- Technical team involved from Sinclair Knight Merz
- Technology partners and potential equity partners were in attendance during the program
- Interconnection study currently underway
- Continued positive feedback from debt and equity funders in the Americas

Considerable progress has been made with the key aspects of geology, geotechnical studies, civil engineering, and process engineering following completion of Phase 1 field program at the Copahue project site.

The Company's core advisors are currently compiling summary reports on their various specialties and these will provide input for refining project planning, cost estimates and development scheduling which lead to the next major phase of the process.

Equally, third party participants are evaluating their trip with a view to making a decision on progressing with Earth Heat on the Copahue project in their own time.

Earth Heat is pleased to note that accompanying the Company's staff and advisors were representatives from substantial third party entities of significant scale and experience. Their interest attests to the credible momentum that the project is gaining from significant industry stakeholders.

Attendance of such companies to site is a major step forward as the involvement of groups of this profile can potentially add considerable

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value to the development of the resource over time. Discussions with such third parties continue in earnest.

In terms of funding the Copahue Project, Earth Heat has maintained an open dialogue with groups as previously released to the market (ASX announcements 22/2/2012 and 25/11/2011). To complete the debt funding process, the Company must complete core project documents such as (but not limited to): Power Purchase Agreement, Procure & Construct Contract, Environmental Impact Assessment (all stages need to be completed), Community Plans and the Bankable Feasibility Study. The Company is working on each of these documents and will provide individual updates in due course.

Whilst the primary focus for Earth Heat at present is technical and financing developments, the Company is also negotiating additional Letters of Intent for Power Purchase Agreements, which form an essential element of moving forward. The Company expects that additional demand for Copahue electricity will be announced through this process.

Earth Heat's capital raising in March 2012 has enabled the commencement of work on the critical project documents required for formal close of project finance. With first phase field program now completed, the Board looks forward to updating shareholders with results in the near future.

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About Copahue

Earth Heat signed a Heads of Agreement to farm-in to the Copahue Geothermal Development Project in Argentina in May 2010, which comprises an identified initial 30 MW geothermal development with the potential for significant expansion. Development of Copahue is anticipated to provide first power production and revenue within four years and Earth Heat has the right to earn up to 87.5% of the Project by funding various stages of development.

The Copahue project area is located in the western part of Neuquén Province, approximately 300 km from the provincial capital and just a few kilometres from the Chilean border. The geothermal resource on which the project is based occurs on the North-East flank of the Copahue volcano; a young, historically active stratovolcano whose summit is on the international border with Chile. It is also situated within a broad caldera that is inferred to have formed by activity that pre-dates that of the Copahue volcano.

The project area has been the site of geothermal exploration and development activities since the 1970s. This work has included a number of superficial and shallow exploratory surveys (geology, geochemistry, geophysics and temperature gradient drilling).

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Four deep wells, reaching depths of as much as 1,414m have also been drilled in the area. These wells have demonstrated the presence of a commercially exploitable, vapor-dominated geothermal reservoir within at least a part of the project area.

To date, EHR has increased the resources by 150%, completed an EIA, a pre-feasibility study and most recently signed Letters of Intent for offtake of the power to be produced well in excess of stage 1 and 2 development.

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