

ASX

ANNOUNCEMENT

23 October 2012

ASX : EHR

Corporate Advisor Appointed

Earth Heat Resources Limited ('Earth Heat' or 'The Company') is pleased to inform its stakeholders and shareholders on the appointment of MidOil USA as Corporate Advisor to assist in its growth plans.

Managing Director of Earth Heat Mr Torey Marshall commented: "For a considerable period of time the Company has been able to exist without a Corporate Advisor, relying on internal expertise to capture some magnificent project financing that has fallen on deaf ears in the broader markets. We are excited to be working with MidOil USA; a group that has a formidable track record and enviable set of skills and global contacts. I feel this relationship gives us the extra horsepower that's needed to compete for investor funds on a global basis in a tough sector."

Managing Director of MidOil USA Mr Vincent Crandon added: "We think that Earth Heat has made exceptional headway during a difficult time and we look forward to working with the board and management of the Company to build Argentina's first geothermal power station."

*** Ends***

For further information please contact:

Torey Marshall, Managing Director, +61 8 8223 1681 or +61 8 8212 0579

About MidOil USA

MidOil USA and its affiliated companies have over 40 years of experience in project finance, investment banking, venture capital, project management and corporate/organizational management. It has a diversified funding portfolio including real estate, transportation and logistics, technology, maritime, and petroleum related sectors. Notable transactions include:

- Online Gaming Project - Agreement to provide up to US\$75m in funding;
- Global Resource Company - Agreement to provide up to US\$750m over 5 years;
- Affordable Housing Project- Agreement to provide up to US\$600m in funding;

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- Timber Company - Agreement to provide up to US\$1.5bn in funding;
- Infrastructure Project- Agreement to provide \$5.25bn in project funding.

About Copahue

The Inter American Development Bank ('IADB'), has been mandated to raise senior debt for the project inclusive of directly investing up to US\$75m with the balance of US\$135m to be syndicated. CIFI is also lead arranger of an additional US\$22.5 mil to fund the drilling of 3 production wells;

Since the Company's capital raising in March 2012 it has funded Copahue's Stage 2 EIS assessment, Independent Expert Geoscientific field studies, engineering studies, progressed power purchase agreements, interconnection studies and power market studies which are all critical path milestones;

Letters of Intent for negotiating and entering into Power Purchase Agreements have been announced with Xstrata Copper (50MWe), Loma Negra (10MWe), and Electrometalugica Andina (30MWe).

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. It is also situated within a broad caldera that is inferred to have formed by activity that pre-dates that of the Copahue volcano.

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.

With a substantial resource of up to 264MWe*, the project is considered 'world class' by the Earth Heat team.

Geothermal Resource Classification	Generating Capacity (MWe)	Stored Heat in Place (PJ)
Measured Resource	19	700
Inferred Resource - Vapour Zone	55	2500
Inferred Resource - Deep Liquid Zone	190	7300

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.

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Recently the Company announced the right to purchase its Joint Venture partner for CAD\$6m minus expenses, to own the project 100%.

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).

Any determination by any financial organisation mentioned within the context of Senior Debt and the Drilling Loan to participate in the financing of the Project shall be conditioned upon all of the following, to the satisfaction of the entities: (i) the completion of the analysis process; (ii) the structuring and negotiation of a financial plan for the financing of the Project; (iii) the negotiation of terms, conditions and arrangements for the Investor's participation in the Project; (iv) formal approval by the investor's Management and Board of Directors; (v) negotiation and execution of appropriate financing and security documentation; (vi) the receipt by the investor's from participants satisfactory to the Investor's of firm commitments in an amount equal to the amount of the B Loan (Senior Debt only); and (vii) payment of all reasonable legal and other consultant expenses incurred by the entities through such date, in accordance with the Mandate Letters, each Retainer Agreement and each Consultant Agreement.

**The above resource estimates have been prepared by Jun Seastres and Zim Aunzo under the direction of Brian Lovelock (Practice Leader and Senior Geochemist), full-time employee of Sinclair Knight Merz Limited (SKM), who takes responsibility and is accountable for the report as a Qualified Person in terms of the Canadian Geothermal Code. Brian has 32 years experience in the geothermal industry and is a member of the International Geothermal Association. SKM is a corporate member in good standing with the Canadian Geothermal Energy Association and has a Code of Ethics. SKM has been engaged as Consultant by Earth Heat but holds no financial interest in the project or in Earth Heat.*

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