

ASX

ANNOUNCEMENT

3rd January 2013

ASX : EHR

Strategic Review & Cost Reduction Initiatives

Earth Heat Resources Limited (ASX: EHR or the “Company”) today announced that it has decided to undertake a review of strategic options for the Company (the “Strategic Review”) following the major review of operations conducted last November. The Strategic Review will consider a variety of options with the objective of maximising value for all of the Company’s shareholders.

Strategic Review

The Strategic Review has been initiated following feedback from Earth Heat's major shareholders, and has the support of the Board, which when combined with these major shareholders represents an interest of approximately 30 percent in the Company.

The Strategic Review will commence immediately under the direction of the Company’s Managing Director, Torey Marshall and Earth Heat's advisors.

The Strategic Review will seek to identify and assess expressions of interest from third parties in respect to the Company's present assets, as well as reviewing other value enhancing business opportunities in accordance with previous announcements made regarding broadening the Company's asset base. The Company anticipates the Strategic Review taking approximately 3 months. Earth Heat will endeavour to provide the market with periodic updates of progress at the relevant junctures.

“The strategic review reflects both the diminished prospectivity for capital markets funding of geothermal projects and increasingly accessible market opportunities in the broader energy sectors. The Company’s improved cash reserves, strengthened share register, distinctive capability in the energy sector, and strategic intent for creating value through growth provide the basis for a successful company.” said Managing Director, Torey Marshall.

Cost Reduction Initiatives

Earth Heat has recently taken steps to strengthen its balance sheet with a \$1.5 million capital raising. Whilst Earth Heat has strengthened its financial position it has also taken initiatives to reduce overheads and has implemented a cost reduction program that has already significantly lowered executive, management, general personnel and running costs.

Earth Heat Resources Ltd

Registered Offices

Australia

Suite 9 Lester Court,
75a Angas Street,
Adelaide SA 5000

p +61 8 8212 0579

f +61 8 8212 2230

ABRN 86 115 229 984

Canada

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

p +1 604 685 2222

f +1 604 685 3764

www.earthheat.com.au

Over 30% of operating cost has been eliminated from the business with a reduction in salary expense and administration overheads which will deliver at least \$1.7M in annual cost savings for Earth Heat.

*** Ends***

For further information please contact:

Torey Marshall, Managing Director, +61 8 8223 1681

Earth Heat Resources Ltd

Registered Offices

Australia

Suite 9 Lester Court,
75a Angas Street,
Adelaide SA 5000

p +61 8 8212 0579

f +61 8 8212 2230

ABRN 86 115 229 984

Canada

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

p +1 604 685 2222

f +1 604 685 3764

www.earthheat.com.au