



earthheat

resources limited

Annual General Meeting 2013

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EHR Changing Tack

- Pro-active approach, implemented corporate review-engaged advisors
- Identified requirement for a sweeping change in portfolio assets
- New “asset drivers” to have broad investor appeal with potential for short and medium term growth potential
- New assets to be consistent with board and management skills base

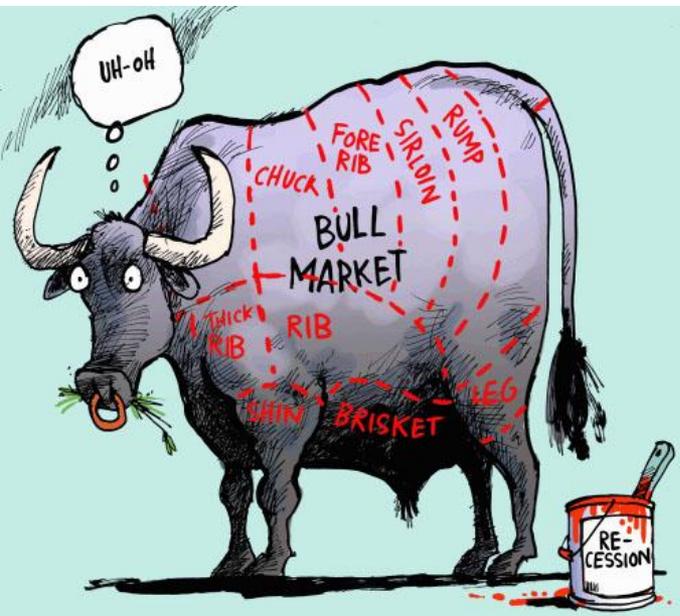
Rebuilding the Company Brand

- December 2012 capital raising introduced new shareholders and underpinned the capital base
- Performance incentives via Short and Long term options
- Establishment of investment sector relationship through DJ Carmichael's.
- Looking to rename company in recognition of forward plans.



Commercial Responsiveness

- Early recognition that change was required.
- Proactive board making the “hard” decisions.
- Significant cut-back of already modest overheads, including 30% reduction in operating costs.
- Directors implemented lower executive running costs and cost reduction program with significant personal “pain factor” .



New Asset Drivers

- Conventional and unconventional oil and gas sector new opportunities.
- New opportunities to be located in mature provinces having established infrastructure, with sophisticated and stable investment environments.
- Opportunities need to be readily fundable and commercially robust given on-going market uncertainty.

Geotermal

Legacy Assets

- Board has implemented a Copahue withdrawal strategy
- Board has frozen applications and activities elsewhere
- No future on-going costs or liabilities.

Corporate Flexibility

- Company to retain a small board in the short term
- Recomposition of board to meet new opportunities
- Currently reviewing and negotiating with third parties for entry into new opportunities fitting our selection criteria.



- **ASX Energy Company – reinvigorated with new investors and conventional business plan;**
- **Seeking appropriate investment mix:**
 - Oil
 - Gas
 - Geothermal (mainly extracting value out of existing assets)
- **Tough year for Geothermal Pure Plays – not many exist now;**
- **Considerable restructuring within the business, now svelte and moving forward rapidly;**
- **Targeting energy resources in geologically favourable settings**
 - Development projects = countdown to significant cashflow
 - Financeability greatly enhanced by maturity of these projects
 - Conventional exploration
 - Unconventional exploitation
 - Low sovereign risks

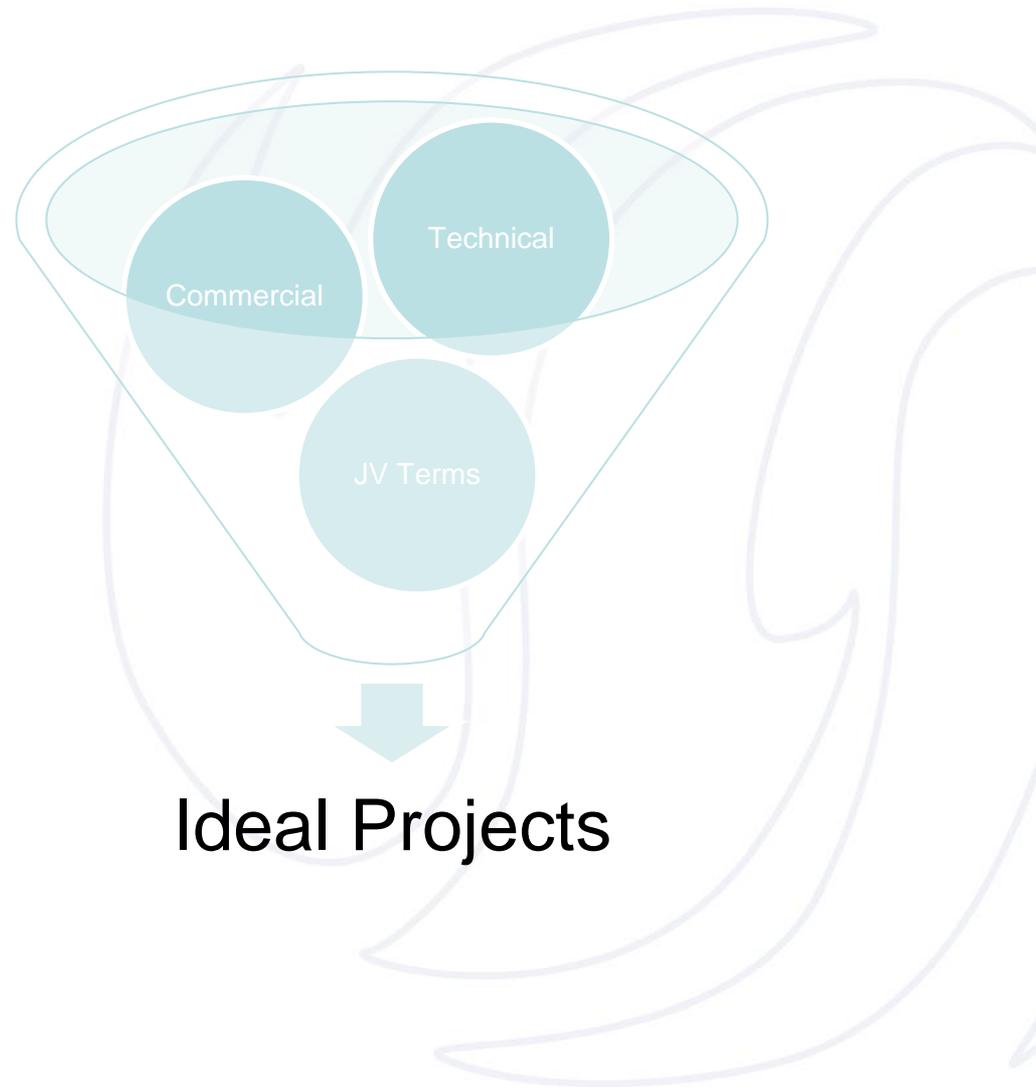
- Very tough year – Argentina’s political situation weighed heavily on project funding;
- Ultimately near complete lack of interest in the sector in Australia and overseas coupled with significant challenges in general capital markets contributed to a lack of ability to fund;
- Without funding equity portion, announced debt instruments cannot close;
- No change to those underlying issues can be sensibly viewed as occurring over the next 12 months;
- In discussions with JV partner to divest/withdraw from the project

- Regain shareholder value via supplementation of existing assets with those that have proven investor appeal;
 - Short to medium term value drivers have been missing;
 - Long term value drivers not appealing to the market currently.
- Seeking fiscally attractive and low geological risk subsurface exploration and exploitation projects;
- Preference for liquids based hydrocarbon projects with an unconventional slant within existing infra-structure hubs;
- Preference for North American based opportunities that meet this criteria;
- Preference for first deal to be short term revenue generative;
- Investor momentum needs to be underpinned by appropriate marketing strategies in support of the expanding business

Re-Value Chain



- First mover play (ASX standards)
- Oil not so much gas (unless in Australia)
- Low sovereign risk
- Low geological risk (proven production)
- Simple well drilling & completion
- Short lead times in the event of discovery
- Value for money terms



- Generally, oil and gas companies use qualitative assessments of key geological uncertainties to determine which prospects are appropriate for drilling ('lowest risk').
- Generally most companies use an alternative 'size of the prize' type of approach which can result in much higher technical risks than are necessary to achieve an objective;
- EHR approaches it differently; to ensure maximum exploration value is extracted from the budget available in any given permit we use the following process:
 - An ideal exploration model (or analogy) is assessed for its key characteristics.
 - The prospects and leads inventory is searched for features with similar characteristics.
 - Features with similar characteristics, become prospects and leads related to that *specific play type*, and are ranked on the basis of their adherence to the *ideal* model. The higher the points score, the better the prospect.
 - If it doesn't match – throw it away!
- The EHR exploration team regard this approach as giving the company the best chance of finding commercial hydrocarbons in a variety of geological settings, and in tandem, increases the likelihood of discovering a very large conventional or unconventional resource.

- Full financial buildout
 - Within boundaries of data
 - Examine key contributors of NPV, IRR and DSLR
- Jurisdictional review – assume Aust & US ‘ok’
- Geographic information systems
 - Infrastructure:
 - Roads
 - Pipelines
 - Sales points
 - General terrain
- Tenure risk – industry standard
- Operator risk – industry standard
- JV terms and conditions are assumed in the build out
- Normally not exhaustive for exploration plays, but for production plays or near production very important

- EHR has restructured its business to be more competitive in the current investment climate;
- EHR has restructured its team to maximise the value that each brings to the table;
- Expectations of short to medium term value drivers presenting themselves to investors over the next 3 months;
 - Currently performing due diligence on several opportunities that meet high hurdle rate criteria
- Expectations of continued cost management and extraction of value from existing portfolio as new initiatives balance out legacy priorities.

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