

ASX ANNOUNCEMENT

February 14, 2012

ASX : EHR

Junior Debt Update

Earth Heat Resources Limited ('Earth Heat' or 'the Company') has progressed in its various financing negotiations for Mezzanine style 'Junior' debt for the Copahue development in Argentina.

As released previously, the Company has had an ongoing dialogue with a number of investment organisations to advance the funding options for Copahue. Significant progress has been made with bridging Mezzanine finance or Junior debt.

Junior debt participants have been engaged extensively during late 2011 and early 2012, principally from South America, the Middle East and parts of North America. These parties represent a set of investors who share common interests in the financing of geothermal, or they are a pure play investor in the higher risk debt space. At this stage the Company is discussing a minimum \$20m-\$30m USD finance option which would lower the equity gap for the Phase 1 Copahue development to \$10-15m AUD and provide the proceeds to carry out the Company's drilling plan at Copahue. This gap will be further reduced or eliminated by a combination of further financial products, a listing on the Toronto Stock Exchange (Ventures) and other corporate initiatives. While these negotiations are incomplete and subject to change, the Company feels positive about the chances of an outcome that significantly enhances shareholder value, and critically, progresses the key Copahue Project as rapidly and efficiently as possible.

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