

# ASX ANNOUNCEMENT

22 February, 2012

ASX : EHR

## \$40m in Additional Project Finance for the Copahue Development

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to advise that it has successfully mandated Corporacion Interamericana para el Financiamiento de Infraestructura ("CIFI") as Lead Bank and Mandated Lead Arranger for a Drilling Loan of US \$22.5 million subject to due diligence. Further, the Company has signed an agreement for \$17.5m in Capital Contingency Finance with AGS Capital Group LLC ('AGS').

### Highlights

- CIFI to provide US\$22.5 million debt financing for drilling loan directly and through syndication;
- Proceeds to be used for drilling 3 of the 4 wells planned for Phase 1;
- Drilling Loan to close contemporaneously with the Senior Debt
- AGS has agreed to provide up to \$17.5m AUD in Capital Contingency Funding, if required.
- Total debt for Phase 1 US\$86.5 million;
- Earth Heat on the threshold of full funding for the Copahue Development.

The Drilling Loan and Capital Contingency Finance, in conjunction with the previously announced (ASX 24<sup>th</sup> November 2011) \$134 million Project Finance Loan from Inter-American Development Bank ("IDB") forms the debt aspects of project financing requirements for the Company's Geothermal development at Copahue in Argentina.

**Earth Heat Managing Director, Torey Marshall commented,** "Securing additional funding for the advancement of the Copahue project is the achievement of an enormous milestone. We now have agreements in place with AGS, CIFI and IDB, subject to due diligence, which will more than cover the debt requirements to proceed with Phase 1 at Copahue. Our rapid progress has shown that EHR has a formidable

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business model and a high quality project in Copahue. We will continue to lead the ASX listed sector and over the next 6 months will provide clarity to shareholders on corporate activity, joint ventures and additional funding options to achieve the best outcome for all the Company's shareholders and stakeholders.”

For further information please contact:

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### Indicative Terms of the CIFI Drilling Loan

These terms are preliminary and are subject to change at CIFI's discretion after completing detailed and satisfactory due diligence of the Company and Shareholders. Extra indicative detail has been omitted at the request of CIFI, deeming it commercial in confidence until formal close has been achieved.

<b>1. Loan Size</b>	\$22,500,000
<b>2. Use of Proceeds</b>	Proceeds will be allocated to drilling three wells at the Company's Copahue Geothermal Project in Argentina.
<b>3. Availability of Proceeds</b>	The proceeds from the drilling facility will be available in 3 tranches of \$7.5 million. The first tranche will become available after the first well has been drilled. The costs of the first well are to be paid by the Company. The remaining 3 tranches will come available for drawdown at the time of successful completion of each well in advance.
<b>4. Maturity Date</b>	Each tranche will mature 5 years from its disbursement with a maximum maturity 6 years from Closing.

### Compensation, Fees and Expenses of CIFI Drilling Loan

As compensation undertaking the Scope of Work under this Mandate Letter/Term Sheet, the Company agreed to pay standard fees to CIFI. At the request of CIFI, such detail is considered commercial in confidence and has potential negative consequences for formal close if divulged.

### Terms of the AGS Group Capital Contingency Finance

AGS Group has committed to buy shares in Earth Heat at prices determined in the future. Earth Heat has the sole discretion to issue shares to AGS in tranches of up to \$1m AUD, thus no obligation to, and has agreed to pay a fee of 1% of the face value of the investment in shares to ensure the Finance is available for 60 months. AGS has agreed to a voluntary escrow on those shares.

### 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

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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. 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).

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.

Through the Course of 2011, 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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