

ASX

ANNOUNCEMENT

22 May 2012

ASX : EHR

Letter of Interest received from Xstrata to Purchase ~50MWe Electricity in Argentina

Earth Heat Resources Limited (ASX-EHR) is very pleased to announce the receipt of a Letter of Interest for a power purchase off take in Argentina with Xstrata Pachon S.A. a subsidiary of Xstrata Copper ("Pachon").

HIGHLIGHTS

- Initial allotment of approximately 50MWe with potential for further expansion in the future
- Power to be supplied from a Geothermal power project in Argentina
- Subject to satisfaction and waiver of certain conditions precedent, the parties may enter into a binding power purchase agreement (PPA) contingent on Xstrata Copper's decision to advance development of the El Pachón Project post receipt of the Environmental Impact Assessment Approval.
- Parties will initiate a process aimed at developing a long term strategic relationship for the generation, supply and purchase of energy arising from and dedicated to their Argentinean projects
- Underscores the strong demand for power in Argentina - a market where EHR is extremely well positioned

General Manager of Pachon, Xavier Ochoa "We are committed to finding the best environmental, social and economic solutions in support of our potential future investments in Argentina and look forward to working with Earth Heat in the first Geothermal Plant in the country".

Earth Heat Managing Director Torey Marshall commented, "Both Earth Heat and Xstrata Copper share the view that a sustainable energy environment in Argentina can be supported by investment into high quality renewable energy projects, in particular Geothermal.

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We look forward to working towards a closer relationship as we jointly negotiate a Power Purchase Agreement. As a Company, Earth Heat has created a market leading position in the space in Argentina and believe that further investment will be a key driver of sustainable energy production in the country".

*** Ends***

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