

ASX

ANNOUNCEMENT

24 May 2012

ASX : EHR

Extension of Finance to Cover 50MWe project

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to provide the following update for its shareholders and stakeholders on its ability to fund its flagship geothermal project in Argentina. As announced to market on the 25-11-2011, the Company has executed an agreement with the Inter American Development Bank ('IDB'), which covers an extension of facilities to fund an enlarged project.

HIGHLIGHTS

- IDB to directly invest up to US\$75m
- IDB to arrange with assistance from Earth Heat, the syndication of US\$135m for the balance of the Senior Debt (total US\$210m)
- Mandate for the raising of funds successfully executed between both Earth Heat and the Inter American Development Bank

As detailed in recent Company announcements, Earth Heat has remained focused on the requirements of project financiers in order to advance our core projects and transform fully into a utilities company receiving cashflow from electricity sales.

This event is extremely significant, as it will enable the final parts of the funding and feasibility processes to be undertaken with clear parameters, and address certainty for key power purchase partners. Closing the initial phase of the financing in line with previously announced plans, will be subject to the completion of a Bankable Feasibility Study and the meeting of all the requirements and covenants of the senior lenders.

The project would be consistent with the IDB Integrated Strategy for Climate Change Adaption and Mitigation, and Sustainable and Renewable Energy, which aims at increasing the Bank's sustainable energy portfolio of 25% by the end of 2015. As such, by having a large exposure to the region, Earth Heat is looking forward to building the relationship with the IDB through this initial investment, which will hopefully expand in time.

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

Earth Heat Managing Director Torey Marshall commented, "To date our continuous progress in a sector somewhat bereft of positivity more recently has been very solid. As a utilities company we need to provide our offtake partners with a level of clarity that we are able to fulfill their needs, both at the technical and commercial levels. In this way we are able to fund an enlarged project in Argentina to supply power, and build on our growing reputation in the region where we see significant opportunities in a fast growing sector. "

*** Ends***

For further information please contact:

Victoria Thomas, Six Degrees Investor Relations+613 9674 0347

Summary of the Mandate

The IDB is the largest funding agency that operates in the Latin American region, and does so under a specific financial mandate.

The IDB offers both long-terms and guarantee programs utilising its own resources and in the case of Copahue, has agreed to match financing phases with the potential multiple development phases of the project.

IDB also works with sponsors and co-financiers (including private banks and other multi-lateral and bilateral agencies) in order to provide the project's complete financing requirements, contingent upon Earth Heat and the Copahue Project meeting IDB's due diligence requirements.

Earth Heat has agreed to assist in the syndication of the \$210m USD by providing its negotiations to date with other parties and pooling collective resources to have the greatest chance of successfully closing.

Any determination by the Bank to participate in the financing of the Project shall be conditioned upon all of the following, to the satisfaction of the Bank: (i) the completion of the analysis process; (ii) the structuring and negotiation of a financial plan for the financing of the Project; (iii) the negotiation of terms, conditions and arrangements for the Bank's participation in the Project; (iv) formal approval by the Bank's Management and Board of Directors; (v) negotiation and execution of appropriate financing and security documentation; (vi) the receipt by the Bank from participants satisfactory to the Bank of firm commitments in an amount equal to the amount of the B Loan; and (vii) payment of all reasonable legal and other consultant expenses incurred by the Bank through such date, in accordance with the Mandate Letter, each Retainer Agreement and each Consultant Agreement.

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

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 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 been 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.

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