

ASX

ANNOUNCEMENT

2 July 2012

ASX : EHR

Earth Heat to raise up to US\$30m and purchase Geothermal One Inc

Earth Heat Resources Limited ('Earth Heat' or 'the Company' - ASX:EHR) is pleased to announce that it has appointed CIFI (*Corporación Interamericana para el Financiamiento de Infraestructura, S.A.*) as its financial advisor for a US\$30m equity capital raising as part of its development funding of the Copahue Geothermal Project.

Additionally the company has executed a Heads of Agreement to acquire the issued capital of Geothermal One Inc, its Joint Venture partner for CAD\$6m in cash or shares minus agreed expenses. EHR shares are deemed to have a face value of 10cps if that option is elected by any individual shareholder of Geothermal One Inc. The acquisition will be completed contingent on the close of the capital raising.

Earth Heat Managing Director Mr. Torey Marshall said, "These developments highlight the strong level of support that our Project has garnered from key multilateral organisations as well as professional investors from around the globe. The Preference Share offer will be open to sophisticated professional investors and we look forward to its close. Our acquisition of Geothermal One Inc unifies the ownership of the Copahue concession and also directly unifies our joint vision for the proper and appropriate development of Argentina's first Geothermal Power Plant".

About the Agreement

Under the terms of the agreement CIFI is mandated to use its best endeavours to raise approximately US\$30 million through the issue of non-voting Preference Shares in the special purpose Project Company. These shareholders will be entitled to a dividend payable in quarters from the date of commercial operation, subject to free-cash flow and approval by the Company's board. Preference shareholders will be also entitled to exchange their shares for ordinary shares in Earth Heat Resources Limited at a fixed ratio of 10 ordinary shares in EHR for each preference Share at any period up to 10 years from the date of issue.

The funds raised will be used exclusively for development costs associated with the Copahue project.

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*** Ends***

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About Cifi

CIFI is a Panamanian Corporation whose mission is to provide financing and advisory services to private sector infrastructure companies in Latin America and the Caribbean. We focus on serving the small and mid size infrastructure projects in the region.

Their business model is designed for efficiency while emphasizing quality by concentrating on risk assessment and outsourcing non-core functions.

To date, they have evaluated over 300 potential transactions of which they have financed over 100, representing total investments of more than US \$600 million.

Their founding shareholders include multi-laterals such as the International Finance Corporation (part of World Bank Group), Inter American Investment Corporation, and commercial groups such as HSBC, Norfund and Bankia

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 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.

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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