

ASX

ANNOUNCEMENT

30 August 2012

ASX : EHR

ABC Media Report - Spot On Geothermal

Earth Heat Resources Limited ('Earth Heat' or 'the Company') has fielded a number of questions from Shareholders based on last nights 'ABC PM' segment on Geothermal Energy in Australia.

Ultimately the Company agrees with the comments of Mr Grant King, Managing Director of Origin Energy (ASX :ORG) (ref ABC PM transcript available at www.abc.net.au/pm/content/2012/s3578882.htm), "that geothermal was not a short term option in Australia" and **"In other jurisdictions, the underlying cost of energy support the development of renewable energy, like geothermal and hydro, on merit, no subsidies required, no support from government."**

It is precisely because of this sentiment that Earth Heat has pursued a strategy of using **proven existing technologies in favourable, proven geothermal settings, outside of Australia.**

"Unlike those based in unproven Australian geological settings our strategies provide potential for low risk development opportunities and shorter term revenue streams compared with estimates of up to 8 years (at best?) in Australia as referenced in the PM segment" Managing Director of Earth Heat Mr Torey Marshall said.

"The cold reality of geothermal is that in order to progress a geothermal power station, project financiers and other investors need to see quantitative proof of a geothermal resource, proximity to a power grid and suitable customer demand prior to funding its development", he continued.

As with its Copahue Project in Argentina Earth Heat has 'ticked the box' on these needs to the point that it has attained indicative & conditional funding support for the initial development phases. After the initial plant is brought online, expected customer demand will see the Project upscaled.

"The mere fact that no Australian Geothermal project is close to that same funding level reflects the third party peer review realities that geothermal production is not a commercial proposition in Australia at this time" Mr Marshall remarked.

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*** Ends***

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About Copahue

As announced on 2 July 2012 Corporacion Interamericana para el Financiamiento de Infraestructura ('CIFI'), has been mandated to assist in completion of development funding for Copahue Project through a US\$30m preference share issue

Close of the CIFI Project financing, anticipated later this year, will provide EHR with a complete funding solution for its Copahue Project - Phase 1;

As previously announced, the Inter American Development Bank ('IADB'), has been mandated to raise senior debt for the project inclusive of directly investing up to US\$75m with the balance of US\$135m to be syndicated. CIFI is also lead arranger of an additional US\$22.5 mil to fund the drilling of 3 production wells;

Since the Company's capital raising in March 2012 it has funded Copahue's Stage 2 EIS assessment, Independent Expert Geoscientific field studies, engineering studies, progressed power purchase agreements, interconnection studies and power market studies which are all critical path milestones;

Letters of Intent for negotiating and entering into Power Purchase Agreements have been announced with Xstrata Copper (50MWe), Loma Negra (10MWe), and Electrometalgica Andina (30MWe).

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.

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.

With a substantial resource of up to 264MWe*, the project is considered 'world class' by the Earth Heat team.

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Geothermal Resource Classification	Generating Capacity (MWe)	Stored Heat in Place (PJ)
Measured Resource	19	700
Inferred Resource - Vapour Zone	55	2500
Inferred Resource - Deep Liquid Zone	190	7300

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. Recently the Company announced the right to purchase its Joint Venture partner for CAD\$6m minus expenses, to own the project 100%.

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).

Any determination by any financial organisation mentioned within the context of Senior Debt and the Drilling Loan to participate in the financing of the Project shall be conditioned upon all of the following, to the satisfaction of the entities: (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 Investor's participation in the Project; (iv) formal approval by the investor's Management and Board of Directors; (v) negotiation and execution of appropriate financing and security documentation; (vi) the receipt by the investor's from participants satisfactory to the Investor's of firm commitments in an amount equal to the amount of the B Loan (Senior Debt only); and (vii) payment of all reasonable legal and other consultant expenses incurred by the entities through such date, in accordance with the Mandate Letters, each Retainer Agreement and each Consultant Agreement.

**The above resource estimates have been prepared by Jun Seastres and Zim Aunzo under the direction of Brian Lovelock (Practice Leader and Senior Geochemist), full-time employee of Sinclair Knight Merz Limited (SKM), who takes responsibility and is accountable for the report as a Qualified Person in terms of the Canadian Geothermal Code. Brian has 32 years experience in the geothermal industry and is a member of the International Geothermal Association. SKM is a corporate member in good standing with the Canadian Geothermal Energy Association and has a Code of Ethics. SKM has been engaged as Consultant by Earth Heat but holds no financial interest in the project or in Earth Heat.*

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