

ASX

ANNOUNCEMENT

10 October 2012

ASX : EHR

Geophysical Acquisition Update

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to advise its stakeholders and shareholders that it is progressing its maiden geophysical acquisition program for its flagship Copahue Project in Argentina.

The Company is targeting the commencement of its geophysical program at Copahue for the end of calendar 2012. This will involve both gravity and magnetotelluric methods - to better define the main target reservoir to be initially developed, and the secondary deeper targets which may provide significant upside.

Tenders have been received from a number of interested parties and are being assessed ahead of a decision being made on the successful group.

"A key element of planning for the appropriate development of the Copahue resource is acquisition of high resolution geophysical data to supplement the existing database. Our belief is that these surveys conducted over a larger footprint will reveal not only higher upside in the resource but also assist in optimizing the development drilling programme. The geophysical program will be a big step in demonstrating our operational capacity within Argentina and we look forward to announcing a commencement date and contractor by the end of October." Managing Director of Earth Heat Mr. Torey Marshall said.

*** 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

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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 Electrometalurgica 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.

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

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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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