

ASX

ANNOUNCEMENT

12 October 2012

ASX : EHR

Significant Argentine Government Support for Copahue

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to update its stakeholders and shareholders on the general climate supporting investments in geothermal energy in Argentina.

The company's Regional Manager, Mr. Juan Carlos Grosso, has recently met in Buenos Aires with Argentina's Federal Governmental authorities with regards to Copahue and other incoming projects in the country. The meeting was hosted by the Federal Minister of Infrastructure, Public Works and Services, Mr. Julio De Vido, and was also attended by the Federal Secretary of Mining, Mr. Jorge Mayoral, both of whom conveyed the Federal Government's strong support for Earth Heat's projects and decisively ratified Argentina's commitment to dramatically increase its overall energy output as per the sustained increase of demand, as well as to particularly focus on renewable alternatives. This meeting with the country's highest authorities ratified the company's strong positioning in Argentina's incipient but highly promising geothermal energy sector, and follows the same positive supportive path of welcoming, administrative assistance and incentives already given to, or committed to, the company by several provincial jurisdictions along the Andean volcanic chain. This is a considerable boost to the sustainability of investments in geothermal projects within Argentina, given this top level support is not available in most other jurisdictions considered by explorers.

"The support that the Company has for developing geothermal energy projects in Argentina is staggering. It's status as a sustainable resource of significant scale that can assist in tempering the supply shortages within the country is unparalleled. We look forward to continuing to work with the highest levels of Provincial and Federal Government in Argentina to bring online the country's first geothermal power plant." Managing Director of Earth Heat Mr Torey Marshall said.

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From left - Mr. Jorge Mayoral, Mr. Juan Carlos Grosso and Mr. Julio De Vido

*** Ends***

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About Copahue

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.

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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 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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