

# ASX ANNOUNCEMENT

December 12, 2011

ASX : EHR

## Placement and Finance Update

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to provide an update of finance activities.

### Highlights:

- **Placement of 20m Shares at 3c, (Friday 9th December closing price), plus one free attaching option for every two shares purchased, with a 12 month term and exercisable at 6c has been agreed;**
- **Bulk of shares committed for purchase by Australian institutions, the remainder with sophisticated investors;**
- **Together with existing cash reserves, the \$600,000 in proceeds raised from this Placement will be used to fund on-going overheads and activities associated with the Company's major projects;**
- **Senior Debt syndication process kicked off with IDB in Washington, exceedingly strong response with book building process proceeding as planned;**
- **Strong progress with additional project finance queries in Argentina, US, Middle East and parts of Asia.**

**Earth Heat Managing Director, Torey Marshall commented,** "The ability to successfully undertake a placement at this time of significant market uncertainty is testimony to the quality of the assets and advancements that the Company has made in recent months. To bring fund managers onto our register in a meaningful sense is a very strong endorsement of what the Company has achieved and where it is poised to go over the next 12 months. The funds raised will go toward working capital and progressing the Company's projects in general."

"The level of support we have received in the project finance discussions has been consistent, and without falter during this very difficult time in world markets. We see no problems at present ensuring full uptake of the \$134m USD senior debt and have commenced the official process with the Inter-American Development bank in Washington DC. At this point in time it is fair to say that demand is very

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strong, which is a situation we hope continues through the next couple of months. "

"In terms of further Project Finance discussions, which could see the Company nearing 100% funded, we have been pleased with progress to date. The total number of conversations going on across South America, North America, the Middle East and parts of Asia is quite significant. We feel positive about the chances of executing additional agreements in the future, short of massive macro-downtrends."

For further information please contact:

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### ***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.

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.

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