

EARTH HEAT RESOURCES LTD

REMUNERATION COMMITTEE – TERMS OF REFERENCE

OBJECTIVES

The primary objective of the Remuneration Committee is to assist the Board of Directors in fulfilling its responsibilities in undertaking periodic reviews of the policies which underly the remuneration of both Senior executives of the Company and Directors. The Committee will also have regard to the policies of the Company in relation to reimbursement of expenses and to compliance with its broader employment obligations.

COMPOSITION

The Remuneration Committee shall be appointed by the Board and shall comprise a minimum of two members who shall be non-executive Directors. If more than two members are appointed then it is preferable that there is a majority of independent Directors.

The term of appointment of members of the Committee will coincide with terms of appointment of other Board Committees, and should provide for continuity of membership together with the contribution of fresh perspectives.

MEETINGS

The Committee will meet at least annually to coincide with the commencement of the annual company Budget process. In addition, the Chairman of the Committee is required to call a meeting of the Committee if requested to do so by any Committee Member or any Director of the Company. The Committee may meet at other times as required.

The Chair will ensure that during periods of his or her absence, an Acting Chair is appointed to ensure the seamless continuation of the Committee's business during that period of absence.

ACCESS

The Committee shall have unlimited access to senior management in relation to the issues that it is required to deal with. The Committee shall also have the ability to consult independent experts where it considers it necessary, in order to properly carry out its duties.

DUTIES AND RESPONSIBILITIES

For the purposes of the Committee's responsibilities, remuneration includes all forms of payments and benefits including but not limited to provision of company cars and reimbursement of expenses.

The duties and responsibilities of the Committee shall include the following:

1. Directors

The remuneration of all the Directors including the Chairman and the CEO are matters for the Board. However, the Committee will undertake a review of the remuneration arrangements in relation to these positions where the board determines to refer them.

The Committee will review fees payable to Non Executive Members of Board Committees (including the Remuneration Committee) together with any conditions of appointment and retirement, to ensure that the Terms and Conditions offered by the company are competitive with those offered by comparable organisations.

2. CEO or Managing Director

The Committee will review the remuneration of the CEO or Managing Director and provide suitable recommendations to the Board as required. The review will take into account all benefits provided and the periodic reimbursement of expenses. The CEO or Managing Director's expenses claims will be presented to the Committee for review on a quarterly basis in summary form.

3. Senior Management

The CEO or Managing Director of the Company will review the remuneration packages for positions reporting to him and will recommend underlying performance guidelines and policies utilised in these employment and remuneration processes to the Committee. The Committee will review any recommendations provided for consideration in the context of the annual Budget meetings. The Committee will provide remuneration guidelines to the CEO or Managing Director if requested.

4. Employment Packaging

The Board will consider any changes to the structure of employment packages of employees where there is an intention to significantly change the basis of remuneration.

5. Reporting

Minutes of Committee meetings will be tabled for noting at the next following Board meeting.