

# ASX ANNOUNCEMENT

October 27, 2011

ASX : EHR

## Copahue Project Finance

Earth Heat Resources Limited ('Earth Heat' or 'the Company') is pleased to update the market on progress within the project financing aspect of the Copahue Project. A number of letters of support and expressions of interest have been received from a variety of investment banks, commercial, multi lateral and private investor groups with respect to funding the Copahue Project's Stage 1 and 2 developments.

### Highlights:

- Groups individually have expressed interest in providing up to 25% of the total Project costs directly and;
- Expressed interest in being mandated for the debt syndication of the balance of the Copahue's complete financing requirements;
- Innovative 'insurance' product being developed with a large international insurer which, if successful, has ramifications for extension of lending facilities for the project in excess of 75% of the total capex.

As detailed in recent Company announcements, Earth Heat has remained focused on the requirements of project financiers in order to provide shareholders with the best possible financing outcome. The Company's major point of focus has therefore been the identification of off-take partners who meet the criteria needed to pass through the due diligence process in project financing negotiations.

At this stage Earth Heat cannot disclose the names of the groups it is in discussions with, however the Company will advise shareholders accordingly as these progress.

**Earth Heat Managing Director, Torey Marshall commented,** "The receipt of these letters of interest from various lenders, investment banks and private investor groups is a very strong vote of confidence in the process and direction being taken by the Company, within its projects in Argentina. Earth Heat has cultivated a relationship with target groups over the last 2 years, to ensure the most efficient funding of projects in Latin America and these include some of the largest funding agencies in the region."

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"Earth Heat will continue to take the necessary steps to ensure its projects meet criteria set by various project lenders who generally account for 50%-75%, of total development capex. The main issue for small cap companies is their ability to fund their projects without significant shareholder wealth dilution, pleasingly, EHR is now well on the path to establishing independent funding sources which significantly reduce the need for equity raisings through the project development cycle."

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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