Executable, Executing, Executed

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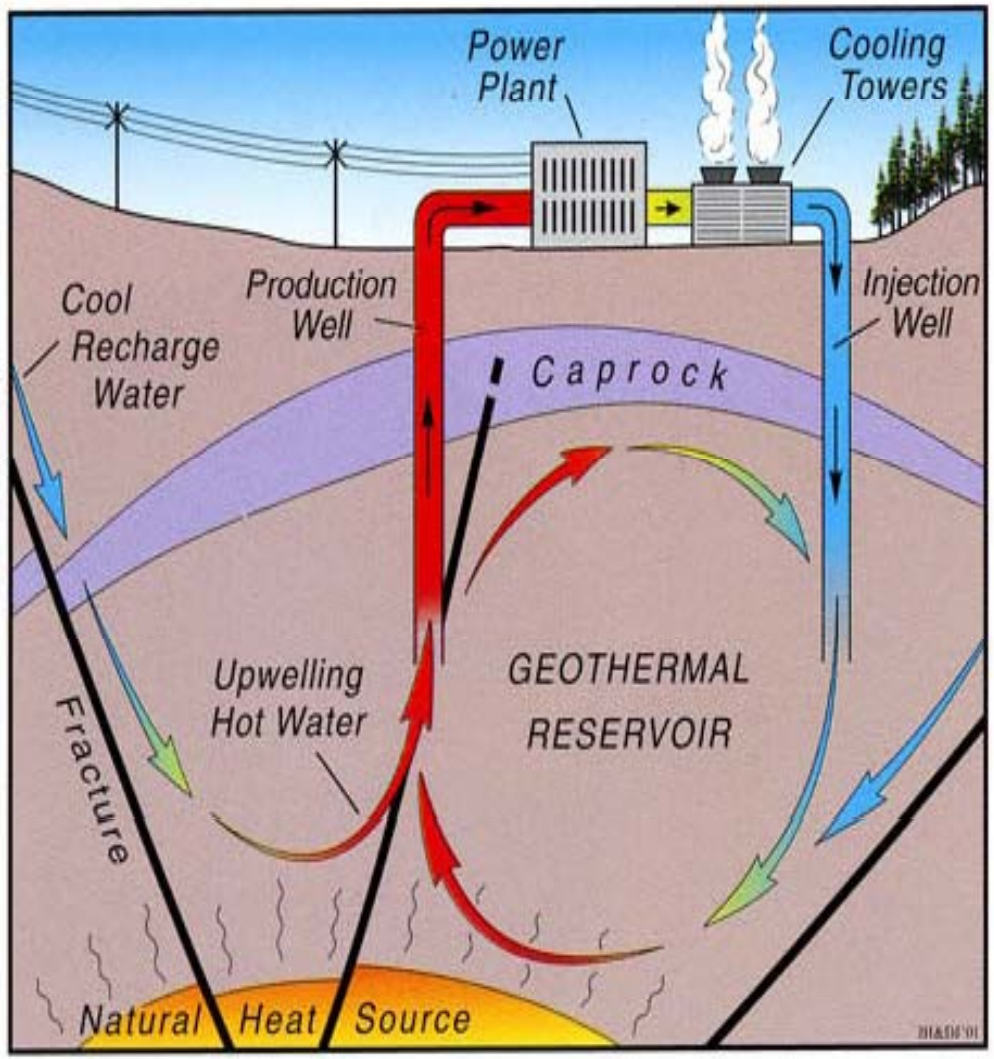
Executive Summary

- **ASX listed New Energy company focused on sustainable assets for electricity production**
- **Highly experienced management team with history in subsurface development**
- **Substantial holder of low risk development projects:**
  - Assets in Argentina, Djibouti, Australia and Kenya (subject to award)
  - HOA to farmin to Copahue Project in Argentina, with substantial project finance discussions underway
- **Uses commercial criteria for investment, not just technical:**
  - Target IRR of 25% over 30 years and significant NPV's
- **Targeting geothermal resources in geologically favourable settings**
  - Development projects = countdown to significant cashflow
  - *Financeability greatly enhanced by maturity of these projects*

Geothermal Power

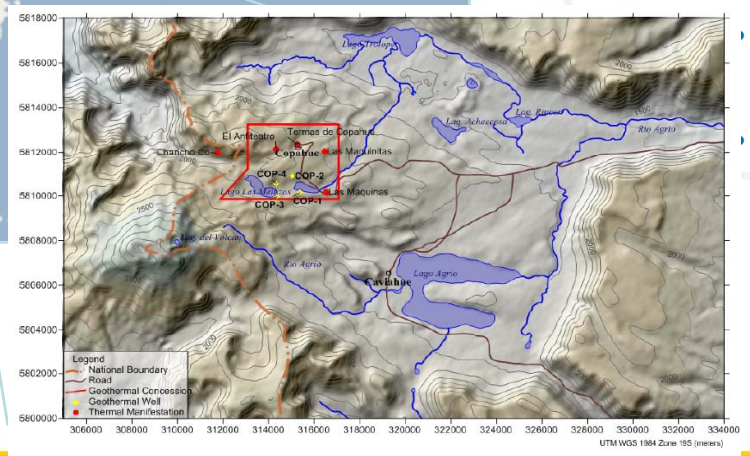


- Reliable enough to be baseload - capacity factor at 95%
- Cost competitive with other methods
- No fuel = No Commodity Risk
- Development and Operating Costs are site specific
- Governments encouraging development through tax incentives, grants and carbon credits

Portfolio

- Argentina-
  - Significant progress in country, not just at Copahue but commerciality and with other business development.
  - To be discussed in more detail in subsequent slides
- Djibouti-
  - Progressing discussions with JV Partners and potential Co-Developers of critical path projects
  - No set timeframe to conclude those discussions, activity will ramp up with a resource review in the first quarter of 2012
- Australia-
  - Consolidating the portfolio and reducing overhead exposure.
  - Completion of the administrative process in mid to late December
- Kenya-
  - Considerable time and effort in project generation
  - Applied for a specific area with very high prospectivity and market benefits
  - Outcome of this process has not set timeframe, though management are hoping the maiden project announcement will be by the end of calendar 2011

Copahue Project



- 55km to national electricity market interconnector
- Sealed bitumen road to site from Neuquen City
- Power lines connected from site to nearby town of Caviahue
- Plentiful water supply in the Patagonian locality
- Town nearby with full range of facilities
- Oil field services and equipment in the Province
- In between two major roads connecting Argentina and Chile
- Population of Neuquen Province 475,000, a prosperous resource state
- Population of adjoining Mendoza 1.7m, a popular tourist and wine district

Resource Statement

- **<u>150% increase over historical estimates</u>**
- Total resource could expand on top of these estimates with step out exploration programs

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**

- Canadian Geothermal Code (CanGEA) classified resource estimates for the Copahue concession area, in terms of electricity generating capacity and stored heat in place (based on P50 probability)

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.

Technical Summary

earthheat

- Vapour based reservoir, discovered by steam at surface
- high temperature (over 235C) at depth
- Favourable chemical characteristics
- Thick (at least 600m) reservoir
- Shallow reservoir, top intersected 600-900m below surface and extends to around 1400m
- Good permeability
- History of exploration quite extensive
- 4 deep wells drilled that tested and produced steam
- Small pilot plant of less than 1Mwe produced electricity in the mid to late 90's
- Transmission lines to site

Progress, Progress...

- ✓ Appoint world class local team
- ✓ Commissioning Independent Experts
- ✓ Resource Certification
- ✓ Environmental Impact Assessment (stage 1 of 2)
- ✓ Concept study on plant size and timeframes
- ✓ PPA letters of intent
- Feasibility Study subject to concept study – January 2011
- Long lead items (plant & equipment) – February 2012
- First site works – March 2012
- Drilling - 2012
- Installation – 2012/2013
- Commissioning -2013

Moving a Resource Project

- Iron ore, coal, copper, oil etc
- ***ALSO GEOTHERMAL***!!!
- Basic framework for all resource projects is the same-
  1. Find a large resource, greenfields, brownfields or corporate purchase
  2. Prove that the resource exists and is substantial (or world class) by further drilling
  3. Study the aspects of the resource and how to extract/value add to it
  4. Price the costs of extraction & development
  5. Obtain proof of environmental sustainability
  6. Complete Pre-feasibility (or variant term)
  7. Firm up offtake agreements, generally by LOI's to begin with
  8. Obtain indicative project finance
  9. Complete Bankable feasibility study
  10. Close finance with covenants
      - Get after it!
- **EHR IS AT STEP 8 FOR COPAHUE STAGE 1**

So where are we now?

- 1st Stage Development Plan-
  - Final targets have been identified for the development and exploration wells
  - The conceptual design of the power plant, gathering system and switch-yard is 80% complete
  - Negotiating final binding power purchase agreements and finalising additional Letters of Intent for offtake to optimise the staged development of a field
  - Progressing with project financing for a staged development, meeting requirements in terms of data and reports, but also ensuring full compliance with all local laws and requirements.
  - Management currently finalising the final development plan which will define how management is to get from the existing infrastructure they have to COD.
  - There may be a number of development alternatives available at this time depending on the resource and the availability of future expansion at the geothermal field
    - It is always appropriate to develop the geothermal power project to the resource not vice versa

EHR has to produce

- In parallel to the previous steps, management is ensuring that it has the necessary project documents in place before the negotiations accelerate with senior lenders:
  - Detailed Engineering Contract
  - EPC Contract
  - PPA
  - Geothermal Concession
  - Geothermal License
  - Environmental Permit
  - Guarantees
  - Financial Statements of Borrowers, Corporate Parent or Sponsor
  - Base Case Model
  - Company environmental and social action plan
  - Turbine Specifications and Purchase Contract
- Is all required to close a financing

Commercial or Multilateral?

- Commercial lenders tend to lend with more speed, however are more risk-adverse
- There are more commercial lenders available to source financing from
- Multi-Laterals do not move as quickly at first, however once all the pieces are together and the lead arranger (or co-arranger in some cases) have been mobilized they move at an alarming rate
- Multi-laterals place a large amount of focus on E&S, approx 30% of DD
- Multi-laterals can offer attractive pricing and have no issue with covering construction risk and then covering the construction loan into a term-loan

Consultant Selection

- In parallel with the completion of stage 1 management begin the identification and sourcing of key consultants that will act on behalf of the lenders.
- Usually, depending on the borrower lender relationship, management is able to recommend consultants to the lenders.
- Below is a list of the various consultants..
  - Engineering Consultant – involved in technology certification and construction progress certification. Signs-off on borrower drawdown requests and engineering parameters in the financial model
  - Resource Consultant – to sign off on the work done by management consultant on the resource. Signs-off on resource parameters in financial model. Provides on-going monitoring
  - E& S Consultant – Signs off on management's E&S plan and provides on-going monitoring
  - Financial Model Consultant
  - FS Auditor
  - Legal Consultant – In country governing loan documents and in project country

Debt Structure & Price

- There are certain precedents that have been established with previous geothermal debt project financings with respect to the structuring of the facility
  - Term – 10 to 12 years
  - Rate – 4% to 6% plus libor (usually 3-month)
  - Yank A Bank – if there are 3 or four more lenders in the facility and 3 agree on a change then the other bank can be replaced or bought out
  - Grid Pricing – Fluctuations in interest rates based on EBITDA and country debt rating
  - Prepayment and Voluntary Prepayment
  - Mezzanine or subordinate debt attached to the senior debt to be used for binary development or funds can be loaned to project-ring fence group and then distributed to parent for corporate uses
  - Rate on mezz and facilities are 4% plus margin, plus an EBITDA kicker to yield the lender a 15% return
  - Options could also be attached
  - Project-Financing could also be available at the project-level in local markets

An Execution Story

- Progressing as a developer, executing a strategy according to worldwide standards, and well ahead of contemporary class
- Considerable additional information to be supplied to the market-
  - More offtake partners
  - BFS commencement and completion
  - Project financing clues
  - Potentially more projects
- Excellent expansion
- Balanced portfolio with a very strong team of professionals on the ground in Argentina
- Developing the flagship Copahue project, with plans for expansion both in terms of output and number of projects in the country
  - First electricity planned for early 2013, just 18 months away
- Expansion into Africa, following the same path and trajectory

Contact Details

Mr. Torey Marshall
Managing Director
+61 8 8212 0579
info@earthheat.com.au