

13 December 2012

SAMPLE LETTER

NOTICE TO EARTH HEAT LIMITED OPTION HOLDERS Options Held: XX, Exercise Price \$XX each

Dear Option Holder

Renounceable Rights Issue

On 13 December 2012, Earth Heat Ltd (ASX: EHR, the **Company**) announced a renounceable rights issue to Eligible Shareholders of three New Shares for every four Shares held by Eligible Shareholders on the Record Date, at an issue price of \$0.002 per New Share to raise up to approximately \$1.29 million before costs of the Offer. The Offer will include one attaching option exercisable at \$0.005 and expiring on 31 January 2014 for every two New Shares subscribed for and one attaching option exercisable at \$0.007 and expiring on 31 January 2016 for every three New Shares subscribed for.

The Offer is fully underwritten by DJ Carmichael Pty Limited.

The funds raised from the offer will be used for expenditure on the Copahue Geothermal Project, working capital and new ventures, and the costs of the offer and contingency.

The Prospectus for the Offer was lodged with the Australian Securities and Investments Commission and ASX on 13 December 2012. It is available on the ASX website and also on the Company's website, www.earthheat.com.au.

The Offer is available to all the Company's shareholders on the register as at the Record Date of 21 December 2012 with registered addresses in Australia and New Zealand (**Eligible Shareholders**).

Option Holder's Eligibility to Participate in the Offer

Option Holders must first exercise their options if they wish to participate in the Offer.

As an option holder with a registered address in Australia or New Zealand, you will only be Eligible to participate in the Offer if you first exercise your options by no later than the Record Date which is Friday, 21 December 2012.

Indicative Timetable

The indicative timetable for the Offer is set out below:

Announcement of Offer	Prior to commencement of trading on Thursday 13 December 2012
Lodgement of Prospectus with ASIC and ASX	Prior to commencement of trading on Thursday 13 December 2012
Notice sent to Shareholders containing Appendix 3B information	Friday 14 December 2012

Shares commence trading on an ex rights basis	Monday 17 December 2012
Rights trading starts	Monday 17 December 2012
Record Date for the Offer	Friday 21 December 2012
Opening Date of Offer	Monday 24 December 2012
Prospectus and Entitlement and Acceptance Form despatched to Shareholders	Thursday 27 December 2012
Rights trading ends	Friday 4 January 2013
Shares quoted on a deferred settlement basis	Monday 7 January 2013
Closing Date of Offer	Friday 11 January 2013
Advise ASX of any Shortfall	Wednesday 16 January 2013
Expected date of despatch of holding statements for New Shares	Monday 21 January 2013
Commencement of trading of New Shares on ASX	Tuesday 22 January 2013

These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to change any date including to extend the Closing Date of the Offer, to close the Offer early, to accept late acceptances either generally or in particular cases, or to withdraw or reduce the size of the Offer without notice.

Should you wish to exercise your options please complete the attached Form of Exercise of Options and return to the Company at the address shown on the Form, together with your cheque for the aggregate exercise price.

Please contact the Company Secretary on +612 4448 5641 if you have any queries regarding this letter.

Yours faithfully,

For and on behalf of the Company
Mal Lucas-Smith
Company Secretary

FORM OF EXERCISE OF OPTIONS

The Directors,
Earth Heat Resources Ltd,
Suite 9, Lester Court, 75A Angas Street,
Adelaide SA 5000

I/We/Mr/Mrs/Miss/Ms or company name

Given Name(s) / Company Name

of

Please complete address

being the registered holder(s) of the options, hereby exercise _____ options for
(number of options exercised)

(number of shares in words)

(number of shares in figures)

fully paid ordinary shares in Earth Heat Resources Ltd and I/we enclose total payment of A\$_____.

I/We request you to allot such shares to me/us and agree to accept them subject to the Company's Constitution.

If this application is signed by an attorney, the attorney states that he/she has no notice of revocation of the Power of Attorney under authority for which this application is signed.

(sign as appropriate)

Individual and Joint Holders

Note: All joint holders must sign

Holder

Sole Director and Sole Company Secretary

Holder

Director

Holder

Director/Secretary

(Affix Common Seal
here if required)

Note: If your form of exercise of options is not completed correctly, it may still be treated as valid. The Company's decision as to whether to treat your form of exercise of options as valid and how to construe, amend or complete it, shall be final.