

14 December 2012

NOTICE TO EARTH HEAT RESOURCES LIMITED FOREIGN SHAREHOLDERS

Dear Shareholder

Renounceable Rights Issue

On 13 December 2012, Earth Heat Resources Ltd (ASX: EHR, the **Company**) announced a renounceable pro-rata rights issue to Eligible Shareholders, of three new fully paid ordinary shares (**New Shares**) for every four Shares held 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 Copahue Geothermal Project expenditure, 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 of the Company's shareholders on the register as at the record date of Friday 21 December 2012 with registered addresses in Australia and New Zealand (**Eligible Shareholders**). As a shareholder with a registered address outside Australia and New Zealand, the Offer will not be extended to you, and you will not be eligible to participate in the Offer.

In accordance with the ASX Listing Rules, the Company has decided that it is unreasonable to extend the Offer to shareholders with registered addresses outside Australia and New Zealand having regard to the following:

- the number of shareholders in places outside Australia and New Zealand where the Offer would otherwise be made;
- the number and value of New Shares that shareholders in places outside Australia and New Zealand would otherwise be offered; and

- the costs of complying with the legal requirements, and requirements of regulatory authorities, of those places outside Australia and New Zealand where the New Shares would otherwise be offered.

However, in order for the Offer to satisfy ASX Listing Rule 7.7.1(c) in respect of a renounceable entitlement offer, the Company is required to do each of the following:

- appoint a nominee (Nominee) to arrange for the sale of the entitlements that would have been given to the Foreign Shareholders and to account to them for the net proceeds of the sale; and
- advise each Foreign Shareholder not given the entitlement that the Nominee will arrange for the sale of the entitlements and, if they are sold, for the net proceeds to be sent to the Foreign Shareholder.

Similar to this, section 9A(3) of the *Corporations Act 2001* (Cth) requires that the Company advise each Foreign Shareholder that:

- a nominee will be appointed to sell their entitlement;
- they will receive the net proceeds from such a sale; and
- a nominee has been appointed to carry out these obligations.

As such, in accordance with both section 9A(3) of the *Corporations Act 2001* (Cth) and ASX Listing Rule 7.7.1(c), the Company has appointed DJ Carmichael Pty Limited, the Underwriter for the Offer, as the Nominee for Foreign Shareholders to undertake the matters set out in both ASX Listing Rule 7.7.1(c) and section 9A of the *Corporations Act* as set out above.

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	Thursday 27 December 2012

despatched to Shareholders	
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

Some of these dates are indicative only and subject to change without notice. The Company may extend the period of the Offer or bring forward the Closing Date at its discretion whether or not the offer has been fully subscribed. This may have a consequential effect on the other dates.

Please contact the Company 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