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Dear Shareholders and Investors,

Shortly after the Prospectus was released, we began the detailed submission work for a Renewable Energy Development Initiative Grant, focused on the Frome Project. These grants, offered by AusIndustry (a Commonwealth Government Department), are to support projects in the renewable energy sector which includes geothermal resources. The grants are extremely competitive and we are presently awaiting news of whether our application was successful. If successful it will augment our finances with a matching contribution from the REDI grant towards most of the Geothermal Resources early phase activities.

Currently, Geothermal Resources is engaged in the lengthy process of securing all permitting necessary for initial drilling of the Frome Project area, which is designed to accurately assess the regional thermal gradients. This round of drilling is supported by a \$100,000 PACE grant from the SA Government.

You will be pleased to know that another very prospective geothermal licence, GEL 222 has been granted to the Company. It lies roughly 90 km northwest of Broken Hill and very close to Havilah Resources' planned copper-gold mine development at Kalkaroo. Geoscience Australia's deep seismic survey revealed a potentially favourable geological setting comprising a narrow north-south fault-bounded basin that appears to blanket buried granite.

Recent press speculation about Australia entering the nuclear power generation age is good news for Geothermal Resources as many will find our sustainable, zero waste energy alternative a much preferred strategy for Australia.

Yours sincerely

GEOHERMAL RESOURCES LIMITED
Bob Johnson, PhD, FAusIMM
Chairman

Enquiries should be directed to Dr Bob Johnson on (08) 83389292