



**Geothermal Resources Limited**  
63 Conyngham Street  
Glenside 5065 South Australia  
phone 61 8 8338 9292  
fax 61 8 8338 9293  
email [info@geothermal-resources.com.au](mailto:info@geothermal-resources.com.au)  
ABN 45 115 281 144

31 August 2007

Dear Fellow Shareholders

Your Company has achieved a significant objective during the quarter, with the completion of four drillholes to 500 metres depth on its Frome Project in South Australia's northeast. It is generally accepted that temperature measurements of borehole water from depths greater than 400 metres can give a good indication of the expected geothermal gradient. As we prepare to carry out temperature logging of standing water in these four boreholes within the next few weeks, the moment of truth approaches when we will learn whether there are likely to be elevated temperature gradients in the Frome Project area and hence exploitable geothermal resources at depth.

Drilling 500 metre holes to obtain the temperature data is an expensive exercise. It is much better if someone else has already drilled the hole for us. Study of mineral drillhole records maintained by PIRSA has shown that there are at least twenty holes drilled to depths of more than 350 metres within Geothermal Resources' tenements or very close by. We therefore plan to take temperature measurements from these holes as well, in order to obtain regional temperature data. This will allow us to develop a regional 3D picture of the temperature gradients in the region, and may help identify particular "hot spots" that would represent prime drill targets.

In preparation, we have been systematically "depthing" these old mineral exploration holes with a simple cord and sinker attached to a make-shift windlass. Most holes tested so far are open to at least 400 metres depth, and are therefore likely to yield useful temperature data.

We are also assessing downhole temperature data for the Crower project in South Australia's South East. Preliminary observations are that there are many deep boreholes within and adjacent to the GELs that could be usefully logged to supplement the existing temperature data, again with the objective of building up a 3D model of the expected temperature gradients in the region.

Geothermal Resources is one of the more active geothermal energy explorers in South Australia in terms of drilling holes and taking down-hole temperature measurements. This activity is expected to be maintained, especially considering the comparatively large area of prospective ground held by your Company, none of which has yet been drilled for its geothermal energy potential.

We continue to be optimistic that the geological concepts on which Geothermal Resources is based will be validated. This will be the first major step towards discovery of an almost unlimited truly renewable energy resource. If we are successful in demonstrating the concept we are confident that there will be adequate support from major energy companies and the Commonwealth Government to help us through the next very expensive stage of development and exploitation.

Yours sincerely

A handwritten signature in cursive script that reads "Bob Johnson".

Bob Johnson  
Chairman