

REVIEW OF OPERATIONS

FROME PROJECT

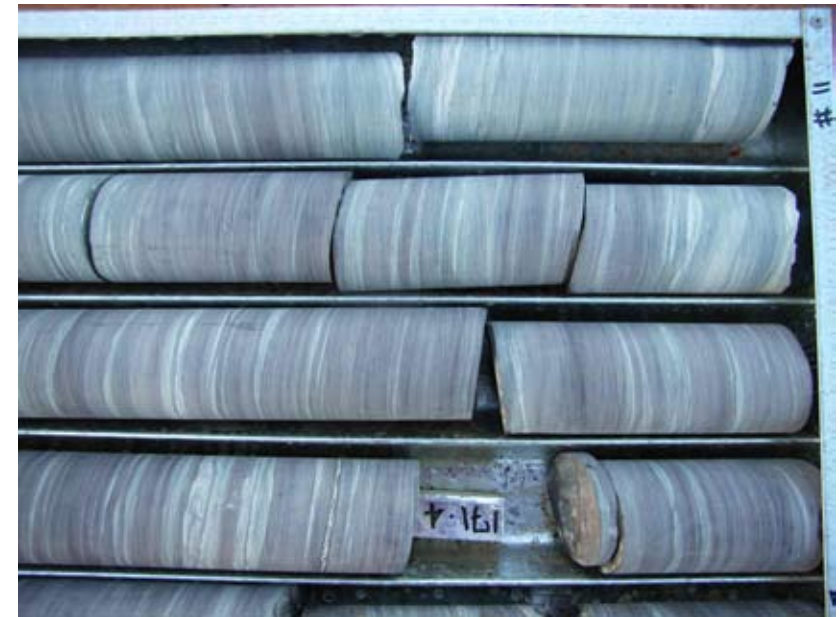
Geothermal Resources Limited (Geothermal Resources – ASX : GHT) completed four diamond drillholes to 500 metres depth on its Frome Project during the quarter. These holes are identified as Frome 2, 3, 8 and 9 on the map and were targeted above an area of interpreted buried granite. Frome 9 is a replacement hole for Frome 1, which encountered drilling problems at around 180 metres depth in a very broken limestone formation and had to be discontinued.

It is now planned to measure the temperature of standing water in each drillhole from which the vertical temperature gradient can be estimated. To this end a contractor will shortly mobilise to carry out thermal logging of the four holes using specialised downhole

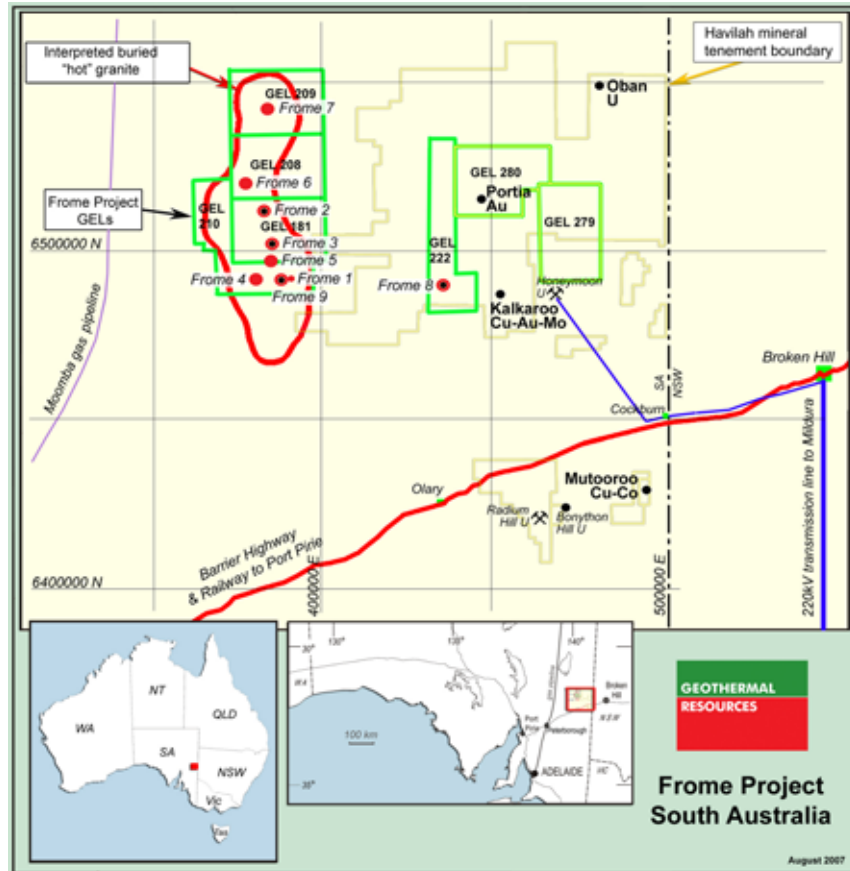
logging equipment. At the same time it is also proposed to thermally log several other earlier deep mineral drillholes in the vicinity, which have been depth tested and found to be open to at least 400-500 metres. This data will be used to develop a 3 dimensional temperature gradient model for the region, which will guide the location of the next series of shallow holes as well as aid in targeting the optimal positioning of deeper test holes.

All holes intersected comparatively fine grained sediments, which would be expected to be relatively good insulators (*see photo*). The thermal conductivity of the cover sediments is an important factor in keeping the heat generated from the granitic bodies trapped at depth, rather than allowing it to dissipate.

To establish this point, thermal conductivity measurements will be carried out on the core samples generated by the recent drilling programme.



Typical thinly bedded, fine-grained sediments in drillholes Frome 2, 3 and 9



CROWER PROJECT

Geothermal Resources continues to evaluate available heat flow data for numerous deep boreholes within the Crower project area. The results will determine the next step, which may include further temperature measurements, new drillholes or deepening one of the existing drillholes.

NEW GEOTHERMAL EXPLORATION LICENCES

Two new geothermal exploration licences of approximately 500 square kilometres each, lying to the east of the Frome GELs, were granted during the quarter (*see map*). They cover an area of Broken Hill age low grade metamorphosed sediments that are interpreted to be underlain by large granite bodies, based on existing gravity and seismic geophysical data. The

metasediments comprise a thick pile of uniformly fine-grained original silts and shales, that should provide an ideal insulating blanket. The granites in the region are known to contain high levels of uranium based on mineral exploration data and are therefore predicted to be good sources of heat.

There are numerous deep mineral holes in the region (> 300 metres deep) and a number of these have been selected for future temperature logging, subject to present depthing surveys indicating that the holes remain open.

These GELs are only 60-80 kilometres from Broken Hill where there is a substantial market for electricity.

FORWARD EXPLORATION PLANS

Geothermal Resources' immediate objective is to complete downhole temperature measurements of standing water in the four drillholes recently completed, in addition to several other nearby mineral holes. The temperature data from these 500 metre

holes will be vitally important to select the best location to site the first deep test drillhole into the potential geothermal reservoir at 2-4 kilometres depth.

Geophysical data and new heat flow data for the Crower project area will continue to be assessed in order to select optimum drillhole locations for future downhole temperature measurements.

FINANCE

As at 31 July 2007 the Company had available funds of \$2.26 million of which the majority is held in a term deposit. This figure includes an earlier credit of \$322,000 arising from reimbursement of a proportion of past expenditures under the REDI grant. Exploration expenditure in the forthcoming quarter is expected to be comparable with the current quarter.

The ongoing drilling and logging work is being supported by a \$2.4 million REDI (Renewable Energy Development Initiative) grant from the Federal Government, which will match the Company's funding until completion of at least one deep hole into the hot rock geothermal energy source.

Dr K R Johnson
CHAIRMAN



Drilling in progress Frome 3 drillhole

Further technical details relating to Geothermal Resources activities will be found on the Company's website:
www.geothermal-resources.com.au

The information in this report has been prepared by Dr Bob Johnson who is a member of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. Drs Johnson and Giles are employed by the Company on consulting contracts. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles consent to the release of the information compiled in this report in the form and context in which it appears.

Enquiries should be directed to Dr Bob Johnson
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GEOTHERMAL RESOURCES LIMITED

ACN 115 281 144



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HIGHLIGHTS

FOUR DRILLHOLES COMPLETED AT FROME PROJECT

- Four drillholes have been completed to 500 metres depth at Frome Project in readiness for temperature logging
- Available borehole temperature data for Crower Project being assessed

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