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ASX / Media Release

29 May 2009

APPENDIX 5B – THIRD QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

- **Frome 13 successfully completed at 1809 metres.**
- **Highest ever bottom of hole temperature in the Curnamona region (96 °C).**
- **A shareholder share purchase plan announced.**

REVIEW OF OPERATIONS

FROME PROJECT

During the quarter Geothermal Resources Limited (Geothermal Resources – ASX : GHT) commenced drilling of **Frome 13, and last week successfully completed the hole at a depth of 1809 metres.** The hole was completed without incident, within budget and time and it also remained vertical. A bottom of hole temperature of 96 °C was recorded on Thursday 28th May 2009, five days after drilling ceased.

Based on more than 20 individual downhole temperature measurements taken during the course of the hole, a geothermal gradient of approximately 40 °C / km has been calculated. This gradient is slightly higher than in Frome 12, where a temperature of 93.5 °C was obtained at a depth of 1761 metres. Knowing that Frome 13 lies roughly 26 km north-northeast of Frome 12, the temperature data recorded in both holes suggests that such high geothermal gradients can be expected over this entire area. **This in turn indicates a potential high temperature geothermal energy reservoir at depth over an area of at least 500 km².** Extrapolation of the geothermal gradients indicates a temperature of 200 °C at a depth of approximately 4.4 km (allowing for a surface temperature of 23.5 °C).

Frome 13 passed through the predicted sequence of sedimentary cover rocks as summarized below :

0-979 metres : Cambrian sediments – predominantly siltstones and limestones
979-1703 metres : Neoproterozoic sediments – predominantly variably dolomitic siltstones
1703 -1809 metres : Basement, comprising felsic pyroclastic volcanic rocks

The intersection of basement rocks in the last 100 metres of the hole enabled the natural fractures to be observed and allowed sampling for fracture analysis. The incidence of natural fractures increases with depth and they typically occur at around 35° to horizontal.

The results for both Frome 12 and Frome 13 will be carefully assessed ahead of selection of future drill sites.

All drilling work so far on the Frome Project has been supported by a \$2.4 million REDI (Renewable Energy Development Initiative) grant from the Federal Government, which is matching the Company's expenditure.

CROWER PROJECT

The geothermal energy potential of the Crower project is enhanced by two natural geological attributes :

1. Both hot sedimentary aquifer (HSA) and hot fractured rock (HFR) geothermal resources are possible thereby allowing tapping of the reservoir that gives the best economic returns.
2. Published heat flows within the project area are markedly elevated compared to elsewhere in the Otway Basin. This indicates that a HSA or a HFR geothermal resource could be found at shallower depths than elsewhere, which in turn could significantly reduce development costs.

Major power transmission lines cross the project area, giving it a further man-made competitive advantage over more remote projects.

Extensive historic seismic data exists in the region, and current work is focused on computer enhancing this data to develop a 3D geological model for the project area. This will assist in pin-pointing optimum target areas for HSA and HFR geothermal resources.

SHAREHOLDER SHARE PURCHASE PLAN (SSPP)

After the end of the quarter the Company announced a SSPP allowing eligible shareholders the opportunity to purchase up to \$15,000 worth of shares at an 18% discount to the market price immediately prior to the announcement. This is the first capital raising by the Company since its IPO more than three years ago, and offers shareholders the opportunity to acquire additional shares for a favourable price at a time when the Company's future prospects have never been better.

Proceeds from the SSPP will allow the Company to match funding provided under the Commonwealth Government's Renewable Energy Development Initiative (REDI) grant in further advancing the Frome project. Any additional funds will be applied to target selection work for the Crower project.

FINANCE

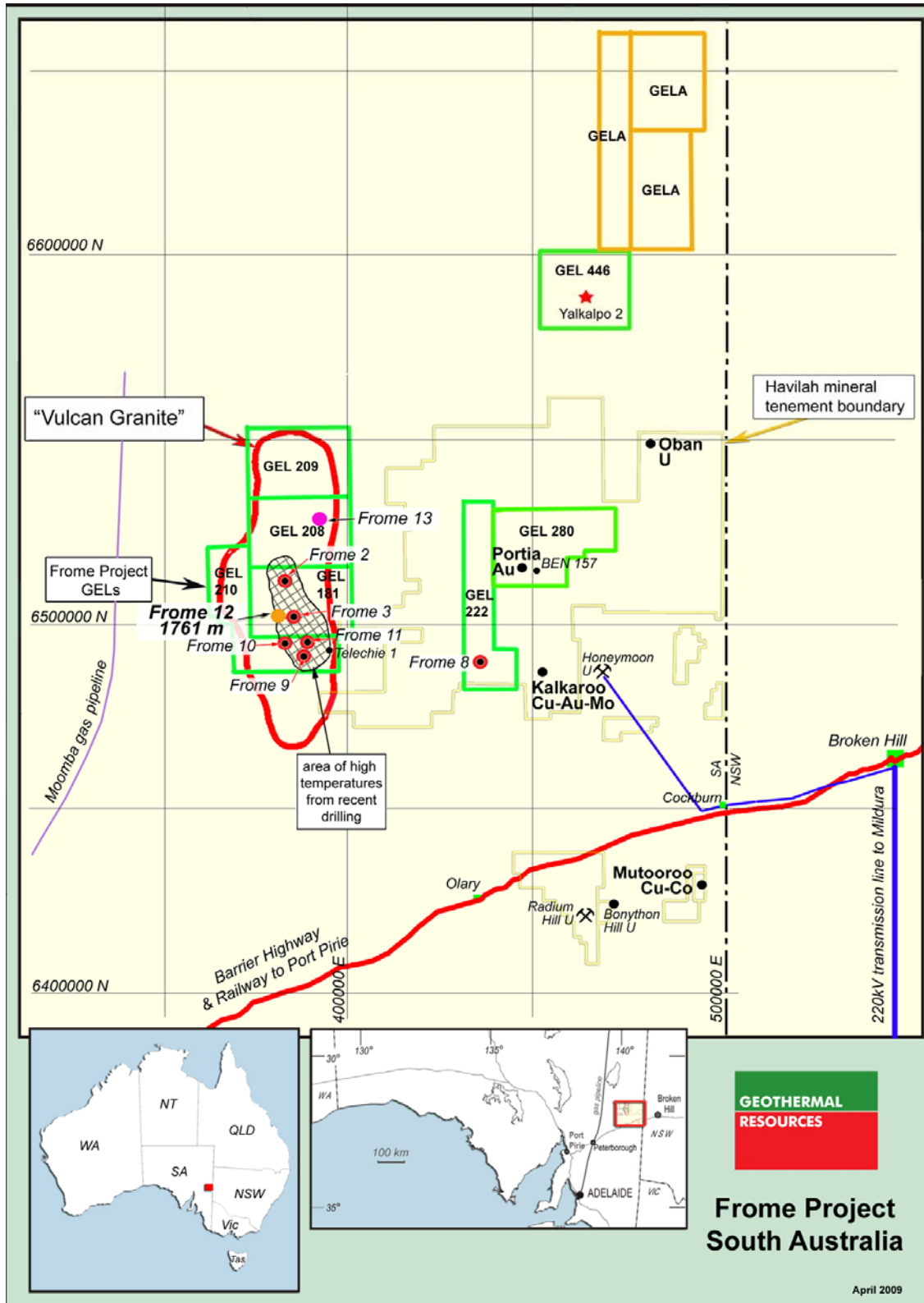
As at 30 April 2009 the Company had available funds of \$1,065,000. This amount was recently boosted by reimbursement of \$677,000 of previous expenditure under the REDI grant. Reduced exploration expenditure of \$242,000 during the quarter reflected fewer invoiced drilling expenses in the early stages of Frome 13. Expenditure in the next quarter is expected to be significantly higher as more drilling invoices from Frome 13 are presented.

Dr K R Johnson
CHAIRMAN

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 mineralization 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, Chairman, on (08) 8338 9292



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

GEOTHERMAL RESOURCES LIMITED

ACN

115 281 144

Quarter ended ('current quarter')

30/04/2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration and evaluation (b) development (c) production (d) administration	-242	-1384
1.4 Dividends received Interest and other items of a similar nature received	8	49
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		
Net Operating Cash Flows	-300	-1557
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	-	-4
1.9 Proceeds from sale of:(a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (REDI grant reimbursement)	616	830
Net investing cash flows	616	826
1.13 Total operating and investing cash flows (brought forward)	316	-731

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	-6	-17
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-6	-17
Net increase (decrease) in cash held		310	-748
1.20	Cash at beginning of quarter/year to date	755	1813
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1065	1065

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	189
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

The payments relate to management and consulting fees payable to entities associated with the directors pursuant to contracts entered into with the Company, and also reimbursement of expenses incurred by directors on behalf of the Company. In addition during this quarter Talager Drilling Pty Ltd, a company associated with one of the directors carried out drilling services. Drilling charges are at standard commercial rates as determined by public quotes for comparable equipment, and approved by non-associated directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	450
4.2 Development	
Total	450

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	97	342
5.2 Deposits at call	968	413
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1065	755

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	33,050,003	33,050,003		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	1,600,000 200,000 25,000 200,000	Directors Employee Employee Employee	<i>Exercise price</i> 60 cents 31 cents 36 cents 86 cents	<i>Expiry date</i> 21/03/2011 19/10/2011 12/02/2012 30/07/2013

7.8	Issued during quarter				
7.9	Exercised during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 29 May 2009

Print name: Dr KR Johnson...Chairman / Director.....

Notes

1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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