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ASX / Media Release

25 February 2008

APPENDIX 5B – SECOND QUARTER ACTIVITIES AND CASH FLOW REPORT

MORE DRILLHOLES PLANNED FOR FROME PROJECT

HIGHLIGHTS

- **Preparation for further shallow geothermal gradient drilling on the Frome project to assist with siting a deep test hole**
- **Planning for a drilling programme on the Crower project in order to follow up significant heat flow anomalies**

REVIEW OF OPERATIONS

FROME PROJECT

As foreshadowed in the previous quarterly report, Geothermal Resources Limited (Geothermal Resources – ASX : GHT) planned to complete three additional shallow drillholes on GEL's 181 and 210 during the current quarter. This followed on from two important observations :

- The abnormally high downhole temperatures measured in drillholes Frome 2,3 and 9 on GEL's 181 and 210 during the last quarter, which were comparable with the highest obtained elsewhere in Australia, such as the Cooper Basin
- The regional correlation between the highest down hole temperatures and the interpreted locations of buried granite bodies, which supported Geothermal Resources geological model in the Frome project area. The large size of the buried granite bodies highlights the magnitude of the geothermal resource that could potentially be tapped in this region

Preparations were made for the drilling, including permitting and site preparation, but owing to other drill rig commitments ahead of the Christmas break, it was not possible to commence work in the current quarter. The three new holes are expected to commence in February and will be drilled in the area between drillholes Frome 3 and Frome 9, where the highest bottom of hole temperatures were recorded (see map). The holes will be drilled to near the maximum depth capacity of the available percussion drill rig, which is approximately 200-300 metres. Based on the earlier logging results it appears that a reliable indication of the geothermal gradient can be obtained from boreholes of this depth, thereby saving the expense of drilling to depths of 500 metres in the initial testing phase.

The purpose of the three additional holes is to narrow down the area of highest geothermal gradient in the interpreted core region of the buried Vulcan granite. This in turn will assist in selecting the best location for a drillhole to at least 1000 metres deep in the next stage of deeper drill testing. It is

planned that the deeper hole will be commenced in the first half of 2008, subject to availability of a suitable drill rig. This hole will be the pre-cursor to a hole at least 3 kilometres deep to be drilled into the granite geothermal reservoir later in the year, again subject to drill rig availability.

Checking of old > 200 metre deep mineral exploration holes in the region continued, and several have been identified for follow up downhole temperature logging. This will provide important regional temperature data that is required for evaluation of the granite sourced geothermal heat reservoirs.

The Frome project lies some 120 kms to the west of Broken Hill where there is a National Electricity Grid Connector. Between Broken Hill and the Frome Project area are several potential mining projects including the large Havilah Resources-Glencore Kalkaroo copper-gold-molybdenum project, which is currently in feasibility stage.

Drilling and related work on the Frome Project is being supported by a \$2.4 million REDI (Renewable Energy Development Initiative) grant from the Federal Government.

CROWER PROJECT

Geothermal Resources continues to evaluate available heat flow data for numerous deep boreholes within the Crower project area. It is also in process of planning for drilling of several 500 metre deep holes during the first half of 2008 for the specific purpose of obtaining reliable downhole temperature measurements.

FINANCE

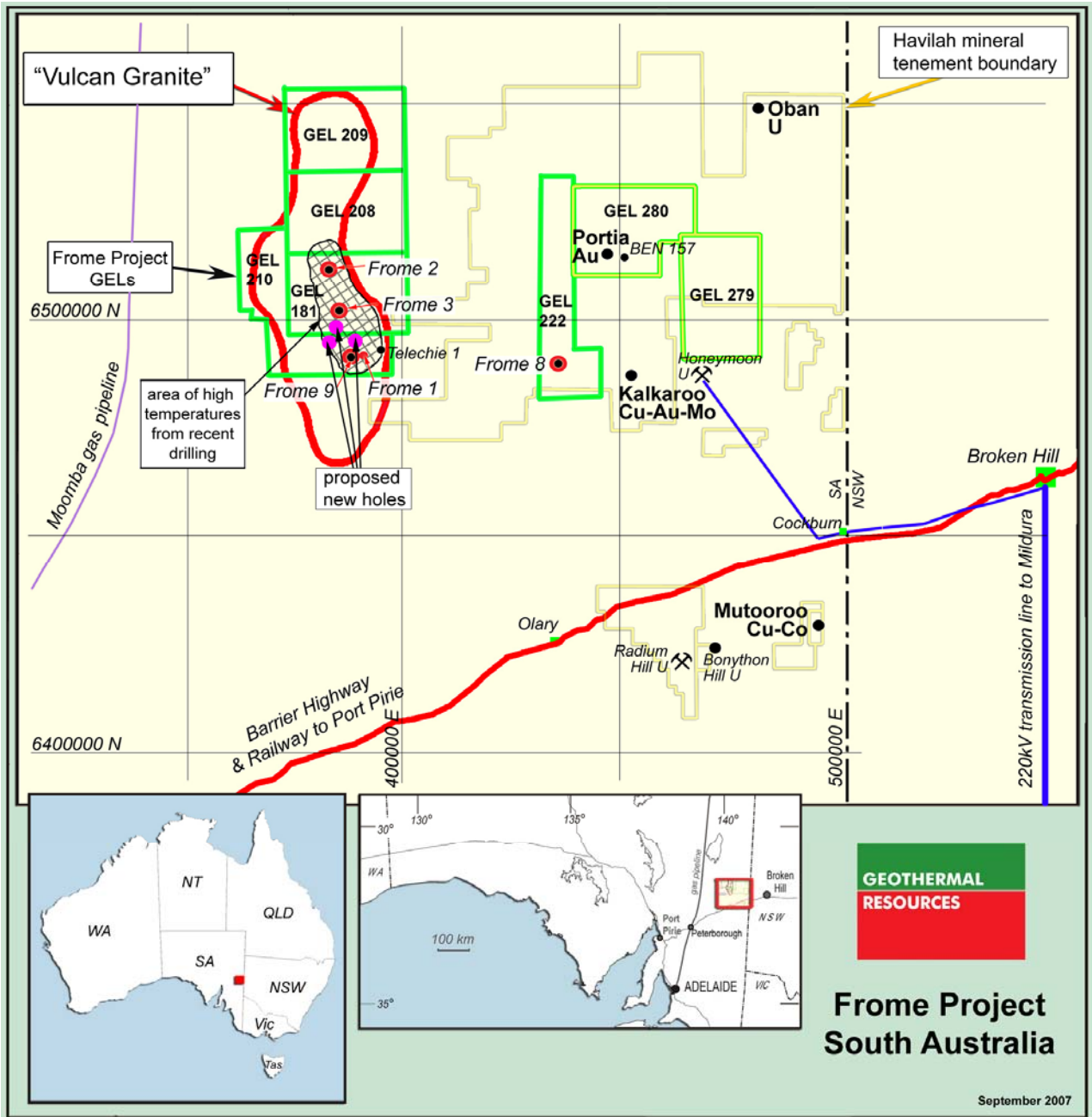
As at 31 January 2008 the Company had available funds of \$1.97 million of which the majority is held in a term deposit. Some of the exploration expenditure incurred during the quarter will be eligible for reimbursement under the REDI grant. Exploration expenditure in the forthcoming quarter is expected to be considerably higher than the current quarter with the commencement of further drilling on the Frome Project.

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

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



Frome Project South Australia

September 2007

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")

31/01/2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration and evaluation	-103	-456
(b) development		
(c) production		
(d) administration	-36	-115
1.4 Dividends received	30	62
1.5 Interest and other items of a similar nature received		
1.6 Interest and other costs of finance paid		
1.7 Income taxes paid		
1.7 Other		
	-109	-509
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	-2	-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 (provide details if material)	159	239
	157	235
Net investing cash flows		
1.13 Total operating and investing cash flows (brought forward)	48	-274
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	-5	-11
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-5	-11
	Net increase (decrease) in cash held	43	-285
1.20	Cash at beginning of quarter/year to date	1928	2256
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1971	1971

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	119
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

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Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	
Total	350

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	139	140
5.2 Deposits at call	1832	1788
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1971	1928

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	33,000,000	33,000,000		
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	Directors Employee Employee	<i>Exercise price</i> 60 cents 31 cents 36 cents	<i>Expiry date</i> 21/03/2011 19/10/2011 12/02/2012
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: 25 February 2008

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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