



Geothermal Resources Limited
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The Manager
Companies Announcements Office
Australian Stock Exchange Ltd
10th Floor, 20 Bond Street
SYDNEY NSW 2000

30 May 2006

Dear Sir / Madam,

APPENDIX 5B – THIRD QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

PREPARING FOR FIRST ROUND GEOTHERMAL GRADIENT DRILL TESTING

- The Company listed on the ASX on 21 March after a successful capital raising of \$3 million.
- Considerable management time devoted to preparing a REDI grant application for a sum of \$2.5 million to assist with identification of the best geothermal drilling targets.
- A new GEL was granted lying immediately east of the existing Frome project GEL's
- Regulatory requirements are currently being worked through to allow drilling to proceed in the second half of the year

REVIEW OF OPERATIONS

This is the first quarterly report of Geothermal Resources Limited as a publicly listed company following a successful capital raising. It is pleasing that the majority of shares in Geothermal Resources were subscribed for by Havilah Resources shareholders and that during the quarter the shares have generally traded at a premium to their issue price. It is also pleasing that in the absence of underwriting and sponsoring brokers fees, and minimal prospectus preparation costs, almost all the funds raised are now on deposit and are being applied to the stated exploration objectives.

REDI Grant Application

A considerable amount of management time during the quarter was devoted to preparing an application for a Commonwealth Government REDI grant (Renewable Energy Development Initiative). This initiative "is a competitive, merit-based grants program supporting renewable energy innovation and its early stage commercialization. The program will provide up to \$100 million over seven years to eligible applicants in the form of matching grants to undertake new renewable energy technology activities." (as described by an AusIndustry fact sheet).

The REDI grant was applied for on the basis of assisting research that will lead to identification of optimum drilling locations for testing geothermal resources in the Frome project area, and subsequent verification and commercialization. An amount of \$2.5 million was applied for to be spent over a period of five years, which must be matched by the company's own funds. If the grant is successful, it will mean that almost double the funds raised by the Company in its IPO can be directed towards the search for hot rock geothermal energy within the Frome project area.

Part of the scientific rationale behind the REDI grant application was to map the theoretical heat generating capacity of the outcropping granite bodies in the region and apply this to the covered areas where it is proposed to drill. Since the natural radioactive decay of isotopes of uranium, thorium and potassium is responsible for the heating of the granites, the published radiometric maps of the region can therefore give a good idea of the heat generating capacity of the granites. The high radiometric responses of outcropping basement rocks lying immediately south of the Frome project area indicates an exceptionally high heat generating capacity, which if contained under a suitable insulating blanket should yield high geothermal gradients (see attached image).

New Geothermal Exploration Licence

The Company was granted a new geothermal exploration licence (GEL 222) during the quarter. It lies just east of the other Frome project GEL's and is located roughly 80 km from the Broken Hill electricity grid. It covers a narrow trough of Neoproterozoic age Adelaidean sediments that lie along the faulted western flank of the Benagerie Ridge. This sedimentary trough and a large body of non-layered underlying basement, interpreted as granite, is clearly visible on the recently released data for the government funded seismic traverse.

The occurrence of such a large granite body, some 20 km across, lying beneath approximately 3 kilometres depth of dense insulating sediments, is believed to be an ideal geological setting for development of a hot rock geothermal resource.

Forward Exploration Plans

Geothermal Resources immediate objective is to complete at least six shallow depth holes to around 500 metres depth to determine geothermal gradients across the Frome project area. This data will be vitally important to determine the best location to site the first deep test drillhole into the potential geothermal reservoir.

Preliminary drill sites have been selected and a drilling contractor booked to complete the work in the second half of the year (see attached image). A \$100,000 PACE grant (Programme for Accelerated Exploration) has been awarded to the Company to assist with this drilling programme.

Management are currently working through the extensive regulatory requirements that must be complied with under the Petroleum Act, before drilling can proceed. This includes Aboriginal heritage survey clearance, environmental assessment, notification of landholders and various safety issues. It is expected that satisfying these requirements will consume all of the next quarter.

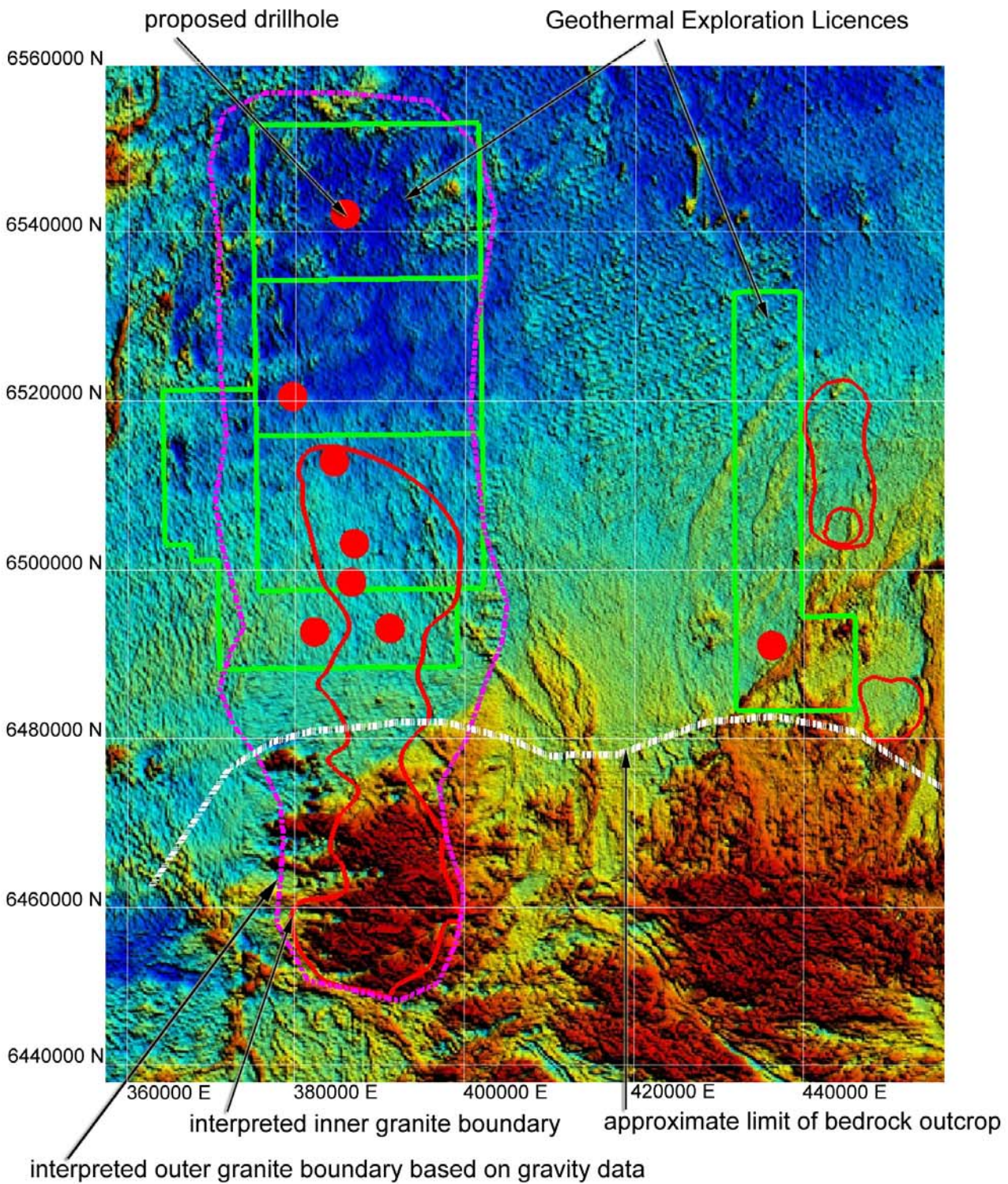
FINANCE

As at 30 April 2006 the company had available funds of \$2.865 million, of which the majority is held in a term deposit. The extent of exploration expenditure in the forthcoming quarter will be dependent on how quickly regulatory procedures can be completed that will permit field programmes to proceed.

Dr K R Johnson
CHAIRMAN

The information in this report has been prepared by geologists 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. Both are adherents to the respective Institutes' codes and recommended practices and have had a minimum of five years experience in the types of activities being reported.

Enquiries should be directed to Dr Bob Johnson, Chairman, on (08) 8338 9292



TOTAL COUNT RADIOMETRIC IMAGE showing relatively high radiation levels (red colour) associated with outcropping bedrock. Cover rocks to the north of the white line mask the high radiation, but the heat producing character of the granites will be maintained in the subsurface leading to an expected good geothermal source area.

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")

30/4/06

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 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		
(b) development		
(c) production		
(d) administration	-24	-24
Dividends received		
1.4 Interest and other items of a similar nature received	24	24
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
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		
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)	-135	-135
Net investing cash flows	-135	-135
1.13 Total operating and investing cash flows (brought forward)	-135	-135
Cash flows related to financing activities		

1.14	Proceeds from issues of shares, options, etc.	3000	3000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2865	2865
	Net increase (decrease) in cash held	2865	2865
1.20	Cash at beginning of quarter/year to date	0	0
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	2865	2865

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	5
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

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	150,000
4.2 Development	
Total	150,000

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	95	
5.2 Deposits at call	2770	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2865	

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	Directors	<i>Exercise price</i> 60 cents	<i>Expiry date</i> 21/03/2011
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 ~~not~~ ^{*} (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 30 May 2006

Print name: Dr KR Johnson.....

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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