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ASX Release

30 November 2006

APPENDIX 5B – FIRST QUARTER ACTIVITIES AND CASH FLOW REPORT

PROGRESSING TOWARDS DRILLING THE FROME PROJECT AREA

HIGHLIGHTS

- **All approvals in place for an eight hole geothermal gradient drill testing programme at the Frome project to commence early in 2007**
- **New deep well temperature measurement data indicates high geothermal gradients within the Crower project area**

REVIEW OF OPERATIONS

FROME PROJECT

During the quarter Geothermal Resources Limited (Geothermal Resources – ASX:GHT) focused on working through the Frome project drill permitting process with PIRSA, culminating in approval of the eight hole drilling programme on 27 October. The permitting process for geothermal drilling comes under the Petroleum Act and is considerably more involved than normal mineral drilling because of the likely depth of holes, possibility of blow out and stringent occupational health and safety standards. The required Activity Notification is a comprehensive document that addresses all aspects of the drilling programme, including notification of relevant stakeholders, the likely environmental impacts, and full documentation of health and safety procedures adopted by the Company.

The drilling approval came too late to retain the drilling contractor who took on another contract in the meantime that will occupy the drilling rig until the end of the year. The drilling programme will now be undertaken early in the new year at a date yet to be fixed. The powerful percussion drilling rig proposed to be used is the only one of its type in South Australia that is capable of drilling a large diameter hole to depths of 500-600 metres with certainty. Open hole percussion drilling has been chosen because it is the quickest and most economical drilling method to such depths. The objective is to take temperature measurements of standing water at the bottom of each hole drilled so that the temperature gradient can be estimated, which in turn will yield vital information concerning the likely geothermal energy potential of the region.

It is likely that one or more of the initial holes will be extended to 1500 – 2000 metres depth during a second round of diamond drilling later in the year. For this reason the largest practical diameter percussion holes are being drilled at this time as this will facilitate re-entry of the holes and improve the chances of successful deepening later on.

In the meantime it is proposed to investigate the feasibility of measuring downhole standing water temperatures in several deep oil exploration holes in the region, including Telechie 1, which lies just inside the southeastern boundary of the Frome tenements. It first needs to be determined if the holes remain open so that a temperature logging probe can be lowered down the holes. If this is the case it may be possible to obtain useful downhole temperature measurements in advance of those to be obtained from Geothermal Resources' own drillholes.

CROWER PROJECT

During the quarter some relevant research work was published on recent water temperature measurements from nine former petroleum wells and seven deep water wells, mostly within the Crower project area by Monash University based geoscientists. Geothermal Resources had in fact planned to carry out this work itself as a first priority for the Crower project evaluation and it is therefore fortuitous that it was pre-empted by the Monash researchers. Their work showed comparatively high bottom of hole water temperatures in a number of holes and corresponding relatively high heat flow gradients that were inferred to be comparable to those from the Cooper Basin where Geodynamics is currently actively advancing its hot dry rock geothermal energy project.

The important conclusion of this work from Geothermal Resources' perspective is that the new temperature data provides direct evidence of elevated heat flows and therefore enhances the geothermal energy potential of the Crower Project. This provides new and independent support for Geothermal Resources' original premise that the northern margin of the Otway Basin, where it onlaps the Ordovician granites of the Padthaway Ridge, is a potentially prospective region for geothermal energy resources. With publication of the Monash University team's research, Geothermal Resources can move ahead with planning for some new strategically located drillholes designed to fill in gaps in the heat flow data, that will in turn allow more precise positioning of deep proof of concept test holes.

Forward Exploration Plans

Geothermal Resources' immediate objective remains to complete shallow geothermal gradient test holes within the Frome project area to depths of at least 500 metres to determine geothermal gradients across the region. This drilling is planned for early in 2007. The data generated 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 also be assessed in order to select optimum drillhole locations for future downhole temperature measurements.

FINANCE

As at 31 October 2006 the Company had available funds of \$2.76 million (not including the REDI grant funds, which are paid progressively based on verified expenditures) of which the majority is held in a term deposit. Exploration expenditure in the forthcoming quarter will be minimal ahead of considerably increased expenditure during the first round drilling in early 2007.

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")

31/10/06

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 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	-131	-131
(b) development		
(c) production		
(d) administration	- 40	-40
1.4 Dividends received	38	38
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 (provide details if material)		
	-133	-133
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	-2
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
	-2	-2
Net investing cash flows		
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.	-	-
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		-	-
Net increase (decrease) in cash held		-135	-135
1.20	Cash at beginning of quarter/year to date	2762	2762
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	2627	2627

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	65
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		

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	80	53
5.2 Deposits at call	2547	2709
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2627	2762

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	200,000	Employee	31 cents	19/10/2011

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: 31 October 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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