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ASX / Media Release

31 May 2007

APPENDIX 5B – THIRD QUARTER ACTIVITIES AND CASH FLOW REPORT

DRILLING COMMENCED ON FROME PROJECT

HIGHLIGHTS

- **Drilling has commenced on the Frome project and deepening of four holes to 500 metres is currently in progress.**
- **Considerable appreciation in share price reflecting strategic value of projects and greater public awareness of geothermal energy potential**

REVIEW OF OPERATIONS

FROME PROJECT

Geothermal Resources Limited (Geothermal Resources – ASX : GHT) **commenced an eight hole shallow geothermal gradient drilling programme on its Frome Project in March.** The holes will be drilled to 500 metres depth for the purpose of taking temperature measurements of standing water at the bottom of each drillhole so that the temperature gradient can be estimated, which in turn will yield vital information concerning the likely geothermal energy potential of the predicted buried uranium rich granites in the region.

Four pre-collar holes were completed with a percussion drilling rig made available by Havilah Resources. The second stage of drilling to extend the holes to 500 metres depth is now underway using a diamond drilling rig contracted from Silver City Drilling. This drilling rig was several weeks late in mobilizing to the Frome 1 drill site because of extremely heavy rainfall and flooding in the region that prevented access until recently.

The diamond drilling will produce rock cores, which can be used to undertake essential thermal conductivity measurements and hence determine the insulating properties of the blanketing sediments. If the rock formations encountered are stable, it should be possible to re-enter the diamond drillholes at a later date and extend them for deeper temperature measurements if necessary.

This drilling 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.

A survey of several deep mineral and oil exploration holes in the region, including Telechie 1, which lies just inside the southeastern boundary of the Frome tenements, was completed during the quarter. Telechie 1 and another hole were found to be open to at least 500 metres depth and bottom of hole temperature measurements will be taken at the time of testing the Frome project holes currently being drilled. It is expected that useful downhole temperature measurements will be obtained to compliment those obtained from Geothermal Resources' own drillholes.

CROWER PROJECT

Geothermal Resources continues to plan several new strategically located drillholes to roughly 500 metres depth designed to fill in gaps in the positive heat flow data generated by the Monash University research work. Consideration is also being given to extending one of the existing drillholes that has produced high heat flow data to greater depth. It is expected his work will commence in the second half of the year.

NEW GEOTHERMAL EXPLORATION LICENCE APPLICATIONS

Geothermal Resources has applied for two new geothermal exploration licences of approximately 500 square kilometers each to the east of the Frome GEL's (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.

This area has the added advantage of being only 60-80 kilometres from Broken Hill and substantial markets for power.

FORWARD EXPLORATION PLANS

Geothermal Resources' immediate objective remains to complete at least eight 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 underway and is expected to be completed during the second half of the year. Downhole temperature measurements will be progressively read within a few weeks of completion of each of the holes, in order to allow time for the water temperature to equilibrate with the surrounding rock. 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

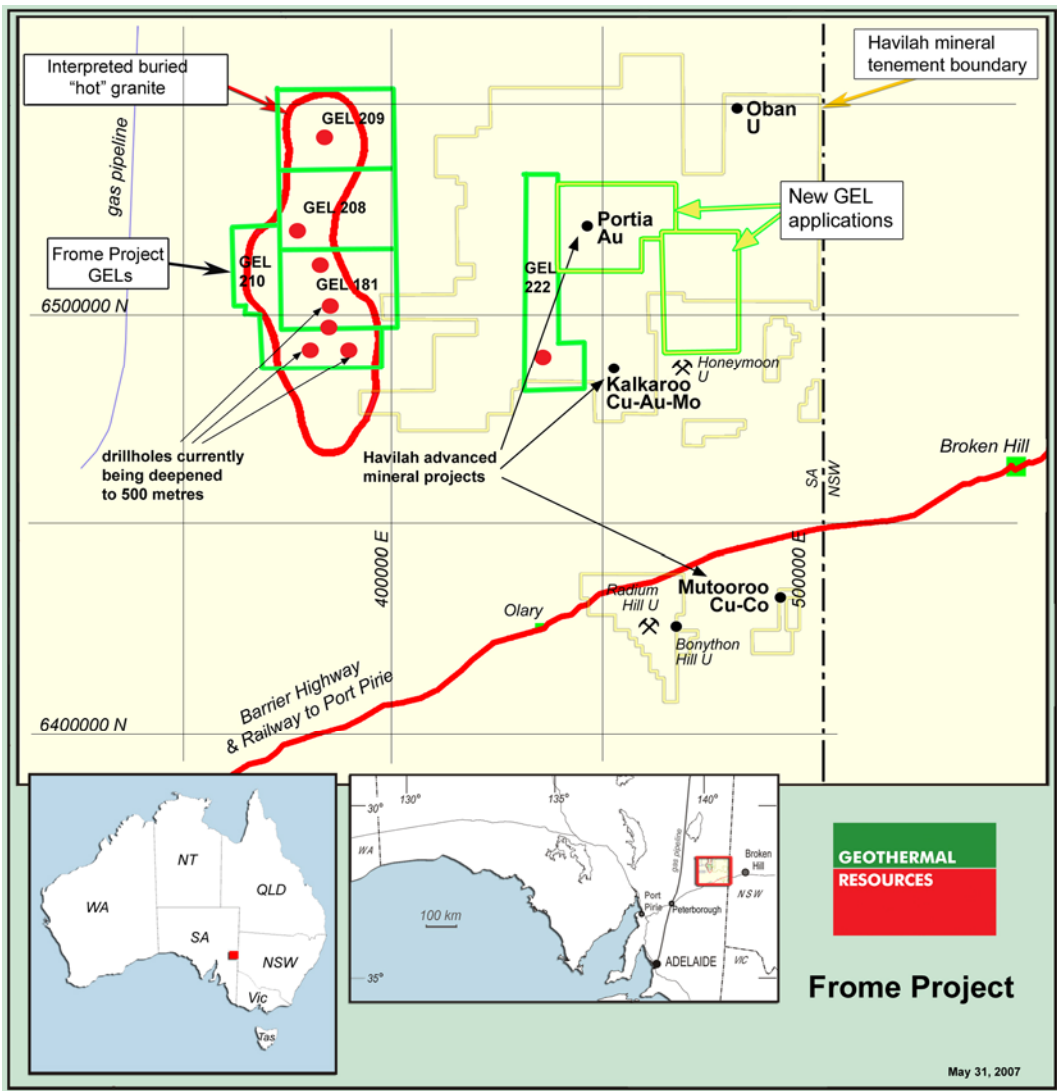
As at 30 April 2007 the Company had available funds of \$2.69 million of which the majority is held in a term deposit. Exploration expenditure in the forthcoming quarter will be considerably higher owing to costs associated with the drilling programme on the Frome project area. REDI grant funds will match half of all such drilling and associated expenditures.

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



Map showing location of Frome Project geothermal exploration licences (GEL's) and the initial eight proposed drillhole locations. The first three holes commenced in March are indicated by the arrows. The two new GEL applications are shown in purple.

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")

30/04/2007

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	-133	-300
(b) development		
(c) production		
(d) administration	-72	-164
1.4 Dividends received	40	121
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 (REDI grant first payment)	-	322
	-165	-21
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	-25	-48
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)		
	-25	-48
Net investing cash flows		
1.13 Total operating and investing cash flows (brought forward)	-190	-69
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	-190	-69
1.20	Cash at beginning of quarter/year to date	2883	2762
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	2693	2693

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	116
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	350,000
4.2 Development	
Total	350,000

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	160	89
5.2 Deposits at call	2533	2794
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2693	2883

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	GEL 249 GEL 250	100% ownership 100% ownership	100% 100%

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	Directors Employee	<i>Exercise price</i> 60 cents 31 cents	<i>Expiry date</i> 21/03/2011 19/10/2011
7.8 Issued during quarter	25,000	Employee	36 cents	12/02/2012
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 2007

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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