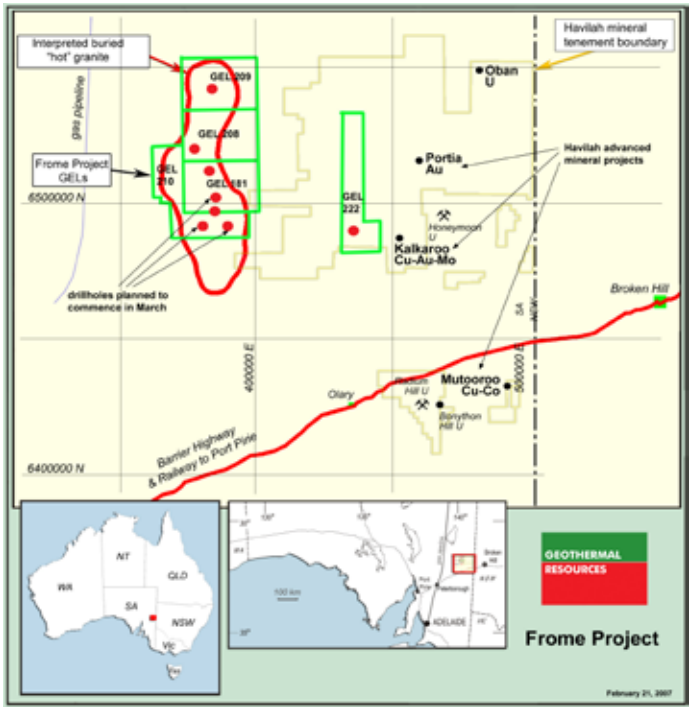
REVIEW OF OPERATIONS

FROME PROJECT

Geothermal Resources Limited (Geothermal Resources – ASX : GHT) has recently reported that it plans to commence the shallow geothermal gradient drilling on its Frome Project in early March. Eight holes will be drilled to at least 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.

In order to expedite the drilling of these holes Havilah has offered Geothermal Resources the use of two drill rigs that it has on long term contract. Rather than drill a large diameter hole with a powerful percussion drilling rig as originally planned, it has now been decided to use the Havilah



contracted drilling rigs to drill the holes in two stages, so that work can commence immediately. The first stage will use a percussion drill rig to drill and case a pre-collared hole to roughly 200 metres depth. The second stage will use a diamond drill rig to continue on from the bottom of this hole to at least 500 metres depth if possible. Initially three drillholes will be completed, with the remaining five holes planned for the first half of 2007 to be drilled as soon as possible thereafter (see map).

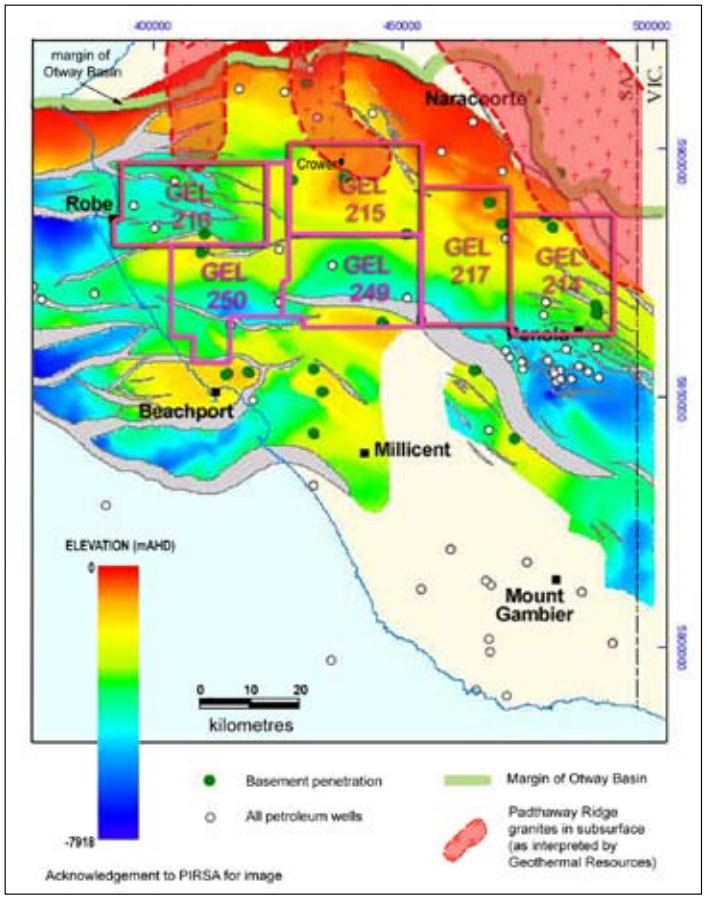
Apart from being able to commence drilling almost immediately, there is the added advantage that the diamond drilling will produce rock cores, which can be used to undertake essential thermal conductivity measurements and hence determine the insulating properties of the blanketing sediments. There are also possible cost savings in this drilling method, and if the formation is stable, it should be possible to re-enter the diamond drillholes at a later date and extend them for deeper temperature measurements.

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.

Geothermal Resources continues to investigate the feasibility of measuring downhole standing water temperatures in a number of deep mineral and oil exploration holes in the region, including Telechie 1, which lies just inside the southeastern boundary of the Frome tenements. A survey is planned within the next few weeks to determine if the holes remain open so that a temperature logging probe can be lowered down the holes. A contractor has been approached to carry out the temperature logging work subject to the holes being accessible. If this is the case it may be possible to obtain useful downhole temperature measurements to complement 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, cited in the previous quarterly report.

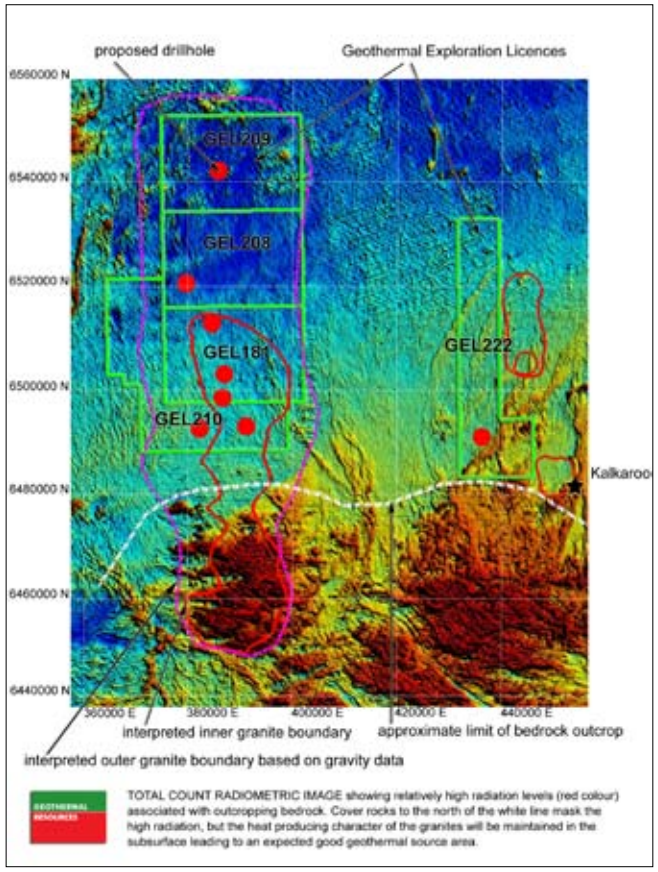


Forward Exploration Plans

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 planned to commence in March and continue for some weeks. The data generated by these shallower 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.



The red (high radiation) portion on this image corresponds to the areas of outcropping uranium rich granitic rocks lying to the south of the GELs. The intensity of the red colour gives a direct indication of the likely heat generating capacity of these granites, which are interpreted to lay beneath the sediments within the GELs.

FINANCE

As at 31 January 2007 the Company had available funds of $2.88 million of which the majority is held in a term deposit. Funds were supplemented by the first payment installment of $0.322 million under the REDI grant, which was advanced to cover initial costs associated with the Frome project. Exploration expenditure in the forthcoming quarter will be considerably higher owing to costs associated with commencement of first round drilling in March. REDI grant funds will match half of all such drilling and associated expenditures.

Dr K R Johnson
CHAIRMAN

Further technical details relating to Geothermal Resources activities will be found on the Company's website:
www.geothermal-resources.com.au

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 mineralisation 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

GEOTHERMAL RESOURCES LIMITED

ACN 115 281 144

GEOTHERMAL RESOURCES

Quarterly Report
February 2007

HIGHLIGHTS

DRILLING TO COMMENCE ON FROME PROJECT

- *Drilling is planned to commence on the Frome project in early March using two drilling rigs that are on long term contract to Havilah Resources.*

63 Conyngham Street Glenside 5065 South Australia
phone 61 8 8338 9292 fax 61 8 8338 9293
email info@geothermal-resources.com.au
www.geothermal-resources.com.au