

A GEL confers no rights to the holder for any petroleum discoveries made by the holder during its drilling activities. Given the prospectivity of the Otway Basin for natural gas resources, evidenced by Adelaide Energy's recent Jacaranda discovery just a few kilometres to the south of Geothermal Resources' GELs, it was considered prudent to secure the petroleum rights for minimal cost while the opportunity was available.

Much of the detailed interpretation of seismic data that will be undertaken during the planning stages for deep geothermal holes is also directly applicable to petroleum exploration, so the synergies can be exploited by a common holder of geothermal and petroleum licences. In addition, it ensures that should a petroleum discovery be made by Geothermal Resources during the course of its deep geothermal drilling the benefit will not accrue to another party, at least within the petroleum licence area.

FINANCE

As at 31 October 2008 the Company had available funds of \$1.5 million of which the majority is held in a term deposit. Exploration expenditure in the next quarter is expected to be higher than the current quarter as drilling invoices for Frome 12 are paid. It is important to note that half of the drilling expenditure incurred by Geothermal Resources on Frome 12 will be reimbursed by the REDI grant.

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

GEOTHERMAL RESOURCES LIMITED

ACN 115 281 144



Quarterly Report
November 2008

HIGHLIGHTS

**FROME 12 DRILLING
BEYOND 1650 METRES DEPTH**

- Frome 12 has made steady progress to its current depth of more than 1650 metres
- Sub-horizontally fractured granite intersected at 1471 metres
- Two petroleum licences acquired in the Otway Basin, one of which coincides with the Crowe GELs

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

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

REVIEW OF OPERATIONS

FROME PROJECT

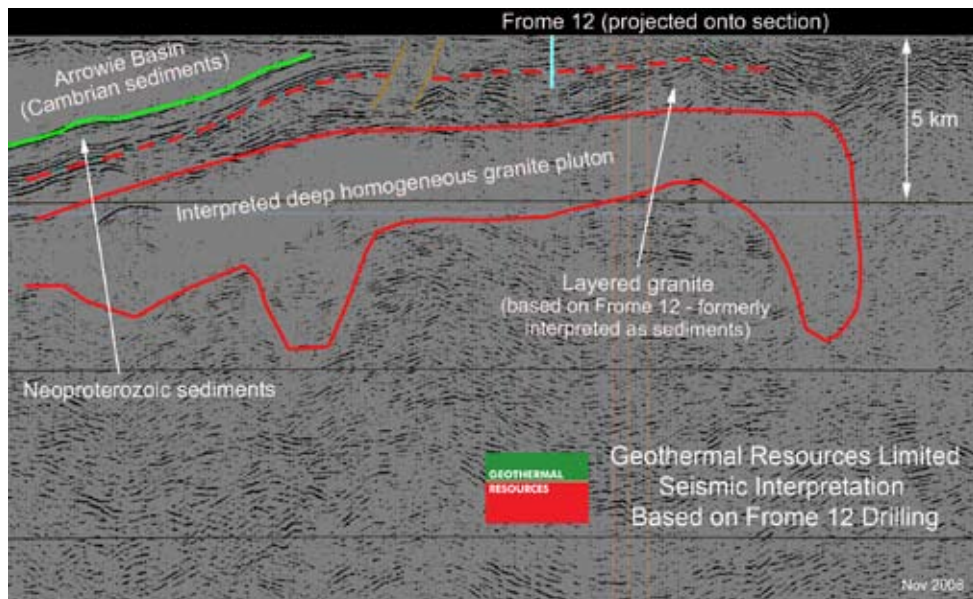
Geothermal Resources Limited's (Geothermal Resources – ASX:GHT) activities during the quarter have focused almost entirely on managing the successful drilling of Frome 12. This hole commenced on 18 September after completion of detailed permitting procedures. Drilling has been relatively trouble free and has recently passed a depth of 1650 metres.

At 1471 metres depth the hole passed out of Neoproterozoic sediments into fresh, red, coarse-grained granite that is visually similar to outcropping, uranium rich granites in the Mount Victoria region to the south. This was shallower than interpreted from seismic sections, where the well layered, seismically reflective rocks, thought to be cover sediments, were interpreted to extend to more than 3000 metres depth. Based on this interpretation, it was predicted that the granite would be intersected below these depths (see cross section).

From the Frome 12 drilling results it is now apparent that the upper part of the granite body also gives strong seismic reflections just like the layered sediments. Continued drilling into the granite is expected to elucidate why the granite is seismically reflective. Observation of drillcore shows appreciable sub-horizontal fracturing and foliation in the granite, which may be causing the seismic reflections and hence the layering effect (see core photograph). If so, then it appears that the upper 1.5 km of the granite is likely to be extensively horizontally fractured, which is extremely positive for the occurrence of a hot fractured rock geothermal reservoir.



Granite in drillcore from 1477 to 1486.7 metres depth in Frome 12. Note subhorizontal fractures (almost at right angles to the vertical drill core).



Temperature measurements are close to modelled values with the most recent measurement being 89.2°C at 1630 metres depth (without any equilibration time). Just prior to entering the granite the temperature gradient was observed to rise. At this stage, more temperature measurements are required to accurately determine the temperature gradient within the granite body itself.

In summary, the drilling has resulted in several positive implications:

1. The entire basis for the geological concept of a buried granitic heat source in the Frome project area has been proven with the intersection of granite at 1471 metres depth in Frome 12, some 50 km from the nearest basement granite outcrop.

2. There is a strong lithological correlation with outcropping, uranium rich granites in the Mount Victoria region to the south, that have high heat generating capacities. Drillcore will be analysed for uranium, thorium and potassium upon completion of the hole in order to calculate the precise heat generating capacity of the granite.
3. The granite in Frome 12 shows clear evidence of frequent and regular subhorizontal fracturing. Based on the layering evident in the seismic reflection data it is expected that the granite will have well developed subhorizontal fracturing. This is an essential feature required in order to establish a suitable lateral water flow through the hot granite.
4. Temperatures measured in Frome 12 continue to indicate above average temperature gradients.

It is planned to continue drilling into the granite (to a maximum depth of 1800 metres) if drilling penetration rates remain satisfactory, in order to gain further information concerning the fracturing in the granite and also to obtain data on the temperature gradient within the granite body itself. This information will be important in guiding future drilling in the region.

Following assessment of results for Frome 12, planning and permitting procedures will commence for a second deep hole (Frome 13) to be drilled by similar methods, during the first half of 2009.

The Frome GELs are quite unique in that the granitic basement appears to deepen down a gently sloping surface to the north. Therefore, the granitic basement can be intersected at greater depth than in Frome 12, by moving the next well northwards.

All drilling work so far on the Frome Project has been supported by a \$2.4 million REDI (Renewable Energy Development Initiative) grant from the Federal Government, which is matching the Company's expenditure. It is planned to direct remaining REDI funds towards drilling at least two more deep diamond core holes similar to Frome 12 on the Company's Frome geothermal exploration licences (GELs).

CROWER PROJECT

During the quarter, the opportunity arose for Geothermal Resources to acquire Neo Oil Pty Ltd, a private company that holds two petroleum exploration licences in the Otway Basin, for the issue of 50,000 shares. One of these petroleum licences (PEL 186) is coincident with the Company's Crowser GELs (see map). The other (PEL 187) lies within Panax Geothermal Limited's Limestone Coast project area where deep drilling is planned next year.