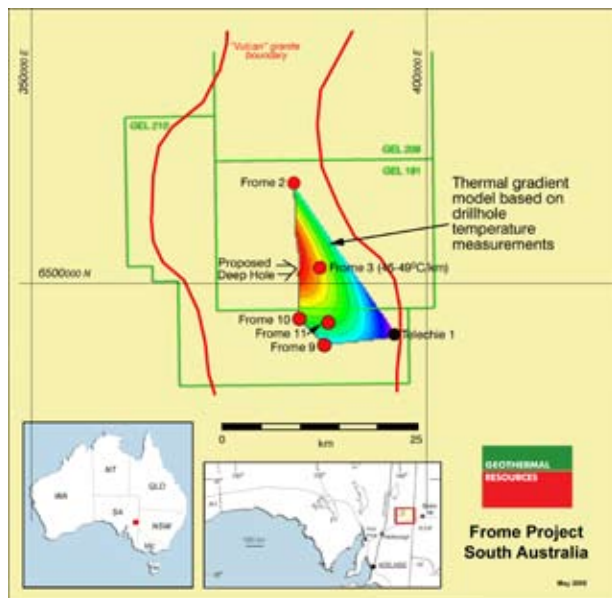


CROWER PROJECT

Geothermal Resources continues to evaluate the wealth of geological information available for the Crower project area, including seismic data recently acquired from PIRSA. This information will assist in selection of the best locations for several planned 500 metre deep holes that will be logged to obtain reliable downhole temperature data for regional thermal modelling purposes.



FINANCE

As at 30 April 2008 the Company had available funds of \$2.05 million of which the majority is held in a term deposit. During the quarter \$327,000 reimbursement of previous drilling expenditure under the REDI grant was received. Exploration expenditure in the next quarter is expected to be considerably higher than the current quarter due to commencement of an 1800 metre diamond drillhole on the Frome Project.

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

GEOHERMAL RESOURCES LIMITED

ACN 115 281 144



Quarterly Report
May 2008

HIGHLIGHTS

DEEP DRILLHOLE SITE SELECTED FOR FROME PROJECT

- Two further shallow drillholes (250 metres deep) completed – both confirmed the high temperature gradient at the Frome Project.
- Regional temperature gradient model generated from measured temperatures in drillholes.
- Best site identified for first deep drillhole (1800 metres).

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

During the quarter Geothermal Resources Limited (Geothermal Resources – ASX : GHT) completed drilling and temperature logging of two additional shallow holes on its Frome Project, namely Frome 10 and Frome 11. These holes were drilled to 250 metres depth with the objective of better defining the area of highest geothermal gradient within the central region overlying the buried “Vulcan” granite, indicated by earlier drillholes Frome 3 and Frome 9 (see map).

Frome 10 and 11, although 3.6 kilometres apart, recorded almost identical temperature gradients of approximately 42°C / km. Importantly, the downhole temperature data is very consistent, showing an almost linear relationship between temperature and depth in both holes.

This new temperature data was combined with all other data from above the Vulcan granite, enabling accurate regional temperature modelling. This indicated that the area of highest temperature gradient (shown in red on the map,) and therefore the optimum location for a deeper drillhole, lies west of Frome 3. Based on earlier temperature measurements in Frome 3, a temperature gradient of greater than 48°C / km is predicted: extrapolation suggests a temperature of 200°C at around 4 km depth.

A site has been selected for drilling of a diamond core hole to a target depth of 1800 metres located 3 km west of Frome 3. The objective of this hole will be to confirm continuity of the high temperature gradient at depth. It will be the precursor to a subsequent drillhole exceeding 3000 metres depth to be drilled into the granite geothermal reservoir. Diamond drilling has been chosen over conventional rotary drilling with an oil rig, owing to the current availability of diamond drill rigs, and the considerably lower cost of mobilisation and drilling.

While it will not be possible to extend the hole for production purposes because of its small diameter, the drill core will provide additional valuable information on the insulating properties of the cover rocks. Subject to obtaining a drilling permit from PIRSA and procuring a suitable diamond drilling rig, it is proposed to commence this drillhole early in the second half of 2008.

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.

NEW GEOTHERMAL EXPLORATION LICENCE

An application was made for a new geothermal exploration licence (GEL) that lies approximately 115 kilometres northeast of Frome 3 in a comparable geological setting to the Frome Project GELs. The GEL application covers a portion of the Yalkalpo sub-basin, where gravity data suggests a thick sedimentary sequence is underlain by granite. Located within the application area is an abandoned petroleum well, Yalkalpo 2, which has a geothermal gradient amongst the highest in Australia with a value of 52°C / km. This is based on a bottom of hole temperature of 58.3°C at 799 metres depth measured at the time of drilling Yalkalpo 2 in 1976. The priority task upon grant of the GEL will be to log the downhole temperature if the drillhole is still open at depth.

During the quarter it was decided to relinquish two GELs because of

their perceived limited prospectivity. GEL 222 was relinquished because the near average crustal geothermal gradient calculated from downhole temperature measurements suggested that a hot granite body did not lie at depth beneath the faulted trough as interpreted from seismic data. Similarly, study of geophysical data for GEL 279 indicated that it too was unlikely to be underlain by any sizeable granite geothermal reservoirs at reasonable drilling depths.

