



Geothermal Resources Limited
63 Conyngham Street
Glenside 5065 South Australia
phone 61 8 8338 9292
fax 61 8 8338 9293
email info@geothermal-resources.com.au
ABN 45 115 281 144

ASX / Media Release

27 February 2007

APPENDIX 5B – SECOND QUARTER ACTIVITIES AND CASH FLOW REPORT

DRILLING TO COMMENCE ON FROME PROJECT

HIGHLIGHTS

- **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.**

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 attached 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 is also some 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 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, 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.

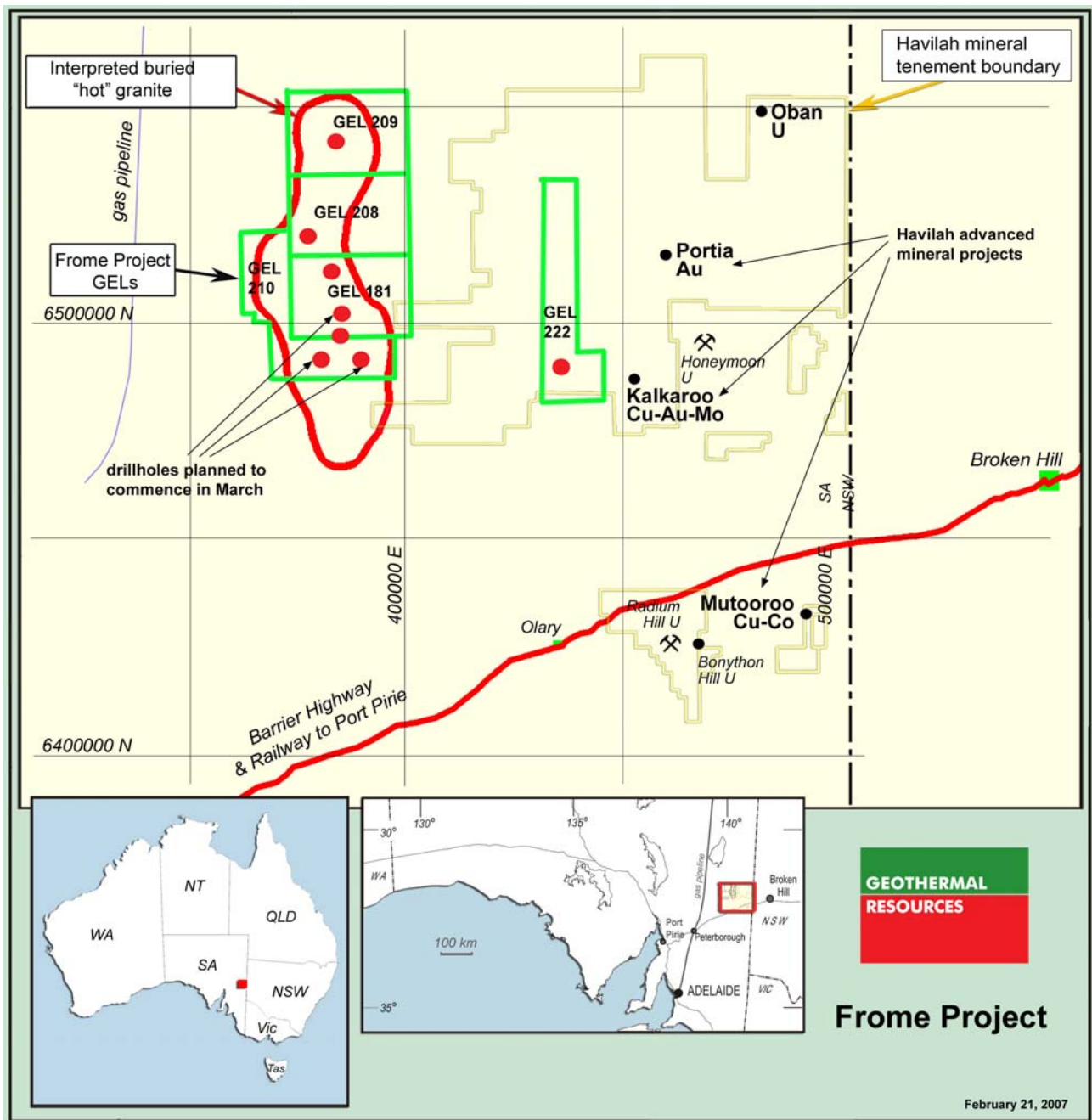
FINANCE

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

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 planned to commence in March are indicated by the arrows.

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")

31/01/2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	-36	-167
(b) development		
(c) production		
(d) administration	-52	-92
1.4 Dividends received	43	81
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	322
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	-21	-23
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)		
Net investing cash flows	-21	-23
1.13 Total operating and investing cash flows (brought forward)	256	121
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	256	121
1.20	Cash at beginning of quarter/year to date	2627	2762
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	2883	2883

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	78
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	89	80
5.2 Deposits at call	2794	2547
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2883	2627

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>	1,600,000 200,000	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				
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: 26 February 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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