



Geothermal Resources Limited
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The Manager
Companies Announcements Office
Australian Stock Exchange Ltd
10th Floor, 20 Bond Street
SYDNEY NSW 2000

31 August 2006

Dear Sir / Madam,

APPENDIX 5B – FOURTH QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

MORE FUNDS TO ASSIST FROME PROJECT GEOTHERMAL GRADIENT DRILLING

- The Company was successful in attracting a REDI grant from the Federal Government for a sum of \$2.5 million to assist with the research and development of the Frome project leading to its commercialization if feasible.
- Required documents submitted to PIRSA to obtain regulatory approvals for the shallow geothermal gradient drill testing of the Frome project.
- Two new GEL's applied for adjacent to current Crower project GEL's in the South East of South Australia in areas where depth of insulating cover rocks is likely to be optimal.

REVIEW OF OPERATIONS

FROME PROJECT

A major highlight of the quarter was advice that the Company had been successful in attracting a \$2.5 million REDI (Renewable Energy Development Initiative) grant from the Federal Government. This assistance is welcome and is a tangible demonstration of the Federal Government's encouragement of the development and commercialization of renewable forms of energy in Australia

The REDI grant was applied for on the basis of assisting research that will lead to identification of optimum drilling locations for testing geothermal resources in the Frome project area, and subsequent verification and commercialization. The \$2.5 million grant is to be spent over a period of three years, and must be matched by the company's own funds. Part of the scientific rationale behind the REDI grant application was to map the theoretical heat generating capacity of the outcropping granite bodies in the region and apply this to the covered areas where it is proposed to drill. Since the natural radioactive decay of isotopes of uranium, thorium and potassium is responsible for the heating of the granites, the published radiometric maps of the region can therefore give a good idea of the heat generating capacity of the granites. The high radiometric responses of outcropping basement rocks lying immediately south of the Frome project area indicates an exceptionally high heat generating capacity, which if contained under a suitable insulating blanket should yield high geothermal gradients.

Considerable time was spent during the quarter preparing an Activity Notification document, as required under the Petroleum Act, relating to the proposed initial shallow geothermal gradient drill testing of the Frome project. The Activity Notification is a comprehensive document that addresses all aspects of the drilling programme, including notification of relevant stakeholders, the likely environmental impacts, and documentation of health and safety procedures adopted by the Company. Drilling cannot commence until the Activity Notification is approved by the relevant Minister, and currently the submission is under review by PIRSA.

In July the Company hosted a visit to the proposed drill sites by a team of the Adnyamathanha native title claimants, who carried out a heritage clearance survey in accordance with the requirements of the Petroleum Act. This resulted in all drill sites being cleared for future drilling related activities, which is a condition of approval of the Activity Notification.

CROWER PROJECT

During the quarter the Company applied for two new geothermal exploration licences (GELA's 249 and 250) that lie adjacent to its existing GEL's in South Australia's South East. These geothermal exploration licence applications cover an area of approximately 1000 square kilometers where the thickness of Otway Basin sediments are potentially optimal for entrapping heat generated from the Padthaway Ridge granites at depth.

Forward Exploration Plans

Geothermal Resources immediate objective is to complete at least six shallow geothermal gradient test holes within the Frome project area to depths of around 500 metres depth to determine geothermal gradients across the region. This data 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.

All of the shallow geothermal gradient test hole sites have been selected and a drilling contractor arranged to complete the work in the last quarter of the year. A \$100,000 PACE grant (Programme for Accelerated Exploration) has been awarded to the Company to assist with this drilling programme.

The Company is currently awaiting approval of its Activity Notification from PIRSA, which is required before the drilling can proceed.

FINANCE

As at 31 July 2006 the Company had available funds of \$2.76 million (not including the REDI grant funds, which are paid progressively based on verified expenditures) of which the majority is held in a term deposit. Exploration expenditure in the forthcoming quarter will be dependent on how quickly regulatory procedures can be completed that will permit field programmes to proceed.

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

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

GEOHERMAL RESOURCES LIMITED

ACN

115 281 144

Quarter ended ("current quarter")

31/7/06

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	-28	-28
(b) development		
(c) production		
(d) administration	-114	-138
Dividends received		
1.4 Interest and other items of a similar nature received	39	63
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	-103	-103
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		
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)	-	-135
	-	-135
Net investing cash flows		
1.13 Total operating and investing cash flows (brought forward)	-103	-238

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	3000
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		-103	2762
Net increase (decrease) in cash held		-103	2762
1.20	Cash at beginning of quarter/year to date	2865	0
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	2762	2762

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	104
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		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150,000
4.2 Development	
Total	150,000

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	53	95
5.2 Deposits at call	2709	2770
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2762	2865

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 222 Granted geothermal exploration licence (GEL)	0	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	Directors	<i>Exercise price</i> 60 cents	<i>Expiry date</i> 21/03/2011
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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 31 August 2006

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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