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FROME PROJECT UPDATE

Geothermal Resources Limited (Geothermal Resources – ASX : GHT) is pleased to advise that it has completed drilling and temperature logging for 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 of the buried “Vulcan” granite, indicated by earlier drillholes Frome 3 and Frome 9 (see map).

Frome 10 and 11, although 3.6 km 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.

Combining this new temperature data with that for the earlier holes in the area, has for the first time, enabled modelling of the variation in the regional temperature gradient above the “Vulcan” granite. This shows that the area of expected highest temperature gradient (shown in red on the map) and therefore **the optimum location for a deeper drillhole lies roughly 3 km west of Frome 3.** Based on earlier temperature measurements in Frome 3, a temperature gradient of at least 45-49°C / km would be predicted, which could result in temperatures of 200°C at 4 km depth.

Accordingly, planning is now proceeding for drilling of a diamond core hole to a target depth of 1800 metres located 3 km west of Frome 3, with the objective of confirming continuity of the high temperature gradient at depth. 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. While it will not be possible to extend the hole for production purposes because of its small diameter, the drill core will provide valuable information on the insulating properties of the cover rocks and the extent of horizontal fracturing that will be critical to permeability. Subject to obtaining a drilling permit from PIRSA and procuring a diamond drilling rig suitable for the task, it is proposed to commence this drillhole early in the second half of 2008.

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 hole into the expected hot rock geothermal energy source at approximately 3 km depth.

Geothermal Resources is 63.6% owned by Havilah Resources, and holds extensive tenements over two prime hot rock geothermal projects in South Australia, namely the Frome project near Broken Hill and the Crower project in the South East. Both projects are well located with respect to existing power grids and end user consumers.

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

