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FROME 12 DRILLING ON TRACK AT 1300 METRES DEPTH

Geothermal Resources Limited (Geothermal Resources – ASX : GHT) advises that over the past month Frome 12 has made steady progress and is now approaching 1300 metres depth.

HQ size coring (96 mm hole diameter) proceeded well and was continued to a depth of 1200 metres, before the changeover to smaller NQ size coring (75.7 mm hole diameter). Regular downhole surveying has shown that the hole has maintained the planned vertical dip and it is currently only 0.5 degrees from vertical.

To date, Frome 12 has been remarkably trouble free and barring any unforeseen problems, it should be possible to continue NQ coring to at least the planned depth of 1800 metres. As stated previously, the bottom of hole temperature in Frome 12 will provide the critical scientific evidence required to make the decision whether to drill a large diameter production hole into the potential geothermal reservoir at 3-4 km depth. **The indications so far are positive, with the most recent temperature recorded by the driller's downhole survey instrument being 78.5 °C at a depth of 1266 metres.** It is expected that the equilibrated temperature would be higher as more time is allowed for the rocks to fully heat the water contained in the hole. This temperature is consistent with measurements in Geothermal Resources other shallower drillholes in the region, which it is predicted could result in a temperature of at least 200°C at 4 km depth.

Frome 12 is being drilled with a powerful diamond drilling rig owing to the considerably lower cost versus conventional rotary drilling with a larger oil drilling rig. 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 degree of horizontal fracturing that will be critical to permeability.

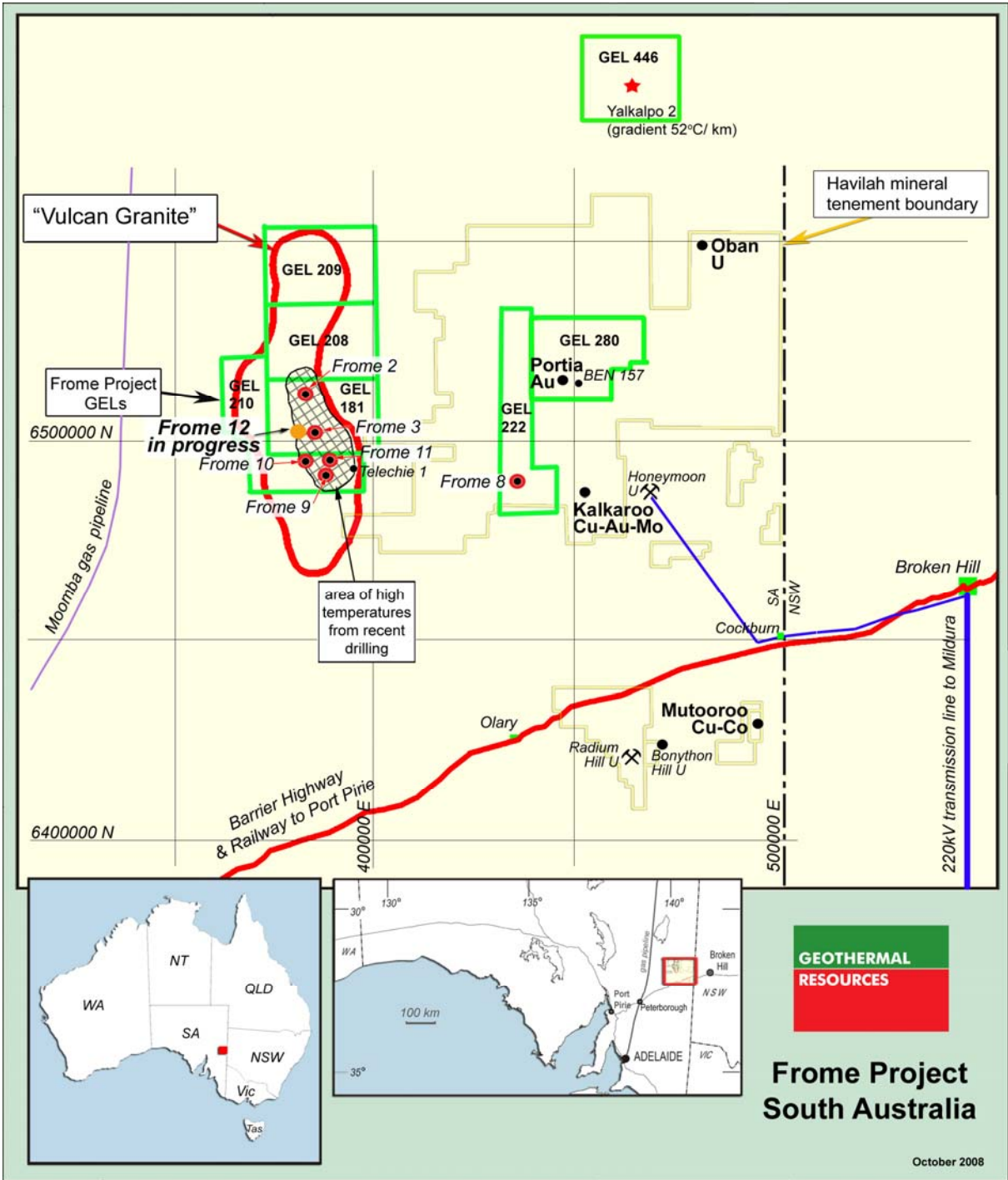
This drilling is being supported by a \$2.4 million REDI (Renewable Energy Development Initiative) grant from the Commonwealth Government that will match the Company's funding. It is planned to release regular updates to the market as drilling progresses.

Geothermal Resources is 63.6% owned by Havalah Resources NL, 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



**Frome Project
South Australia**

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