



**Greenearth
Energy Ltd.**

A.C.N 120 710 625



**QUARTERLY
ACTIVITIES REPORT
FOR THE THREE
MONTHS ENDED
30 JUNE 2009**

CORPORATE DIRECTORY

Directors

Simon R. Molesworth AM, QC (Chairman)
Robert J. Annells (Non-executive Director)
John T. Kopcheff (Non-executive Director)
Robert L. King (Executive Director)

Managing Director

Mark Miller (Managing Director)

Company Secretary

Vicki M. Kahanoff BBus CPA

Registered Office

Level 14
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9620 7299

Facsimile: (03) 9629 1624

Securities Exchange

Australian Securities Exchange Limited
Level 45, South Tower, Rialto
525 Collins Street
Melbourne Victoria 3000
ASX code: GER

Auditors

Pitcher Partners

Bankers

Westpac Banking Corporation

Address for Correspondence

P.O. Box 24
Collins Street West
Victoria 8007

Email: greenearth@greeneearthenergy.com.au

Web site: www.greeneearthenergy.com.au

Share Registry

Computershare Investor Services Pty. Ltd.
Yarra Falls 452 Johnston Street
Abbotsford Victoria 3067
(03) 9415 5000

Legal Advisors

Baker & McKenzie

HIGHLIGHTS

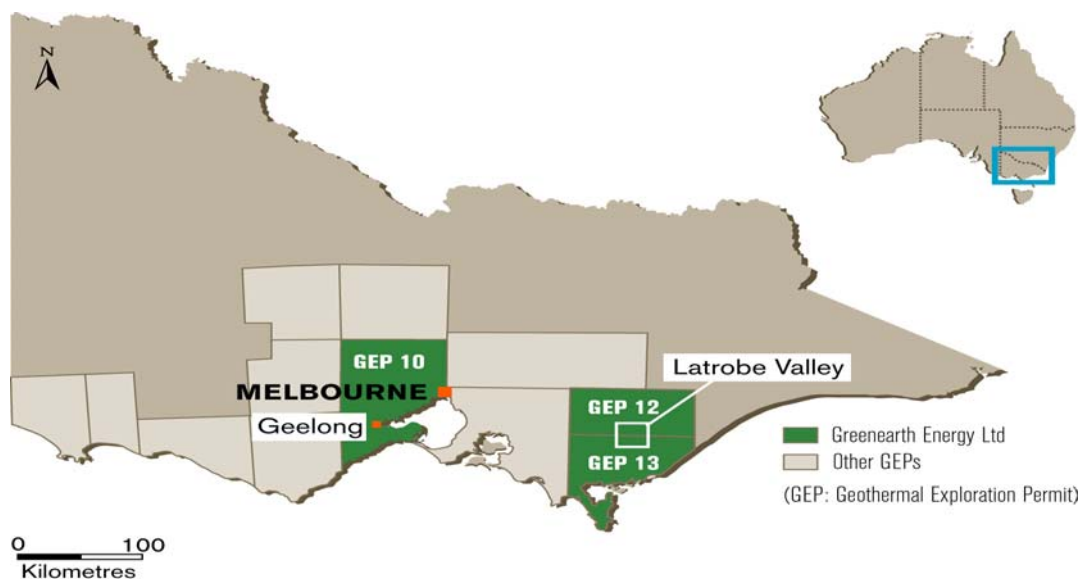
- ❖ 150°C MODELED TEMPERATURE BENEATH LOY YANG GENERATORS AT 2,900M
- ❖ LATROBE VALLEY FORWARD PROGRAM DEVELOPED
- ❖ REDP APPLICATION SUBMITTED
- ❖ GDP ROUND 2 APPLICATION PREPARATION COMMENCES
- ❖ RMIT PARTNERSHIP FOR GEOTHERMAL/DESALINATION PLAY
- ❖ RENEWAL OF MANAGING DIRECTOR'S CONTRACT

ABOUT GREENEARTH ENERGY LIMITED

Greenearth Energy Limited (Greenearth Energy) listed on the Australian Stock Exchange (ASX:GER) on 4 February 2008.

The company holds permits in Victoria where the major energy companies are situated and any potential geothermal resource found will be close to existing infrastructure. Initial geological work is indicating that the company's acreage has the ability to contain hot sedimentary aquifer (HSA) systems as well as Hot Dry Rock (HDR) or Enhanced Geothermal Systems (EGS).

Greenearth Energy is also strategically interested in other areas in particular Australia, New Zealand, Indonesia and the wider Pacific Rim.



REVIEW OF OPERATIONS

CORPORATE DEVELOPMENTS

During the final quarter of the financial year, work towards achieving the company's set objectives has continued at a steady pace. Operational activities in both permits have continued to progress with a major heat flow exercise in the Latrobe Valley/Gippsland area being completed.

The results of the Latrobe Valley heat flow exercise further highlights the prospectivity of our permits, confirming an elevated heat flow trend stretching across our permits through the Latrobe Valley from Moe towards Sale. Estimated heat values ranged up to 101 ± 26 mW/m² and when modelled to target depths provide a most compelling case for further evaluation. One of the most significant temperature projections was within the Lakes Oil N.L (ASX:LKO) petroleum well, Loy Yang 2 which produced a modelled temperature of 150°C at a depth of 2,900m. The Loy Yang 2 well is situated within the grounds of Loy Yang A Brown Coal Power Station and within close proximity to other generators.

These temperature ranges at relatively shallow depth combined with any porous sandy sediment packages could potentially exhibit sufficient permeability to yield adequate fluid flow at an appropriate temperature for generation of electricity utilising an Organic Rankine Cycle (ORC) Geothermal Power Plant.

Greenearth Energy believes the Latrobe Valley has the potential to generate emissions free base-load renewable electricity as well as heat for industrial processes such as coal drying. The company is also of the opinion that while it develops its commercial geothermal prospects for the Latrobe Valley there exists the opportunity to, by way of a collaborative effort, investigate the potential for onshore CO₂ geo-sequestration at the point of generation. Greenearth Energy has delivered to the State Government a high level outline proposal and is awaiting a response.

Further technical detail on the Latrobe Valley heat flow modelling work completed by Greenearth Energy can be found in the Operational Activities section of this report and on the company's website.

Greenearth Energy submitted an application to the Federal Government's Renewable Energy Demonstration Program (REDP) for the Geelong Region Hot Sedimentary Aquifer (HSA) Geothermal Demonstration Plant Project during the last quarter.

The REDP is a \$435million competitive grants program designed to accelerate the commercialisation and deployment of new renewable energy technologies for power generation in Australia. The program provides grants for eligible renewable energy power generation demonstration projects, of up to one third of the eligible expenditure on the project.

Greenearth Energy has received notification from the Federal Government's Department of Resources, Energy and Tourism (DRET) that the company's application has been checked for completeness and eligibility against the REDP eligibility criteria and as such will undergo a full merit assessment.

It is anticipated that an announcement regarding the REDP will be made during the last quarter 2009.

In addition, Greenearth Energy intends to apply for Federal Government funding with a round two Geothermal Drilling Program (GDP) grant application.

The GDP is designed to assist companies seeking to develop geothermal energy by supporting the cost of proof-of-concept projects capped at \$7M. DRET requires applications by the close of business on 4 August 2009. Greenearth Energy's round one application was not successful; a second submission will be made after direct consultation and feedback from DRET and Geoscience Australia.

Greenearth Energy intends to use its round two GDP application as a platform for the development of geothermal power in the Geelong region, from "proof of concept" stage (GDP) to demonstration stage and ultimately to full commercialisation.

During the quarter Greenearth Energy further cemented a working partnership with RMIT to undertake a research project into the viability of a geothermal/desalination technology. A Memorandum of Understanding (MOU) was signed by the parties prior to Greenearth Energy's Initial Public Offering (IPO) and work has taken place in scoping the project and seeking joint funding via the Australian Research Council (ARC) Linkage Project Scheme.

The ARC Linkage Project Scheme supports collaborative research and development projects between higher education organisations and other organisations, predominately industry, to advance technological development within Australia. A joint application was submitted on the basis all parties would contribute to the project (on a financial or "in-kind" or combined basis) and a grant has been offered.

Greenearth Energy and RMIT are currently working through the required grant documentation and it is anticipated further details of the project will be released at a later date. Greenearth Energy and RMIT are excited at the potential this collaborative project presents.

Greenearth Energy is pleased to advise that the company completed the financial year with no debt and a final bank balance of \$5.4million. This debt free balance sets up the company to advance into the next financial year on a stable footing, allowing for attraction of investment to be focused on progressing and developing the company's key projects.

The Managing Director's service agreement was also renewed during the quarter. Mr Miller was initially employed in September 2008 and details of his engagement were announced at this time. The latest arrangements reflect a renewed term and a more formalised agreement but are otherwise largely unchanged.

Mr Miller's service agreement takes effect from 1 July 2009 and is for a term of 3 years. The Service Agreement provides for 6 months notice of termination on part of the company and 3 months notice on the part of Mr Miller.

Pursuant to his service agreement, Mr Miller will receive a total annual remuneration package comprising of a base package of \$320,000 (inclusive of 9% statutory superannuation) to be reviewed annually and an annual performance bonus equal to 30% of base salary upon achieving specified Key Performance Indicator's (KPI's) as well as car parking benefits. These arrangements are unchanged from his previous terms.

Due to the renewal of Mr Miller's service agreement, the Company wishes to acknowledge that all options previously granted have fully vested. These options are:

- 1 million options exercisable at 20 cents each expiring on 30 September 2010
- 2 million options exercisable at 20 cents each expiring on 30 September 2012.

The Board considers that these arrangements are appropriate for an executive of this company size and provide recognition of Company's progress to date under Mr Miller's direction as well as providing him with significant incentive to drive the Company forward.

OPERATIONAL ACTIVITIES

Gippsland Basin (GEP 12 and 13) - 100% Equity

Heat flow mapping

The second phase of Heat flow mapping concluded in this permit in the previous quarter. The company contracted Hot Dry Rocks Pty Ltd to carry out this program.

The results confirmed that there is a trend of elevated heat flow through the Latrobe Valley from Moe towards Sale. The heat flow investigation, across 10 wells, returned estimates ranging up to $101 \pm 26 \text{ mW/m}^2$ (figure 1). Such values are significantly higher than the 60 mW/m^2 that is regarded as the global average for heat flow, which confirms the high level of prospectivity throughout major areas of both Greenearth Energy's Latrobe Valley and Gippsland geothermal exploration permits.

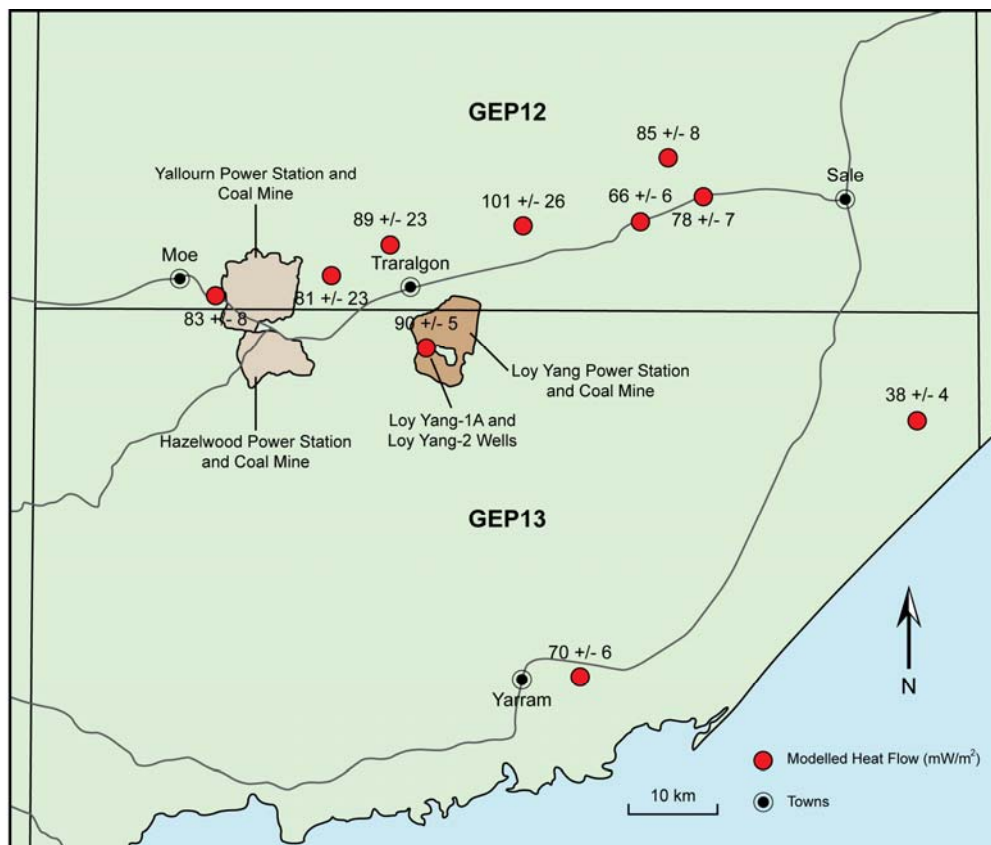


Figure 1 - Summary of heat flow investigations; red dots show heat flows well above the global average are recorded in the Latrobe Valley Area.

One of the most significant temperature projections is that of the Petroleum Well, Loy Yang 2. Loy Yang 2 was drilled in 2005 by Lakes Oil N.L. and is situated within the grounds of the Loy Yang A brown coal fired power station. Due to the strategic alliance with Lakes Oil N.L., Greenearth Energy was able to gain access and complete precision temperature logging to a depth of 713m. This combined with log data, original temperature readings, stratigraphic information and thermal conductivity measurements assigned to the sandy and silty sedimentary sequences in the Cretaceous rocks of the area, enabled a reliable estimate of heat flow of 90 mW/m^2 for this

location. Based on this information a heat flow model was used to predict the temperature down the well. The geology is known to 1,736m from the nearby Loy Yang 1A well and below 1,736m, a scenario was modelled down to 3,500m. An estimated temperature of 150°C, was achieved considering the geological scenario presented, at a projected depth of 2,900 ± 400m (figure 2).

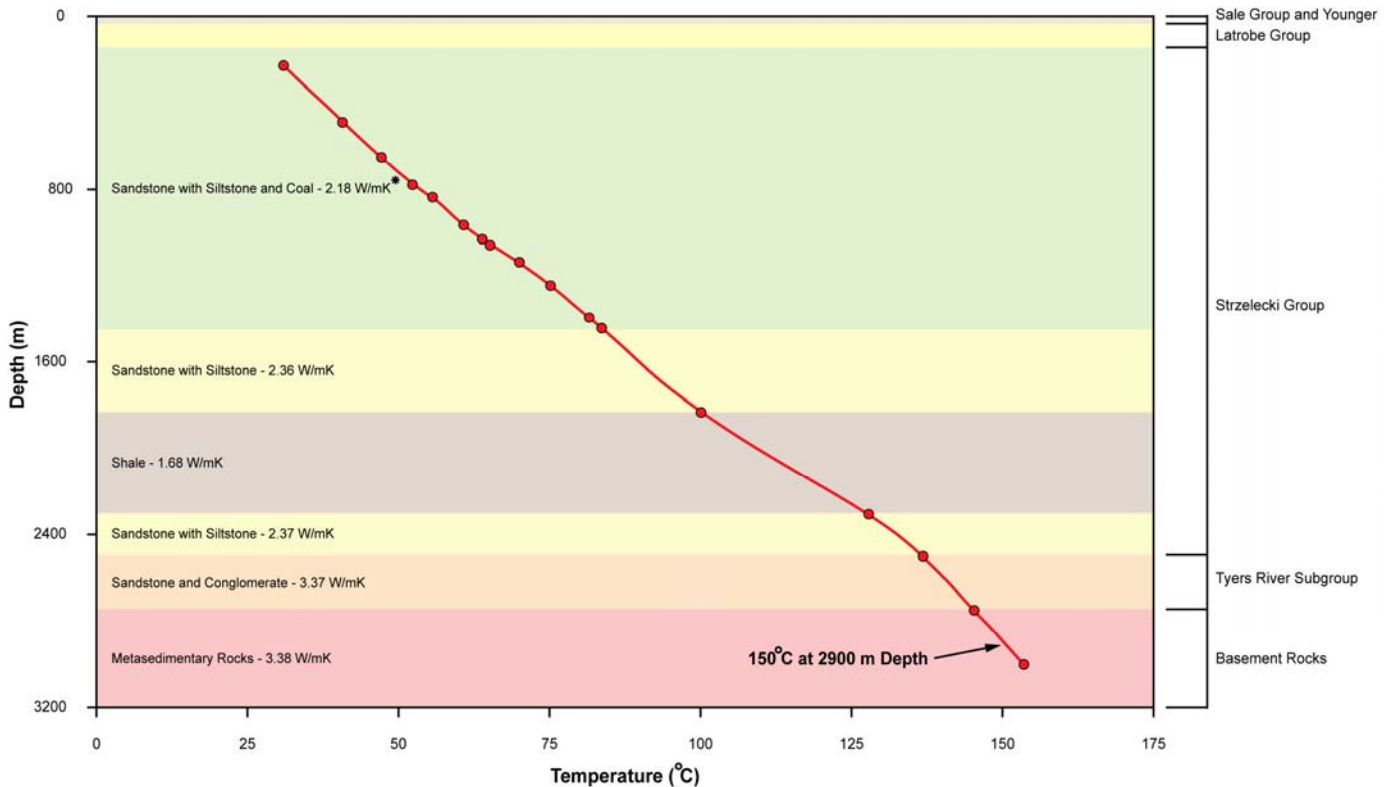


Figure 2 – Modelled temperature of Loy Yang 2 Well (*Thermal Conductivity)

This modelling shows excellent temperatures at around 3km beneath the Latrobe Valley. Any porous sandy sediment at that depth in the Latrobe Valley area should exhibit sufficient permeability to yield adequate fluid flow for the generation of electricity utilising an Organic Rankine Cycle (ORC) Geothermal Power Plant.

Micro Earthquake (MEQ) Monitoring – Pilot Trial

Greenearth Energy placed a geophone (sonde) at 1,350m in the Loy Yang-2 well in November 2008. Another geophone has been placed at the surface. The sonde is continuously monitoring the occurrence of natural sub-surface activity which will be collated and interpreted. By the third quarter of 2009 there will be over 6 months of data, sufficient to fully review and assess the ability of this technique to accurately map the subsurface.

Latrobe Valley Forward Program

Greenearth Energy has been planning a forward program to better understand the geology beneath the Latrobe Valley. All Exploration in this area has been hampered by the very thick brown coals in the area that can obscure geophysical signals. Greenearth Energy has to date focused on understanding heat flow and temperature at depth, however, understanding of the subsurface layering in this area is key to advancing its geothermal potential.

Greenearth Energy has devised a comprehensive program of investigation which will commence in the coming 2009-2010 permit year. However, given the Latrobe Valley's large greenhouse gas footprint and the area's potential to contain both geothermal resources and reservoirs for

greenhouse gas sequestration, Greearth Energy regard the better characterisation of the subsurface in the Latrobe Valley area as an issue of national importance.

Accordingly, Greearth Energy will continue discussions with the Victorian Government, Universities and industry on potential collaborative efforts to accelerate this most important program.

Otway Basin- Geelong Area (GEP 10) - 100% Equity

Magnetotelluric Survey

The interpretation of the data from the 53km line magnetotelluric survey carried out in November 2008, running from the Lake Modewarre area eastwards along the Bellarine Peninsula to St Leonards was received at the end of the last quarter. Greearth Energy is currently reviewing this information and completing a further analysis.

Waurn Ponds Review

Additional review of existing seismic was carried out in the Waurn Ponds area, adjacent to the south-western margin of the city of Geelong, to further map the extent of potential hot sedimentary aquifers. The interpretation for this study has confirmed the presence of a wedge geometry which may relate to potentially sandy sequences within the Crayfish Group continuing to the east from the previous interpretations (Figure 3) indicating the potential to expand the area of the company’s previously announced inferred resource estimate.

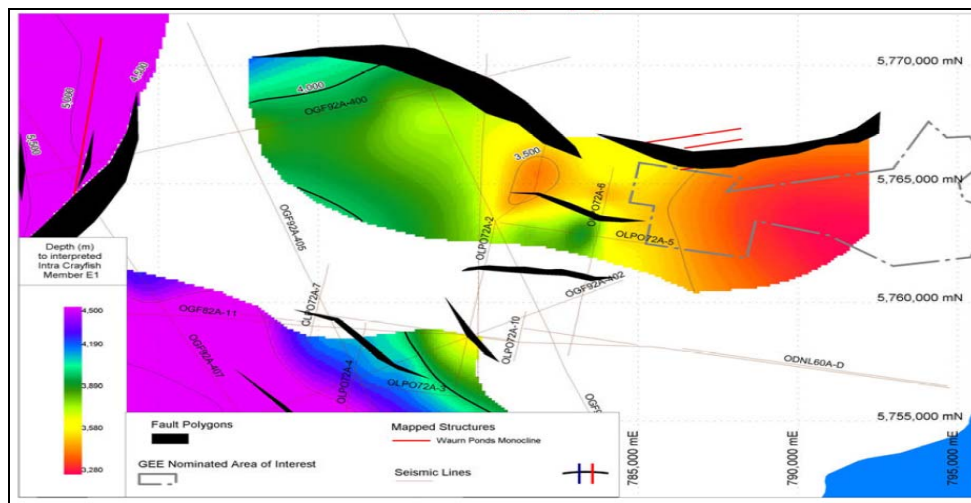


Figure 3: Interpreted depth to inter-Crayfish group (Pretty Hill equivalent) in the Waurn Ponds area on the outskirts of the industrial city of Geelong. The grey line is the future Armstrong Creek Urban Growth corridor and abutting industrial precinct.

SIGNED ON BEHALF OF GREENEARTH ENERGY LTD.

Mark Miller
 Managing Director
 Greearth Energy Limited

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

GREENEARTH ENERGY LIMITED

ABN

60 120 710 625

Quarter ended ("current quarter")

30 JUNE 2009

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (12 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	(2)	(519)
(b) development	-	-
(c) production	-	-
(d) administration	(445)	(1,573)
(e) capital raising costs	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	341	465
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	46	79
Net operating cash flows	(60)	(1,548)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(57)	(1,092)
(c) other fixed assets	-	(149)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	66
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Debtors	22	(137)
Net investing cash flows	(35)	(1,312)
1.13 Total operating & investing cash flows (carried forward)	(95)	(2,860)

Appendix 5B – Greenearth Energy Limited (GER)
Mining exploration entity quarterly report – 30 JUNE 2009

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	(95)	(2,860)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	21	25
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Farm-in/Joint Venture contributions	-	-
Net financing cash flows	21	25
Net increase (decrease) in cash held	(74)	(2,835)
1.20 Cash at beginning of quarter/year to date	5,543	8,304
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	5,469	5,469

**Payments to Directors of the entity and associates of the Directors;
Payments to related entities and associates of the related entities.**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	90
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors Fees: \$64,038

Consulting and professional fees paid to Director-related entities: \$26,290

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

None

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

None

Appendix 5B – Greenearth Energy Limited (GER)
Mining exploration entity quarterly report – 30 JUNE 2009

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 – Bank overdraft	-	-

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	100
4.2 Development	-
Total	100

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 (item 1.22)	5,469	5,543
5.2 Deposits at call	48	45
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	79	78
Total: cash at end of quarter	5,596	5,666

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				

Appendix 5B – Greenerth Energy Limited (GER)
Mining exploration entity quarterly report – 30 JUNE 2009

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.

	Number issued	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	67,516,344	50,393,010		
7.4 Changes during quarter				
(a) Increases through issues	60,911	60,911	0.30 cents	0.30 cents
(b) Decrease 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	-	-		

Appendix 5B – Greenerth Energy Limited (GER)
Mining exploration entity quarterly report – 30 JUNE 2009

7.7	Options		-	<i>Exercise price</i>	<i>Expiry date</i>
	<i>Directors</i>	4,500,000		45 cents	30 September 2012
	<i>Staff</i>	1,500,000		45 cents	30 September 2012
	<i>Man. Director</i>	1,000,000		20 cents	30 September 2010
	<i>Man. Director</i>	2,000,000		20 cents	30 September 2012
	<i>Third parties</i>	33,333,333		45 cents	30 September 2012
	<i>Third parties</i>	2,000,000		45 cents	30 September 2012
	TOTAL	44,333,333	-		
7.8	Issued during the quarter	-			
7.9	Exercised during the quarter	-			
7.10	Expired during the 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 Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 15 July 2009
Company Secretary

Print name: **Vicki Kahanoff**

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.

Appendix 5B – Greenearth Energy Limited (GER)
Mining exploration entity quarterly report – 30 JUNE 2009

- 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 complies with.

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