

A letter from the Chairman



The foundation year of any newly listed public company is always going to be one of challenge and expectation – 2007/08 has proved to be no exception for Greenearth Energy. No public company could have been established in a time of more dramatic contextual change: on the negative side, coinciding with the greatest downturn in the financial markets in decades; but on the positive side, the massive expanded focus on the renewable energy sector, worldwide but specifically within Australia, as a consequence of the debates arising out of Climate Change. Whereas the former contextual change has presented real difficulties for all in the market place seeking to raise capital for project development; the latter contextual change has meant that Greenearth Energy is in “the right place” at the most opportune time.

No focus on a geothermal energy company can occur without understanding and accepting the inevitably, today – not in the distant future, that the “clean and green” offering of geothermal energy, with the certainty that once geothermal power has been accessed that it is free of carbon emissions, must be part of the mix of strategies to be adopted in Australia so as to offset the implications of Climate Change. The listing of Greenearth Energy on the ASX in early 2008 has meant that not only is the company up and running, it is now at the table - a serious contender to assist Australians secure their future energy needs in an environmentally responsible manner. There may be much public debate as to the extent and urgency of the energy crisis we face as a Nation; there may be a wide range of options being considered within Governments; but whatever one’s opinion, the obligation on us all to seek and secure alternative energy sources is with us today and will increasingly move to centre stage as the realisation of the need grows across the community and is accepted by decision-makers within Government.

In saying that this Climate Change context has very significant and beneficial implications for Greenearth Energy is not to say that we are somehow enjoying riding the wave of public concern as a harbinger of doom, but rather to be expressing our heartfelt belief that geothermal energy is part of the answer to the future of the Nation’s need for clean, green energy production. As a member of the Australian Geothermal Energy Association we cooperatively work with our colleagues in the industry and so were pleased to be a part contributor to the submissions to various Government inquiries, in particular the Garnaut Inquiry. Within the submissions to these inquiries (all of which are accessible via websites) are confident assessments of the potential major contribution of geothermal energy to the National power grid. In particular, the cumulative installed capacity of 2,200MW of power from the current geothermal industry assessments is predicted by 2020, assuming the results of pilot and demonstration plants are encouraging. In this rapidly changing world of technological improvement, together with the imperatives of Climate Change response which are likely to drive a new order of economics in to electricity pricing, my own prediction is that even the AGEA estimates of geothermal power are likely to be conservative as exploration expands and the current cost scenarios dramatically change after the introduction of carbon trading.

The tangible implications for Greenearth Energy at this time of rapid change are real. More than just being well-placed within a niche investment market as an attractive medium to long-term option for those Australians whose investment strategies are guided by a preference for ethical and environmentally-

responsible investment, the changes that are occurring will increasingly ensure Greenerth Energy's capacity, indeed likelihood, to succeed. There can be no debate in my opinion that the core resource being offered by Greenerth Energy, be it for power generation or for a myriad of direct heat applications for industry, will become increasingly required and thereby accessible and affordable. As a middle to long-term investment opportunity within its sector, what Greenerth Energy has to offer, with its exploration tenements so uniquely and desirably positioned proximate to Victoria's major market place, to the heartland of the industrial south-eastern seaboard of Australia and within the immediate vicinity of the National power grid, is without peer.

My first year as Chairman of Greenerth Energy has been uplifting, albeit challenging as we all witnessed the international financial markets in seeming continual turmoil. This year also brought with it a realisation that our renewable energy sector within Victoria faces particular issues not of our making. Each of these issues affects all geothermal energy companies operating in Victoria. These issues make our task harder, but in all instances I am confident they are capable of being addressed. Our Company's management is progressively taking steps to tackle these issues by political lobbying and raising public awareness. Through this letter I am calling on Victorians to join with our Company's management so as to assist in bringing about the essential changes that we perceive to be necessary. In each instance you will readily identify the means by which you can support our company by ensuring your voices are heard in the appropriate quarters.

- First, the geothermal energy sector in Victoria has an image problem: there is an uninformed perception that has great currency, that Australia's geothermal energy prospects all lie within South Australia and largely within the Cooper Basin. Examination of the Victorian Government's heat mapping data, as has been presented by Greenerth Energy in its public material, such as its website and its IPO prospectus, together with our own indicative heat assessments, obtained from our own investigations largely drawn from the drilling data cooperatively provided by Lakes Oil N.L. , clearly shows the truth of the situation. There is every reason to believe that Victoria offers as many opportunities for geothermal heat exploitation as South Australia. All of us have a duty to highlight the potential significance of Victoria as a significant contributor of geothermal energy and thereby dispel the myth that all the action in this sector is in South Australia.
- Secondly, the generation of power from geothermal heat and the utilisation of geothermal resources for a myriad of direct heat applications is not unknown science. It is true that the investigation of geothermal resources is in its early days and that the sector will progressively benefit from technological advancement, but it is not so new as to be questionable. New geothermal projects will experiment with new processes and evolving technology and often the up-front costs of such projects appear great, but it is inevitable that as a more even "playing-field" across the broader energy sector evolves with the imposition of Climate Change legislative and policy reform, such as with carbon trading, the costs of geothermal energy exploration and production will become more affordable. There is absolutely no question that geothermal energy production is entirely feasible in Australia and in Victoria in particular.
- Thirdly, despite the passage of the *Geothermal Energy Resources Act* in 2005, the legislative and policy regime in Victoria falls short of providing the optimum means of cost-effectively proving-up geothermal resources. There is an urgent need for

legislative reform which would allow rapid and coordinated consent to allow trial or test operations when a geothermal company has need to assess, via trial heat extraction, whether the geothermal resource it wishes to exploit is sufficient to warrant full scale project development. Currently State legislation provides for a two tier process: geothermal energy exploration and then geothermal energy extraction. To move from the exploration stage to trial extraction, requires the completion of an extensive approvals process, involving significant environmental impact assessments, involved consent processes and the obtaining of related approvals associated with water management and the management of the power industry. In short, the failure of Government to provide for a distinction between start-up energy extraction and full operation energy extraction is an obstacle which must be addressed by policy and legislative reform. Green field projects inevitably face significant up-front costs and face all manner of risks, so in the context of the embryonic geothermal industry in Victoria being at the vanguard stage, Greenerth Energy calls upon Government to act now so as to better facilitate the developmental stage of geothermal projects in this State.

- Finally, the great challenges of the current day: first, the demand to achieve significant renewable energy production within a relatively short timeframe so as to ensure the Nation meets its carbon emission targets; and secondly, financial survival within the private sector at a time when the international and domestic investment markets are suffering one of the most serious periods of stress, gives rise to an urgent need for significant public sector investment. The history of this Nation has shown that following periods of greatest challenge: such as the two World Wars and the Great Depression, Governments at both State and Federal level have stepped in and created and/or funded significant projects, thereby boosting the economy of the day and simultaneously providing the Nation with essential infrastructure. Such action created the Snowy Mountain Scheme, the Ord River Scheme and many other nationally significant projects which are taken for granted today. Although opinion varies as to the urgency and extent to which Australia should respond to Climate Change, there is consensus that the renewable energy sector must be very significantly boosted. In the current market conditions, it is naive to place sole reliance upon the private sector to fund major renewable energy infrastructure projects. If Government is serious about tackling Climate Change, then significant public sector investment in renewable energy projects is required. The current opportunities for limited grant funding smacks of tokenism. Substantial seed funding is required. Companies like Greenerth Energy should be partnered, should be financially facilitated, to develop the geothermal energy projects that the State so urgently require. It should be beyond contemplation for any high-energy-use major project to be proposed in Victoria, such as a desalination plant, without Government committing to concurrently facilitate the establishment of a geothermal power station to provide the required clean, green, renewable energy. In closing, I commend you investigate further for your own understanding the benefits that geothermal energy can provide our communities and industry and join us in our most important challenge.



Simon R. Moleworth AM QC
Chairman, Greenerth Energy Ltd.

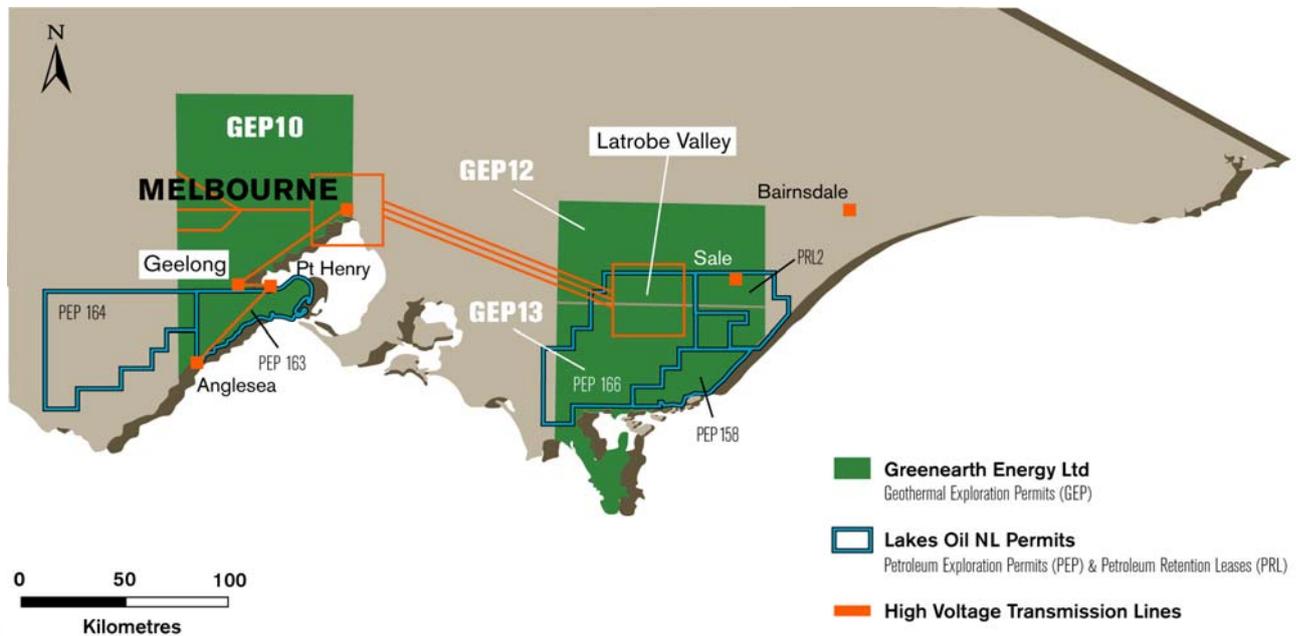
About Greenerth Energy Limited

Greenerth Energy Limited is an Australian Geothermal energy company that aims to explore for and develop geothermal resources in Australia, and in due course in New Zealand and in the wider Pacific Rim.

Geothermal energy is being increasingly recognised as having the potential to deliver, clean, reliable and renewable energy that is capable of a wide range of uses with very low or no greenhouse gas emissions.

The company was awarded 3 geothermal exploration permits (GEPs) in May 2007 by the Victorian Government covering 18,795 km². The permits are located in the Latrobe Valley/Gippsland Area (GEP12 & 13) and the Bellarine Peninsula/Surf Coast Shire/Geelong/Daylesford Area (GEP 10).

The company listed on the Australian Stock Exchange on the 4 February 2008 with the stock code of **GER**.



Permits taken up as:

- GEP 10: Bellerine Peninsula to Dayleford
- GEP 12: Latrobe Valley to Sale
- GEP 13: Latrobe Valley to Corner Inlet – Ninety Mile Beach



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FAST FACTS

Q4/2008

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- ↘ Greenearth Energy Limited is an Australian geothermal energy exploration and development company that successfully listed on the Australian Stock Exchange in February 2008 (ASX:GER) raising over \$10M of which approximately \$7M remains in bank guaranteed deposits. Greenearth Energy Limited is debt free.
 - ↘ Geothermal energy is heat energy that comes from the earth's molten interior deep in the earth's crust: Heat (thermal) derived from Earth (geo).
 - ↘ Geothermal energy has the potential to deliver 24/7 base load power that is essentially emissions free and at generation costs comparable with other renewable energy sources.
 - ↘ Greenearth Energy aims to explore for and develop geothermal resources in Australia, New Zealand and the wider Pacific Rim.
 - ↘ Greenearth Energy currently holds three key strategic Geothermal Exploration Permits (GEPs) in onshore Gippsland (GEP13), the La Trobe Valley (GEP12) and the Bellarine Peninsula (GEP10) all of which are located in close proximity to major power consuming / CO² emitting industries, communities and the national electricity transmission network.
 - ↘ Greenearth Energy's primary focus is on hot sedimentary aquifer systems (HSA's) that tend to be widespread in nature, generally exist at shallower depths and can utilize proven, commercially available conventional binary plant technology. Greenearth Energy will also explore hot fractured rock (HFR) opportunities within its permit areas where these prove commercially viable.
 - ↘ Greenearth Energy's permit locations are in prime proximity to large communities, electricity transmission infrastructure and significant industries including (1) the La Trobe Valley, the industrial hub of south-eastern Australia and the country's most concentrated greenhouse gas footprint with 6000MW of brown coal fired power stations and (2) the heavy industrial greater Geelong region, brown coal fired power station, aluminium smelter, cement works and the City of Melbourne infrastructure.
 - ↘ Greenearth Energy is in the process of applying for Federal Government funding for support for geothermal exploration drilling in the Bellarine Peninsula (GEP10) and onshore Gippsland (GEP13) areas.
 - ↘ Greenearth Energy's exploration and partnership development program continues to gain significant momentum across its three permit areas.

↘ FOR FURTHER INFORMATION ON GREENEARTH ENERGY AND OUR MOST RECENT ANNOUNCEMENTS PLEASE VISIT OUR WEBSITE www.greenearthenergy.com.au