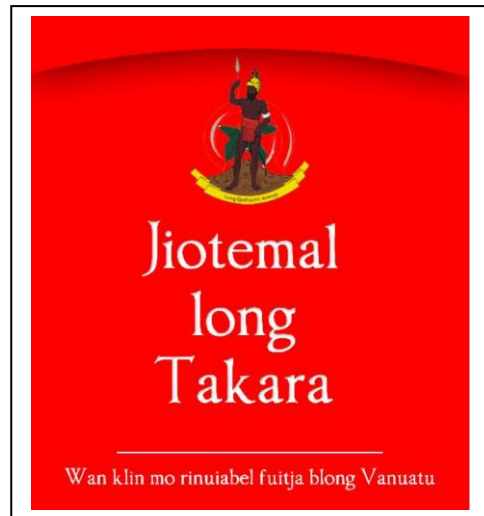


ASX RELEASE

**Vanuatu
Government Issues
Production Licence
23 January 2013**



Headline Summary

The company is pleased to announce that the Vanuatu Government Minister of Lands and Natural Resources has issued KUTh Energy (Vanuatu) Limited (KVL) - a 100% subsidiary of KUTh Energy Ltd - with a Production Licence to carry out geothermal development on the main island of Efate. The Licence is issued in accordance with the Geothermal Energy Act and includes the following key points:

- ✓ **Licence Term:** 30 years with renewal options.
- ✓ **Rights of Licensee:**
 - To exclusively develop and commercialise the geothermal energy in the License area.
 - Established a minimum tariff for geothermal power of 23.9 vatu / KWh (AUD 25 cents approx.) – CPI adjusted annually.
 - Rights to earn carbon credits applicable to the project.
- ✓ **Exploration and Development program:**
 - On completion of the Power Purchase Agreement (PPA) with the utility (UNELCO) the company is committed to a program of exploration and development that will lead to the commencement of construction of a geothermal power plant within 36 months of the signing of the PPA (with additional time allowances for any Force Majeure events).

The importance of the Production Licence to the project

The granting of the Production Licence is a key milestone for the company and a critical part of its development risk mitigation strategy. The Licence creates long term geothermal development and commercialisation rights for the company and, importantly, establishes a minimum base tariff that underpins the commercial viability of the project.

The company is now poised to progress the next stage of the project - deep drilling and resource assessment. Fundamental to this next step is the completion of agreements with key stakeholders including the landowners and UNELCO.



Minister James Bule signs and hands over Production License to KUTH Managing Director David McDonald with Chief Ameara (Takara) in attendance

Landowners

The company will be required to finalise terms with landowners once the resource has been delineated and the exact location of production drilling and power plant construction are identified. In the interim, the company will agree terms with landowners for exploration drilling with options for long term lease if successful. The company has maintained an active community consultation process in the area planned for drilling and will step this up further during the March quarter. The government has also increased its engagement with the community to promote local awareness of the project and its benefits.



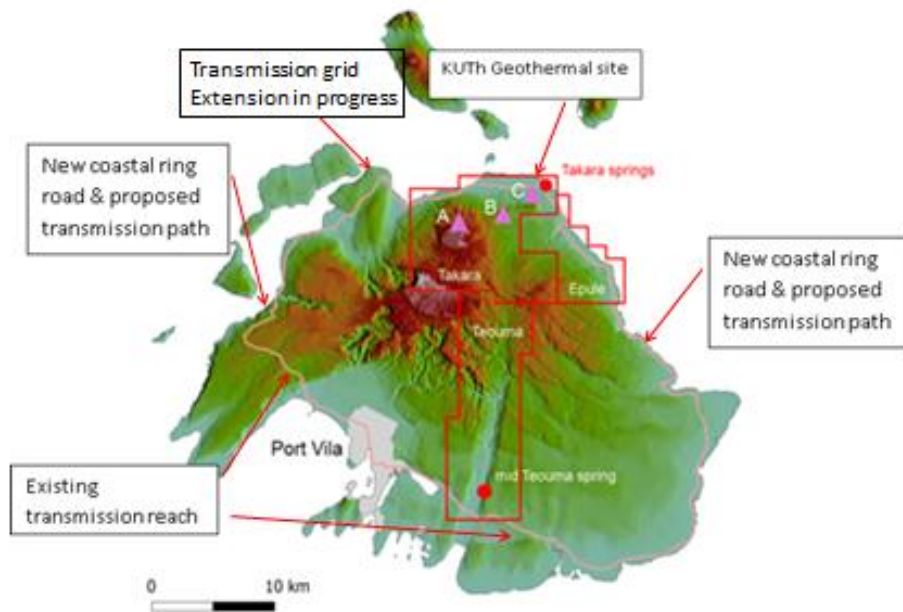
Takara landowner representatives attending Production Licence signing ceremony

Power Utility – UNELCO

UNELCO and KUTh are currently negotiating the final terms of the PPA. UNELCO have advised the government of these negotiations and in cooperation with UNELCO the company expects to finalise the terms during the March quarter.

In a further development UNELCO has commenced extension of the transmission infrastructure along the coastal ring road which will bring the transmission lines within approximately 10 kilometres of the proposed geothermal plant at Takara. Once resource confirmation is complete the arrangements for connecting up Takara will be initiated.

Orientation – Efate Vanuatu



Resource targets

The company has three resource targets within the Licence area but will initially concentrate on the Takara resource area (Target C).

Summary

KUTH's Vanuatu project is a small island geothermal development that will displace diesel generated power. Diesel generated power is not only expensive and volatile in its pricing but presents an energy security risk to the country as it depends on imported fuel products for its energy generation. With the base electricity tariff for December 2012 at 53.29 vatu per kWh (AUD 55 cents) our aim will be to bring price reductions and greater stability to the end user and in doing so drive greater electricity demand.

Additionally the project will deliver important environmental benefits through the reduction of greenhouse gas emissions. Addressing climate change is a high priority in the Pacific region where many countries, including Vanuatu, are considered vulnerable to rising sea levels and more intense tropical storms. For these reasons the project has a high profile in the region and has attracted the interest of potential investors, development banks and donor funding agencies.

Commenting on the recent signing KUTH Managing Director David McDonald said "Our approach to the development has been to make sure that we have the commercial and regulatory setting in place to establish project viability. We are very conscious that with a small

development it is important to get this settled before undertaking the investment in rig mobilisation and drilling of the resource target. In this project we are now well on our way to the de-risking of supply, price and rights for power production and while there is still a long way to go, the issue of the Production Licence is an important platform to launch from. The resource exploration data collected to date has been reviewed by Sinclair Knight Merz and again as part of the recent World Bank Report involving specialist geothermal personnel from New Zealand. This extensive due diligence undertaken on the exploration data provides the company with confidence on the resource targets identified.

David further added “We often get asked the question about the viability of our proposed 8MW project and this always seems strange to us. We don’t compare megawatt size we compare revenue and profitability per megawatt hour (MWh) delivered and even at the minimum base tariff agreed in the Production Licence the project will generate a revenue per MWh at more than six (6) times the average wholesale power price paid in Australia in 2011-12. That would equate the Vanuatu project in revenue terms to a 50 MW fossil fuel plant in Australia. While we recognise that small geothermal plants may incur diseconomies of scale in some areas we think we are striking the right balance with all stakeholders, maintaining our focus on revenue and profitability and delivering significant benefits to the economy of Vanuatu through lower power prices.”

Ends

For more information contact:

David McDonald

Managing Director

+61 2 92386865