



QUARTERLY ACTIVITIES REPORT

Period ended 31 December 2012

HIGHLIGHTS

- **Vanuatu** – progress made with documentation for Production Licence and Power Purchase Agreements
- **Australia** – Tasmanian government agrees revision to exploration commitments on Tasmanian Inferred Resource targets.

Summary

The Pacific Region

Vanuatu – Throughout the quarter KUTh continued to expand its presence on the ground in Vanuatu with a focus on advancing all aspects of the project. A number of years of effort have been rewarded with a significant milestone for the Company achieved with the government granting KUTh a 30 year Production Licence with the exclusive right to produce geothermal power in the area covered by the company's Geothermal Prospecting Licence (GPTL29001) which includes the Takara site (*see ASX release dated 23 January 2013*).

Negotiation of a Power Purchase Agreement (PPA) with the Vanuatu electricity utility (UNELCO) has commenced and is a major focus for the current quarter.

In **Tasmania** the company has received confirmation from the Tasmanian Department of Infrastructure, Energy and Resources that they are prepared to vary the timetable of exploration commitments on the main tenement (SEL 26/2005) containing both of the KUTh Inferred Resource targets at Lemont and Fingal.

Australia

Tasmania

Following a submission by the company to the Tasmanian government concerning the exploration commitments contained in the company's existing tenements – in particular SEL 26/2005 - we have received a positive response from both the Minister of Infrastructure, Energy and Resources and the Director of Mines confirming revised exploration commitment scheduling. This has been necessary in view of the difficult conditions facing the renewable energy sector in Australia and, in particular, deep hot rock geothermal projects.

While we remain very positive about the quality of our Tasmanian resources the Board also recognise the substantial investment that is needed to advance these projects to the next stage of deep drilling. Under current declining

electricity demand conditions and government uncertainty about the continuation of renewable energy support initiatives the level of funding needed to undertake this work will need to have a substantial involvement by the government and/or large scale farm-in partner.

It is clear that *permeability* for deep hot rock projects is a key research priority for both exploration and development of geothermal resources. We will continue to pursue joint research and development partners with a view to advancing some work on the deep permeable zones in our Naturally Fractured Hot Rock play at Lemont.

Queensland

There has been no additional exploration on the Jackin Creek tenement in North Queensland during the quarter.

Pacific Region

Vanuatu

During the previous quarter and throughout January, considerable time continues to be spent by the Managing Director and other key staff in Vanuatu to meet the statutory and regulatory criteria required to advance the Company's flagship project closer to production. A major breakthrough was achieved **on January 13 when the government issued a Production Licence to KUTH's wholly owned Vanuatu subsidiary KUTH Energy (Vanuatu) Limited**. The key components of this licence, that allow the company to move forward with the next stage exploration programs, are:

- ✓ **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 issue of the Production Licence is a key milestone that allows the company to move forward with confidence on a minimum base price with the secure rights to produce power over areas identified by the company to be prospective geothermal targets. The immediate focus now turns to the finalisation of the power off-take arrangements with UNELCO and negotiations with landowners. UNELCO have advised the government they are in negotiation with KUTH on the PPA and expect to finalise during the March 13 quarter.

In respect to securing land access for the exploration programs the company has engaged extensively with the community and will now step up the process of formalising land access arrangements. There is a strong desire amongst the local community to see power established in the area.



KUTH will be increasing its presence in Vanuatu to accelerate the project in every aspect that it can with the aim being to ensure we have the regulatory and commercial aspects of this project settled so we can push forward with the next stage drilling programs.

Fiji

The company has been advised that its licence applications for Vatukoula and Sabeto have been approved but with variations to the exploration terms and commitments submitted by the Company in its applications. We have started a dialogue with the Fiji Mineral Resources Department in an attempt to resolve the major differences. The key issues being the offered term of the licence and the exploration program expected in the contracted term. Negotiations will continue during the current quarter to finalise the agreed license terms and conditions.

Papua New Guinea (PNG)

On 7 December 2012 the Company announced that its 100% subsidiary KUTH Energy (PNG) Limited (KPNG) had signed agreements with Kula Energy Pty Limited (KULA) to formalise the relationship for the commercial development of its interests in PNG. KULA has taken up a 49.8% in KPNG. The company has since been advised that wardens' hearings for its Lamelele and Salamo licence applications have been scheduled for the March quarter.

General and Corporate Activities

Annual General Meeting

During the course of the December 2012 quarter, the Company held its sixth Annual General Meeting on 11 October with twelve resolutions being put to shareholders for a vote. The Notice of Meeting was sent out to shareholders on 27 August 2012, well in advance of the meeting in accordance with the requirements of the Corporations Act. The Board was pleased to report immediately following the meeting that all twelve resolutions had passed with the Company welcoming the re-election of Mr Paul Broad to the Board pursuant to the ASX's policy, and the Company's Constitutional requirements, relating to the rotation of directors. Professor Mary O'Kane who was appointed to the Board on 9 August 2012 to fill a casual vacancy was also re-elected.

Thank you to all members who attended for providing your Board and Management with the opportunity to engage with you on the progress of the Company.

Cash holdings

At 31 December 2012 the company's cash holdings stood at \$782,915.

A handwritten signature in blue ink, appearing to read 'D. McDonald', is positioned above the printed name and title of the Managing Director.

David McDonald
Managing Director
Ph: +61 2 9238 6865

Corporate information

Board of directors

Bruce McKay (non-executive chairman)
Dr Stephen Bartrop (non-executive director)
Paul Broad (non-executive director)
George Miltenyi (non-executive director)
Prof. Mary O’Kane (non-executive director)
David McDonald (managing director)

Company secretary

Justin Clyne

Registered office

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Share registry

Boardroom Pty Ltd
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Facsimile: 1300 653 459
Website: www.boardroomlimited.com.au

Stock exchange listing

Ordinary shares ASX code: KEN

Issued share capital

At 31 December 2012, issued capital was:
115,144,583 ordinary shares
12,800,000 unlisted options

Substantial shareholders

John Bishop & associates	11.67%
Stephen Bartrop & associates	7.00%
George Miltenyi & associates	6.75%
Clodene Pty Ltd	5.82%

Quarterly price activity

KEN – ordinary shares
High: \$0.031
Low: \$0.022
Last (31.12.12): \$0.024