



QUARTERLY ACTIVITIES REPORT

Period ended 31 March 2013

HIGHLIGHTS

- Vanuatu Government issues KUTh a 30 year exclusive Production Licence to develop geothermal energy in North Efate, Vanuatu.
- Vanuatu Government Energy Roadmap endorses geothermal as a key priority for the country.
- New Queensland tenement applied for in Weipa region.

Summary

Vanuatu: KUTh Energy Limited (KUTh or the Company) announced to the ASX on 23 January 2013 that the Government of Vanuatu had issued a Production Licence to KUTh's Vanuatu subsidiary, KUTh Energy (Vanuatu) Ltd. This is a major milestone for the Company providing greater security over the geothermal development area, exclusivity over geothermal energy production and a minimum pricing mechanism to underpin project viability.

In conjunction with the Vanuatu Government Geothermal Task Force (GTF) the Company is now engaged in discussions with a number of development bank institutions and potential donor agencies to investigate concessional funding options.

Queensland: Activity during the quarter included tenure variations and application for surrender of Jackin Creek EPG 7 in favour of more prospective ground at Application EPG 97, north of, and proximal to, the Weipa township.

Pacific Region

Vanuatu

The company has 3 main areas of focus driving the project development initiatives in Vanuatu.

1. Power Purchase Agreement (PPA)

- a. UNELCO have advised the Company that key terms of the PPA have been drafted in conjunction with their Australian based lawyers and the document is currently under review by their head office.
- b. The PPA is the next step in closing the commercial underpinning of the geothermal project.
- c. The Vanuatu Government and the regulatory authority have also been engaged in discussions with KUTh and UNELCO on the need for the PPA to be finalised so the project can proceed to the next step drilling program.

2. Land Security & Access

- a. The company has three (3) prospective drilling locations and, in the first instance, has elected the site at Takara as its preferred target. There have been ongoing discussions between the GTF, KUTH and landowners in the Takara area to initiate the first stage shallow drilling program. KUTH has faced some custom boundary disputes during the initial clearing works and is currently working with parties in the area to develop overall site security so the project can proceed uninterrupted. To this end we are taking the following approach:
 - i. Overall land requirements for the exploration and production drilling program need to be finalised before the commissioning of any further drilling works.
 - ii. Review Site A and Site B as alternate drilling locations.
 - iii. Complete lease terms for security of site through the drilling and construction stages of the project.
- b. The Lands Minister and other key government ministers are aware of the need to get the project started and along with the GTF there is a push to finalise land tenure.

3. Project Funding and Donor Agency support

- a. The Company is running a dual strategy of seeking equity partners to participate in the Vanuatu project and also potential donor agencies and multilateral banking institutions. The Company recognises that donor funding will support further tariff efficiencies and will work with these organisations if mutual benefits can be established.
- b. The Vanuatu Government has recently finished its Energy Roadmap (ER) which is a joint initiative between the government and development agencies. The purpose of the ER is to develop a program that identifies alternate energy sources and assistance to Vanuatu to reduce power costs and the dependence on fossil fuels (diesel power) and make energy more broadly available to the people of Vanuatu. Central to the ER recommendations is key support for the development of geothermal energy on the island. When the report is available for general distribution KUTH will update the market further on the importance of recommendations contained in the report.
- c. Strong letters of support for the geothermal project originating from the Prime Minister, Deputy Prime Minister, Finance Minister and Climate Change Minister have been sent to potential donors. The GTF and the Company are now engaging with those players to identify what opportunities exist for concessional funding.

Other Pipeline Projects

Papua New Guinea

Wardens hearing dates have been set for the tenement applications in Talasea and Fergusson Island. The Company continues to work with the Mineral Resources Authority for the issue of exploration licences over these tenements.

Fiji

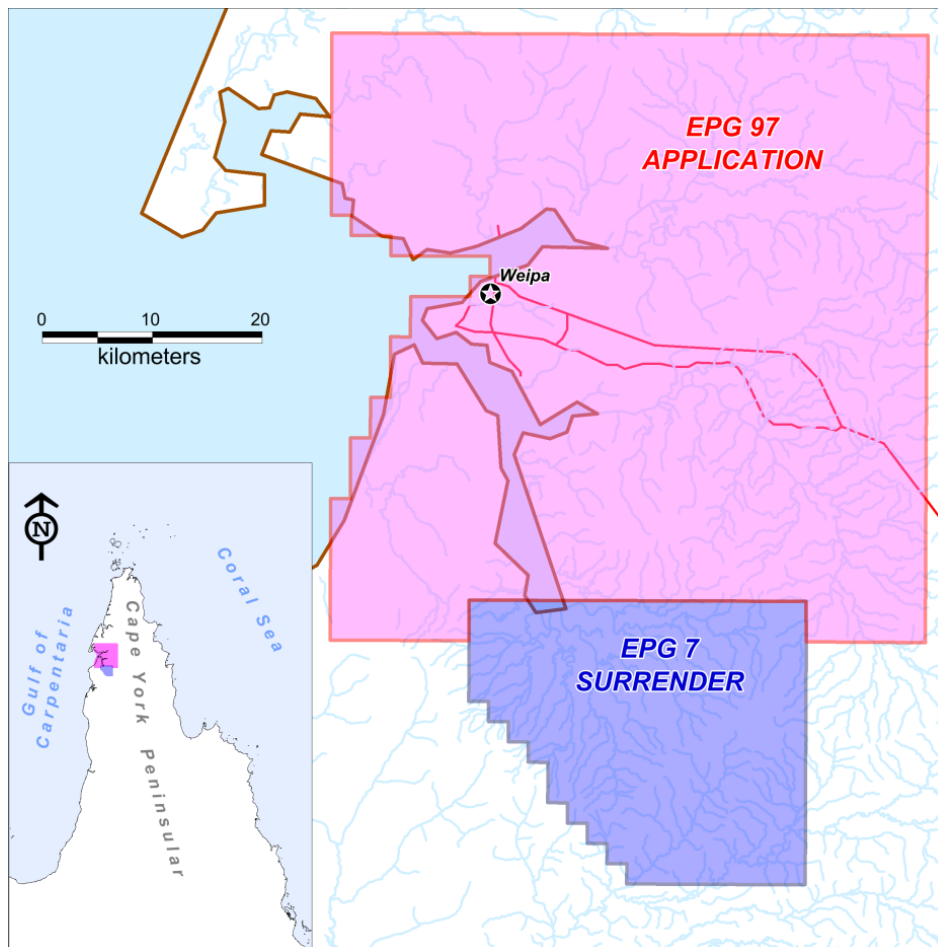
The situation in Fiji remains unchanged since the last quarterly report. The company's resident director in Fiji is attempting to set up a meeting for the Company's management with the Mines department to seek a resolution to the current impasse on exploration terms.

Australia

Queensland

KUTh was awarded tenement EPG 7 via competitive tender in 2010 for an initial term of four years. Located in western-central Cape York, Far North Queensland (FNQ) the areal extent of the tenement area was determined by the Department of Natural Resources and Mines as part of the tender process. At the time of granting KUTh was seeking to establish a foothold project in FNQ seeing potential in both the geology and local (diesel replacement) market opportunities associated with bauxite recovery and processing. Subsequent investigations across EPG 7 have now confirmed the prospectivity of this area, demonstrating a significant but broad regional heat flow anomaly. However, data available within the bounds of the tenement do not distinguish it as a significant target zone. KUTh now considers that geothermal targets of greater value lie in areas to the north of EPG 7. Such targets have the added advantage of proximity to the only available local electricity market at Weipa.

For this reason, and following amendments to the Queensland Geothermal legislation to allow over-the-counter application for geothermal exploration permits, KUTh has sought to fully surrender its interest in EPG 7 in favour of an area of the Company's choosing north of the existing tenement (see map, below). An application for our preferred tenure area was submitted concurrently with the EPG 7 surrender and has now been assigned Application number EPG 97.



Map of tenure variations, Queensland

General and Corporate Activities

Capital Management

The Company announced to the ASX on 14 March 2013, a non-renounceable rights issue to existing shareholders of one (1) new share at an issue price of \$0.015 for every two (2) ordinary shares held to raise a maximum of approximately \$863,500 before costs of the offer. The offer was partially underwritten by directors and management of the company (as disclosed in the Offer Document) who, in addition to taking up their full entitlements, committed to underwrite a further 17 per cent of the offering.

At the close of the offer on 11 April 2013 the Company had received an amount of \$311,943 including valid applications for 2,900,818 additional shares by existing shareholders. The shortfall of \$551,641, being 36,776,074 shares, will first be met from additional shares of 9,904,800 underwritten by directors and management to be issued and allotted prior to 3 May 2013. Veritas Securities Limited also has an exclusive period of 30 days to place the balance of the shortfall under the terms contained in the Offer Document.

The Board recognises the competition that exists for capital in the market place and we thank all shareholders who participated in this raising. While modest in quantum terms, the funds raised will be used to push important commercial milestones necessary to move the company's Vanuatu project to the next step.

Cash holdings

At 31 March 2013 (prior to the rights issue) the company's cash holdings stood at \$506,000.



David McDonald
Managing Director
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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

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Website: www.boardroomlimited.com.au

Stock exchange listing

Ordinary shares ASX code: KEN

Issued share capital

At 29 April 2013, issued capital was:
135,940,801 ordinary shares
12,800,000 unlisted options

Substantial shareholders

John Bishop & associates	9.88%
Stephen Bartrop & associates	8.89%
George Miltenyi & associates	8.58%
Bluestar Management Pty Ltd	5.85%

Quarterly price activity

KEN – ordinary shares
High: \$0.031
Low: \$0.014
Last (28.03.13): \$0.015