



QUARTERLY ACTIVITIES REPORT

Period ended 30 September 2013

HIGHLIGHTS

- Conditional Takeover Offer for KUTh Energy by Geodynamics Limited
- Continued engagement with Vanuatu project stakeholders

Summary

Geodynamics Takeover Offer: On 18 September Geodynamics Limited (Geodynamics) announced its intention to make a conditional off market takeover offer to acquire 100% of the shares in KUTh Energy Limited (KUTh or the Company). If the takeover is successful, the combined entity would benefit from significantly greater financial and personnel resources to dedicate to KUTh's projects and potentially drive a different approach to their development. Until the outcome of the takeover offer, and therefore the future development path, is known, KUTh will maintain the project portfolio.

Vanuatu: The merger announcement has been broadly well received by stakeholders in Vanuatu with recognition that the transaction, in increasing the resources available for development, is a positive for the project. In the interim, the Company remains engaged with government, the power utility, regulatory authorities and land stakeholders.

Tasmania: The Company has maintained its tenement obligations during the quarter and is continuing to assess options to progress the next stage drilling operations. We maintain regular communication with the Tasmanian government concerning the main tenement, SEL26/2005, and to date we have received solid support from the Department of Mineral Resources.

Takeover Offer by Geodynamics

On 18 September Geodynamics announced its intention to make a conditional off market takeover offer to acquire 100% of the shares in KUTh. The Takeover Documents, comprising the Bidder's Statement from Geodynamics and the Target's Statement from KUTh, were despatched to shareholders on 15 October when the Offer opened. The Offer remains open to 15 November, unless extended by Geodynamics.

Under the offer, KUTh shareholders will receive 1 Geodynamics share for every 5.5 KUTh shares held, resulting in KUTh shareholders holding 6.1% of the enlarged Geodynamics Group following completion of the Takeover.

Geodynamics has stated its intention to continue to develop KUTh's project portfolio and its initial focus will be on Vanuatu. KUTh shareholders will appreciate that KUTh's rate of progress in developing its projects has been limited by the availability of capital. KUTh's development strategy has been focused on de-risking projects to attract finance and

while this strategy has been appropriate, and progress toward this outcome is promising, Geodynamics has sufficient resources to accelerate development with its existing resources. These different approaches mean that until the outcome of the takeover offer is known, the development path will be managed to cater for both outcomes.

KUTh shareholders are encouraged, if they have not done so, to read the joint announcement to the ASX by Geodynamics and KUTh from 18 September.

Pacific Region

Vanuatu

As noted above, if successful, the Geodynamics' takeover will result in more funding for the development of KUTh's Takara geothermal project. The Company remains engaged with government, the power utility, regulatory authorities and land stakeholders and they have responded favourably to the prospect of increased project funding and a more rapid development timetable should Geodynamics' takeover offer be successful. Whatever the outcome, the project continues to gather momentum as it moves closer to the drilling phase. The current status in Vanuatu includes:

1. Government Support

As noted in previous reports, the Takara geothermal project is a key part of Government energy policy, as set out in its National Energy Road Map. The government recently enacted changes to the Utilities Regulatory Authority Act that should facilitate the role of independent power producers in Vanuatu and encourage tariff regulation based on least cost suppliers.

2. Power Purchase Agreement

The negotiation of the Power Purchase Agreement is on hold pending the outcome of Geodynamics' takeover offer. The potentially different approach to development post-takeover may impact on several matters which are still subject to negotiation with UNELCO. These negotiations will resume once the outcome of the takeover offer is known.

3. Land

The Geothermal Task Force, related government ministries and the broader community are aware of the importance of resolving land access issues and have been instrumental in recent positive developments towards the organisation of land access for KUTh management and consulting teams to enable:

- Boundary establishment for drilling program requirements;
- Identification of rig access and drill pad locations;
- Delineation and survey of any gardens and/or occupant accommodation areas so these can be incorporated into a definitive map of affected areas; and
- Independent land valuations across the areas of interest.

Once this data has been collected, KUTh will reconvene with land representatives and the Geothermal Task Force to discuss and agree a strategy to meet the project's land requirements and prepare an initial social impact assessment.

Other Pacific Pipeline Projects

Papua New Guinea

Wardens hearing dates for the tenement applications on Fergusson Island have been set for early November. The Company continues to work with the Mineral Resources Authority for the issue of exploration licences over these tenements and at Talasea on West New Britain.

Fiji

There has been no further advancement of the Fiji tenement applications during the quarter ended 30 September 2013.

Australia

The company retains two areas of interest in Australia in Tasmania and Queensland each having a different strategic value to the company. As noted previously, the future development of these projects will be dependent on significant government financial support. Should the Geodynamics' takeover proceed then development will also be dependent on the fit of these projects in Geodynamics' Australian strategy.

General and Corporate Activities

Director Resignation

Dr Stephen Bartrop resigned as a Non-Executive Director of the Company, with effect from 16 July 2013.

Cash holdings

At 30 September 2013 the company's cash holdings stood at \$466,000.

Events Subsequent

Subsequent to the end of the quarter the Company held its seventh Annual General Meeting on 3 October. All resolutions put to shareholders were passed on a show of hands except for resolutions 5 and 6 which were withdrawn.



David McDonald
Managing Director
Ph: +61 2 9238 6865

Corporate information

Board of directors

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

Company secretary

Justin Clyne

Registered office

Level 7, 207 Kent Street
Sydney NSW 2000
Australia
Telephone: 1300 737 760
Email: info@kuthenergy.com
Website: www.kuthenergy.com

Share registry

Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney NSW 2000
Australia
Telephone: 1300 737 760
Facsimile: 1300 653 459
Website: www.boardroomlimited.com.au

Stock exchange listing

Ordinary shares ASX code: KEN

Issued share capital

At 30 September 2013, issued capital was:
145,845,600 ordinary shares
12,800,000 unlisted options

Substantial shareholders

At 30 September 2013, the substantial shareholders were:

George Miltenyi & associates	10.07%
John Bishop & associates	9.06%
Stephen Bartrop & associates	7.22%
Bluestar Management Pty Ltd	5.45%

Quarterly price activity

KEN – ordinary shares
High: \$0.020
Low: \$0.012
Last (26.09.13): \$0.012