



Half-Year Financial Report

31 DECEMBER 2007

CORPORATE DIRECTORY

BOARD OF DIRECTORS

John Bishop	Chairman
Stephen Bartrop	Non-Executive Director
Paul Broad	Non-Executive Director
George Miltenyi	Non-Executive Director

COMPANY SECRETARY

John Paterson

REGISTERED OFFICE

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North Hobart, TAS 7000
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Website: www.kuthenergy.com
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SHARE REGISTRY

Registries Limited
PO Box R67
Royal Exchange, NSW 1223
Telephone: 02 9290 9600

ASX CODE

KEN

AUDITORS AND INDEPENDENT

ACCOUNTANTS

Barnes Dowell James
Level 13, 122 Arthur Street,
North Sydney, NSW 2060

SOLICITORS

Gadens Lawyers
Skygarden Building
77 Castlereagh Street, Sydney, NSW 2000

CORPORATE ADVISORS

Oakhill Hamilton Pty Ltd
PO Box 324, Crows Nest, NSW 1585

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DIRECTORS' REPORT

Half-year ended 31 December 2007

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Bishop (Chairman)

Stephen Bartrop (Non-Executive Director)

Paul Broad (Non-Executive Director)

George Miltenyi (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$556,019 (2006 – loss \$16,429).

Operational Review

During the period under review, KUTH continued and expanded exploration and development on its key projects as outlined below.

Tasmanian Geothermal Project (100%)

During the period, the company continued to explore its 11,000+ square kilometre Special Exploration Licence 26/2005. A gravity survey over a portion of the licence was completed and interpreted, revealing a greater interpreted area where the granites are within the favourable three to five kilometers of the surface. The geometry of the new interpretation also indicates that the Coles Bay Granite, and the Rossarden/Storeys Creek Granites, both of which are classified as 'hot granites', may merge at depth.

KUTH's systematic, tenement-wide shallow drilling commenced in late October 2007 using up to 2 drill rigs on 3 shifts. The program is generally going better than anticipated and by the end of the year, five cored holes and a further three percussion precollars had been completed for a total of 1,203 metres percussion and 762 metres of diamond core.

The holes have been lined with PVC, geologically logged and sections of the core specially treated in preparation for the measurement of rock thermal conductivities. The thermal logging will take place in batches after the holes have thermally equilibrated, about 2 months after drilling. The drilling program continues.

A new geothermal tenement SEL45/2007, a southerly continuation of the existing licence, was granted by the Minister on 19 December 2007 for a period of 5 years (additional 5 years possible). It has an area of 1,811 km², bringing KUTH's total tenement area in Tasmania to 14,171 km². The new tenement was applied for on the basis of favourable results of the gravity survey mentioned above.

The gravity survey further highlighted the minerals prospectivity of another area within SEL26/2005 and KUTH has applied for a separate Special Exploration Licence for minerals covering that area. If granted, it is the company's intention to Joint venture out the licence, so that KUTH's focus on geothermal is not diluted, but preserving the upside for the company if any mineral discoveries are made.

Queensland Geothermal Project

KUTH has been named as the 'preferred tenderer' for two geothermal permits in Queensland. The 'Native Title' process is under-way, a pre-condition of final grant.

REDI grant application

In December, KUTH Energy lodged an application for a Commonwealth Government REDI grant to assist in the exploration of the Tamar Conductivity Zone (TCZ). The TCZ is a special feature within SEL26/2005 that the company believes may allow the more rapid and cheaper development of a geothermal system.

DIRECTORS' REPORT

Half-year ended 31 December 2007

FINANCIAL

KUTh completed its IPO capital raising in August/September 2007. The IPO raised over \$5.8 million before expenses. The funds raised are being used to provide working capital for exploration, project generation and project enhancement as set out in the Company's IPO Prospectus dated 31 July 2007.

Pursuant to the IPO Prospectus dated 31 July 2007, 1,000,000 shares were issued to Mr Malcolm Ward on the successful quotation of the company on the ASX. These shares were issued in September 2007 and the value of the shares granted have been recognised as expenses in the financial statements and are expensed, resulting in an increase in expenses of \$250,000 for the December 2007 half year.

On 29 November 2007 shareholders approved the issue of 416,666 shares to Non Executive Directors covering Directors fees payable for the period 30 May 2007 to 30 June 2008. These shares were issued in December 2007 and the value of the shares granted have been recognised as expenses in the financial statements and are expensed, resulting in an increase in Directors' benefits expense of \$125,000 for the December 2007 half year.

SUBSEQUENT EVENTS

The directors are not aware of any significant changes in the state of affairs of the Company occurring since the end of the half-year, other than in February, the Company was advised that the Federal Government had offered it a \$1.8 million Renewable Energy Development Initiative (REDI) grant. The Company is in discussion with the relevant Commonwealth Department to finalise the grant.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

Signed at Sydney this 11 March 2008 in accordance with a resolution of the directors.



JOHN BISHOP
Chairman

BARNES DOWELL JAMES

Incorporating P J Hennessy & Co

CHARTERED ACCOUNTANTS

Partners

C H Barnes FCA
A J Dowell CA
M W James CA
B Kolevski (Affiliate ICAA)

Associate

M A Nakkan CA

Consultant

P J Hennessy FCA

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MAN:HM

15 February 2008

The Directors
Kuth Energy Limited
35 Smith Street
NORTH HOBART TAS 7000

Dear Sirs,

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF KUTH ENERGY LIMITED

In relation to our half year review as at 31 December 2007 of the financial report of Kuth Energy Limited, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully
BARNES DOWELL JAMES



.....
A.J. DOWELL
Partner

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Website: www.bdj.com.au

INCOME STATEMENT

Half-year ended 31 December 2007

	Note	31 Dec 2007	31 Dec 2006
		\$	\$
REVENUE FROM ORDINARY ACTIVITIES	2	128,738	-
Administration expenses		(157,688)	(1,444)
Audit services		(7,790)	-
Consultant expenses		(33,300)	-
Depreciation expense		(262)	-
Directors' fees	5	(125,000)	-
Exploration expenditure written-off	4	(3,386)	(14,985)
Occupancy expenses		(11,672)	-
Share based payments	5	(250,000)	-
Share based payments – Options		(30,833)	-
Travel and accommodation		(37,042)	-
Other expenses from ordinary activities		(27,784)	-
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(556,019)	(16,429)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(556,019)	(16,429)
NET LOSS ATTRIBUTABLE TO MEMBERS OF KUTH ENERGY LIMITED		(556,019)	(16,429)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF KUTH ENERGY LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF KUTH ENERGY LIMITED		(556,019)	(16,429)
Basic loss per share (cents per share)		0.010	0.0006
Diluted loss per share (cents per share)		0.010	0.0006

BALANCE SHEET

at 31 December 2007

	Note	31 Dec 07 \$	30 Jun 07 \$
CURRENT ASSETS			
Cash and cash equivalents		5,517,555	500,512
Receivables	3	136,587	27,356
TOTAL CURRENT ASSETS		5,654,142	527,868
NON-CURRENT ASSETS			
Tenement security deposits		50,000	-
Security deposits		20,000	-
Plant and equipment		3,510	3,147
Deferred exploration and evaluation expenditure	4	516,111	100,584
TOTAL NON-CURRENT ASSETS		589,621	103,731
TOTAL ASSETS		6,243,763	631,599
CURRENT LIABILITIES			
Payables		241,358	35,783
Other - loan		-	-
TOTAL CURRENT LIABILITIES		241,358	35,783
TOTAL LIABILITIES		241,358	35,783
NET ASSETS		6,002,405	595,816
EQUITY			
Issued capital	5	6,637,280	705,504
Reserves		30,833	-
Accumulated losses		(665,707)	(109,688)
TOTAL EQUITY		6,002,406	595,816

STATEMENT OF CASH FLOWS

Half-year ended 31 December 2007

	31 Dec 2007	31 Dec 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(106,591)	(16,586)
Interest received	53,010	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(53,581)</u>	<u>(16,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(625)	-
Expenditure on mining interests (exploration)	(415,527)	-
Tenement security deposits	(50,000)	-
Other security deposits	(20,000)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(486,152)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	5,824,000	20,000
Equity raising expenses	(267,224)	-
Repayment of borrowings	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>5,556,776</u>	<u>20,000</u>
NET INCREASE (DECREASE) IN CASH HELD	5,017,043	3,414
Add opening cash brought forward	500,512	30
CLOSING CASH CARRIED FORWARD	<u>5,517,555</u>	<u>3,444</u>

STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2007

	Attributable to the shareholders of KUTh Energy Limited			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
AT 1 JULY 2006	3	(20)	-	(17)
Loss for the period	-	(109,668)	-	(109,668)
Issue of share capital	705,501	-	-	705,501
AT 30 JUNE 2007	705,504	(109,688)	-	595,816
AT 1 JULY 2007	705,504	(109,688)	-	595,816
Loss for the period	-	(556,019)	-	(556,019)
Issue of share capital, net of transaction costs	5,931,776	-	30,833	5,962,609
AT 31 DECEMBER 2007	6,637,280	(665,707)	30,833	6,002,406

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2007

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of KUTh Energy Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by KUTh Energy Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis and available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of KUTh Energy Limited (KUTh or the "Company") and its subsidiaries ("the Group") as at 31 December each year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Significant Accounting Policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

2. REVENUE FROM ORDINARY ACTIVITIES

	31 Dec 07	31 Dec 06
	\$	\$
Interest received – other persons/corporations	<u>128,738</u>	<u>-</u>

Notes to the Half-Year Financial Statements (continued)

3. RECEIVABLES - CURRENT

	31 Dec 07	30 Jun 07
	\$	\$
Interest receivable	75,728	336
Refund for GST paid	50,759	106
Other	10,100	-
	<u>136,587</u>	<u>-</u>
Other receivables	<u>136,587</u>	<u>442</u>

4. NON-CURRENT ASSETS

Deferred exploration and evaluation expenditure

Costs brought forward	100,584	-
Costs incurred during the half-year	418,913	-
Expenditure written off during the half-year	(3,386)	-
	<u>516,111</u>	<u>-</u>
Costs carried forward	<u>516,111</u>	<u>-</u>

5. ISSUED CAPITAL

Share capital

1 July 2007	705,504	705,504
IPO share issue 23,296,000 on 17 September 2007	5,824,000	-
Issue of 1,000,000 shares to Malcolm Ward on 17 September 2007 (See Note i)	250,000	-
Issue of 416,666 shares to directors on 31 December 2007 (See Note ii)	125,000	-
Share issue costs of IPO	(267,224)	-
	<u>6,637,280</u>	<u>-</u>
53,679,785 ordinary shares fully paid (30 June 2007 – 28,967,119)	<u>6,637,280</u>	<u>705,504</u>

Notes:

- (i) Issue of shares as per Prospectus dated 31 July 2007
- (ii) In payment of Directors fees for period of 13 months from 30 May 2007 to 30 June 2008 as approved by Shareholders on 29 November 2007.

6. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

7. SEGMENT INFORMATION

The Company operates predominantly in the one business segment and in one geographical area, namely Australian geothermal exploration and development.

8. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2007 requiring disclosure in, or amendment to, these financial statements, other than in February, the Company was advised that the Federal Government had offered it a \$1.8 million Renewable Energy Development Initiative (REDI) grant. The Company is in discussion with the relevant Commonwealth Department to finalise the grant.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of KUTH Energy Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the Company:
 - i) give a true and fair view of the Company's financial position as at 31 December 2007 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



DR JOHN BISHOP
Chairman of Directors
Sydney, 11 March 2008

BARNES DOWELL JAMES

Incorporating P J Hennessy & Co

CHARTERED ACCOUNTANTS

Partners C H Barnes FCA A J Dowell CA M W James CA B Kolevski (Affiliate ICAA)	North Sydney Level 13, 122 Arthur St North Sydney NSW 2060
Associate M A Nakkan CA	Manly Level 5, 22 Central Ave Manly National Building Manly NSW 2095
Consultant P J Hennessy FCA	Correspondence PO Box 1664 North Sydney NSW 2059

INDEPENDENT REVIEW REPORT

To the members of Kuth Energy Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for Kuth Energy Limited during the half year, and the directors' declaration for the company, for the half-year ended 31 December, 2007.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is

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BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Kuth Energy Limited during the half-year is not in accordance with:

- (a) The *Corporations Act 2001*, including
 - (i) giving a true and fair view of the financial position of the entity at 31 December, 2007 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and:
- (b) other mandatory financial reporting requirements in Australia.

BARNES DOWELL JAMES
Chartered Accountants



.....
Anthony Dowell
Partner

11 MARCH 2008

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Liability is limited by the Accountants Scheme

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