



Limited ACN 125 694 920

QUARTERLY ACTIVITIES REPORT

December 2007

HIGHLIGHTS

- Shallow drilling program well under-way
 - New geothermal tenement granted – over 14,000km² now held
 - Application for a further tenement based on gravity results
 - REDI grant application lodged
-

CORPORATE

KUTh notes the renewable and geothermal energy policies of the new Rudd Federal government and welcomes the initiatives including details released to date:

- A 20 per cent Mandatory Renewable Energy Target for Australia to be reached by 2020. To do this, To achieve this, Labor says it will increase the Mandatory Renewable Energy Target from 30,000 to 45,000 gigawatt hours (GWh) per year;
- \$50 million for deep geothermal drilling, with \$5 million per hole and companies eligible for up two grants;
- Additional support for renewable energy as a primary response to Climate Change.

SEL26/2005

Special Exploration Licence 26/2005 was granted to KUTh Exploration Pty Ltd in August 2006 and was applied for on the basis of known outcropping 'hot' granites and the continuation of the granite suite below 3-5km of sedimentary cover, based on the interpretation of existing gravity readings.



Shallow drilling program

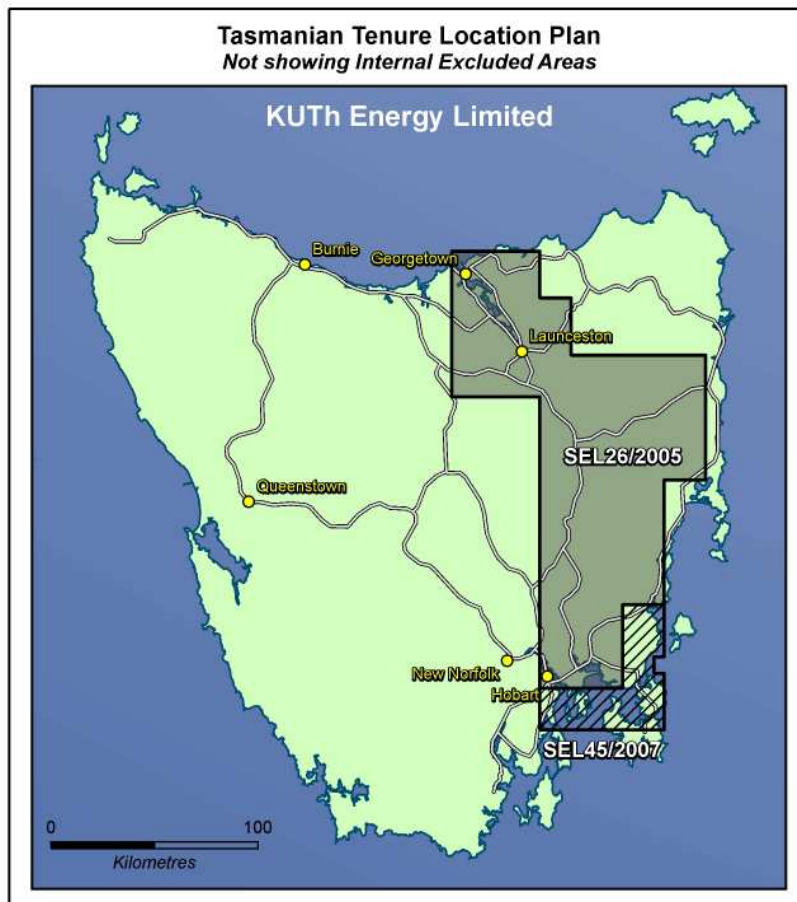
KUTh's systematic, tenement-wide shallow drilling commenced in late October 2007 using up to 2 drill rigs on 3 shifts. The program is generally going better than anticipated and by the end of the Quarter, five cored holes and a further three percussion precollars had been completed for a total of 1,203 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 after the holes have been thermally logged. The thermal logging will take place in batches after the holes have thermally equilibrated, about 2 months after drilling.

SEL45/2007

Geothermal SEL45/2007 was applied for on the basis of favourable results of a gravity survey in central eastern Tasmania conducted by the company in the middle of 2007. The tenement was granted by the Minister on 19 December 2007 for a period of 5 years (additional 5 years possible) with an area of 1,811 km² (see Figure 1). This brings KUTh's total granted ground holdings to 14,171 km².

Figure 1:





Limited ACN 125 694 920

Like KUTh's existing tenement, the new SEL is served by the Tasmanian high voltage power grid and also extensively by the low voltage distribution or 'retail' power grid. This continues the company's policy of exploring where infrastructure will allow sales of electricity to consumers with minimal new infrastructure required.

It is expected that the current shallow drill program will be extended to the new SEL.

New Special Exploration Licence application

The mid year gravity survey, in addition to increasing the prospective area for geothermal resources, allowed a complete re-processing of the residual bouguer gravity anomaly map of eastern Tasmania. This processing highlighted a number of gravity breaks and linears in the middle part of the existing tenement. Such features are commonly due to structural features, which can be prospective for minerals. This is thought to be especially so in the area concerned, as outcropping mineralised granites are in the vicinity.

The present SEL26/2005 only applies to geothermal resources. Although KUTh's focus is only on geothermal, it was felt that shareholder value could be extracted from the new discovery, so a Special Exploration Licence for minerals was applied for covering the area of the gravity features.

When granted, it is intended to farm out the SEL on terms attractive to KUTh, such that the company will not be diverted from its geothermal focus, but will share in any exploration success and value creation on the new ground.

REDI GRANT

In December the Company lodged an application for a substantial Renewable Energy Development Initiative (REDI) grant from AusIndustry. The REDI scheme provides between \$500,000 and \$5 million on a matching dollar-for-dollar basis for renewable energy innovation and early stage commercialisation.

The grant was applied for specifically to progress the exploration of the Tamar Conductivity Zone within SEL26/2005. This is a large area of elevated electrical conductivity in the earth and could represent a variant of the 'hot rocks' geothermal target the company is exploring for elsewhere. As this target is a less well defined proposition, and embodies additional technical risks, it would not ordinarily be a priority target for the company. However with government funding, we would be able to include this project in our overall programme.

The main exploration effort for Engineered Geothermal Power (EGP) in Tasmania will not be affected by the success or otherwise of the grant application.



Limited ACN 125 694 920

FINANCIAL POSITION

At the end of the quarter the company had a cash balance of \$5.52 million.

For further information please contact:

Malcolm Ward
Chief Operations Officer
KUTH Energy Limited
PO Box 2001, North Hobart
TAS 7002
Ph: 0411 267 453
E: mward@kuthenergy.com