



Limited ACN 125 694 920

QUARTERLY ACTIVITIES REPORT

June 2008

HIGHLIGHTS

- Shallow drilling programme ahead of schedule
- Continuing good heat flow results received, now covering approximately 2,000km²
- New tenement granted in Tasmania
- Conventional geothermal strategy enacted and new tenements applied for

SEL26/2005 and SEL45/2007

Systematic shallow drilling has continued apace on the two contiguous tenements in Tasmania, in order to provide sites for equilibrated heat flow measurements. The programme is well ahead of schedule, with 26 of the 38 planned holes completed, and the pre-collars for another 7 holes also completed.

During the quarter, a further 11 effective drill holes were completed and pre-collars for 3 additional holes were prepared for coring. In all, to the end of the quarter, 3,561m of pre-collars and 4,104m of coring had been completed on the tenements. Figure 1 shows drill hole status across both KUTH geothermal tenements at 30 June 2008.

Holes are left to thermally equilibrate for between 2 to 3 months after which time down-hole temperatures are logged every 1.0m and samples of core are measured for thermal conductivity. These data sets are then combined to compute heat flow. All thermal work is being undertaken by Hot Dry Rocks Pty Ltd, a contractor to KUTH Energy.

The heat flow results returned this quarter, together with earlier test results indicate that KUTH's tenements in Tasmania are a new geothermal province. The heat flow results returned during the quarter are reproduced in Table 1 and plotted together with earlier results in Figure 2. The significance of Figure 2 is that not only have elevated heat flows been recorded from above the buried granites in the central-east, but also to the north and west of the outcropping Rossarden-Storeys Creek 'hot' granites, indicating a much larger potential target area than previously thought.



Figure 1: Drill hole status July 2008

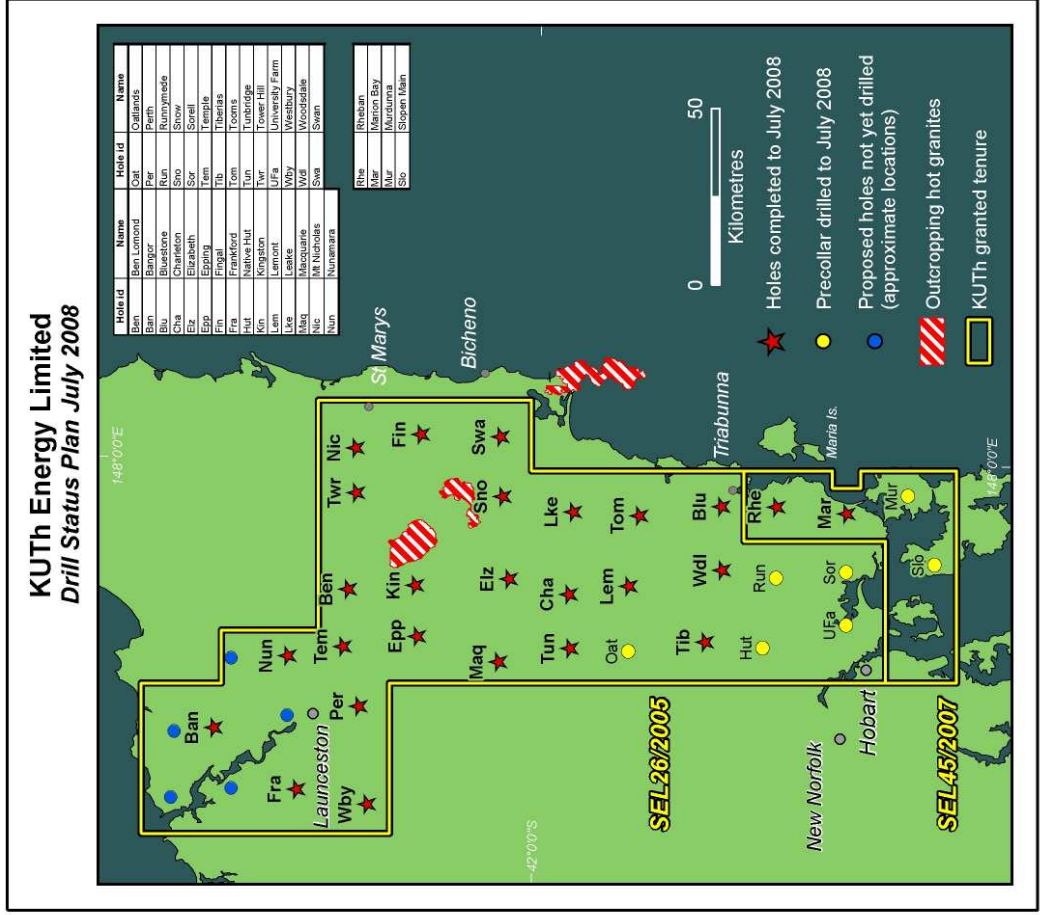
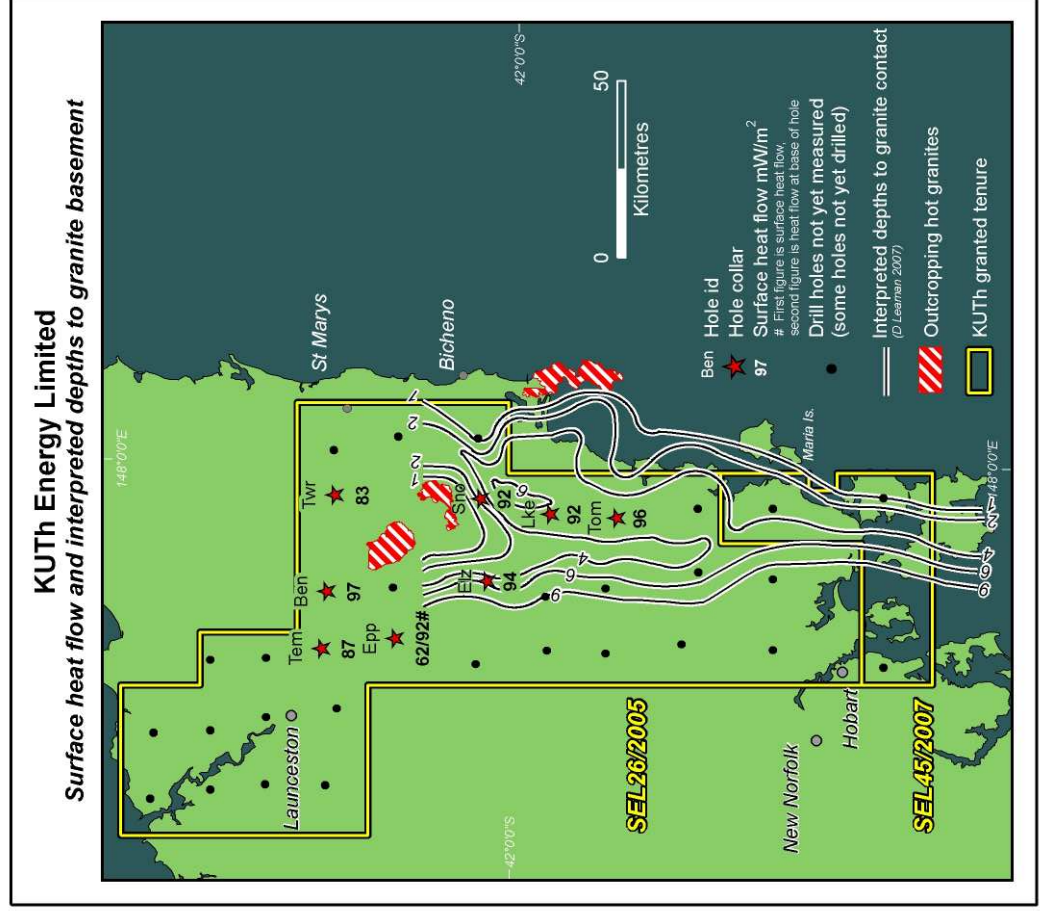


Figure 2: Progressive heat flow results and depths to interpreted basement



There is evidence of aquifer influence in the Epping hole, with some heat being transported by water rather than conduction in the top section of the hole. Technically, the above average heat flow measured at the base of this hole is considered to better represent the heat flow of the area.

No direct sampling of the basement or estimation of the temperature of the basement has yet been made.

Table 1. Heat flow results announced during the Quarter.

Hole ID	Location (GDA94)		Surface heat flow# mW/m ²
	Northing	Easting	
Temple Bar	5,403,592	530,426	87
Tower Hill	5,399,699	573,964	83
Epping	5,382,606	533,251	62 §
Ben Lomond	5,402,059	546,613	97

§ Base of hole heat flow is 92 mW/m²
All drill holes are vertical

Values have an average error margin of +/- 2.3 mW/m² or less, considered a low error margin

Compilation of a geological cross section across eastern Tasmania to a depth of 10km was begun during the quarter. This is being done to assist location of 'intermediate depth' drill hole(s) of up to 1,500m deep planned as the follow-up to the surface heat flow programme. The intermediate depth holes are being planned chiefly to better quantify the 'thermal blanket' and hence to allow the company to construct a robust thermal model of the basement.

A magneto telluric programme consisting of two orientation lines has been planned and approximately 100 stations will be read next quarter. One line will be read over the Tamar Conductivity Zone, and the other over central eastern Tasmania, in the area where strong heat flows have been defined by KUTh's drilling and recording programme described above. This geophysical technique has been successfully applied to assist in the definition of conventional geothermal plays and is being trialled in Tasmania to determine its applicability for engineered geothermal plays. If successful, the company will be able to target deeper drilling with much greater accuracy and it will give an additional tool in discovering new thermally anomalous zones at depth.



Tamar Conductivity Zone project

The Tamar Conductivity Zone (TCZ) project is within SEL26/2005 and has the objective of producing electricity from a pre fractured, water saturated hot granite system, at shallower depths than a conventional EGS or 'hot rocks' play. KUTh was granted a \$1.8 million REDI grant from the Federal Government to support research into this geothermal model.

Activities were reported under SEL26/2005 (above), and included the drilling of 2 new shallow holes to approximately 250m. The Temple Bar and Epping drill holes, drilled previously, returned heat flows of 87 mW/m² and 62/92[#] mW/m² respectively, giving the project a most encouraging start.

Base of hole value of 92 mW/m², near-surface value of 62 mW/m².

SEL68/2007

This tenement was applied for on the basis that a structural interpretation of the company's 2007 gravity survey results appeared to be favourable for mineral exploration. The tenement was granted on 14 May 2008, is 1,538km² in area and lies mostly within (overlapping) the company's main geothermal tenement SEL26/2005.

Since grant, KUTh has commissioned a detailed structural interpretation of the tenement, with a view to producing an Information Memorandum to be sent to possible mineral exploration company Joint Venture partners, who would fund the tenement. The company expects to be able to leverage off exploration results produced on the mineral exploration tenement for its geothermal projects.

CONVENTIONAL GEOTHERMAL STRATEGY

During the quarter, the company announced a diversification into conventional geothermal energy projects. Conventional geothermal, of the type found in New Zealand, is a mature and simpler technology and the company sees it as a way to advance to producer status while the 'hot rock' projects in Australia are systematically advanced through exploration and proof-of-concept.

The chief targets of the company for conventional geothermal are substitution for diesel powered generation, which is very expensive, brown-field expansions of known geothermal fields, potentially large green-field sites which may attract a large energy consumer and JVs with resource development projects.



The company has or is in the process of forming subsidiaries in Fiji, Vanuatu and Papua New Guinea, and is assessing opportunities in each of these countries (offshore islands only in PNG). Tenements have been applied for in Vanuatu, and applications were lodged in Fiji shortly after the end of the quarter. Several opportunities are also being examined in New Zealand.

FINANCIAL POSITION

At the end of the quarter, KUTH was holding cash or deposits of \$4.2 million.

For further information please contact:

Dr John Bishop
Chairman
KUTH Energy Limited
Ph: 0418 373 429
E: jbishop@kuthenergy.com

The matters contained herein as they relate to geothermal exploration results were compiled by Malcolm Ward, a Member of the Australasian Institute of Mining and Metallurgy, who has sufficient experience relevant to the style of geothermal play under consideration and level of information being reported on to qualify as Competent Person as defined in the draft Edition 1 (2008) of the Code for Geothermal Resources and Reserves Reporting. Malcolm Ward is a full time employee of Mining Advisory Pty Ltd and consents to the inclusion in the report of the matters based on his compilation of information in the form and context in which it appears.

KUTH Energy Limited is a Member of the Australian Geothermal Energy Group and the Australian Geothermal Energy Association.



Corporate Information

Board Members

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

Management

Malcolm Ward Chief Operating Officer
Justin Clyne Company Secretary
Dr Roger Lewis Principal Consultant

Registered and Principal Office

ABN 49 122 751 419
35 Smith Street
North Hobart, TAS, Australia 7000
Telephone: +61 (0)3 6231 9800
Fax: +61 (0)3 6234 3472
Email: info@kuthenergy.com
Website: www.kuthenergy.com

Share Registry

Registries Limited
Level 7, 207 Kent St
Sydney, NSW, Australia 2000
Telephone: +61 (0)2 9290 9600
Fax: +61 (0)2 9279 0664
Website: www.registries.com.au

Stock Exchange Listing

Ordinary shares ASX code: KEN

Issued Share Capital

At 30 June 2008, issued capital was:
53,679,785 ordinary shares
333,333 unlisted options

Substantial shareholders

Roger Lewis	9.81%
Stephen Bartrop	5.98%
John Bishop	5.64%
Malcolm Ward	5.33%
George Miltenyi	5.29%

Quarterly Price Activity

KEN - Ordinary shares
High: 25 cents
Low: 19 cents
Last (30/06/08): 19.0 cents