



**CHAIRMAN'S ADDRESS**  
**ANNUAL GENERAL MEETING**  
**5 October 2010**

As shareholders will be aware, this is my first Annual General Meeting since joining the board of KUTH Energy in March this year. I am keenly interested in and enthusiastic about the potential of geothermal energy to play a significant role in the future renewable energy mix not only in Australia, but also in other locations around the world. I was attracted to KUTH and pleased to be asked to become a member of the team, because of:

- its interesting and pioneering geographic positioning;
- its ability to identify opportunities and its expertise and competency in evaluating prospects and assessing their potential;
- the quality and business approach of the people involved;
- its appropriate level of corporate governance; and
- the potential for growth and shareholder return.

The founders of the company, notably Dr John Bishop, Dr Roger Lewis and the board have done a good job in establishing a sound platform for the company with a diverse portfolio of assets and opportunities. I particularly want to thank John for introducing me to the KUTH story, for his vision and efforts to establish and build the company and his contribution as Chairman for the first three years of KUTH's corporate life. Unfortunately John cannot be with us today and he sends his apologies, since he has commitments overseas related to his other interests.

As one of Australia's pioneering geothermal energy companies, KUTH's focus is the exploration and development of geothermal heat resources to provide renewable power for the future. The managing director, David McDonald, will provide a more detailed presentation at the conclusion of the meeting. During the last year, the company has progressed its flagship Tasmanian Enhanced Geothermal System (EGS) project. Comprehensive geological and geophysical exploration programs over tenements covering a large portion of eastern Tasmania, resulted in the declaration of two Inferred Resources at Lemont and Fingal, with total inferred resources of 361,000PJ. Further results of detailed geophysical analyses were announced last week confirming that drillable targets have been identified which are necessary to test these exciting concepts. As we said in the annual report, the logical next step to commercialise these contingent resources is drilling. The estimated cost of such activity is a major capital investment and, in the current market, will require clear signals from the government on renewable energy support programs and carbon pricing policies to stimulate further investment activity. Regrettably, we were unsuccessful in our Geothermal Drilling Program application in late 2009

but we continue to move our exploration programs forward and prepare the target sites to a “drill ready” stage. It is imperative that industry and government agencies work together constructively to reduce drilling costs and encourage innovations which are critical to the future of the sector. We are seeing some encouraging movement in this area.

In Queensland, we have been issued two geothermal licences, in Jackin Creek – near to Weipa and another at Eveleigh – near to Georgetown, and the Talaroo hot springs. Preliminary exploration programs have commenced.

Given the challenges for the entire geothermal industry in Australia, KUTH has strategically diversified its activities to consider projects where conventional geothermal energy sources could generate electricity on islands replacing current diesel-fuelled generation. Specifically, the company has three geothermal exploration licences in Vanuatu which are showing real promise. During the year magnetotelluric (MT) and other geological and geophysical studies were completed which have highlighted several prospects for potential drilling. The company signed a Memorandum of Understanding with the power utility and progress has been made in engaging constructively with government, community and other stakeholders in the electricity sector. David will provide further details in his presentation.

As part of a broad portfolio development, KUTH Energy continues to look at geothermal prospects where we can leverage the skills of our team and deliver cash flow in a reasonable time frame. We are actively investigating potential projects that combine a promising geothermal energy resource and favourable market economics. We see that the conventional island-focused approach may offer such suitable opportunities.

In terms of shareholder returns, the past year has not been a rewarding year for the geothermal energy sector in Australia. I regret that KUTH shareholders have not been immune. Uncertainty about Government climate change policy and direction, with the delay in an ETS or other carbon pricing mechanism, has had a significant impact on market sentiment and there is competition among a number of players for a limited capital pool. Increased drilling cost estimates and delays that have been incurred in getting an enhanced geothermal system (EGS) pilot generating plant up and running in the country are continuing challenges we face. Nevertheless, we remain committed to pursuing initiatives which we believe are appropriate and can deliver returns to our loyal shareholders.

Ends

Bruce McKay  
Chairman

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