

KUTh Energy Limited

ACN 125 694 920

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

Thursday 3rd October, 2013

Time of Meeting

2.00 pm (Sydney time)

Place of Meeting

Yangtze Room (Mezzanine Level)
Christie's Conference Centre & Offices
3 Spring Street
SYDNEY NSW 2000

NOTICE OF 2013 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of the members of KUTH Energy Limited (“the Company”) will be held at the Yangtze Room, Christie’s Conference Centre & Offices, 3 Spring Street, SYDNEY on Thursday 3rd October 2013 commencing at 2.00 p.m.

BUSINESS:

ITEM 1: To receive the accounts

To receive and consider the Consolidated Financial Report of the Company, together with the reports of the Directors and Auditor, for the financial year ended 30 June 2013.

Note: There is no requirement for Shareholders to approve these reports.

ITEM 2: ORDINARY RESOLUTIONS:

Resolution 1: Adoption of Remuneration Report

“That the Shareholders adopt the Remuneration Report for the financial year ended 30 June 2013.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement:

In accordance with section 250R (4) of the Act, no member of the key management personnel of the Company or a closely related party of such a member may vote on Resolution 1.

However, in accordance with the Act, a person described above may vote on Resolution 1 if:

- It is cast by such person as proxy for a person who is permitted to vote, in accordance with the direction specified on the proxy form how to vote; or*
- It is cast by the Chairman as proxy for a person who is permitted to vote, in accordance with an express direction specified on the proxy form to vote as the proxy decides.*

Chairman appointed as proxy:

If the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution 1, the Chairman will vote any proxies which do not indicate on their proxy form the way the Chairman must vote, in favour of Resolution 1.

Resolution 2: To re-elect the Non-Executive Chairman – Mr Bruce McKay

“That, for the purposes of clause 12.3 of the Company’s Constitution and for all other purposes, Bruce McKay retires as a Director of the Company by rotation pursuant to the Company’s Constitution and, being eligible, is re-elected as a Director of the Company.”

Resolution 3: To re-elect a Director – Mr George Miltenyi

“That, for the purposes of clause 12.3 of the Company’s Constitution and for all other purposes, George Miltenyi retires as a Director of the Company by rotation pursuant to the Company’s Constitution and, being eligible, is re-elected as a Director of the Company.”

ITEM 3: SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions.

Resolution 4: Approve Issue of Shares to a Director – Dr Stephen Bartrop

“That, for the purposes of Listing Rule 10.11 of the Australian Securities Exchange Listing Rules and for all other purposes, approval is hereby given for the grant, issue and allotment of 86,300 Fully Paid Ordinary Shares (“Shares”) in the Company to the Non-Executive Director, Dr Stephen Bartrop, or his nominee, in lieu of Director’s fees for the period from 1 July 2013 to 16 July 2013.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 4 (Issue of Shares to a Director) by Dr Bartrop and by an associate of Dr Bartrop excluded from voting as provided for in Australian Securities Exchange Listing Rule 14.11.

However, the Company need not disregard a vote if:

It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5: Approve Issue of Shares to a Director – Mr George Miltenyi

“That, for the purposes of Listing Rule 10.11 of the Australian Securities Exchange Listing Rules and for all other purposes, approval is hereby given for the grant, issue and allotment of 984,252 Fully Paid Ordinary Shares (“Shares”) in the Company to the Non-Executive Director, Mr George Miltenyi, or his nominee, in lieu of Director’s fees for the 6 month period from 1 July 2013 to 31 December 2013.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 5 (Issue of Shares to a Director) by Mr Miltenyi and by an associate of Mr Miltenyi excluded from voting as provided for in Australian Securities Exchange Listing Rule 14.11.

However, the Company need not disregard a vote if:

It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Approve Issue of Shares to a Director – Professor Mary O’Kane

“That, for the purposes of Listing Rule 10.11 of the Australian Securities Exchange Listing Rules and for all other purposes, approval is hereby given for the grant, issue and allotment of 984,252 Fully Paid Ordinary Shares (“Shares”) in the Company to the Non-Executive Director, Professor Mary O’Kane, or her nominee, in lieu of Director’s fees for the 6 month period from 1 July 2013 to 31 December 2013.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 6 (Issue of Shares to a Director) by Professor O’Kane and by an associate of Professor O’Kane excluded from voting as provided for in Australian Securities Exchange Listing Rule 14.11.

However, the Company need not disregard a vote if:

It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7: Approve Issue of Options to the Managing Director - Mr David McDonald

“That, for the purposes of Listing Rule 10.11 of the Australian Securities Exchange Listing Rules and for all other purposes, approval is hereby given for the grant, issue and allotment of 1,500,000 options over ordinary shares in the Company to the Managing Director, Mr David McDonald, or his nominee, to acquire 1,500,000 fully paid ordinary shares in the Company at an exercise price of \$0.036 and vesting 1 July 2014 and expiring 30 September 2016, on the terms and conditions set out in the Explanatory Memorandum and Annexure A.”

Note: *Quotation of the options on the ASX will not be sought.*

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 7 (Issue of Options to a Director) by Mr McDonald and by an associate of Mr McDonald excluded from voting as provided for in Australian Securities Exchange Listing Rule 14.11.

However, the Company need not disregard a vote if:

It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To transact any other business brought forward in accordance with the Company's Constitution.

Further information in relation to these resolutions is set out in the Explanatory Memorandum below.

PROXIES

To be effective, the proxy form and the power of attorney or other authority (if any) under which each is signed (or a copy of that power or authority certified in a manner acceptable to the Directors of the Company) must be received at least 48 hours prior to the meeting (i.e. not later than 2 p.m. on Tuesday 1st October 2013), or to any adjourned meeting, at the Company's Share Registrars being:

Boardroom Pty Limited

Hand Delivery:

Level 7, 207 Kent Street
Sydney NSW 2000

By Mail:

GPO Box 3993
Sydney NSW 2001

By Facsimile:

(02) 9290 9655

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. Unless under Power of Attorney (which should have been noted by the Company) a proxy form by a corporation should be executed under its common seal or in accordance with the Corporations Act.

Dated at Sydney this 20th day of August, 2013

BY ORDER OF THE BOARD

A handwritten signature in black ink, reading "Justin B Clyne". The signature is written in a cursive style with a prominent initial "J" and a long, sweeping underline.

Justin B Clyne
Company Secretary

EXPLANATORY MEMORANDUM

These explanatory notes set out information in connection with the business to be considered at the KUTh Energy Limited General Meeting.

ORDINARY BUSINESS

The following items of ordinary business will be considered at the meeting.

To receive the accounts and Financial Report for the year ended 30 June 2013

This item of business relates to the receipt and adoption of the Company's Financial Report for the period ended 30 June 2013 and to the receipt of the Directors' and Auditor's Reports. These documents will be tabled by the Chairman of the meeting and do not require a formal resolution.

Resolution 1: Adoption of Remuneration Report

The Corporations Act requires that a resolution be put to the members to adopt the remuneration report as disclosed in the Director's Report. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the remuneration report during the meeting.

The Remuneration Report is set out on pages 25 to 30 of the Company's Annual Report for the year ending 30 June 2013 which was lodged with the ASX on or about the date of this Notice. The Remuneration Report sets out the Company's remuneration policy and reports on the remuneration arrangements in place for the Directors and key executives of the Company.

Section 250R (2) of the Act stipulates that the Company must propose a resolution to the Shareholders that the Remuneration Report be adopted. The outcome of the Resolution is advisory only and does not bind the Directors or the Company. The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting at which the Directors review the Company's remuneration policies.

At the Meeting, the Chairman must allow a reasonable opportunity for the Shareholders at the Meeting, as a whole, to ask questions about or make comments on the management of the Company or the Remuneration Report.

Under recent amendments to the Act:

- the Company is required to disregard any votes cast on this Resolution by any member of the "Key Management Personnel" (KMP) of the Company and their closely related parties, except as directed by any proxies; and
- a 'two-strike' process in relation to the advisory and non-binding vote on the remuneration report has been introduced. Under the two-strike process if, at two consecutive AGMs, at least 25% of votes cast on a resolution that the remuneration report be adopted are against the adoption of the report, at the second of these AGMs, there must be put to the vote a resolution that another meeting be held within 90 days at which all Directors (except the Managing Director) who were Directors when the 25% 'no' vote was passed must stand for re-election.

KMP are people having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and include Directors. "Closely related parties" include

certain family members and dependents of KMP and companies they control.

2012 AGM result

At the 2012 AGM, the Company did not receive a 'strike' in respect of the remuneration report. That is, less than 25% of the votes cast on the resolution considering the remuneration report were cast against the adoption of the report. It follows that, if the Company receives a 'strike' at the Meeting, this would be the 'first strike' for the purposes of section 250U of the Act.

Chairman as proxy

It is very important that the Shareholders appointing the Chairman as their proxy clearly indicate on the attached proxy form the way the Chairman must vote their proxy on Resolution 1. Otherwise, if the Chairman is appointed as a proxy for a person who is permitted to vote on this Resolution 1 and the Shareholder does not indicate on their proxy form the way the Chairman must vote, the Chairman will vote that proxy in favour of Resolution 1. Please see the proxy form attached to the Notice for further information.

Recommendation

Noting that each Director of the Company has a personal interest in their own remuneration, the subject of this Resolution, the Board does not consider it appropriate to make a recommendation to Shareholders in relation to voting on this Resolution.

Resolution 2: Re-election of the Non-Executive Chairman – Mr Bruce McKay

Mr McKay was originally appointed as a Director of the Company on 15 March 2010, as an addition to the Board, and was re-elected by shareholders at the Company's 2010 AGM. Under the Company's Constitution, Mr McKay retires by rotation and being eligible, wishes to stand for re-election.

Resolution 3: Re-election of a Director – Mr George Miltenyi

Mr Miltenyi was originally appointed as a Director of the Company on 30 May 2007, and was re-elected by shareholders at the Company's 2010 AGM. Under the Company's Constitution, Mr Miltenyi retires by rotation and being eligible, wishes to stand for re-election.

SPECIAL BUSINESS

Resolutions 4 to 6 are to consider the issue of Shares to Directors as payment for Directors' fees. In the Company's Prospectus lodged with ASIC and dated 31 July 2007 on page 71 it states that:

"Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$200,000 per annum (allowing for the appointment of future Directors) to be apportioned among the non-executive Directors in such manner as they determine. The Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at the Board and sub-committee meetings and otherwise in the execution of their duties as Directors."

As Non-Executive Chairman of the Company, Mr Bruce McKay receives a cash payment of \$50,000 per annum, however, the three remaining non-executive directors all receive their Director's fee of \$25,000 per annum in shares in the company. The number of shares received in any year is to be determined by the value of the shares as set out in the Notice of the Annual General Meeting of the Company. Subject to shareholder approval, Non-Executive Directors Stephen Bartrop, George Miltenyi and Mary O'Kane will each receive \$25,000 per annum as Directors' fees. Given that

shareholder approval is only being sought for the first 6 months of the coming financial year, the amount for the period is only \$12,500 per director. As Stephen Bartrop resigned as a director on July 16, 2013 he is entitled to a payment of \$1,096.

At future AGM's shareholders will be asked to approve the issue of shares in respect of a calendar year meaning that directors will already have earned approximately 80% of their fees (in shares) prior to approval being sought. The purpose of this is to reduce the potential for the company to seek the cancellation of shares issued to a director for a substantial period where the fees have not been earned but the shares have nonetheless already been granted.

With the exception of the \$50,000 cash payment to the Chairman (previously approved at the 2010 Annual General Meeting) all other amounts are payable in shares in the Company, the number of shares received in any year to be determined by the value of the shares as set out in the Notice of the Annual General Meeting of the Company. The Board has resolved that, in order to preserve shareholders' funds, no fees will be payable in respect of being a member of a Board subcommittee for the forthcoming year.

The Board has resolved to use the Volume Weighted Average Price (VWAP) for the 30 day period leading up to the Board's resolution approving the Notice of Annual General Meeting of 9 August 2013. The 30 day VWAP for this period is \$0.0127 per ordinary share. Under Resolutions 4 to 6 the total Non-Executive Directors entitlement is \$26,096 which equates to 2,054,804 Shares for the 6 month period from 1 July 2013 to 31 December 2013.

A proportion of the Shares, being those in respect of fees for the December 2013 quarter will be held in voluntary escrow until the Directors' fees are earned i.e. until 31 December 2013. Although the Shares will be issued to the Directors, the Company ensures through its Share Register Service Provider, Boardroom Pty Ltd, that the Directors cannot dispose of the Shares until such time as they are released from escrow.

Approval for the issue of the Shares in Resolutions 4 to 6 is being sought pursuant to ASX Listing Rule 10.11 and the number of Shares issued under these Resolutions is not to be taken into account for the purposes of any issue pursuant to ASX Listing Rule 7.1. As provided in Exception 14 to Listing Rule 7.2, if approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1.

Given that shares are to be issued to Directors in advance for their services through to 31 December 2013, in the event that any Director(s) ceases to be a Director prior to that date then all Directors have agreed that the shares issued to that director in respect of unperformed services for the balance of the period will be sold by the Director, subject to the provisions of the Company's Securities Trading Policy and the Corporations Act, and the funds remitted to the Company. The Company does not believe it to be in the best interest of shareholders to convene a general meeting for this purpose given the expense and time involved. The Company will maintain control of any unearned shares by holding them in escrow until earned to ensure compliance with this process.

Pursuant to and in accordance with ASX Listing Rule 10.13 the following information is provided in relation to resolutions 4 to 6:

- the maximum number of shares to be issued is 2,054,804;
- the shares will be issued and allotted within one month of approval being on or before 3 November 2013; and
- the shares will be issued in lieu of directors' fees for the six month period ended 31 December 2013 and no funds will be raised from the issue of the shares.

Resolution 4: Approve Issue of Shares to a Director – Dr Stephen Bartrop (resigned 16 July 2013)

Subject to shareholder approval, as a Non-executive Director of the Company, Stephen Bartrop will receive Director's fees for Board services for the period 1st to 16th July, 2013, payable in shares to the value of \$1,096. This will be paid as a maximum of 86,300 Shares in the Company.

Resolution 5: Approve Issue of Shares to a Director – Mr George Miltenyi

Subject to shareholder approval, as a Non-executive Director of the Company, George Miltenyi will receive Director's fees for Board services for a period of six months, payable in shares to the value of \$12,500. This will be paid as a maximum of 984,252 Shares in the Company.

Resolution 6: Approve Issue of Shares to a Director – Professor Mary O'Kane

Subject to shareholder approval, as a Non-executive Director of the Company, Professor Mary O'Kane will receive Director's fees for Board services for a period of six months, payable in shares to the value of \$12,500. This will be paid as a maximum of 984,252 Shares in the Company.

Resolution 7: Approve Issue of Share Options to the Managing Director - Mr David McDonald

As part of a long term performance plan endorsed at the 2011 AGM the Board proposes to issue share options to the Managing Director, David McDonald, or his nominee(s), as follows: 1,500,000 options at a strike price of \$0.036 each (\$0.02 above the 30 day Volume-Weighted Average Price (VWAP) in June 2013 of \$0.016) vesting 1 July 2014 and expiring 30 September 2016, reflecting the performance review for 2013.

The options are **not** being issued as part of the Company's Employee Share Option Plan.

Note on Resolution 7: No funds will be raised from the issue of options under resolution 7, however, funds raised from the exercise of any of the options under resolution 7 will be used towards the working capital of the Company. The options will be issued within 1 month of the meeting i.e. before 3 November 2013. As provided in Exception 14 to Listing Rule 7.2, if approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1. The options are subject to the terms contained within Annexure A.

[End of Explanatory Memorandum]

ANNEXURE "A" - TERMS OF UNLISTED OPTIONS

- i. In the event of successful completion of a takeover offer for all securities in the Company then it is agreed that all unvested Unlisted Options shall vest immediately to the Unlisted Optionholder absolutely; and

Subject to the above, each Vested Unlisted Options has the following terms and conditions:

- (a) Each Unlisted Option entitles the Unlisted Optionholder to acquire one (1) ordinary fully paid share in the Company (**Share**);
- (b) The Unlisted Options are exercisable at any time on or prior to 5.00 pm (AEST) on 30 September, 2016 (time being of the essence) (**Unlisted Option Exercise Period**) by completing an Option Exercise Form and delivering it together with the payment for the number of Shares in respect of which the Unlisted Options are exercised to the registered office of the Company or to the share registry of the Company;
- (c) Unlisted Options are freely transferable in whole or part at any time prior to the Unlisted Option Exercise Period;
- (d) Shares issued on the exercise of the Unlisted Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys;
- (e) Shares allotted pursuant to the exercise of an Unlisted Option will rank equally with the then issued ordinary shares of the Company in all respects and, if the Company is still listed on the ASX, the Company undertakes to seek quotation on the ASX of the Shares;
- (f) Unlisted Optionholders shall be entitled to participate in all new issues of securities in the Company upon the prior exercise of Unlisted Options in which case the Unlisted Optionholders shall be afforded the period of at least fourteen (14) business days prior to and inclusive of the record date (to determine entitlements to the new issue) to exercise their Unlisted Options;
- (g) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Unlisted Optionholder will be changed/varied to the extent necessary to comply with the Corporations Act and/or the ASX Listing Rules (if applicable) applying to the reconstruction of capital at the time of the reconstruction;
- (h) Unlisted Optionholders shall be entitled to participate in all take-over offer(s) for the Company. The Unlisted Optionholders shall be afforded the period of at least fourteen (14) business days prior to and inclusive of the record date (to determine entitlements to the take-over offer) to exercise their Unlisted Options;
- (i) If there is a bonus issue to Shareholders of the Company, the number of Shares over which the Unlisted Option is exercisable will be increased by the number of Shares which the holder of the Unlisted Option would have received if the Unlisted Option had been exercised before the record date for the bonus issue;
- (j) The Company will issue written reminder notices to the Unlisted Optionholder at least fourteen (14) business days prior to the expiry of the Unlisted Option Exercise Period;
- (k) Unlisted Options not exercised before the expiry of the Unlisted Option Exercise Period will lapse;
- (l) The Unlisted Options will be recorded on the Company's register of Optionholders maintained at the Company's share registry. The register will be open for inspection by an Unlisted Optionholder free of charge. Shares to be allotted on exercise of Unlisted Options will be recorded on the Company's share register;
- (m) The Company will not make an application for Official Quotation of the Unlisted Options on ASX;

- (n) The Unlisted Optionholder, if appearing on the Company's register of Optionholders at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders of the Company in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings; and
- (o) The Unlisted Optionholder has:
 - a. No right to any dividend prior to converting into ordinary Shares;
 - b. No right to vote until converted into ordinary Shares;
 - c. No right to participate in the surplus profits or assets of the Company upon a winding up; and

The right to attend any general meeting of the Company but, not to vote or to move or second any resolution or speak in any meeting except in a resolution which directly affects any of the rights, privileges or conditions attaching to the unlisted options or the exercise and enjoyment of such rights, privileges or conditions, in the event of which each Unlisted Option shall confer on its holder one vote on a show of hands and one vote on a poll.