

14 March 2013

Dear Shareholder

I am pleased to invite you to participate in a 1 for 2 non-renounceable partially underwritten rights issue (**Rights Issue**) at \$0.015 per new share (**Share**) to be made by KUTh Energy Limited ABN 33 125 694 920 (**Company**), raising approximately \$863,500 in new capital (before costs). The Offer Document to be sent to you in the next two weeks outlines the details of the Rights Issue.

The Company is committed to maintain the momentum of the Vanuatu project following the recent granting of a Production Licence. While the Company is working on securing project funding that will minimise the future calls on KUTh shareholders the funds raised from this Rights Issue will be applied to the cost of site work, preliminary shallow drilling and production well design work to avoid delays. The recent decision to move straight to production well drilling is expected to see electricity production commence in Vanuatu in 2016, with anticipated immediate positive cash flow generation for the Company.

The Company will continue to progress its interests in Fiji, PNG and Saipan if the opportunity arises. The Company will also continue to seek out other opportunities, like Vanuatu, that are based on replacing electricity generated from diesel fuel.

Finally, the Company will continue to maintain its interests in the Tasmanian and Queensland tenement areas while it continues to engage government support for these projects. The relative commercial merits of the Australian assets versus those of the Pacific do not warrant further significant investment at this time.

The proceeds from this Rights Issue will be used to fund:

- Working capital requirements of the group;
- Site access works, drilling of temperature holes and production well design costs to continue the project momentum in Vanuatu;
- Negotiating and signing a Power Purchase Agreement and land lease in Vanuatu;
- Securing project funding of the Vanuatu development;
- Securing exploration licenses currently at the application stage outside Vanuatu; and
- Maintaining existing tenements in Australia.

The Rights Issue is non-renounceable and is partially underwritten. Entities associated with members of the Board and management have partially underwritten the issue to an amount of \$148,572 in addition to their commitment to take up their full entitlement of \$159,044 under the issue. There are no underwriting or management fees payable in respect of the Rights Issue.

In addition, the Company has granted Veritas Securities Limited (Veritas) an exclusive mandate to place an amount up to the shortfall of the partially underwritten Rights Issue (excluding any Shortfall amount taken up by existing Shareholders in excess of their Entitlements under this Offer and excluding the underwritten amount by the Board) within one month of the date of allotment of shares under the Rights Issue. Veritas will receive a fee of 6% plus GST of any amount placed by them.

Each eligible Shareholder on the Company's register of members at 7.00pm (Sydney time) on 22 March 2013 (**Record Date**) will be entitled to subscribe for 1 new fully paid ordinary Share in the Company for every 2 ordinary Shares held at the Record Date, at a price of \$0.015 per new Share.

There will be a shortfall facility, where eligible Shareholders will have the ability to subscribe for additional Shares in the Company, which may be issued from any shortfall that may occur under the Rights Issue.

To the extent that you do not take up your entitlement under the Rights Issue, your interest in the Company will be diluted. The level of dilution will be dependent upon a combination of the percentage of the Rights Issue taken up by existing Shareholders, the number of additional rights which may be taken up by existing Shareholders in the shortfall facility and any balance of the Rights Issue that may be subscribed by the Underwriter.

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The Shares issued under the Rights Issue will be fully paid and will rank equally with Company's existing issued Shares. The Company will make an application to the ASX for official quotation of these Shares.

No dividend is expected to be paid on Shares in the Company in respect of the year ending 30 June 2013.

The maximum number of new Shares to be issued under the Rights Issue is 57,572,292, which would raise up to approximately \$863,500 (before costs). At the conclusion of the Rights Issue, the total number of issued Shares in the Company will be 172,716,875.

The offer is being extended to Shareholders with a registered address in Australia or New Zealand as at the Record Date. Shareholders who do not have a registered address in Australia or New Zealand will not be eligible to participate in the Rights Issue. As the Rights Issue is non-renounceable, eligible Shareholders will not be able to sell or otherwise transfer their entitlements. **Shareholders eligible to participate in the Rights Issue as described in the Offer Document do not need take any action at this time. A copy of the Offer Document has been lodged with ASX on 14 March 2013 and is available on ASX website and also on the Company's website.** An Offer Document and accompanying personalised Entitlement and Acceptance Form will be mailed to the address on the Share Register on or about the Opening Date, being 25 March 2013, and you will need to complete that Form and return it with payment by the Closing Date to participate in the Rights Issue.

To be eligible to participate in the Rights Issue, option holders with a registered address in Australia and New Zealand must:

- (a) confirm that they are eligible to exercise all or part of their options (i.e. their options have vested); and
- (b) exercise their options so that they are a Shareholder on the Record Date.

The Closing Date for acceptance and payment is 5.00pm (Sydney time) on 11 April 2013.

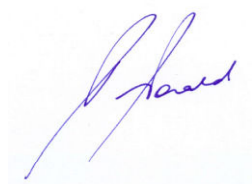
The indicative timetable for the Rights Issue is as follows:

"Ex" Date for Entitlement to new Shares	18 March 2013
Record Date to determine your Entitlement to new Shares	22 March 2013
Expected date of dispatch of Offer and Entitlement and Acceptance Form	25 March 2013
Last day for acceptance and payment in full ( <b>Closing Date</b> )	11 April 2013
First day of trading of new Shares on a deferred settlement basis	12 April 2013
Expected allotment and dispatch of Holding Statements	17 April 2013

This timetable is indicative only and subject to change. A full timetable of all indicative dates is included in the Offer Document lodged with the ASX on 14 March 2013. Subject to the ASX Listing Rules, the Directors of the Company reserve the right to vary these dates, including the Opening Date and Closing Date, without prior notice.

For further information, please contact David McDonald, Managing Director, on 02 9238 6865.

Yours sincerely



David McDonald  
Managing Director