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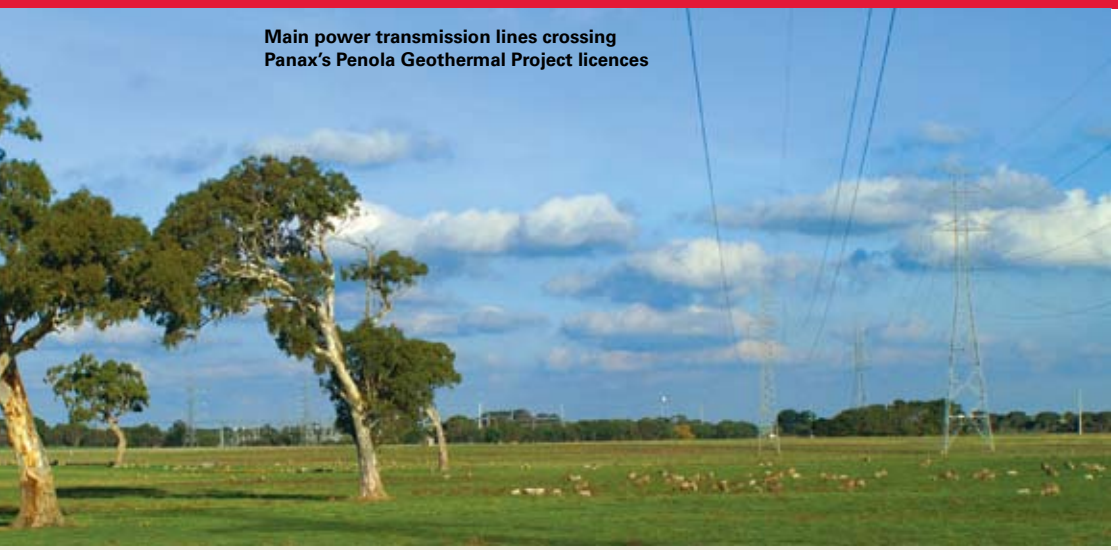
ABOUT PANAX GEOTHERMAL



Main power transmission lines crossing Panax's Penola Geothermal Project licences

Installing mud pumps at Salamander-1 well

PANAX GEOTHERMAL

Panax Geothermal is an Australian-based exploration and development company that is dedicated to identifying and harnessing natural geothermal resources and reserves to meet the world's growing demand for cleaner energy.

Geothermal energy is the only source of renewable energy that can replace baseload power generated using fossil fuels.

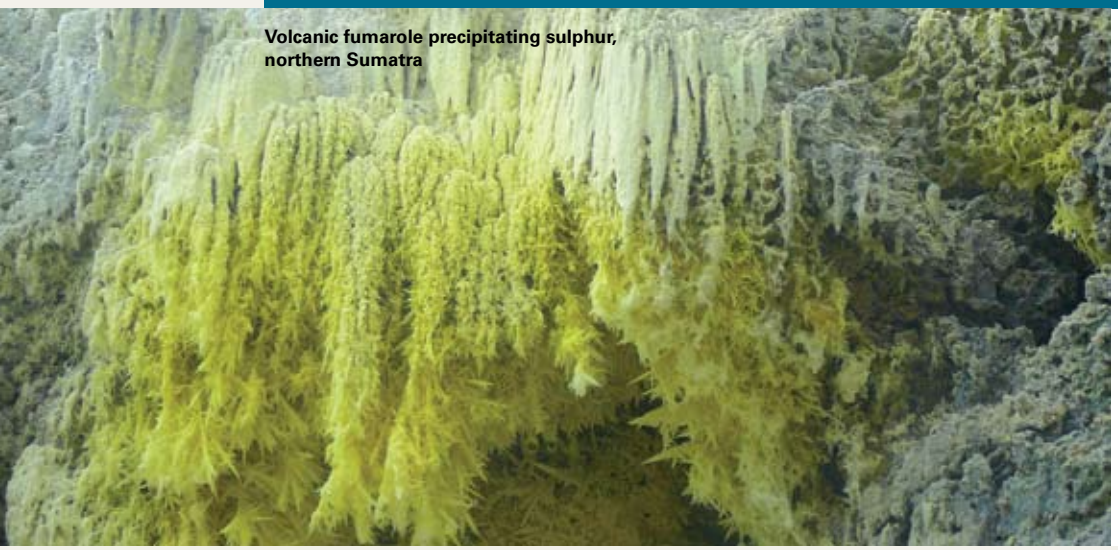
Recognising the strong commercial potential of this energy source, Panax identifies, explores, and develops geothermal resources, and converts them into reserves that can be harnessed for power generation.

We have identified and are pursuing a range of projects in Australia and internationally, all of which utilise proven, conventional geothermal technology.

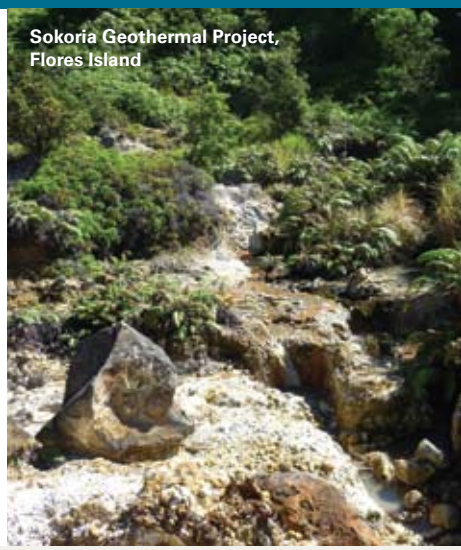
Using naturally occurring geothermal energy we can generate economical, reliable zero-emission baseload power.

Clean energy generation is the key to our future.

GEOTHERMAL ENERGY



Volcanic fumarole precipitating sulphur, northern Sumatra



Sokoria Geothermal Project, Flores Island

WHAT IS GEOTHERMAL ENERGY?

Geothermal energy literally means

– **earth heat** – or

– **heat from the Earth**.

Geothermal energy is a clean and environmentally sustainable natural resource.

Energy is created from naturally occurring heat by either extracting hot water that circulates amongst rocks below the Earth's surface or converting cold water into hot water by pumping it through very hot rocks.

The heated water that is brought to the surface is used to produce steam that will ultimately drive turbines to produce electricity.

There are geothermal resources around the world ready to play a role in meeting the world's urgent needs for cleaner, renewable energy.

STRATEGY


2,000 hp contract drilling rig at Salamander-1 well

STRATEGY

Panax is only targeting conventional geothermal resources that have already been commercially proven in a number of places around the world.

There is already more than 11,000 megawatts of conventional generation capacity installed throughout the world, equivalent to the capacity of about 15 to 20 large coal-fired power stations.

Panax has a number of current projects in Australia, Indonesia and India.

The company's development is guided by two key strategies:

- Minimising project exploration risk; and
- Targeting attractive power tariffs.

Our strategy also involves securing and developing more advanced conventional geothermal projects in the Asia Pacific region.

Our plans for Australia and the Asia Pacific will see Panax moving towards its long-term vision to become a major participant in the geothermal power generation industry, both in Australia and internationally.

Asia Pacific

- **Focusing on classic, volcanic geothermal projects.**
- **Advanced stage of negotiations on existing and new projects.**
- **Initial focus on small to medium projects.**
- **Seeking participation in large-scale projects (subject to financing entry).**
- **Seeking commercially attractive tariffs.**
- **Developing geothermal energy as a diesel replacement in Indonesia and India.**

Australia

- **Focusing on advanced conventional geothermal projects.**
- **Open file database support (seismic, deep wells, etc.).**
- **Increasing exposure to and continue developing the Penola Geothermal Project in South Australia and the Hutton Geothermal Project in central Australia.**

INDONESIA

INDONESIA

Indonesia arguably has the best geothermal resources in the world. The National Geological Agency of Indonesia estimates that the total geothermal potential is about 27,000 megawatts. Its existing geothermal generating capacity totals 1,200 megawatts.

To meet power demands of this fast-growing economy, the Indonesian Government has made plans to expand installed geothermal generating capacity by 240 per cent over the next four years, to more than 4,000 megawatts.

Panax has secured participation in what can be described as an historic wave of geothermal development in Indonesia. The Government has received strong international support from the United States and Europe for these projects.

Our position in Indonesia provides a strong foundation for the company's future development and growth as an international geothermal development and production company.

WHY INDONESIA IS WELL-PLACED FOR GEOTHERMAL INVESTMENT

- **The country has significant classic volcanic geothermal potential – about 27,000 megawatts.**
- **The shallow nature of geothermal resources (2,000 metres or less) means relatively low drilling costs, that are less than the costs of drilling and completing a well in Australia.**
- **The Indonesian Government is committed to increase installed geothermal power capacity to more than 4,000 megawatts by 2014.**
- **Status of geothermal resources has been completed on most projects identified for development.**
- **Electricity tariffs are known before commencement of development works.**
- **Tariffs are at commercially attractive levels.**

Panax has already secured interests in three advanced geothermal projects:

- The Sokoria Geothermal Project on Flores Island – a 30 megawatt geothermal power station;
- The Dairi Prima Geothermal Project in Northern Sumatra – a 25 megawatt geothermal power station; and
- The Ngebel Geothermal Project on East Java - a 165 megawatt development.

These projects will be developed in a joint venture with Panax's Indonesian business partner PT Bakrie Power.

INDONESIA

Agreement with Molten Power

On 8 August 2011, Panax announced the signing of a Heads of Agreement with Vancouver-based Molten Power Corporation, for the securing of significant development funding for Panax's portfolio of near-term development projects in Indonesia.

Under the terms of the binding Heads of Agreement:

- Molten will contribute the first $10 million in exploration and development funding for Panax's Indonesian projects, in return for which Molten will earn into a 50% interest in the issued capital of Panax's wholly-owned subsidiary, Panax Geothermal Singapore No.1, the entity which holds each of Panax's current Indonesian projects; and
- Molten will subscribe for $1 million in equity capital in Panax.

The 50% interest in Panax Singapore will be earned progressively by Molten, based on expenditure being undertaken up to $10 million, following which each party will contribute to future costs on a 50-50 basis.

Funding from Molten will initially be invested into existing projects, but the companies will also work together to expand Panax's portfolio of near-term geothermal development projects in Indonesia.

ABOUT PANAX'S PORTFOLIO OF NEAR-TERM DEVELOPMENT PROJECTS IN INDONESIA

Over the past 18 months, Panax has established an Alliance Agreement with PT Bakrie Power (part of the Indonesian Stock Exchange listed, PT Bakrie Group) to work co-operatively on near-term geothermal development and production projects in Indonesia.

Panax's portfolio has the capacity to produce more than 300 megawatts of clean electricity generation, with approximately 165 megawatts net to Panax.

Each of Panax's Indonesian projects, Sokoria, Ngebel and Dairi Prima, are underpinned by agreed, commercially attractive power tariffs with agreed power offtake agreements.

SUMMARY OF PANAX'S CURRENT GEOTHERMAL INTERESTS IN INDONESIA

Project	Location	Status	Panax Interest	Gross megawatts	Approximate net megawatts to Panax
Sokoria	Flores	Near-term development	45%	30	15
Dairi Prima	Northern Sumatra	Near-term development	51%	30	15
Ngebel	Java	Near-term development	35%	165	60
Jambi	Central Sumatra	Advanced Exploration	95%	80	75
TOTAL				**305**	**165**

INDONESIA

INDONESIA

SOKORIA GEOTHERMAL PROJECT

The Sokoria Geothermal Project has an extensive exploration database, including three exploration wells and extensive coverage from magnetotelluric surveys.

A 2008 report completed by the Japan International Cooperation Agency (JICA) has estimated the Sokoria field has a potential of 90 megawatts.

The Indonesia Government's Director General of Minerals, Coal and Geothermal estimates Sokoria's resource potential at 145 megawatts with a current possible reserve of 25 megawatts.

PROJECT DETAILS

Location	Flores Island, Republic of Indonesia
Panax Equity	Panax 45%, as operator
Operator	Panax Geothermal Limited Group (for the completion of all works up to feasibility study stage)
Resource Type	Conventional volcanic geothermal play
Drilling Depth	Approximately 2,000m
Temp Range	200°C to 230°C
Project Stage	Advanced exploration/development – a substantial amount of prior exploration and study works have been completed over the last approximately 20 years
Key Features	Geothermal field known from extensive previous work Agreed power price of US12.5¢/kWh or US$125/MWh Strong local government and community support Excellent infrastructure

LOCAL MARKET

The current maximum available generating capacity from all diesel generated sources in the area is about 12 megawatts.

Electricity users often lose power daily. Most only have access to power for a portion of the day and some areas are not connected to power at all.

When the Sokoria Geothermal Project is complete the region will have access to power 24 hours a day.

Once a reliable power supply is available, the total market demand could exceed 30 megawatts.

In-house pre-feasibility modelling has been completed based on a staged development of 10 megawatts at first, scaled up to a 30 megawatts cumulative development 12 months after the initial development.

Total costs of generation would be about US$57 per megawatt hour. The first stage of development is expected to take approximately 18 months.

THE SOKORIA GEOTHERMAL PROJECT IS DISTINGUISHED BY FOUR FACTORS

- The geothermal field is well-known from extensive previous work, from 1974 to now, including 3 wells in the target reservoir.
- The project has an agreed power price of US$125 per megawatt hour for the first 30 megawatts of generating capacity plus carbon credits.
- There is strong support from local government and the local community to commence development.
- The infrastructure is excellent, being within 16 kilometres of the capital of Flores, which is well serviced by regular airline services and a sea port.

INDONESIA

INDONESIA

NGEBEL GEOTHERMAL PROJECT

Panax has signed an agreement with Indonesian-owned power company PT Bakrie Power to develop the 165 megawatt geothermal project in East Java.

PT Bakrie Power won the tender for the Ngebel Geothermal Project in 2010, which involves the development of three, 55 megawatt geothermal power plants (for a total of 165 MW) with the potential to expand to more than 200 megawatts.

Panax will earn a 35 per cent working interest in the project, through funding of required exploration works before commercial development commences. Both companies will contribute to development costs.

PROJECT DETAILS

Location	Java, Republic of Indonesia
Panax Equity	Panax earning 35%, as operator
Resource Type	Conventional volcanic geothermal play
Drilling Depth	Approximately 2,000m
Temp Range	200°C to 230°C
Project Stage	Advanced exploration and development – a substantial amount of exploration and study works has already been completed in the project area
Key Features	Geothermal field known from extensive previous work Commercially attractive power tariff - approximately US$90/MWh (including CDM's) Strong local government and community support Excellent infrastructure

The Ngebel Geothermal Project is a near-term development, in a strategic location that is underpinned by a guaranteed, commercially attractive power tariff.

Exploration has already been undertaken in the project area, including detailed geological mapping, geochemistry works for water and gas, thermal manifestation chemistry, heat flow modelling, heat flow mapping and geothermometry work.

Panax will be project operator during the exploration and feasibility stages, and fund the acquisition of existing data and reports about the project. This will include upper surface development planning, geological studies, geophysical studies, magnetotelluric data and a detailed feasibility study. This information will assist in the ongoing development of the project, and is anticipated to result in significant savings in both time and money.

The Ngebel Geothermal Project will supply geothermal energy to Indonesian state-owned power company PT PLN (Persero).

INDONESIA

INDONESIA

DAIRI PRIMA GEOTHERMAL PROJECT

Panax and its Indonesian joint venture partner, PT Bakrie Power, have signed a Binding Terms Sheet Agreement with PT Dairi Prima Minerals (DPM) for the supply of up to 25 megawatts of geothermal power for DPM's proposed underground lead/zinc mine in northern Sumatra.

DPM is a subsidiary of Bumi Resources Group. First production from DPM's mine is expected to occur in 2013/2014.

Under the agreement, the electricity tariff for the first eight years will be US$150 per megawatt hour, and US$125 per megawatt hour thereafter, plus carbon credits.

Panax and PT Bakrie Power will be entitled to receive 50 per cent of all carbon credits generated from the project and have the right to provide additional geothermal power to DPM to meet the requirements for future mine expansions.

In-house pre-feasibility modelling has been completed based on a development of 30 megawatts. This is the maximum supply quantity on a continuous load basis under the power purchase agreement. Total costs of generation, inclusive of capital, operating costs and finance, are about US$50 per megawatt hour.

PROJECT DETAILS

Location	Northern Sumatra, Republic of Indonesia
Panax Equity	Panax 51% and operator
Resource Type	Conventional volcanic geothermal play
Drilling Depth	Approximately 2,000m
Temp Range	200°C to 230°C
Project Stage	Advanced exploration/development – there is an operating geothermal field in the area and two other advanced geothermal prospects
Key Features	Binding Terms Sheet Agreement for a power purchase agreement for the supply of up to 25MW of geothermal power for a proposed underground lead/zinc mine Electricity tariff of US$150/MWh for the first 8 years and US$125/MWh thereafter Entitled to receive 50% of the carbon credits generated from the project

NORTHERN SUMATRA

The region has one operating geothermal power plant at the Sibayak geothermal field and two neighbouring fields, operated by PT Pertamina Geothermal.

This is the most advanced geothermal field in the region with established geothermal reserves and 10 existing production wells.

The field is regarded as being under utilised and discussions are well advanced regarding the joint development of spare capacity of the Sibayak geothermal reserves to supply DPM's mine.


Dairi Prima, Indonesia

INDONESIA

INDONESIA

JAMBI GEOTHERMAL PROJECT

Panax has signed a Memorandum of Understanding with government-owned power company PT Petrogas Jambi Power to explore the east coast of central Sumatra.

The companies will jointly apply for required licences and permits to explore and develop potential geothermal resources up to 80 megawatts.

PROJECT DETAILS

Location	Central Sumatra, Republic of Indonesia
Panax Equity	Panax 95% and Operator
Resource Type	Conventional volcanic geothermal play
Drilling Depth	Approximately 2,000m
Temp Range	200°C to 230°C
Project Stage	Advanced exploration
Key Features	Memorandum of Understanding to explore and develop potential geothermal resources – likely project size of 80MW Extensive database of information exists on relevant geothermal targets Strong local government and community support

The Jambi Geothermal Project is a strategic addition to Panax's portfolio, increasing the company's footprint in Indonesia and strengthening local partnerships.

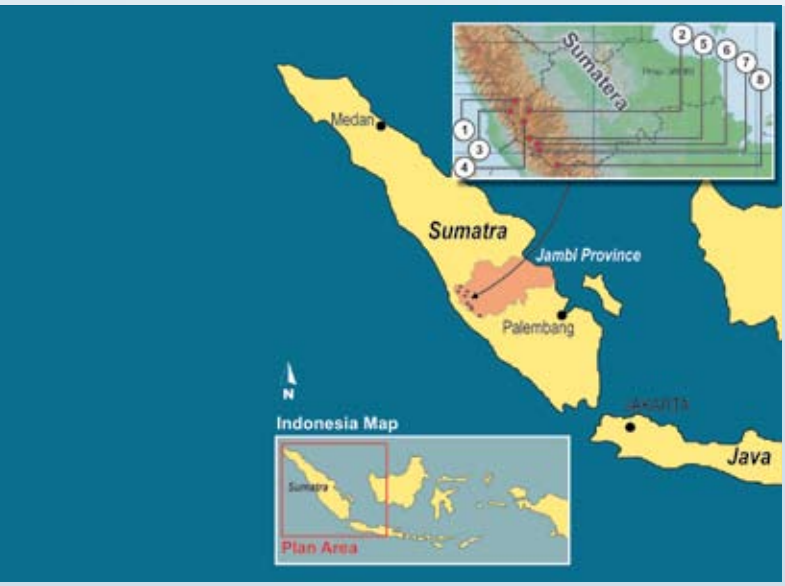
Jambi Power has strong support from the Jambi Province's local government for the development of geothermal energy in the region, and has an extensive database of information on the geothermal targets.

Jambi Power's existing knowledge of the geothermal resource will significantly reduce risk on this project.

There is minimal diesel power generating capacity in the Jambi Province and it is insufficient to meet daily demand. Users have limited access to power and experience blackouts daily. This project would provide the community with reliable power 24 hours a day, seven days a week. There will also be opportunities for local participation in the project.

Energy generated from the proposed project would be connected into the local electricity transmission grid or used for local industry. Panax holds an initial 95 per cent interest in the project.

A local business partner will be integral for ensuring local government and community support of this project.



AUSTRALIA

AUSTRALIA

LIMESTONE COAST GEOTHERMAL PROJECT

The Limestone Coast Geothermal Project targets hot sedimentary aquifers (HSAs) contained within four troughs or sub-basins, in the Otway Basin in South Australia, that coincide with higher than average predicted temperatures.

This project was acquired by Panax in late 2007. The target reservoir within these troughs is the Pretty Hill Sandstone, well known from previous petroleum exploration activities. The reservoir rocks rely on matrix porosity, evidenced from core in previous exploration wells.

To obtain a stronger understanding of the target reservoir and substantially reduce exploration risk, Panax expanded the project by acquiring two exploration licences covering the Penola Trough through a takeover of Osiris Energy in 2008. The Penola Trough is associated with a unique and extensive database comprising well logs and core from 28 petroleum wells and more than 600 kilometres^2 of 3D seismic cover.

The unique and extensive database provided increased certainty on the geothermal temperatures as well as on the quality of the target reservoir rocks.

The Penola Trough stands out as being the only trough on the Limestone Coast with a Measured Geothermal Resource because of superior data and information on the target geothermal reservoir. For that reason, it was selected for deep drill testing.

PROJECT DETAILS

Location	Limestone Coast, South Australia
Licence Area	approx 3,000 km^2 (300,000 ha)
Panax Equity	100%
Resource Type	HSA
Drilling Depth	3,500m - 4,000m
Temp Range	140°C - 200°C
Project Stage	Current focus on Penola Project
Key Features	Excellent infrastructure, close to grid Comprehensive database from prior petroleum exploration activities Four target troughs or sub-basins Potential > 1,500 MW

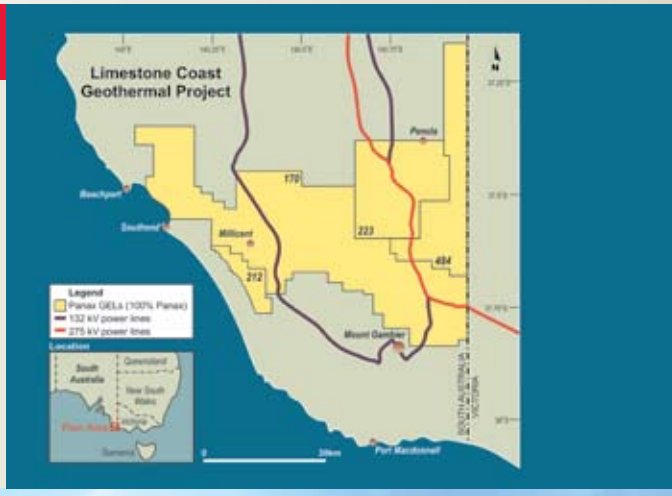
An independent geothermal resource assessment has determined the geothermal resource potential is large. The Inferred Geothermal Resource, including the Penola Geothermal Project, is estimated at 332,000 Petajoules.

STUDIES AND EXPLORATION

Previous owners have carried out considerable exploration work and studies on the target troughs – Penola, Rivoli, Rendelsham and St Clair.

This included studies by international geothermal experts who estimated the generating potential at more than 1,500 megawatts.

Panax carried out further studies and magnetotelluric surveys covering the four troughs. This assisted with drill target definition.



Limestone Coast, South Australia

AUSTRALIA

AUSTRALIA

PENOLA GEOTHERMAL PROJECT

The Penola Geothermal Project is part of Panax's Limestone Coast Project. The Penola Trough has an excellent open file database comprising 28 petroleum wells, including logs and core, bottom hole temperature measurements, and more than 600 kilometres² of 3D seismic cover.

The deepest petroleum exploration well is about 3,500 metres and has intersected more than 500 metres of the target reservoir.

An independent geothermal resource assessment estimated that the Penola Geothermal Project has a Measured Geothermal Resource totalling 11,000 Petajoules (for details see ASX release on 23 February 2009).

The Penola Geothermal Project has the largest of only three Measured Geothermal Resources currently reported in Australia.

An in-house pre-feasibility study has shown the project could generate power at AUD$83 per megawatt hour.

PROJECT DETAILS

Location	Limestone Coast, South Australia
Licence Area	approx 3,000km² (300,000,000ha) part of Limestone Coast Geothermal Project
Panax Equity	100%
Resource Type	HSA
Drilling Depth	3,500m - 4,000m
Temp Range	171.4°C at 4,025m
Project Stage	Reservoir assessment following drilling, pre-feasibility study and well testing complete
Key Features	Excellent infrastructure, close to grid Comprehensive database Measured Geothermal Resource of 11,000PJ >1,000m of clean reservoir sandstones intersected Bottom hole temperature of more than 170°C Well completion problems encountered in open hole section

SALAMANDER-1 WELL

- Drilling completed in March 2010 in record time, using only six drill bits over six weeks.
- Reached a depth of 4,025 metres.
- First steam was produced in late March/early April 2010.
- Well testing programme completed in July 2010.
- Intersected a total thickness of 673 metres of reservoir sandstones.
- Geothermal temperature of 171.4°C at 4,000 metres exceeded target temperature by more than 10°C.
- Porosity and permeability measurements of the target reservoir rocks indicated that these would meet the requirements for a demonstration plant (for details see ASX release on 20 May 2010).


Salamander-1 well

Salamander-1 was the first deep geothermal well in the Otway Basin, completed in record time.

AUSTRALIA

AUSTRALIA

HUTTON GEOTHERMAL PROJECT

The Hutton Geothermal Project has the potential to be the first conventional geothermal energy development in the Cooper Basin. It is a deep and insulated sedimentary basin heated by conduction from underlying hot basement rocks.

The Hutton Sandstone, part of the Great Artesian Basin, is well known to produce water at high flow rates. The 1,500 metres Mt Gason bore in South Australia has artesian flows of 155 litres per second.

This will be a low-cost drilling and a low-risk project because there is:

- Evidence of shallow depth – less than 2,500 metres
- Outstanding and well documented reservoir quality
- A comprehensive petroleum database (well logs, and 2D and 3D seismic cover).

Studies indicate the Hutton Sandstone reaches temperatures of 130°C to 140°C, at depths between 2,000 and 2,400 metres.

In-house pre-feasibility studies have shown that, at these temperatures, the project could generate power at a modest scale but at costs much lower than local diesel generation.

PROJECT DETAILS

Location	Cooper Basin, South Australia
Licence Area	949km² (94,900 ha)
Panax Equity	100%
Resource Type	HSA
Drilling Depth	Approximately 2,250m
Temp Range	120°C - 145°C
Project Stage	Advanced exploration development
Key Features	Extensive database from prior oil and gas exploration and development Large number of deep petroleum wells (well logs and core) Extensive 2D and 3D seismic coverage Local reliance on more expensive diesel generated power Pre-feasibility modelling shows project could generate power at about $100/MWh

Power generating costs could also benefit from lower drilling costs. This would involve shallower drilling combined with the use of water drilling contractors who are willing to provide quotes on a turnkey basis for a cased well.

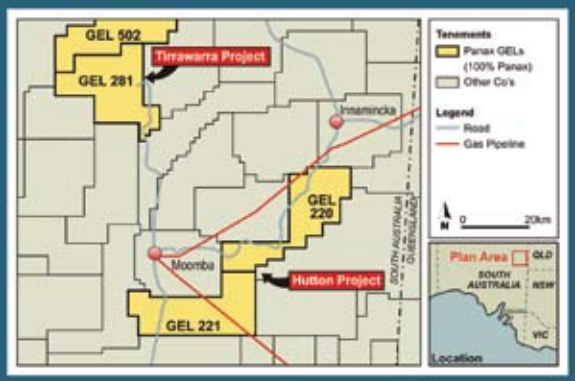
At relatively modest flow rates, 50 litres per second, total costs could be less than AUD$100 per megawatt hour. This could mean up to 50 per cent savings for local diesel power users.

LOCAL MARKET

Detailed research has not been conducted into electrical loads that could be satisfied by geothermal energy. However, the project location is half way between the townships of Moomba and Innamincka, where it is known that significant diesel and gas-fired power generation is being used.

Industry evidence suggests the requirement for Santos Limited alone in the region is approximately 50 to 60 megawatts. This includes a large number of small distributed load requirements between 0.4 to 3 megawatts across numerous locations.

Grazing operations and homesteads are also known to rely on diesel generation. And, there are several gas plants and pipeline nodes requiring energy, representing a somewhat larger local market.



INDIA

INDIA

PUGA GEOTHERMAL PROJECT

The advanced and relatively low risk Puga Geothermal Project is located in the Puga Valley, 140 kilometres east of the district capital Leh.

The 60 megawatt project, which will be developed in stages, is part of the Himalayan geothermal province, a belt of high heat flows which extends east into Tibet, where the 35 megawatt Yangbajing geothermal project is already in operation.

Geothermal power generated will be supplied to Leh, a tourist town which relies on diesel power that cannot meet local demands.

A number of shallow holes drilled by the United Nations Development Programme (UNDP) in the mid 1970s identified a large shallow geothermal reservoir less than 400 metres below the surface with temperatures exceeding 140°C.

Our target is a deeper geothermal reservoir as defined by a magnetotelluric survey conducted by the National Geophysical Research Institute of India at a depth of about 2,000 metres.

Previous work suggests the temperature in this geothermal reservoir is expected to be in excess of 260°C.

PROJECT DETAILS

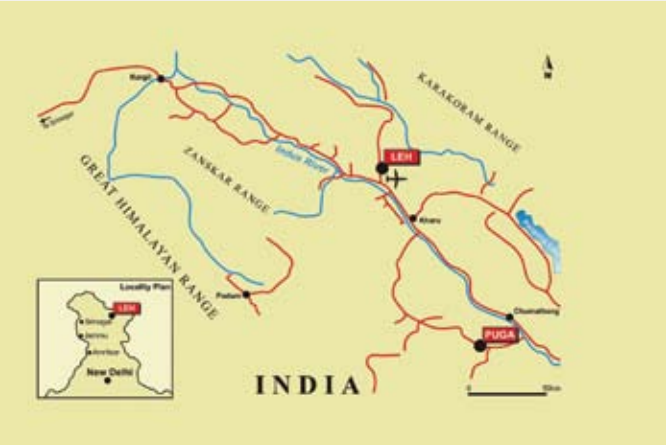
Location	Himalayan region, Upper Indus Valley, Northern India
Licence Area	100km² (10,000ha)
Panax Equity	Panax right to earn 49%, as operator
Resource Type	Conventional geothermal play
Drilling Depth	Approximately 2,000m
Temp Range	220°C - 260°C
Project Stage	Advanced exploration/development
Key Features	High geothermal gradients (250°C at 1.2km) Geothermal reservoir delineated at depth of 2,000m Equivalent to bordering Yangbajing geothermal province in Tibet (35 MW) Attractive power tariffs, approximately US$110/MWh plus carbon credits Transmission connection to be completed within close range of Puga geothermal field Good local infrastructure

PROJECT PROGRESS

Our joint venture partner, Geosyndicate Power Private, has advised that construction of a 100 kilometre transmission line from Puga to Leh has commenced. This would bring the Puga Geothermal Project within 30 to 40 kilometres of a transmission line.

When granted, the Puga development permit will not only provide the framework for development, but also the electricity tariff structure and include contracts for a future power purchase agreement.

Financial analysis shows this project is commercially robust with attractive internal rates of return, without accounting for carbon credits.




Puga, India

NOTES

CORPORATE DIRECTORY

DIRECTORS

Mr Greg Martyr	Non Executive Chairman
Mr Kerry Parker	Managing Director and Chief Executive Officer
Mr Stephen Evans	Non Executive Director
Mr Ian Reid	Non Executive Director

MANAGEMENT

Mr Kerry Parker	Managing Director and Chief Executive Officer
Mr David Jenson	General Manager Geothermal Engineering
Ms Kerry Angel	Chief Financial Officer and Company Secretary
Mr John Bruce	Senior Commercial Advisor
Mr Chris Matthews	Chief Geologist
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STOCK EXCHANGE LISTING

Australian Stock Exchange
Ordinary Shares – "PAX"
Listed Options – "PAXO"; "PAXOA"

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The estimations quoted in this document relating to the geothermal potential of Panax's international projects do not constitute Resource or Reserve estimates under the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves (2008 edition).

The information in this document that relates to the estimation of Geothermal Resources in Australia has been compiled by Chris Matthews, an employee of Panax Geothermal Ltd. Mr Matthews has over 7 years experience in the measurement of heat flow, and estimation of crustal temperatures and stored heat for the style of geothermal play under consideration.

Mr Matthews qualifies as a Competent Person as defined in the First Edition (2008) of the Australian Code for Reporting of Exploration Results, Geothermal Resources and Geothermal Reserves. Mr Matthews has consented in writing to the public release of this announcement in the form and content in which it appears.

Panax advises that although the Second Edition of the Australian Geothermal Reporting Code was officially launched in November 2010, the Australian Geothermal Energy Group has not yet formed the administrative framework for implementing the Code.