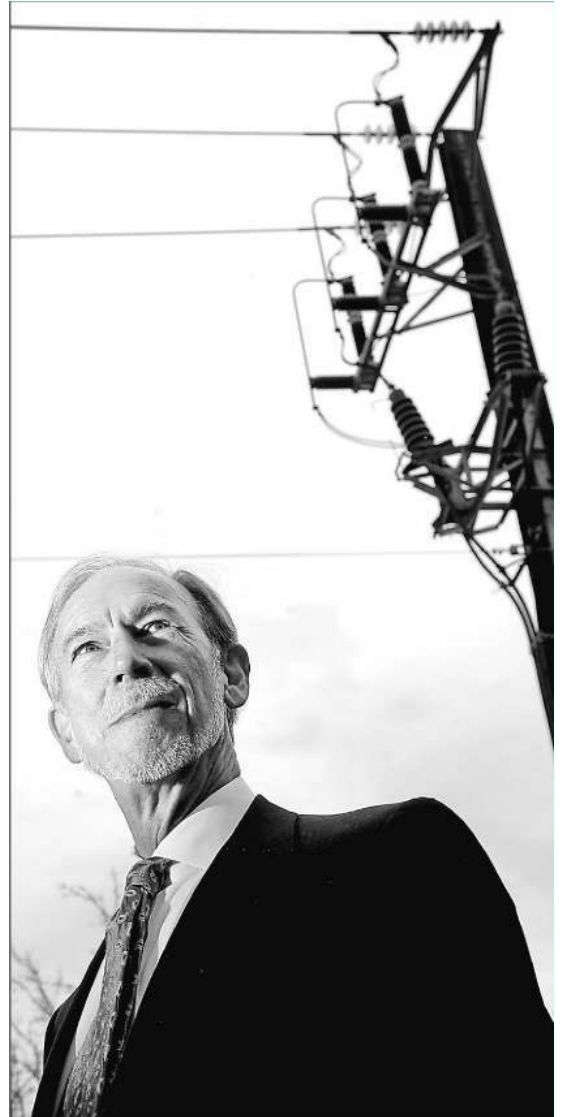




Panax set to raise \$9.3m for drilling



PENOLA PROJECT: Panax boss Bertus de Graaf. Picture: NAOMI JELICOE

MEREDITH BOOTH

HOT rocks explorer Panax Geothermal will raise \$9.3 million from institutional and retail investors to fund drilling of its Salamander-1 production well at its Penola Project in the state's South-East.

Eligible shareholders will be able to subscribe for one new share for every four existing Panax shares they own at 13 cents each.

This entitlement is non-renounceable and will not be tradeable on the Australian Securities Exchange, the company said yesterday. Shares in Panax were trading at 17 cents before the announcement.

"The funds will enable us to complete the Salamander-1 production well and to undertake reservoir testing with the aim of establishing a geothermal reserve in the first quarter of calendar 2010," managing director Bertus de Graaf said.

Dr de Graaf said the capital raising would put the company in a "strong position" to have the first grid-connected geothermal power plant in Australia.

The first stage of the one-for-four accelerated non-renounceable entitlement offer to institutions to raise \$6.5 million closes at 10am this morning. Trading in Panax shares is expected to recommence tomorrow morning.

Retail investors will have an oppor-

tunity to take up the \$2.8 million retail offer from Tuesday, June 23 until Monday, July 13 with their new shares under the offer quoted on the exchange on July 21.

The raised funds will add to a \$7 million federal government grant and \$6.5 million in cash already held to provide \$22.8 million over the next 12 months.

The company expects drilling of Salamander-1 to cost \$15.5 million and to begin in September this year.

A further \$600,000 will be set aside for other projects and \$2 million in

“ The funds will enable us to complete the . . . production well

working capital, while a further \$600,000 will pay for the cost of raising the capital.

Looking ahead, Dr de Graaf said he expected to confirm geothermal reserves at Penola before June 30, 2010 and have a grid-connected demonstration plant producing 6.7 megawatts of power from July 2011.

The company has already said its Penola Project has a measured geothermal resource of 11,000 petajoules.

One-thousand petajoules is enough to power a 100MW power station for 30 years.