



# PANAX GEOTHERMAL

16 August 2010

ASX ANNOUNCEMENT

## **Panax Finalises two Binding Agreements for Geothermal Developments with Indonesian Companies: “PT Bakrie Power” & “PT Dairi Prima Minerals”**

Panax Geothermal Ltd (“Panax”) is pleased to announce that it has completed a “Binding Terms Sheet Agreement” with PT Bakrie Power (“Bakrie”) regarding a Joint Venture for the exploration, development and generation of power from geothermal resources across the Republic of Indonesia. The new agreement replaces the previous “Memorandum of Understanding” between Panax and Bakrie as announced in June 2010.

The Joint Venture includes:

- Geothermal project areas that have already been awarded to Bakrie;
- Geothermal areas that Bakrie has already tendered for in Indonesia;
- Additional geothermal areas that Panax and Bakrie will jointly identify as suitable for geothermal development.

The Joint Venture will initially focus on:

- The development of existing geothermal resources of the Sokoria Project located on the Island of Flores, for the development of a 30 MW geothermal power plant; and
- The direct supply of approximately 25 MW of base-load geothermal power from existing geothermal resources to PT Dairi Prima’s planned underground zinc/lead mine in northern Sumatra.

Panax and Bakrie have also completed a “Binding Terms Sheet Agreement” with PT Dairi Prima Minerals (“PTDPM”) for the supply of up to 25 MW of geothermal power for PTDPM’s Dairi Prima mine in northern Sumatra.



## The Sokoria Project, Flores (Panax 45% working interest)

Bakrie won a tender in September 2009 to develop 30MW of power generation at the Sokoria geothermal field at an electricity tariff of USD12.5c/kWh (or USD\$125/MWh), excluding applicable carbon credits. The Sokoria geothermal field is well explored and includes three completed exploration wells. A bottom hole temperature of 188°C has been measured at a depth of 532m. Geothermal reservoir temperatures at depths of 1,500m to 2,000m are estimated at >230°C. The Sokoria project has an excellent infrastructure, being located only 30km from the island's capital of Ende, which has well established port facilities. The Sokoria region has a geothermal resource potential in excess of 100 MW. The island of Flores has a total population of 1.5 million and currently relies solely on diesel power generation.



Geothermal well head Sokoria Project, Flores

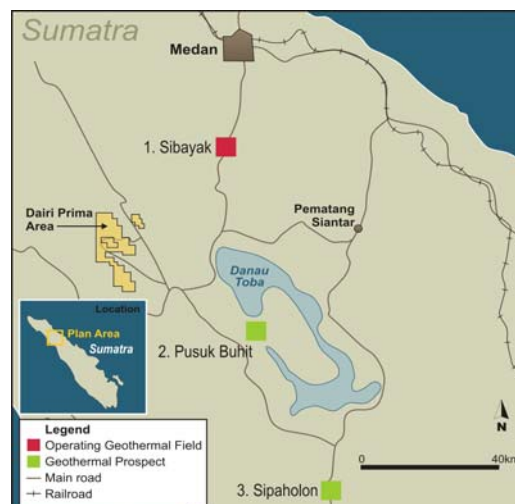


Port facility Ende, Flores

## The Dairi Prima Project, N. Sumatra (Panax 51% working interest)

Panax and Bakrie have agreed a Binding Terms Sheet Agreement with PT Dairi Prima Minerals ("PTDPM"), a subsidiary of the listed Bumi Resources Group, for the supply of up to 25 MW of geothermal power for PTDPM's underground Dairi Prima lead/zinc mine that is to be constructed in northern Sumatra. Under the terms of the Binding Terms Sheet Agreement, the electricity tariff in the first eight years of the Agreement will be USD15c/kWh (\$US150/MWh) and USD12.5c/kWh (or \$US125/MWh) for the remainder of the term of the Agreement. In addition to this, Panax and Bakrie will be entitled to receive 50% of all carbon credits generated from the project. Panax and Bakrie also have the right to provide additional geothermal power to PTDPM to meet future mine expansions. First production from the Dairi Prima mine is expected to occur in late 2012.

The northern Sumatra region currently hosts one operating geothermal power plant at Sibayak geothermal field. This field is underutilised and discussions are underway regarding the development of spare capacity for supplying the Dairi Prima Mine.



Northern Sumatra location map, Dairi Prima mine and geothermal projects/prospects.

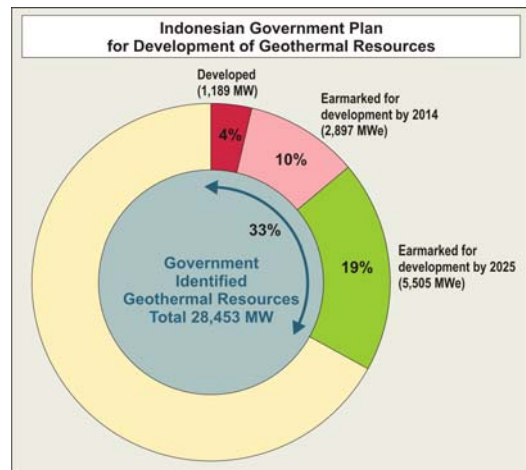
## About PT Bakrie Power

PT Bakrie Power is a wholly-owned subsidiary of Bakrie Group of Companies, led by PT Bakrie & Brothers Tbk (“Bakrie Group”), a publicly listed company established under the laws of the Republic of Indonesia. In line with Bakrie Group’s interest in the infrastructure sector, PT Bakrie Power was founded in 1994 to pursue opportunities in the power generation business.

## Indonesia’s Geothermal Resources & Government Plans

Indonesia arguably hosts the world’s largest geothermal resources. It has a total installed capacity of 1,189 MWe geothermal power generation (third largest in the world) and an identified geothermal resource potential totaling in excess of 28,000 MW.

New Government plans are to increase current installed capacity by 2014 to 4,056 MWe (an increase of 250%) and by 2025 to 9,561 MW. In an effort to meet these ambitious targets, the Indonesian Government has commenced tendering geothermal resource projects across the country. Even if only part of these targets can be achieved, Indonesia is set to become the largest geothermal power generator in the world. The Government’s plans have gained international support as is evidenced by the US Government EXIM Bank’s recent decision to commit US\$1 billion in credit to 11 Indonesian Banks for geothermal development in Indonesia. Major international companies are now competing to take part in this new wave of geothermal developments. Following our agreement with Bakrie, Panax is well placed to benefit from participating in Indonesia’s geothermal expansion plans.



Bertus de Graaf commented:

*“Panax has now secured a position to actively participate in Indonesia’s ambitious geothermal expansion plans. It provides Panax with a clear path for the future as we are to extend our focus to include existing geothermal resources which are backed-up by commercially attractive, guaranteed power tariffs.”*

Bertus de Graaf  
**Managing Director**

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