



**PANAX GEOTHERMAL**

22 June 2012

ASX ANNOUNCEMENT

## **Finalisation of PPA Negotiations Agreements being prepared for Execution**

Panax Geothermal Limited (“Panax”) is pleased to announce that it has received written advice from PT PLN (Persero) (“PLN”) in conjunction with the Indonesian Ministries of Finance and Energy, in regard to finalisation of Power Purchase Agreements (“PPA”) for both our Sokoria Geothermal Project and our Dairi Prima Geothermal Project.

PLN and the Ministries of Finance and Energy have confirmed that all negotiations relating to the terms and conditions of the PPAs for both Sokoria and Dairi Prima Projects are now final, and the final execution copies of these agreements are now being reviewed and prepared. Based on the written advice received, execution of these agreements is expected to occur shortly.

In the written advice received from PLN, Panax and PT Bakrie Power (“Bakrie”) have been advised that “PLN, in conjunction with the authorisations and directions from the Indonesian Government Department of Finance and the Department of Energy, advises PT Bakrie Power and Panax Geothermal Limited, that the negotiations relating to the terms and conditions for the Power Purchase Agreements, relating to your Sokoria Geothermal Project and to the Dairi Prima Geothermal Project, are now complete. The final versions of these agreements are now being finalised into executable format to enable final legal review and execution by each of the Parties”.

PLN went on to further thank both Panax and Bakrie for the manner and timeliness in which the negotiations were completed, and for the positive manner in which the negotiations were completed to a successful conclusion.

The finalisation of these agreements is a significant milestone for the company and will be the key to enable Panax to progress to finalising required project financing for these two projects.

The final commercial terms in each of the PPAs are in line with the commercial terms previously disclosed to the market.

Panax is also pleased to advise that Panax and Bakrie continue to make very substantial progress towards finalisation of the PPA with PLN for the Ngebel Geothermal Project in East Java.

The scope of the Ngebel Geothermal Project is now likely to be expanded to provide the developer (Panax and Bakrie) with the rights to also develop the transmission-related aspects of the Ngebel Geothermal Project. Both Panax and Bakrie have been buoyed by the manner and timeliness in which these negotiations are progressing and the opportunity to advance the scope of the Ngebel Geothermal Project, by taking responsibility for the transmission-related aspects of the project. Such responsibility will provide an opportunity for an increased electricity tariff to Panax and Bakrie, and will provide increased certainty over the timing and deliverability aspects of this large 165 MW project.

## Panax Geothermal's portfolio of Indonesian investments

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

### Summary of Panax's current geothermal interests in Indonesia

Project	Sokoria	Dairi Prima	Ngebel	Jambi
<b>Location</b>	Flores	Northern Sumatra	East Java	Central Sumatra
<b>Panax share</b>	45%	51%	Earning 35%	95%
<b>JV Partner</b>	PT Bakrie Power	PT Bakrie Power	PT Bakrie Power	PT Petrogas Jambi Power
<b>Operator</b>	Panax	Panax	Panax	Panax
<b>Project size</b>	30 MW	30 – 55 MW	165 MW	80MW initially
<b>Depth/ Temp.</b>	< 2,000m / ~240°C	< 2,000m / ~240°C	< 2,000m / ~240°C	N/A
<b>Power price</b>	US\$125 / MWh, indexed	US\$150 / MWh, indexed <sup>1</sup>	US\$90 / MWh, indexed	N/A

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 power offtake arrangements in line with the awarded terms of the tender for each of the project.

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	Earning into 35%	165	60
Jambi	Central Sumatra	Advanced Exploration	95%	80	75
<b>TOTAL</b>				<b>305</b>	<b>165</b>

### About Geothermal in Indonesia

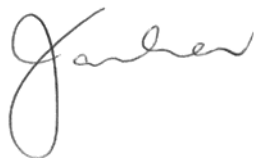
Indonesia is considered a world geothermal "hotspot", with the Indonesian Government planning to increase generation by 240 per cent in the next four years to more than 4,000 megawatts – or the equivalent of about 12 large power stations.

The National Geological Agency of Indonesia estimates total geothermal potential at about 27,000 megawatts, which is equivalent to approximately 50 large coal-fired power stations.

As part of its energy security strategy, the Indonesian Government provides a guaranteed feed-in tariff of US\$97 per megawatt hour, plus carbon credits, to geothermal energy generators – providing investment certainty for renewable energy projects that is not currently available in Australia.

The Indonesian Government also provides a guarantee to protect projects during exploration and construction. The government guarantee supports financier funding and independent power producer

purchase agreements for power generation projects undertaken by Indonesia's State Power Company, PT PLN (Persero). By purpose of the guarantee, the Indonesian government will be guaranteeing the payment obligations of PT PLN – providing strong investment security to investors and lenders.



Kerry Parker  
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**For further information:**

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### **About Panax Geothermal**

Panax Geothermal Ltd 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 base-load power currently generated by fossil fuels. Geothermal energy generates economical, reliable zero-emission base-load power, 24 hours per day, 7 days per week.

Panax has identified and is pursuing a range of projects in Australia and internationally, all of which utilise proven, demonstrated, conventional geothermal technology.

Australia has not successfully converted its geothermal potential, and Panax Geothermal is dedicated to developing the right methods to convert Australian geothermal resources to economic geothermal reserves.

Panax also has considerable investments in Indonesia. Indonesia is considered a world geothermal "hotspot", with the Government planning to increase generation by 240 per cent in the next four years to more than 4,000 megawatts – or the equivalent of about 12 power stations. The National Geological Agency of Indonesia estimates total geothermal potential at about 27,000 megawatts which is equivalent to approximately 50 large coal-fired power stations.

Panax utilises the research and technology gained from its successful investments in Indonesia and applies this expertise to advancing Australia's geothermal technology.