



PANAX GEOTHERMAL

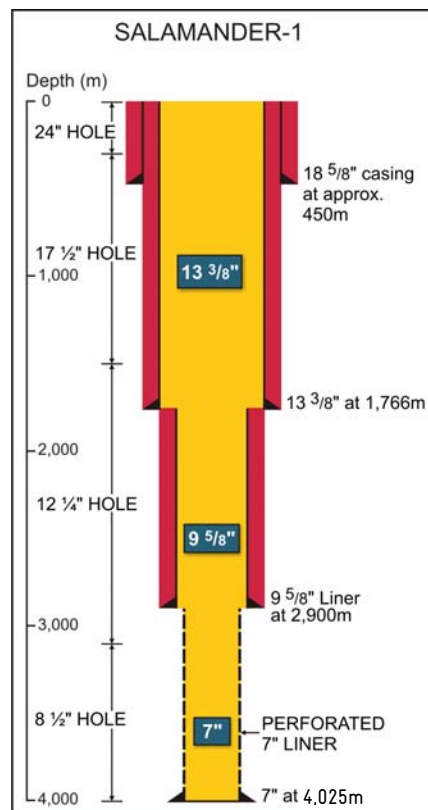
16 March 2010

ASX ANNOUNCEMENT

## Penola Geothermal Project – Salamander-1 Well Sets New Drilling Record

As reported earlier today, Panax Geothermal Ltd (“Panax”) is pleased to advise that the Salamander-1 well passed the 4,000m target depth on Monday 15 March, 2010, meeting Panax’s mid-March target date. Drilling operations were terminated at 4,025m in the Pretty Hill Sandstones, which comprise the target reservoir. This makes Salamander-1 one of the deepest wells drilled in the Otway Basin. It is pleasing to note that no “Lost Time Incidents” have been incurred to date.

The 4,025m deep well was drilled in 44 days (including four rig repair days), using only six drill bits, significantly reducing drilling time. The Salamander-1 well has set a new drilling record for the Australian geothermal sector. Drilling progress benefitted greatly from the more than 100 years experience of the petroleum industry in drilling younger, Mesozoic sedimentary rocks.



Operations will now focus on logging the 1,125m long open hole section in the target reservoir rocks and the setting of the open hole, seven inch perforated liner. This will be followed by the well testing programme.

The completion of the drilling operations brings Panax one step closer to realising the benefits of the Penola Geothermal Project.



Rig 828 Le Tourneau Lightning Rig, as operated by Weatherford Drilling International.

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