



PANAX GEOTHERMAL

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2 February 2009

Mr Allan Kane
Environmental Compliance Officer
Petroleum and Geothermal Group
Primary Industries and Resources SA
GPO Box 1670
Adelaide SA 5001

Dear Allan

Re GELS 170, 171, 172, 173, 184, and 212 – On Shore Otway Basin – South
Australia
Addendum to Annual Report
Permit Year 3 – 22 November 2006 to 21 November 2007

The purpose of this letter is to provide an addendum to the Annual Report for Year 3
for GEL's 170, 171, 172, 173, 184, and 212.

Our original report was lodged on 24 April 2008, with a subsequent query from your
department dated 1 July 2008.

We respond as follows.

We advise that the following works were not completed during permit year 3 as had
been planned:

- o Reprocess available seismic data for detailed resolution of target areas; and / or
- o Conduct geophysical surveys.

We advise that due to the acquisition by Panax Geothermal Limited ("Panax") of all of
the assets of Scopenergy Pty Ltd during the permit year, that these tasks were
delayed and will be completed during Permit Year 4.

The result of this delay was to allow Panax to complete a detailed review (as was
outlined in our report dated 24 April 2008) of the work completed by Scopenergy, so
as to enable Panax to more accurately and completely plan the required works to be
undertaken.

In addition, we advise that in respect of Permit Year 4 – we propose to amend the
work program for the year as follows :

- o Re-interpretation of 1,200 km line of 2D seismic data;
- o Review SEEBASE 3D geological model;
- o 159 Station MT Survey across Rivoli, St Clair, Tantanoola, and Rendelsham
Troughs, and
- o Drill narrow diameter holes to an aggregate depth of at least 1,800 metres and
measure geothermal gradients.


With PIRSA's approval of the suggested variation of work program commitments, it is Panax's opinion that the non-compliance as listed above is adequately rectified and the licence is currently in good standing.

Panax is of the view that this work (which is all expected to be completed during Permit Year 4) will be sufficient to enable the selection of the site for the drilling of a deep appraisal well (Salamander 1 – approximately 4,000 metres) to be completed, with such well expected to be drilled during calendar 2009.

This planned deep appraisal well will comprise the works to be completed during Permit Year 5.

Please do not hesitate to contact me should you require any additional information or clarification.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Kerry J Parker', with a stylized flourish at the end.

Kerry J Parker
Executive Director