

PANAEGIS GOLD MINES LIMITED
ABN 42 111 587 163

Interim Financial Report
for the half-year ended 31 December 2006

PANAEGIS GOLD MINES LIMITED
ABN 42 111 587 163

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Directors' report

The Directors of Panaegis Gold Mines Limited submit herewith the Interim Financial Report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Directors of the company during or since the end of the half-year are:

Director	Position Held	Date Appointed
J W Cornelius	Non-Executive Chairman	29 October 2004
I D Buckingham	Managing Director and Chief Executive Officer	29 October 2004
P I Rudd	Non-Executive Director	29 October 2004
A R Ristrom	Non-Executive Director	15 March 2006
M W Trumbull	Non-Executive Director - Mining	12 July 2005

Review of Operations and likely developments

The net loss for the financial period after income tax expense was \$687,596 (31 December 2005 \$416,419).

The Company's principal assets are its exploration and mining licences in Victoria. The Company is actively exploring its tenements for commercially viable deposits of gold and base metals and plans to participate in further geochemical and geophysical surveys and drilling activity in the 2007 financial year.

The Company's primary focus during the half year has been the Nagambie Project where an intensive program of reverse circulation (RC) and diamond drilling has enabled the Company to gain a better understanding of the mineralisation style, gold grades and their distribution, and the structural development of this mineralisation. Diamond drilling was undertaken at the Taradale Project identified minor gold mineralisation in cores and strong soils geochemical anomalism that indicates further exploration is warranted. At the Redcastle Project area, approximately fifty reverse circulation holes were drilled on several soils geochemistry anomalies. The results of this drilling program are currently being evaluated and correlated with earlier work to determine the next phase of exploration on this area.

The Company intends to fully evaluate the potential of all known gold and base metals discoveries within its tenements to support commercially viable developments.

The Directors believe that the Company can continue to evaluate opportunities to grow its current operations.

Further information on likely developments in the operations of the Company and the expected results have not been included in the report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

As the Company is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Panaegis Gold Mines Limited's securities.

Directors' report (Continued)

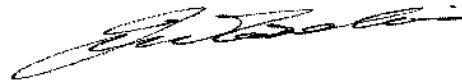
Auditor's Independence Declaration

The auditor's independence declaration is included on page 4 for the Interim Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001 and dated this 15th of March 2007.



I D Buckingham
Managing Director and Chief Executive Officer



J W Cornelius
Non-Executive Chairman



P I Rudd
Non-Executive Director



A R Ristrom
Non-Executive Director



M W Trumbull
Non-Executive Director - Mining

The Board of Directors
Panaegis Gold Mines Limited
Level 1, 33 Bank Street
SOUTH MELBOURNE VIC 3205

15 March 2007

Dear Board Members

Independence Declaration to the directors of Panaegis Gold Mines Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Panaegis Gold Mines Limited.

As lead audit partner for the review of the financial statements of Panaegis Gold Mines Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. J. Schofield

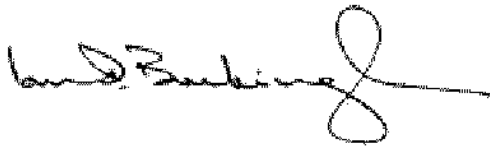
M J Schofield
Partner
Chartered Accountants

Directors' declaration

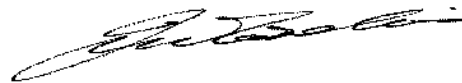
The Directors of the Company declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001 and dated this 15th day of March 2007




I D Buckingham
Managing Director and Chief Executive Officer



J W Cornelius
Non-Executive Chairman



P I Rudd
Non-Executive Director



A R Ristrom
Non-Executive Director



M W Trumbull
Non-Executive Director - Mining

**Condensed consolidated income statement
for the half-year ended 31 December 2006**

	Note	Condensed consolidated	
		Half-year ended 31 Dec 2006	Half-year ended 31 Dec 2005
		\$	\$
Continuing operations			
Revenue		102,755	14,660
Depreciation and amortisation expense		(25,109)	(373)
Administrative expenses		(479,426)	(87,047)
Consultants fees		(130,554)	(199,013)
Employee benefits		-	(18,058)
Finance Costs		(2,951)	-
Insurance		(63,380)	(25,021)
Legal fees		(3,820)	(29,040)
Printing, stationery and supplies		(49,152)	(29,206)
Secretarial		(14,737)	(28,200)
Travel		(21,222)	(15,121)
Total expenses		(790,351)	(431,079)
Loss before income tax expense	2	(687,596)	(416,419)
Income tax benefit		-	-
Net loss for the period from continuing operations		(687,596)	(416,419)
Net loss attributable to members of Panaegis Gold Mines Limited		(687,596)	(416,419)
Earnings per share			
From continuing operations:			
Basic earnings per Share (cents per share)		(0.1)	(0.8)
Diluted earnings per Share (cents per share)		(0.1)	(0.8)

**Condensed consolidated balance sheet
as at 31 December 2006**

		Condensed consolidated	
	Note	31 December 2006 \$	30 June 2006 \$
Current assets			
Cash and cash equivalents		2,773,086	4,879,002
Trade and other receivables		219,332	92,306
Total current assets		2,992,418	4,971,308
Non-current assets			
Plant and equipment		132,865	11,240
Deferred exploration and evaluation costs		5,459,601	4,337,931
Total non-current assets		5,592,466	4,349,171
Total assets		8,584,884	9,320,479
Current liabilities			
Trade and other payables		497,963	676,950
Borrowings		12,708	-
Total current liabilities		510,671	676,950
Non-current liabilities			
Borrowings		131,242	-
Total non current liabilities		131,242	-
Total liabilities		641,913	676,950
Net assets		7,942,971	8,643,529
Equity			
Issued capital		9,367,116	9,380,078
Options reserve		22,180	22,180
Accumulated losses		(1,446,325)	(758,729)
Total equity		7,942,971	8,643,529

The accompanying notes form part of these financial statements

**Condensed consolidated statement of changes in equity
 as at 31 December 2006**

	Issued Capital \$	Option Reserve \$	Retained Earnings \$	Total attributable to members of parent \$
Balance at 1 July 2005	1,107,575	4,122	(180,017)	931,680
Shares issued during the half-year		18,058	-	18,058
12 August to 8 September 2005	495,000	-	-	495,000
12 August 2005 (i)	950,000	-	-	950,000
26 August 2005 (ii)	1,200,000	-	-	1,200,000
9 September 2005 (iii)	500,000	-	-	500,000
Share issue costs	(14,550)	-	-	(14,550)
Loss attributable to members of parent entity	-	-	(416,419)	(416,419)
Balance at 31 December 2005	4,238,025	22,180	(596,436)	3,663,769
Balance at 1 January 2006	4,238,025	22,180	(596,436)	3,663,769
Shares issued during the half-year				
Initial public offer	6,000,000	-	-	6,000,000
Share issue costs	(857,947)	-	-	(857,947)
Loss attributable to members of parent entity	-	-	(162,293)	(162,293)
Balance at 30 June 2006	9,380,078	22,180	(758,729)	8,643,529
Balance at 1 July 2006	9,380,078	22,180	(758,729)	8,643,529
Share issue costs during the half-year	(12,962)	-	-	(12,962)
Loss attributable to members of parent entity	-	-	(687,596)	(687,596)
Balance at 31 December 2006	9,367,116	22,180	(1,446,325)	7,942,971

**Condensed consolidated cash flow statement
 For the half-year ended 31 December 2006**

	Condensed consolidated		
	Note	Half-year ended 31 Dec 2006 \$	Half-year ended 31 Dec 2005 \$
Cash flows from operating activities			
Payments to suppliers and employees		(730,248)	(472,930)
Payments for capitalised exploration and development expenditure		(774,722)	(491,601)
Other Income		1,234	-
Interest received		106,739	14,660
Net cash used in operating activities		(1,396,997)	(949,871)
Cash flows from investing activities			
Payment for plant and equipment		(162,501)	(5,500)
Exploration Licences		(543,065)	-
Net cash used in investing activities		(705,566)	(5,500)
Cash flows from financing activities			
Proceeds from share issues		-	495,000
Payment of share issue costs		(150,651)	(14,550)
Prepayment of proposed IPO-related share issue costs		-	(48,011)
Chattel Mortgage Funding		151,759	-
Net cash provided by financing activities		1,108	432,439
Net decrease in cash and cash equivalents		(2,101,455)	(522,932)
Cash and cash equivalents held at the beginning of the period		4,879,002	810,190
Cash and cash equivalents at the end of the period		2,777,547	287,258

The accompanying notes form part of these financial statements

**Notes to the condensed consolidated financial statements
 For the half-year ended 31 December 2006**

1. Significant accounting policies

Statement of compliance

The condensed interim financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The condensed interim financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006

2. Revenue and Expenses

(a) Revenue

Revenue from continuing operations consisted of:
 Interest – Other persons/corporations

Condensed consolidated	
Half-year ended 31 Dec 2006	Half-year ended 31 Dec 2005
\$	\$

102,755	14,660
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Total Revenue

102,755	14,660
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(b) Loss before income tax

(687,596)	(416,419)
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Loss before income tax has been arrived at after crediting/(charging) the following expenses from continuing operations:

Depreciation

(25,176)	(373)
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Finance Costs

(2,951)	-
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3. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the financial period that have significantly affected or may have a significant effect on the financial operations of the consolidated entity, the financial performance of those operations or the financial position of the consolidated entity in the subsequent financial year.

4. Segment information

The principal activity of the economic entity during the financial period was exploration for gold and minerals in Victoria.

5. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Independent Auditor's Review Report to the Members of Panaegis Gold Mines Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Panaegis Gold Mines Limited, which comprises the condensed consolidated balance sheet as at 31 December 2006, condensed consolidated income statement, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity for the half year ended on that date, selected explanatory notes and the directors' declaration of Panaegis Gold Mines Limited for the half year ended 31 December 2006 as set out on pages 5 to 10.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Panaegis Gold Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Panaegis Gold Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in cursive script, appearing to read "M. J. Schofield".

M J Schofield

Partner

Chartered Accountants

Melbourne: 15, March 2007