



PANAEGIS

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163
Level 16, 379 Collins Street Melbourne Victoria Australia 3000
Tel: 03 8614 1000 Fax: 03 8614 1039 www.panaegis.com.au

CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
19 OCTOBER 2007

Panaegis, as you would be aware, listed on the ASX on 23 June 2006, so fiscal 2007 is our first full year as a quoted Company stock. Looked at another way, we are approximately 17 months old.

Over that time, the Panaegis infant has been through a tumultuous time.

There have been significant Corporate and Technical challenges during the period, but also some success.

CORPORATE

On the Corporate front, both the founding Chairman, John Cornelius, and the Managing Director, Ian Buckingham have recently resigned.

Earlier in the period, the Exploration Manager resigned his position.

TECHNICAL

The technical challenges during the latest year related mainly to the high level of exploration activity in the industry throughout the country and the accompanying increase in demand for equipment such as drill rigs and associated personnel, support staff and those with the appropriate technical, managerial and inter-personal skills.

These factors have extended to government and administrative levels, with Panaegis experiencing long regulatory approval timeframes for many of our tenements.

ACHIEVEMENTS

Panaegis has achieved the majority of its objectives over the year. These include:

- Earning a 51% interest in the Nagambie joint venture - on budget and ahead of schedule.
- Delineation drilling of our sulphide resource at Nagambie and 3D modelling of the mineralisation envelope.
- Gaining significant additional understanding of the major influencing features on Nagambie mineralisation and of our other tenements in the area.

- Ongoing building of the regional exploration model through the re-enforcement of regional geology and geophysical interpretations.
- Gaining additional exploration tenements in the Nagambie region as a result of our regional exploration model.
- Applying this data to maximise the impact of our soil sampling program and follow-up evaluation drilling both in the Nagambie area and on our other tenements.
- Establishing our Heathcote exploration office and building a small strong technical team.

Having earned our 51% in the Nagambie JV Panaegis is also now the Manager of the JV. Under the terms of the joint venture, Panaegis was required to spend \$1 million on exploration to include at least 3000m of diamond drilling prior to the end of June 2007. This was achieved before the end of the March Quarter 2007.

The initial drilling programme was aimed at further evaluating the at depth and lateral extensions of the previously mined gold mineralisation. We achieved this aim and through our explorations we developed a four phase strategy for continuing to explore and develop the resources of the region. The first phase, involved a review and evaluation of the existing heap leach pad to see if there was an opportunity to extract any residual gold left after the original treatment by Perseverance.

Evaluation of historic records of grades input and gold extracted suggested that an opportunity could exist for further recoveries of gold. We could not undertake any work on the heap pad until after our equity had been earned and when able we undertook a sampling programme of surface material. The returned assay results provided sufficient encouragement to then undertake a sample drilling programme of the heap. Early sample assay returns proved disappointing and the drilling was discontinued. A subsequent interpretation of the gold assays from all of the completed holes does however indicate that there are areas of higher gold grades within the heap that could, at a later date, be combined with an existing ore processing stream. Significantly, we have had some encouraging antimony results from the heap drilling programme, which we'll look at more closely in due course.

We will continue to evaluate the gold in sulphides mineralisation beneath and along strike from the existing pits. The completed earn-in drill programme, while identifying this mineralisation along a considerable length of strike and in places width, is still too widely spaced, even when several additional drill holes intercepts from the Perseverance drilling are included, to allow for a JORC classification. Consequently, further drilling is necessary to allow for a JORC resource to be achieved.

At another of our tenements, Taradale, which is located between Kyneton and Castlemaine, over 500 metres of diamond drilling of two holes achieved the objective of intersecting the anticlinal structure associated with the old United Kingdom mine. However, this work returned only thin and low grade mineralised horizon intercepts. Further work is required.

At Redcastle, further to the north and located between Heathcote and Nagambie, a total of 47 holes and over 1,700 m of reverse circulation drilling on ten prospects returned some very encouraging results. In particular, elevated assay levels at the Mullocky and North Redcastle fault zone prospects are being followed up with a planned drilling program to delineate the extensions of the mineralisation encountered.

Not so promising was drilling at Piggoreet, south west of Ballarat. This returned disappointing results, demonstrating that down dip and along strike extensions to the mineralised reefs that were mined in the past did not maintain their width at depth, splitting into thin quartz vein slithers, and returning on the order of a maximum 4.5 g/t gold over a metre sample intercept. While the graphitic shale wallrock host contained sulphide in the form of pyrite, no gold was returned in assays.

At Wedderburn, which is in the St Arnaud area of north western Victoria, regulatory access issues and associated delays have meant a number of re-designs of the drilling program that was scheduled for the area. To maintain momentum in our work there, we are considering "road-side-reserve" drilling that requires longer than normal holes that are drilled at an angle in order to intercept mineralisation targets.

In terms of the outlook for the gold price :

Well, it's as difficult to forecast as ever. At the moment it's looking good and at over US\$760 an ounce is well up on the US\$560 level of a year ago.

Pierre Lassonde, the retiring Chairman of US based Newmont Mining, one of the world's biggest gold producers, has for some time now, maintained that there's one thing he's sure of about the gold price and that's that it will have three noughts in it.

He's just not sure what the first number will be though.

But back to Panaegis

FUTURE FOCUS and DIRECTION

Our focus on our resource projects remains as focussed as ever and largely unchanged from one year ago when we listed.

For the Nagambie joint venture (JV) and our other projects, which are all 100% owned, we are progressing as follows:

- Searching for JV oxide gold extensions and non-JV oxide gold and base metal resources
- Aiming to find multiple JV and non-JV oxide satellite resources
- A longer term search for new multiple JV and non-JV sulphide satellite resources

Nagambie Joint Venture :

Analysis of the results of over 9,000m combined reverse circulation and diamond drilling at Nagambie has provided significant insights and enhancements to the knowledge of the exploration model and geological interpretation of the mineralisation of the area. This provides strong support for our expanded exploration model concept of discovery of multiple, proximate, separate satellite deposits that could feed a possible single, centrally located production facility within the Nagambie region and other tenement areas. The mutual re-enforcement of this concept with good soil anomaly results and past

Perseverance Corporation drilling outcomes strongly highlights the Nagambie region as currently one of the most prospective for new gold discoveries in Victoria.

Although our exploration and development strategy at Nagambie has been revised following recent drilling results, our strategic focus as outlined in the Annual Report remains:

1. Short Term: Nagambie Mine Oxide Resources

Targeting approximately 80,000+ ounces of gold between, and at East and West extensions of, the Nagambie pits. Also a focus on the location and intersection of additional oxide targets should they be obtained from soil anomalies and geophysical work in the area.

2. Mid Term: Nagambie Mine Sulphide resources

Targeting up to 200,000 ounces of gold at depth beneath the pits, and in along-strike extensions to the east and west of the existing pits at the Nagambie mine. Sulphide drilling to date provides good delineation of the mineralisation and its continuation in the sulphide zone beneath the already-mined oxide resources. Further limited in-fill and extension drilling at a later date will provide a sampling density appropriate to estimation of JORC compliant sulphide resources at the old open cut.

3. Longer Term: Nagambie Region multiple satellite Oxide and Sulphide resources

A focus on the contemporaneous exploration, identification and delineation of proximate satellite oxide and sulphide resources of a combined 800,000 ounces of gold ounces in three to four individual target deposits.

Non Joint Venture Areas:

At Taradale, revised geological interpretation following the results of the company's drilling in the area has led us to plan a further three hole drill program to more closely locate the anticlinal axis and intersect potential saddle-reef mineralisation at two levels within the structure.

Follow-up drilling is planned at Redcastle and is designed to test the extent of encouraging drill intercepts at the Mullocky and North Redcastle Fault Zone prospects.

Surface sampling and geological mapping within the large Heathcote tenement has identified a number of encouraging and prospective gold and base metal drill targets that have developed to the stage that they are ready for testing.

SUMMARY

In the twelve months since listing we have achieved an enormous amount of work. The vast amount has been positive in the sense that we have identified gold mineralisation of varying degrees at all of our properties, but particularly we have identified gold and antimony mineralisation in the Nagambie region and have, we believe, found the key to successfully further exploring and we hope, producing in the region.

Some of our properties, despite indications of gold mineralisation, have not developed to the extent that we would have liked. These will probably be relinquished over the next several months.

Those properties that are looking “interesting” will continue to be developed and, in particular our efforts in the Nagambie region where we believe we have a great opportunity for production will continue to be the focus of our attention.

We have a good and competent exploration team, ably led by Dr John Cottle, and with changes to our corporate structure expect our future efforts to bear fruit.

The company is very strongly placed to achieve high performance and accompanying exploration success within the Victorian exploration industry.

I look forward to addressing you again next year, when fledgling Panaegis will be a further twelve months old.

By that stage we could well have developed our feathers - and be ready to really fly.

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