



**PANAEGIS**

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163  
Level 1, 33 Bank Street South Melbourne VIC 3205 Tel: 03 9696 9791 Fax: 03 9696 9911

**CHAIRMAN'S ADDRESS**

**ANNUAL GENERAL MEETING**

**29 NOVEMBER 2006**

Prior to launching Panaegis as a listed Company, our message was clear and concise.

We had developed a portfolio approach to gold exploration, and in adopting this approach, we would focus on the exploration and development of finely disseminated gold in geological environments with little or no associated quartz. This approach sets Panaegis apart from other traditional Victorian, slate belt, quartz reef, nuggetty gold, explorers.

In addition, Panaegis' advantages in pursuing this portfolio approach is that gold had been recorded and recovered from all tenements held.

Modern geochemistry, new exploration models, proven mining techniques and established metallurgical processes provide modern exploration and development companies, such as Panaegis, with the potential to substantially re-write Victoria's gold potential.

We also said on listing, that we would provide investors with a very active and technically sound exploration drilling programme in several key identified tenements – Nagambie Mine, Redcastle, Taradale and Wedderburn.

With the support of Underwriter, Tolhurst Noall, and the faith of shareholders, we listed on the ASX on 23 June 2006. Unfortunately, right at that time there was a significant down turn in the gold price and a drop in the ASX All Ordinaries index. List we did, but the share price suffered – a position we still have not overcome, despite our best efforts.

But, let's not dwell on the past, let's concentrate on what we have achieved since listing and where we are headed. Starting up any company with essentially two employees, the Managing Director and Exploration Manager, takes time, effort and, as we all know, cash.

After only a matter of months we have attracted excellent technical staff to back Ian Buckingham and Rex Motton that include Matthew Morgan, ex RIO, as Senior Project Geologist Nagambie; Hugh Simmons as Regional Project Geologist; and Douglas Dalgleish as Manager Field Operations.

This combined senior group forms a policy and strategy group with a very effective operational capability. They are supported by a small but very capable team of geologists and field assistants and, on the administration side, by Cherie Harrison.

Shortly we will open an exploration office in Heathcote to service, at substantially lower cost, the extensive exploration program planned. We have re-established the Perseverance site office at Nagambie Mine to function as our operations centre for activities there during what I am sure will be an exciting time as we bring the mine back into production.

Our key focus remains Nagambie. We have now drilled a total of 21 holes that together comprise over 2,000m of diamond core tails and 2,000m of RC precollars. Samples from 9 RC precollars and 6 diamond tails are being assayed with results expected in early December.

Geological logging and sampling of the remaining diamond core is continuing, and the multipurpose rig continues to drill further holes.

Geological logging of the holes has consistently found pyrite and arsenopyrite associated with the main breccia zone, as well as other sub-parallel zones of mineralisation.

Although disappointed with the unacceptably long laboratory turn around times, we look forward to receiving results soon.

At Taradale we drilled 590.2 metres of core holes that identified the saddle reefs and structures of the United Kingdom line in the vicinity of a previous soil anomaly. Geological interpretation of the drill core demonstrates that the western limbs of several minor gold bearing quartz reefs, a saddle reef and a deep lead were intersected and the position of the anticlinal axis was determined. We are reviewing the results of this work and considering the potential to explore along strike of this line of reefs and the neighbouring fold and fault structures for gold mineralisation within quartz reef and disseminated sulphides.

At Redcastle, where shear zones with a combined total length of 4,000 metres have been identified, a total of 470 rock chip samples have been taken. Assay results range up to 63.2 grams per tonne gold with 20% of samples containing greater than 0.3 grams per tonne gold.

Our first round of drilling comprised 23 holes for 800 metres and has provided results including 7 metres at 2 grams per tonne gold at the Mullocky Reef prospect.

I should re-emphasise at this point that we are dealing with fine disseminated gold in sediments and volcanics which is usually refractory by nature. International experience and also that here in Victoria by other companies, including Perseverance Corporation, shows that discoveries of continuous gold mineralisation at 2 - 4 grams per tonne has the potential to develop into a substantial mining operation.

In each case, it's been the relatively recent commercialisation of biox metallurgical processing technologies that have allowed a number of these types of deposits to become profitable.

A second round of follow up drilling at Redcastle is now being conducted with a program of 71 holes for 1,370 metres.

We are also developing an application to Parks Victoria for access to a small section of our Redcastle exploration licence where we project the Staffordshire Flat gold mineralised shear zone underlies the edge of a relatively newly gazetted National Park. The Company is acutely aware of and embraces policy of environment and sustainability. We look forward to working with the appropriate authorities to complete thoroughly the processes to gain access for effective exploration of this prospective area.

Returning to our flagship project, the Nagambie Mine, Panaegis will complete its Joint Venture earn-in obligation with Perseverance Corporation during the first half of 2007. Our Managing Director/CEO, Ian Buckingham, will provide more of the details in his presentation which follows, but let me reiterate we have drilled, arguably one of the best holes ever drilled for gold in Victoria - 26.7 metres at 30.4 grams per tonne of gold equivalent. Such a result is highly encouraging and spurs us on considerably. We are keen to keep moving on this project, which not only has returned excellent grades, but vindicates our focused disseminated gold exploration model for Victoria.

As part of our ongoing tenement management and project generation program, we have been granted a small but exciting exploration licence at Piggoreet, south west of Ballarat, with considerable hard rock gold potential.

In addition, at Heathcote, adjoining and providing protection for our Redcastle exploration licences, we have been granted a new 316 square kilometre lease. These areas, together with Wedderburn and Howqua, will figure prominently in our exploration program in the coming year.

We believe Panaegis is particularly well placed. We hold over 1,200 square kilometres of the highly prospective, but grossly under-explored Central Victorian gold province. The gold price is well supported at the AUD\$800/USD\$600 level and there is a strong outlook for gold with continued economic growth in India and China. The growing political, environmental and economic constraints on exploration and development throughout many of the other traditional gold producing countries has also constrained production.

Finally, fine disseminated gold and associated mineralisation including stibnite is readily amenable to JORC compliance drilling and reserve estimation. That is what sets us apart from the traditional explorer in Victoria.

Again, I wish to thank the Board - their ready availability and participation has been exceptional.

**Thank you all and thank you, shareholders - we have the team, the capability and, we believe, the exploration assets to move to a very strong position in the coming years.**



JOHN W CORNELIUS

Chairman

29 Nov 2006