

PANAEGIS GOLD MINES LIMITED

ABN 42 111 587 163

Half-year financial report for the half-year ended 31 December 2007

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Directors' report

The directors of Panaegis Gold Mines Limited submit herewith the financial report of Panaegis Gold Mines Limited and its subsidiaries (the Group) for the half-year ended 31 December 2007. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

Name

- Michael Ward Trumbull – Appointed 12/7/05
- Peter Ian Rudd – Removed 20/12/07
- Ian David Buckingham – Resigned 5/9/07
- Colin Glazebrook – Appointed 20/12/07
- Andrew Richard Ristrom – Removed 20/12/07
- John William Cornelius – Resigned 8/10/07
- Geoff Turner - Appointed 20/12/07

The above named directors held office during and since the end of the half-year except for:

- Andrew Richard Ristrom
- John William Cornelius
- Peter Ian Rudd
- Ian David Buckingham

Review of operations

The net loss for the financial period after income tax expense was \$1,213,946 (31 December 2006 \$687,596).

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 geological studies, geochemical and geophysical surveys and drilling activity in the 2008 financial year.

The Company's primary exploration focus during the half year was the Nagambie Project. Drilling of the old Nagambie heap leach pad gave lower assays than had been targeted. Geophysical surveys, contouring of all available drilling results and geological interpretation of the area surrounding the old open pits led to a better understanding of the mineralisation style and the structural development of the mineralisation at Nagambie.

Geological, geophysical and geochemical work was carried out over other selected licences at Castlemaine, Redcastle and Taradale. The results of these programs are currently being evaluated and correlated with earlier work to determine the next phase of exploration in these areas.

The new management team is currently reviewing all previous exploration strategies and data in order to focus on those prospects with the greater potential to host economic mineralisation. Drill testing of the higher priority prospects is planned for the June 2008 quarter.

Further information on the likely developments in the various operations/licences of the Company and the expected results has not been included in the report because the reviewing process is continuing and the Board of Directors consider that the release of further information at this time may unreasonably prejudice future actions of the Company.

As the Company is listed on the Australian Securities 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.

New head office arrangements and the Board and management changes instituted in recent months will reduce corporate overheads for the company by over \$0.5 million per year going forward. In total, the company is now operating with eight fewer head office employees, directors and consultants compared with the position at September 2007.

Auditor's independence declaration

The auditor's independence declaration is included on page **5** of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.



Michael Ward Trumbull
Non-Executive Chairman

The Board of Directors
Panaegis Gold Mines Limited
Level 16, 379 Collins St
Melbourne VIC 3000

14 March 2008

Dear Board Members

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 financial half-year ended 31 December 2007, 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

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

We have reviewed the accompanying half-year financial report of Panaegis Gold Mines Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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 half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 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 a half-year 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 half-year 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 consolidated entity's financial position as at 31 December 2007 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*.

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DELOITTE TOUCHE TOHMATSU



M J Schofield

Partner

Chartered Accountants

Melbourne, 14 March 2008

Directors' declaration

The directors 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 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*.



Michael Ward Trumbull
Non-Executive Chairman

**Condensed consolidated income statement
 for the half-year ended 31 December 2007**

	Consolidated	
	Half-year ended	
	31 Dec 2007	31 Dec 2006
	\$	\$
Continuing operations		
Revenue	62,953	102,755
Depreciation and amortization expenses	(47,078)	(25,109)
Administration expenses	(930,194)	(479,426)
Consulting Fees	(90,436)	(130,554)
Finance Costs	(6,441)	(2,951)
Insurance costs	(32,785)	(63,380)
Legal Fees	(109,236)	(3,820)
Printing, stationary and office supplies	(9,447)	(49,152)
Secretarial Fees	(18,095)	(14,737)
Travel	(33,187)	(21,222)
Total expenses	(1,276,899)	(790,351)
Profit / (Loss) before tax	(1,213,946)	(687,596)
Income tax expense	-	-
Profit / (Loss) for the period from continuing operations	(1,213,946)	(687,596)
Loss for the period	(1,213,946)	(687,596)
Attributable to:		
Net loss to members of Panaegis Gold Mines Limited	(1,213,946)	(687,596)
	(1,213,946)	(687,596)
Earnings per share		
From continuing operations:		
Basic (cents per share)	(1.3)	(0.1)
Diluted (cents per share)	(1.3)	(0.1)

Notes to the condensed consolidated financial statements are included on page 13.

**Condensed consolidated balance sheet
 as at 31 December 2007**

	Consolidated	
	31 Dec 2007	30 June 2007
Note	\$	\$
Current assets		
Cash and cash equivalents	1,274,887	1,867,902
Trade and other receivables	39,644	138,584
Other	43,307	11,841
Other – Rental & Environmental Bonds	271,685	240,326
Total current assets	1,629,523	2,258,653
Non-current assets		
Property, plant and equipment	180,698	227,999
Deferred exploration and evaluation assets	6,732,150	6,258,989
Total non-current assets	6,912,848	6,486,988
Total assets	8,542,371	8,745,641
Current liabilities		
Trade and other payables	48,034	219,165
Borrowings	46,240	44,672
Provisions	34,054	28,748
Other Accruals	81,738	136,090
Total current liabilities	210,066	428,675
Non-current liabilities		
Borrowings	141,979	168,276
Total non-current liabilities	141,979	168,276
Total liabilities	352,045	596,951
Net assets	8,190,326	8,148,690
Equity		
Issued capital	11,567,698	10,312,116
Reserves	22,180	22,180
Retained earnings	(3,399,552)	(2,185,606)
Total equity	8,190,326	8,148,690

Notes to the condensed consolidated financial statements are included on page 13.

**Condensed consolidated statement of changes in equity
 for the half-year ended 31 December 2007**

	Issued Share Capital \$	Option reserve \$	Retained earnings \$	TOTAL Attributable to members of the parent \$
Balance at 1 Jul 2006	9,380,078	22,180	(758,729)	8,643,529
Share issue costs	(12,962)	-	-	(12,962)
Loss for the period	-	-	(687,596)	(687,596)
Balance at 31 Dec 2006	9,367,116	22,180	(1,446,325)	7,942,971
Balance at 1 Jul 2007	10,312,116	22,180	(2,185,606)	8,148,690
Shares issued during the year	1,298,782	-	-	1,298,782
Share issue costs	(43,200)	-	-	(43,200)
Loss for the period	-	-	(1,213,946)	(1,213,946)
Balance at 31 Dec 2007	11,567,698	22,180	(3,399,552)	8,190,326

Notes to the condensed consolidated financial statements are included on page 13.

**Condensed consolidated cash flow statement
 for the half-year ended 31 December 2007**

	Consolidated	
	Half-year ended	
Note	31 Dec 2007	31 Dec 2006
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,407,645)	(727,297)
Other income received	-	1,234
Net cash provided by operating activities	(1,407,645)	(726,063)
Cash flows from investing activities		
Interest received	62,953	106,739
Interest paid	(6,441)	(2,951)
Payments for capitalised exploration and development	(476,903)	(774,722)
Payment for property, plant and equipment	(16,179)	(162,501)
Payment relating to Exploration licenses	(4,382)	(543,065)
Net cash used in investing activities	(440,952)	(1,376,500)
Cash flows from financing activities		
Proceeds from issues of equity securities	1,298,782	-
Payment for share issue costs	(43,200)	(150,651)
Proceeds from borrowings – Chattel Mortgage Funding	-	151,759
Net cash used in financing activities	1,255,582	1,108
Net (decrease)/increase in cash and cash equivalents	(593,015)	(2,101,455)
Cash and cash equivalents at the beginning of the period	1,867,902	4,879,002
Cash and cash equivalents at the end of the period	1,274,887	2,777,547

Notes to the condensed consolidated financial statements are included on page 13.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year 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 half-year 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 consolidated financial statements have been prepared on the basis of historical cost. 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 half-year financial report are consistent with those adopted and disclosed in the company's 2007 annual financial report for the financial year ended 30 June 2007.

2. Segment information

The Group only operates in the Victorian gold and associated minerals and metals exploration sector where it is actively pursuing opportunities.

3. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Panaegis Gold Mines Limited issued 14,430,900 ordinary shares for \$1,298,782. As a result of this share issue, \$1,298,782 was transferred to issued capital.

During the period 2,500,000 staff related options expired or lapsed. 1,000,000 options expired as at 31/12/07 and 1,500,000 options lapsed due to ceasing of employment.

4. Contingencies and commitments

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

5. Subsequent events

In the opinion of the directors of the company, there has not arisen in the interval between the end of the half year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the Group during the remainder of the year.