



PANAEGIS

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163
174b High Steet Heathcote Victoria Australia 3523
Tel: 03 5433 3422 Fax: 03 5433 3466 www.panaegis.com.au

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Panaegis Gold Mines Limited (*Company*) will be held at the Institute of Chartered Accountants, Level 3, 600 Collins Street, Melbourne on Tuesday, 25 November 2008 at 11.00am.

BUSINESS:

A. ACCOUNTS AND REPORTS:

Financial and related reports

To table the financial report of the Company and the related reports of the Directors and auditors for the year ended 30 June 2008 and to provide members with the opportunity to raise any issues or ask any questions generally of the Directors.

B. RESOLUTIONS:

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. Re-election of Mr Michael W Trumbull

'That Mr Michael W Trumbull, a Director retiring by rotation in accordance with the Company's Constitution and being eligible and having signified his candidature for the Office, be and is hereby re-elected a Director of the Company.'

2. Issue of Options to Directors

'That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval be given to the issue of the following Options over unissued shares in the capital of the Company, each to acquire one Share at a subscription price of \$0.10, to the following Directors of the Company:

(a) 1,000,000 Options to Mr Michael Trumbull;

(b) 1,000,000 Options to Mr Geoff Turner; and

(c) 2,000,000 Options to Mr Colin Glazebrook,

on the terms and conditions set out in the Explanatory Notes.'

To consider and, if thought fit, pass the following resolution as a non-binding resolution:

3. **Adoption of Remuneration Report**

'That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2008 be adopted.'

To consider and, if thought fit, pass the following resolution as a special resolution:

4. **Change of Company Name**

'That the Company change its name from Panaegis Gold Mines Limited to Nagambie Mining Limited.'

By Order of the Board

Alfonso Grillo



Company Secretary
21 October 2008

EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Annual General Meeting dated 21 October 2008 and should be read in conjunction with that Notice as these Explanatory Notes contain important information on the proposed Resolutions.

1. **RESOLUTION 1 – RE-ELECTION OF MR MICHAEL W TRUMBULL**

Rule 16 of the Constitution requires one third of directors to retire each year (by rotation). Mr Michael W Trumbull retires this year in accordance with this rule and is permitted to seek re-election. Personal particulars for Mr Trumbull are set out in the Board of Directors information included in the Annual Report.

The Directors recommend shareholders vote in favour of this resolution.

2. **RESOLUTION 2 - ISSUE OF OPTIONS TO DIRECTORS**

2.1. **Introduction**

Approval is sought pursuant to ASX Listing Rule 10.11 and Chapter 2E of the *Corporations Act 2001* (Cth) (*the Act*) to issue Options to the following Directors of the Company:

- (a) Michael Trumbull;
- (b) Geoff Turner; and
- (c) Colin Glazebrook.

Subject to obtaining Shareholder approval, the Company will issue the Options to the above Directors of the Company on the terms and conditions set out below.

2.2. **Supporting Information**

On 16 July 2008, the Company announced to ASX that it proposed to issue the following Options to the Directors of the Company:

- (a) 1,000,000 Options to Mr Trumbull;
- (b) 1,000,000 Options to Mr Turner; and
- (c) 2,000,000 Options to Mr Glazebrook.

2.3. **ASX Listing Rule 10**

Pursuant to Listing Rule 10.11 the Company may not issue securities to a related party without the consent of the Shareholders. Accordingly, consent is being sought for the purposes of Listing Rule 10.11.

(a) **Name of the person**

The Options will be issued to the following Directors of the Company:

- (i) Mr Trumbull;
- (ii) Mr Turner; and
- (iii) Mr Glazebrook.

(b) **Maximum number of securities to be issued upon exercise of Options**

Upon exercise, the Options may be converted into the following maximum number of Shares:

- (i) Mr Trumbull – 1,000,000 Shares;
- (ii) Mr Turner – 1,000,000 Shares; and
- (iii) Mr Glazebrook – 2,000,000 Shares.

(c) **Date of issue**

Subject to obtaining Shareholder approval, the Company will issue the Options within one month of the date of this Annual General Meeting.

(d) **Issue price and terms of issue**

The Options will be issued for no consideration.

The Options have an exercise price of 10 cents per Option.

The Options are exercisable between 2 and 5 years from the Options' date of issue, subject to the Director remaining as a Director of the Company.

(e) **Intended use of the funds raised**

There is no intended use of funds as the Options are to be issued for no consideration.

In the event all Options to be issued pursuant to Resolution 2 are exercised, the Company will raise \$400,000.

(f) **Listing Rules 7.1 and 10.11**

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company can issue without Shareholder approval in any 12 month period to 15% of its issued securities. Shareholder approval of an issue of securities pursuant to Listing Rule 10.11 is an exception to Listing Rule 7.1. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

2.4. **Corporations Act**

Chapter 2E of the Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies.

The term *financial benefit* is widely defined and includes the issue of securities such as options. The term *related party* includes a Director of the Company.

The prohibition does not apply where a resolution is passed by the Company permitting the benefit to be given. Accordingly, Resolution 2 is being proposed for the purpose of obtaining Shareholder approval for the purposes of Chapter 2E of the Act.

Section 219 of the Act requires the following information to be provided to Shareholders:

(a) **Related Party**

The following persons are Directors of the Company and are therefore the related party to whom a financial benefit will be given under Resolution 2:

- (i) Mr Trumbull;
- (ii) Mr Turner; and
- (iii) Mr Glazebrook.

(b) **Nature of the Financial Benefit**

The financial benefit to be given to the Directors of the Company pursuant to Resolution 2 is as follows:

- (i) Mr Trumbull - the issue of 1,000,000 Options;
- (ii) Mr Turner - the issue of 1,000,000 Options; and
- (iii) Mr Glazebrook - the issue of 2,000,000 Options.

(c) **Directors' Recommendation, Reasons for Recommendation and Directors' Interests**

The Directors of the Company are unable to make a recommendation as to whether Shareholders should approve Resolution 2 as each Director of the Company has an interest in the outcome of Resolution 2.

(d) **Independent Expert Report**

The Company has commissioned DMR Corporate Pty Ltd to provide an Independent Expert Report in relation to the issue of Options proposed by Resolution 2. This Independent Expert Report is attached at Annexure A. These Explanatory Notes and the Independent Expert Report aim to provide Shareholders with all information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass Resolution 2. In particular, the Independent Expert Report provides a valuation of the Options to be issued pursuant to Resolution 2.

(e) **Trading History**

At the close of trading on the date preceding the date of this Notice, the Share price of the Shares in the Company was \$0.024. In the 12 months prior to the date of this Notice, the Shares in the Company traded at a high of 9.0 cents on 3 December 2007 and a low of 2.0 cents on 1 September 2008.

(f) **Opportunity Cost**

The Directors do not consider that there are any material opportunity costs to the Company or benefits foregone by the Company in issuing the Options pursuant to Resolution 2.

(g) **Taxation Consequences**

The Directors are not aware of any taxation consequences that will arise from the issue of Options pursuant to Resolution 2.

(h) **Director's interest in the Shares of the Company**

Please see the Independent Expert Report attached at Annexure A for a discussion of each Director's interest in the Company's securities.

The table below illustrates the following:

- (i) the first column sets out each Director in the Company;
- (ii) the second column sets out the relevant interest of each Director in the securities of the Company;
- (iii) the third column sets out the number of Options to be issued to each Director;
- (iv) the fourth column sets out the relevant interest held by each Director if the Options are issued to that Director pursuant to Resolution 2;
- (v) the fifth column sets out that if the Options are issued to that Director and that Director exercises all of their Options, the total Shares on issue in the Company will increase from 94,993,400 to that number;
- (vi) the sixth column sets out the Director's relevant interest percentage in the Shares of the Company if the Director exercises their Options.

Director	Relevant interest	Options to be issued	Relevant interest following issue of Options	Total Shares following exercise of Options	Director's relevant interest following exercise of Options
Mr Trumbull	5,550,000 Shares	1,000,000	5,550,000 Shares 1,000,000 Options	6,550,000	6.8234%
Mr Turner	100,000 Shares	1,000,000	100,000 Shares 1,000,000 Options	1,100,000	1.1459%
Mr Glazebrook	350,000 Shares	2,000,000	350,000 Shares 2,000,000 Options	2,350,000	2.4228%

(i) **Dilution effect**

If the Options are issued pursuant to Resolution 2 and each Director of the Company elects to exercise the Options, the Company will have raised \$400,000 and the total Shares on issue will increase as follows:

- (i) Mr Trumbull - from 94,993,400 to 95,993,400 being an increase of 1.053%;
- (ii) Mr Turner - from 94,993,400 to 95,993,400 being an increase of 1.053%;
and
- (iii) Mr Glazebrook - from 94,993,400 to 96,993,400 being an increase of 2.105%,

and accordingly, each Shareholder's shareholding in the Company will be diluted.

If all the Options are issued pursuant to Resolution 2 and each Director of the Company elects to exercise all their Options, the total Shares on issue will increase from 94,993,400 to 98,993,400 being an increase of 4.211%.

2.5. **Voting Exclusion Statement**

The Company will disregard any votes cast on this resolution by:

- Mr Trumbull, Mr Turner and Mr Glazebrook; and
- an associate of Mr Trumbull, Mr Turner and Mr Glazebrook.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. **RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT**

The Company is required to include in its Directors Report a detailed Remuneration Report relating to Directors' and Executives' remuneration. Section 300A of the Act sets out the information required to be included in the Remuneration Report. A copy of the report appears in the Company's Annual Report for the year ended 30 June 2008.

Section 249L(2) and 250R(2) of the Act require that a resolution that the Remuneration Report be adopted be put to a vote of shareholders at the Company's annual general meeting. The vote on this resolution is advisory to the Company only and does not bind the Board.

Under Section 250SA of the Act, shareholders must be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. This is in addition to any questions or comments that shareholders may have in relation to the management of the Company.

4. **RESOLUTION 4 – CHANGE OF COMPANY NAME**

Approval is sought to change the name of the Company from Panaegis Gold Mines Limited to 'Nagambie Mining Limited'. The Directors believe that the proposed new name is more closely aligned with the Company's current activities.

4.1. **Supporting Information**

Since listing, the Company has conducted its operations and key exploration activities in a number of areas in Victoria. On 25 June 2008, the Company entered into an agreement with Perseverance Mining Pty Ltd (*Perseverance*) to acquire Perseverance's interest in MIN 5412 together with 187.25 hectares of freehold land and other assets associated with the previous mining and treatment operations on MIN 5412. MIN 5412 is located near Nagambie, Victoria.

The acquisition of 100% of Nagambie MIN 5412 completes the rationalisation and exploration focus of the Company in central Victoria. In particular, the acquisition is important in a regional ore treatment sense as the Company's other shallow oxide gold targets at Redcastle, Heathcote, Graytown, Rushworth and Nagambie Regional are within economic trucking distance of Nagambie MIN 5412.

Additionally, there are at least 5 million tonnes of crushed rock and 10 million tonnes of uncrushed rock in surface stockpiles on MIN 5412 that could be sold for road making as part of the rehabilitation process. The Company is well placed to provide the majority of the 4 to 5 million tonnes of crushed rock that it is understood may be required during the construction of the 17.4 km Nagambie bypass. Construction of the bypass is planned to commence in 2010 with all pre-construction planning to be completed in 2009.

The Directors are therefore of the view that the proposed new name is more closely aligned with the Company's aims for exploration and development in central Victoria which now centre on Nagambie MIN 5412.

As a special resolution, Resolution 4 must be passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

4.2. **Recommendation**

The Board recommends that shareholders approve the change of Company name proposed by Resolution 4.

GENERAL NOTES

Entitlement to Vote

The Company has determined in accordance with Part 7.11 of the Corporations Regulations that for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register as at 11.00am Australian Eastern Standard Time on Sunday, 23 November 2008.

Corporate Representatives

For a corporate representative to vote, they will require a Certificate of Appointment of Corporate Representative executed in accordance with the *Corporations Act*.

Voting

On a show of hands, every member present in person or by proxy or by attorney or, in the case of a corporation, by duly appointed representative, shall have one vote and on a poll one vote for every share held provided that if a member appoints two proxies or two attorneys, neither proxy nor attorney shall be entitled to vote on a show of hands.

Proxies

A member entitled to attend and vote at the Annual General Meeting may appoint one or two persons to attend and vote at the meeting as the member's proxy. If you wish to appoint a second proxy you will need to complete a second form. Computershare Investor Services Pty Limited will provide additional proxy forms upon request.

A proxy need not be a member. If two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

The Proxy Form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street, Abbotsford or by mail to GPO Box 242 Melbourne, Victoria 3001 or at the Company's Registered Office, 174B High Street, Heathcote, Victoria, 3523 or by facsimile to Computershare Investor Services Pty Limited on (03) 9473 2555 by no later than 11.00am Australian Eastern Standard Time on Sunday, 23 November 2008.



PANAEGIS

Panaegis Gold Mines Limited
ACN 111 587 163

000001 000 PAU
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Registered Office
174B High Street
Heathcote, Victoria 3523

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11.00am Sunday 23 November 2008

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Panaegis Gold Mines Limited hereby appoint

the Chairman of the meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Panaegis Gold Mines Limited to be held at the Institute of Chartered Accountants, Level 3, 600 Collins Street, Melbourne on Tuesday, 25 November 2008 at 11.00am and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Item 1	Re-election of Mr Michael W Trumbull	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2a	Issue of 1,000,000 Options to Mr Michael Trumbull	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2b	Issue of 1,000,000 Options to Mr Geoff Turner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2c	Issue of 2,000,000 Options to Mr Colin Glazebrook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Change of Company Name from Panaegis Gold Mines Limited to Nagambie Mining Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____

DMR CORPORATE

DMR

D M R Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
Victoria 3000 Facsimile (03) 9629 4598
Australia Email paul@dmrcorporate.com.au

24 September 2008

The Directors
Panaegis Gold Mines Limited
174b High Street
Heathcote
Victoria 3523

Dear Sirs

Value of Options

1. Introduction

1.1 We have been requested by Mr. Alfonso Grillo, Company Secretary of Panaegis Gold Mines Limited ("Panaegis" or the "Company") to advise Panaegis in respect of the fair value of the options proposed to be issued to three directors of Panaegis, Mr. Michael Trumbull, Mr. Geoff Turner and Mr. Colin Glazebrook. Shareholder approval is being sought for the issue of the options at the Annual General Meeting to be held on 25 November 2008. We understand the options are to be issued on the terms and conditions summarised below:

Option Holder	No. of Options	Exercise Price	Grant Date	Vesting Date	Expiry Date
Michael Trumbull	1,000,000	\$0.10	25/11/2008	25/11/2010	25/11/2013
Geoff Turner	1,000,000	\$0.10	25/11/2008	25/11/2010	25/11/2013
Colin Glazebrook	2,000,000	\$0.10	25/11/2008	25/11/2010	25/11/2013

- The options can be exercised at any time after vesting and before their expiry date;
- The options will be unlisted;
- The options will not be transferable;
- In the event of a cessation of employment, except in limited specified circumstances, any unexercised options can be exercised for a period of 30 days, thereafter the options will lapse; and
- The options are to be granted for no monetary consideration.

- 1.2 The options will be granted to Directors of the Company, and must therefore be recognised for accounting purposes in accordance with Australian accounting standards, in particular AASB 2 ‘Share-based Payment’. AASB 2 requires options to be valued as at their grant date. A valuation as at an assumed grant date for the purposes of shareholder approval is completed in order to advise the shareholders of the approximate value of the option benefits that they are being asked to approve. If the options are approved and subsequently issued, another valuation as at the grant date must be completed, for the purposes of expensing the options in the company’s accounts.

2. Valuation Methodology

- 2.1 Options are generally valued using one of a number of option pricing models and AASB 2 does not mandate the use of a particular model in valuing employee options.

- 2.2 We have reviewed the terms of the options and based on this review we have concluded that there is a reasonable probability that the options may be exercised before their expiry date. Our principal reason for this view is the lack of marketability of the options and their illiquidity. Our view that the options may be exercised early is supported by empirical evidence, which shows that employee and director options are often exercised well before their expiry date. For this reason we have valued the options using a binomial model, which has been tailored specifically for use in valuing employee and director options. The model used determines the value of an option as a function of the following variables:

- 1) the current share price of the underlying shares
- 2) exercise price of the option
- 3) volatility of the share price
- 4) vesting conditions
- 5) time to maturity
- 6) risk free rate of interest
- 7) expected dividend yield
- 8) an exercise price multiple

3. Assumptions used

- 3.1 Set out below is a discussion of each of the variables and the assumptions that we have selected in applying the binomial model.

3.2 The share price of the underlying shares

Panaegis is a company incorporated in Australia and listed on the Australian Securities Exchange.

The volume weighted average share price (“VWAP”)(based on closing daily prices) of Panaegis shares for the 90-day period ended 11 September 2008 was \$0.030 on a volume of 2,189,584 shares and the VWAP for the 30-day period ended 11 September 2008 was also \$0.030 on a volume of 788,500 shares.

Based on the above information, we consider that the current market value of shares in Panaegis as at 11 September 2008 is \$0.03.

3.3 The exercise price of the options

All options are exercisable at \$0.10 per option.

3.4 The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualised standard deviation of daily share price returns on the underlying security over a specified period.

The historical volatility information for Australian listed companies can be sourced from the Australian Graduate School of Management – Centre for Research in Finance Risk (“CRIF”) Measurement Service statistics. The June 2008 CRIF service estimated the volatility of Panaegis shares to be 62.01%. Accordingly we have used a volatility of 62% in valuing these options.

3.5 Vesting conditions

All options vest on 25 November 2010, being 2 years after the assumed grant date.

3.6 Time to maturity

All options expire on 25 November 2013, being 5 years after the assumed grant date. We have assumed this date to be the maturity date of the options, however this assumption is impacted by Section 3.9 below.

3.7 Risk free rate of interest

We have used a risk free rate of 5.615% in valuing the options. This rate is based on the Treasury Bond yield with a maturity approximating the expiry date of the options.

3.8 Expected dividend yield

Panaegis does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

3.9 An exercise price multiple

As stated in Section 2, options issued to executives and directors are at times exercised prior to their expiry date. This occurs due to the lack of liquidity of the options. Panaegis does not have a history that we could use to predict the likely exercise date. However due to restrictions placed on executives and directors with regard to trading when privy to information not yet made public, we consider that the options may not be exercised until the market price of Panaegis shares reaches a multiple of 1.5 times the exercise price of the options.

The above factor has been taken into account in the application of the Binomial Option Valuation Model we have used.

4. Valuation

4.1 Based on the assumptions set out in Section 3 above the assessed value of the options (using the Binomial Model) is set out in the table below:

Director	Number of options	Value per option	Total Value
Mr. M. Trumbull	1,000,000	\$0.0063	\$6,300
Mr. G. Turner	1,000,000	\$0.0063	\$6,300
Mr. C. Glazebrook	2,000,000	\$0.0063	\$12,600
Total	<u>4,000,000</u>		<u>\$25,200</u>

4.2 It should be noted that the effect of the assumption set out in Section 3.9 above is an expected life of 4.77 years for the options to be issued to the Panaegis Directors.

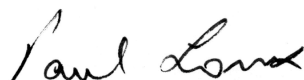
4.3 By way of a cross check we have calculated the value of the options by excluding the assumption set out in Section 3.9 above and assuming that they would be exercised at their expiry on 25 November 2013. This calculation, which utilised the Black-Scholes Option valuation model, reveals the maximum value of the options. The cross check valued each option at \$0.0088, or \$35,200 for the 4,000,000 options.

4.4 Having considered all of the factors outlined in this report, including the above cross check, we have concluded that a fair value of the options is set out in Section 4.1 above.

Should you require any further information please do not hesitate to contact us.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom