

CHAIRMAN'S ADDRESS

BY MR MICHAEL TRUMBULL AT THE ANNUAL GENERAL MEETING OF PANAEGIS GOLD MINES LIMITED HELD AT THE INSTITUTE OF CHARTERED ACCOUNTANTS, LEVEL 3, 600 BOURKE STREET, MELBOURNE AT 11AM ON TUESDAY 25 NOVEMBER 2008

Significant steps have been taken to focus and rationalise the activities of your Company during calendar 2008.

The new exploration team, ably led by Colin Glazebrook, has completed a major rationalisation of the tenement portfolio of exploration and mining licences. Total area under licence has been progressively reduced by over 75%, lowering the minimum government expenditure required by over \$0.7 million per year. Because of the thorough review of potential carried out, there has been no significant reduction in the prospective areas for gold exploration.

In parallel with the rationalisation and focussing of its tenement portfolio, the Company has also reduced corporate overheads and fixed costs by over \$0.5 million per year. This has been achieved principally by moving the Head Office from Collins Street in Melbourne to Heathcote in central Victoria, by having a Board of three directors instead of five, combining the positions of CEO and Exploration Manager and by reducing the use of corporate consultants.

Most importantly however, Panaegis has sharpened its medium-term strategic focus. It now has a clear strategy to move to gold production coupled with a clear avenue to financially deliver that strategy.

100% of Nagambie Mining Licence MIN 5412

In late September, settlement was completed between Panaegis and Perseverance Mining Pty Ltd (PSV) whereby Panaegis became the holder of 100% of the

Nagambie mining licence, MIN 5412. Panaegis had previously earned a 51% interest through a farm-in arrangement with PSV.

MIN 5412 surrounds the Nagambie Mine which, from 1990 to 1997, produced approximately 135,000 ounces of gold from the heap leaching of 7.3 million tonnes of ore mined from two adjacent open pits at an average head grade of 0.8 g/t gold. Certain parts of MIN 5412 are subject to a 2.5% gross royalty on mineral production.

PSV also agreed to transfer to Panaegis freehold property totalling 187 hectares, and various assets remaining from the 1990s operation, at no cost. Panaegis has assumed full responsibility for the environmental rehabilitation bond of \$385,000.

The deal negotiated was a very good one for Panaegis. The net effective cost of moving to 100% ownership of MIN 5412 and acquiring the 187 hectares of freehold land and other assets was to guarantee an additional \$189,000 (49%) of the environmental bond. By comparison, under the previous joint venture arrangement between Panaegis and PSV, Panaegis would have had to sole fund roughly the next \$4.4 million of expenditure at Nagambie to have moved to 100% of MIN 5412.

MIN 5412 Gold Production Strategy

Panaegis's medium-term gold production strategy is to recommence heap-leaching of oxide ore on MIN 5412. The % increase in the gold price in A\$ terms since the 1990s operation significantly exceeds the % increase in production costs since that time.

Oxide ore feed is targeted to come from MIN 5412 itself and from the Company's other oxide gold prospects within economic trucking distance of MIN 5412 at Redcastle, Heathcote South, Graytown, Rushworth, Whroo and Nagambie Regional. Trucking costs would be of the order of \$3 to \$10 per

tonne, depending on distance, equivalent to around 0.1 to 0.3 g/t gold at current prices.

Panaegis is targeting a total of at least 100,000 to 200,000 ounces of oxide mineralisation in the region at a grade of 1 to 2 g/t gold.

A detailed costeaning, or trenching, program has been completed at Redcastle and given encouraging results. A similar costeaning program at Heathcote South is underway. 3 km north of MIN 5412, a detailed soil sampling program is being carried out to better define a large soil anomaly that is thought may be associated with a structure parallel to the structure that hosts the Nagambie Mine.

Prospecting programs are being developed for the Graytown, Rushworth and Whroo tenements.

Shallow percussion drilling of the oxide targets will be carried out progressively during 2009 as the various prospects on and within economic trucking distance of MIN 5412 reach drill-ready status. The drilling will typically be to a maximum depth of 80 metres below surface.

Heap-leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of capital cost and operating cost per tonne. Recommencing heap-leach operations on MIN 5412 would allow the Company to take advantage of the existing civil works and assets remaining from the 1990s operation. It should also result in a straightforward permitting process.

Potential Sales of Rock Stockpiled on MIN 5412

MIN 5412 has the potential to generate substantial income for the Company, far in excess of current market capitalisation, from the sale of rock as part of the rehabilitation process.

Before gold mining commenced at Nagambie in 1990, the site was a source of road gravel for the local region. As a result of the gold mining and heap-leach

operations, which ran until 1997, over 5 million tonnes of crushed rock and 10 million tonnes of uncrushed rock were placed in various surface stockpiles on MIN 5412. Since 1997, approximately 200,000 tonnes of the crushed rock and 160,000 tonnes of the uncrushed rock have been sold for local road works and general farm use.

Of particular significance for the Company, VicRoads is currently working towards conducting a tender for the 17.4 km long Nagambie Bypass, an AusLink National Project, in 2009 with construction planned to commence in the 2009/2010 financial year. The alignment for the north-south Bypass, which is approximately 2 km to the east of central Nagambie and approximately 4 km west of MIN 5412, was approved in July 2006 following a lengthy community consultation process.

It is understood that around 5 million tonnes of crushed rock will be required to construct the four-lane, freeway-standard Bypass together with the necessary turnoffs, accesses and overpasses. As Panaegis has over 15 million tonnes of rock already mined, with over 5 million tonnes of that total also crushed, only 4 km from the central point of the Nagambie Bypass, the Company is clearly positioned to be the lowest cost provider of the rock required. In terms of the required energy inputs to provide the rock, MIN 5412 is also clearly the lowest impact provider.

Panaegis has estimated that alternative supplies of rock in the region would probably cost well in excess of \$10 per tonne all up for drilling, blasting, loading out, stockpiling, crushing, screening and trucking to the site of the Bypass.

Additionally, large quantities of water will be required during the Bypass construction for road making and dust suppression and Panaegis, which has over 3 gigalitres of non-potable water contained in the open pits on MIN 5412, is well placed to provide that water.

Principal Objectives for 2009

The Company's principal objectives for the next 12 months are to:

1. Secure Nagambie MIN 5412's position as the most obvious provider of rock and water for the Nagambie Bypass construction; and
2. Commence shallow percussion drilling of its heap-leachable oxide gold prospects on and within economic trucking distance of Nagambie MIN 5412, targeting a minimum of 100,000 to 200,000 ounces of oxide mineralisation at a grade of 1 to 2 g/t gold.

Nagambie Mining Limited

Nagambie MIN 5412 is now clearly a very valuable asset of the Company and central to both its medium-term and long-term exploration and development aims in central Victoria.

With that in mind, the directors considered that a change of name to Nagambie Mining Limited was appropriate and a resolution to that effect is being put to shareholders at this Annual General Meeting. I am pleased to report that proxies received for this resolution are overwhelmingly in favour of the change of name and approval of the resolution is assured.

In anticipation of the change of name, the ASX has set aside the three-letter code for Nagambie Mining of "NAG".

The next 12 months for Nagambie Mining promises to be very exciting and, as the year unfolds, I look forward to many new investors wanting to bet on the NAGs.

Recent distressed selling, a sign of the current market malaise, sees Nagambie Mining with a market capitalisation of some \$2 million and total cash of close to \$1 million. Nagambie Mining truly is a small company with a great growth story founded on gold and to be funded by, of all things, rock.