

**PANAEGIS GOLD MINES LIMITED**  
**(ACN 111 587 163)**

**RIGHTS ATTACHING TO OPTIONS**

The following are the rights attaching to the Options on issue in the Company.

**1. Entitlement**

- 1.1. Each Option entitles the Optionholder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- 1.2. Shares issued on the exercise of Options will rank equally with all existing Shares on issue, as at the exercise date, and will be subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

**2. Exercise of Option**

- 2.1. The Options are exercisable at any time from the date of issue.
- 2.2. The final date and time for exercise of and the exercise price of each Option is as follows:

<b>Optionholder</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Exercise Date</b>
Ian Buckingham	1,000,000	\$0.35	31/12/07
Ian Buckingham	1,500,000	\$0.50	30/06/09
Gillon Securities Limited	2,412,000	\$0.20	30/06/08
Stuart Baden Boyce & Mary Ellen Boyce	1,725,000	\$0.20	30/06/08
Ontario Pty Ltd	500,000	\$0.20	30/06/08
Maitland Arch Pty Ltd	500,000	\$0.20	30/06/08
Ashworth Holdings Pty Ltd	500,000	\$0.20	30/06/08
Andrew Ristrom	500,000	\$0.20	30/06/08

Each Option is exercisable by the Optionholder signing and delivering a notice of exercise of Option together with the exercise price in full for each Share to be issued upon exercise of each Option to the Company's share registry.

- 2.3. All Options not exercised on or before the expiry of the exercise term will lapse.
- 2.4. The Options on issue to Ian Buckingham will lapse on the earlier of:
  - (a) termination of Mr Buckingham's employment with the Company in circumstances which the Board considers to involve fraud, dishonestly or other serious

misconduct which would constitute sufficient cause for an employer to dismiss an employee without notice; or

- (b) expiration of 30 days after termination of Mr Buckingham's employment with the Company.

2.5. In the event of liquidation of the Company, all unexercised Options will lapse.

### **3. Quotation**

3.1. The Company will not apply to the ASX for official quotation of the Options.

3.2. If the Shares of the Company are quoted on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all Shares issued on the exercise of any Options within 10 Business Days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

### **4. Participation in Securities Issues**

4.1. The holder is not entitled to participate in new issues of securities without exercising the Options, subject to the statements set out in Participation in a Reorganisation of Capital below.

### **5. Participation in a Reorganisation of Capital**

5.1. In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Optionholder will be changed in accordance with the Listing Rules of the ASX applying to a restructure or reorganisation of the capital at the time of that restructure or reorganisation, provided always that the changes to the terms of the Options do not result in any benefit being conferred on the Optionholder which is not conferred on shareholders of the Company.

5.2. In any reorganisation as referred to in the above paragraph, Options will be treated in the following manner:

- (a) in the event of a consolidation of the share capital of the Company, the number of Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
- (b) in the event of a subdivision of the share capital of the Company, the number of Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;

- (c) in the event of a return of the share capital of the Company, the number of Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
- (d) in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Options and the exercise price of each Option will remain unaltered;
- (e) in the event of a pro-rata cancellation of shares in the Company, the number of Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Option will be amended in inverse proportion to that ratio; and
- (f) in the event of any other reorganisation of the issued capital of the Company, the number of Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on shareholders.

## **6. Adjustments to Options and Exercise Price**

- 6.1. Adjustments to the number of Shares over which Options exist and/or the exercise price may be made as described in paragraph 5.2 to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.
- 6.2. The method of adjustment for the purpose of paragraph 5.2 shall be in accordance with the Listing Rules of the ASX from time to time.

## **7. Takeovers and Schemes of Arrangement**

- 7.1. If during the currency of any Options and prior to their exercise a takeover offer or a takeover announcement (within the meaning of the Corporations Act) is made to holders of Shares then the Optionholder may exercise the Options notwithstanding any other terms and conditions applicable to the Options or arrangement.
- 7.2. If an offer for shares in the Company is made to Shareholders pursuant to a scheme of arrangement which has been approved in accordance with the Corporations Act, the Optionholder will be entitled to exercise Options held by it within the period notified by the Company.

## **8. Transfer not permitted**

- 8.1. The Options are not transferable.