



## ASX Announcement

31 July 2008

## QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2008

### OVERVIEW

- Termination of the Nagambie Joint Venture over the tenements MIN 5412 (held by Perseverance) and ELs 4718 & 4887 (held by Panaegis) will result in Panaegis holding a 100% interest in the tenements and freehold property totalling 187.25 hectares (including all buildings and chattels) within MIN 5412.

Completion is conditional on receipt of Ministerial consent to the transfer of MIN 5412.

- The move to 100% of the Nagambie tenements will complete the rationalisation and exploration focus that the company set out to put in place over the first six months of calendar 2008. This has brought about a reduction in area under licence from over 1,600 km<sup>2</sup> to 371 km<sup>2</sup> (over 70% reduction) and reduced the minimum government expenditure required of around \$0.7 million per year. However, because of the thorough review of potential, there has been no significant reduction in the prospective areas for gold exploration.
- Together with the previously announced reduction in corporate overheads of \$0.5 million per year, Panaegis has been able to reduce its total annual commitments by over \$1.2 million per year.
- Within the three main new Exploration Group Areas, 41 "Prospects" have been identified and these continue to be graded for follow up exploration. Three projects covering 20 prospects are currently being prepared for costeaning and soil sampling work ahead of focussed drilling activity.
- The company website is now fully operational.

### OBJECTIVES

Panaegis' principal objectives for 2008 are to build a substantial but focussed prospect inventory of shallow open cut gold prospects within its present areas for target drilling and to look for further exploration and development opportunities.

#### ABOUT PANAEGIS

*Panaegis Gold Mines Limited (ASX Code: PAU) listed on the ASX in 2006 and is an Australian gold company whose principal focus is on the evaluation and development of shallow gold deposits in Victoria.*

*The company holds over 350 sq km of exploration tenements in Central Victoria encompassing several historic goldfields.*

*The company is utilising historical studies, field investigations and geological modelling to enable the development of new structural interpretation and mineralisation concepts to highlight areas for early drilling programs within its exploration areas.*

#### SHARES ON ISSUE

Quoted: 94,993,400  
Issued: 94,993,400

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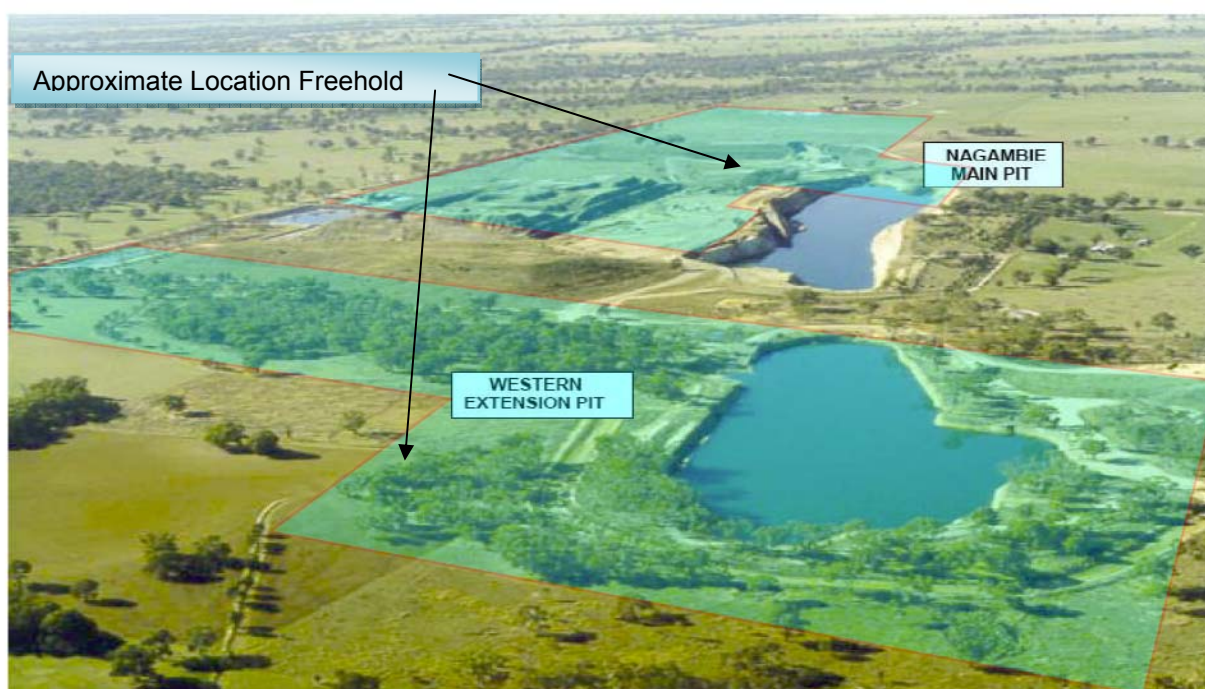
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## NAGAMBIE JOINT VENTURE

The company announced on 26 June 2008 that an agreement had been entered into between Panaegis and Perseverance Mining Pty Ltd (PSV), a wholly owned subsidiary of Northgate Minerals Corporation, whereby Panaegis and PSV have agreed to terminate the existing Joint Venture over the Victorian tenements MIN 5412 (held by PSV) and ELs 4718 & 4887 (held by Panaegis).

Following completion under the agreement, Panaegis will hold a 100% interest in ELs 4718 & 4887 and MIN 5412. PSV has also agreed to transfer to Panaegis freehold property totalling 187.25 hectares (including all buildings and chattels) within MIN 5412 known as 726 Ballantynes Road, Nagambie. These will be held by a wholly owned subsidiary Nagambie Developments Pty Ltd (refer accompanying plan below).



### Nagambie Developments Pty Ltd – Freehold land MIN 5412

Completion is conditional on receipt of Ministerial consent to the transfer of MIN 5412.

In respect of MIN 5412, the terms of the agreement include Panaegis accepting full responsibility for compliance with the *Mineral Resources (Sustainable Development) Act 1990* and with the terms and conditions under which MIN 5412 has been granted. Panaegis will also assume full responsibility for the environmental rehabilitation bond.

MIN 5412 is a 763 hectare Mining Licence over the Nagambie Mine which was worked from 1990 to 1997 and produced 134,774 ozs of gold from the heap leaching of 7,311,123 tonnes of ore mined from two adjacent open pits.

Panaegis intends to drill out the near-surface oxide gold mineralisation between and along strike of the two open pits as soon as possible with a view to re-commencing mining and heap leaching operations given the current high gold price relative to the gold price in the 1990's.

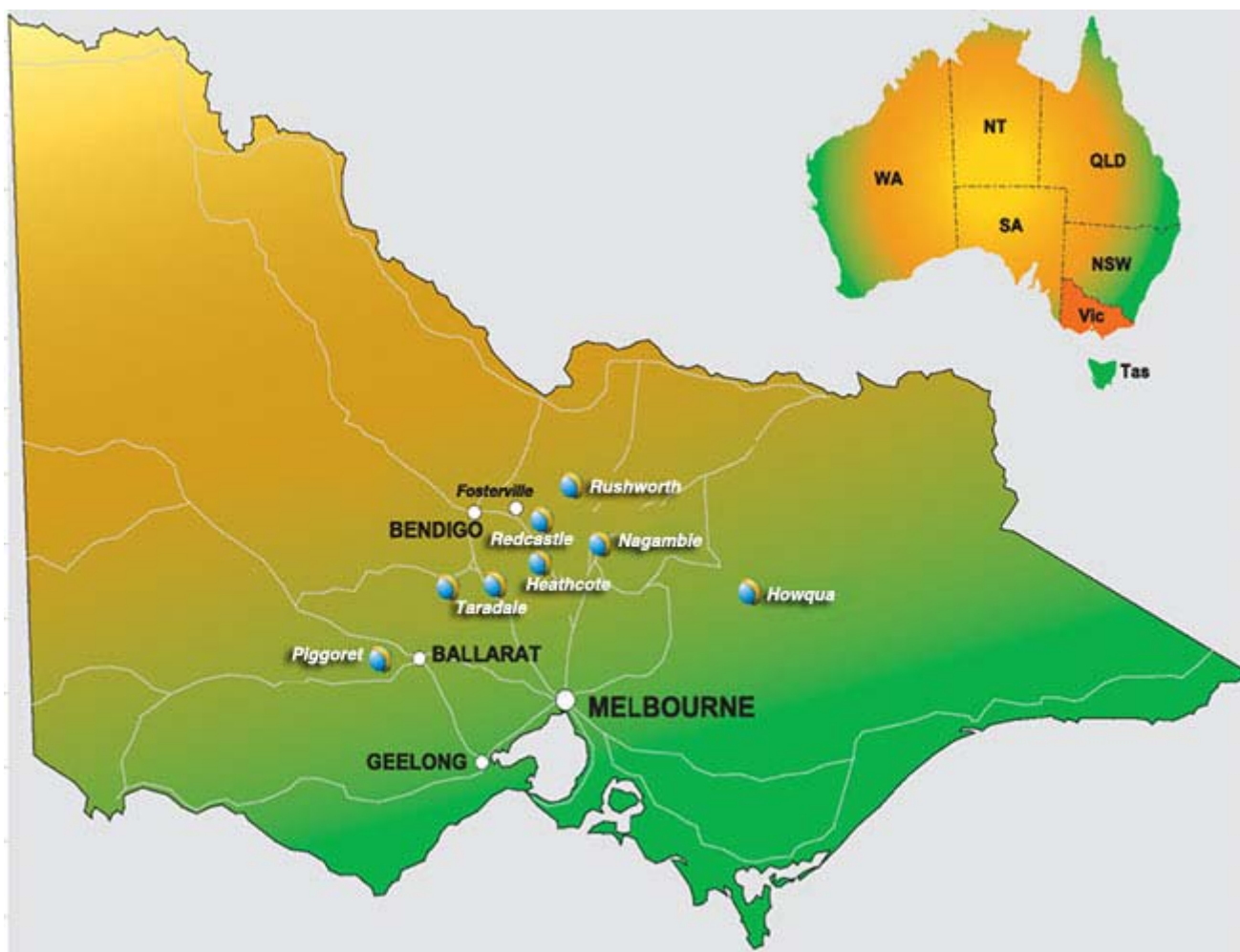


The acquisition of 100% of MIN 5412 is also important in a regional ore treatment sense for Panaegis as the Company has other shallow oxide gold targets within economic trucking distance of Nagambie in its exploration group areas at Redcastle, Heathcote and Graytown.

### EXPLORATION

#### SUMMARY

The second stage of the review to identify the company's areas with the most potential to host economic mineralisation has now been completed and the company has carried out further tenement surrenders and amalgamations resulting in 16 licences covering 371 km<sup>2</sup> within or on trend with historic goldfield areas (refer **Figure 1**, Project Location Map below).



**Figure 1**

**Project Location Map**

The reduction in area under licence from over 1600 km<sup>2</sup> to 371 km<sup>2</sup> (over 70% reduction) has resulted in a major reduction in the minimum Government expenditure required (around \$0.7 million reduction per year). However, because of the thorough review of potential there has been no significant reduction in prospective areas for gold exploration.

As outlined in the March Quarterly report, the company has refreshed its exploration strategy with the definition of Exploration Group areas based on geological (structure & lithology) signatures. The subsequent emphasis has been to concentrate on the "secondary goldfields" that in the past have been mainly overlooked by other explorers due to the poor records and resultant erroneous



perception that these fields lack large deposit potential. Such goldfields covered by our current main Exploration Group Areas are shown in Table 1 below.

**Table 1 Exploration Group Areas**

Exploration Group Area	Historic Goldfield	Historic Reef Production (tonnes)	Reported Grade* (g/t Au)	Project	Prospects
<b>Redcastle/Heathcote</b>	Redcastle	11,489	29.8	Redcastle	14
	Heathcote	1,497,267	1.9	Heathcote	9
	Graytown	3,992	9.9	Graytown	4
	Toolleen	7,751	12.0	Mitchellstown	1
<b>Nagambie</b>	Rushworth	73,664	20.0	Nagambie	3
	Whroo	92,747	26.2	Rushworth	6
	Fontainbleau	4,354	17.8		
<b>Taradale</b>	Taradale	139,475	19.3	Taradale	4

*Note: Historical Reef Production and reported grade taken from Department of Primary Industry records*

Within the three main Exploration Group Areas, a total of 41 "Prospects" have been identified and graded as to exploration potential.

## EXPLORATION GROUP AREAS

### 1. REDCASTLE – HEATHCOTE GROUP

*Redcastle	EL 3316
Graytown (app)	ELA 5020
Mitchellstown (app)	ELA 5049

\* The old areas of Redcastle Central EL 4594, Redcastle E & W EL 3316 and Heathcote EL 4941 have been amalgamated into one licence EL 3316

Area 129 km<sup>2</sup>                      Prospects    28

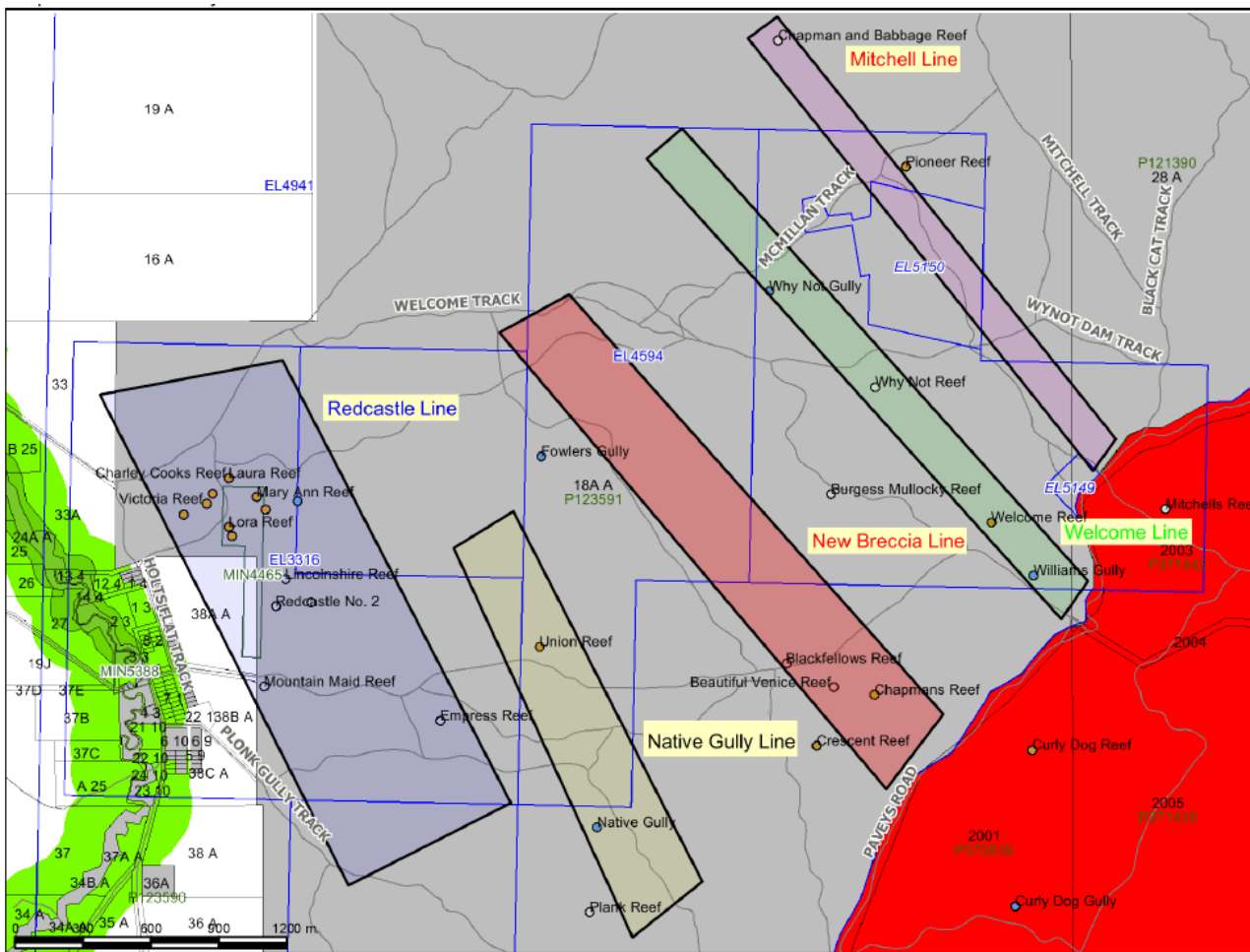
Mineralisation is predominantly Epizonal and associated with quartz reefs in steeply west dipping faults often associated with anticlines and shear fissures.

#### 1.1 REDCASTLE PROJECT EL3316 (Panaegis 100%)

Consists of 60.33 km<sup>2</sup> in the central part of the new EL 3316 covering the old Redcastle Goldfield. 14 prospects have been initially identified in five reef lines.

A 58 costean program to test along strike from old workings is awaiting work plan approval (refer accompanying Figure 2).





**Figure 2 Redcastle Reef Lines – Area of Costean Selection**

It is interesting to note the historical production from shallow depths in these areas as shown in Table 2 on the next page. The company intends to collate the results from this costean program and all previous relevant data to create a 3D model of this historic goldfield to aid in selecting drilling targets.

**1.2 HEATHCOTE PROJECT EL 3316 (Panaegis 100%)**

Consists of 53 km<sup>2</sup> in the Northern and Southern part of the new EL 3316. 9 prospects have been identified with 3 of these in the southern area (which covers the old Heathcote Goldfield) in three reef lines which has been designated the HEATHCOTE SOUTH PROJECT.

A 42 costean program to test along strike from old workings is awaiting work plan approval (refer accompanying Figure 3). It is interesting to note the historical production from shallow depths in these areas as shown in Table 3. The company also intends to collate the results from this costean program and all previous relevant data to create a 3D model of this historic goldfield to aid in selecting drilling targets.



**Table 2 REDCASTLE GOLDFIELD**

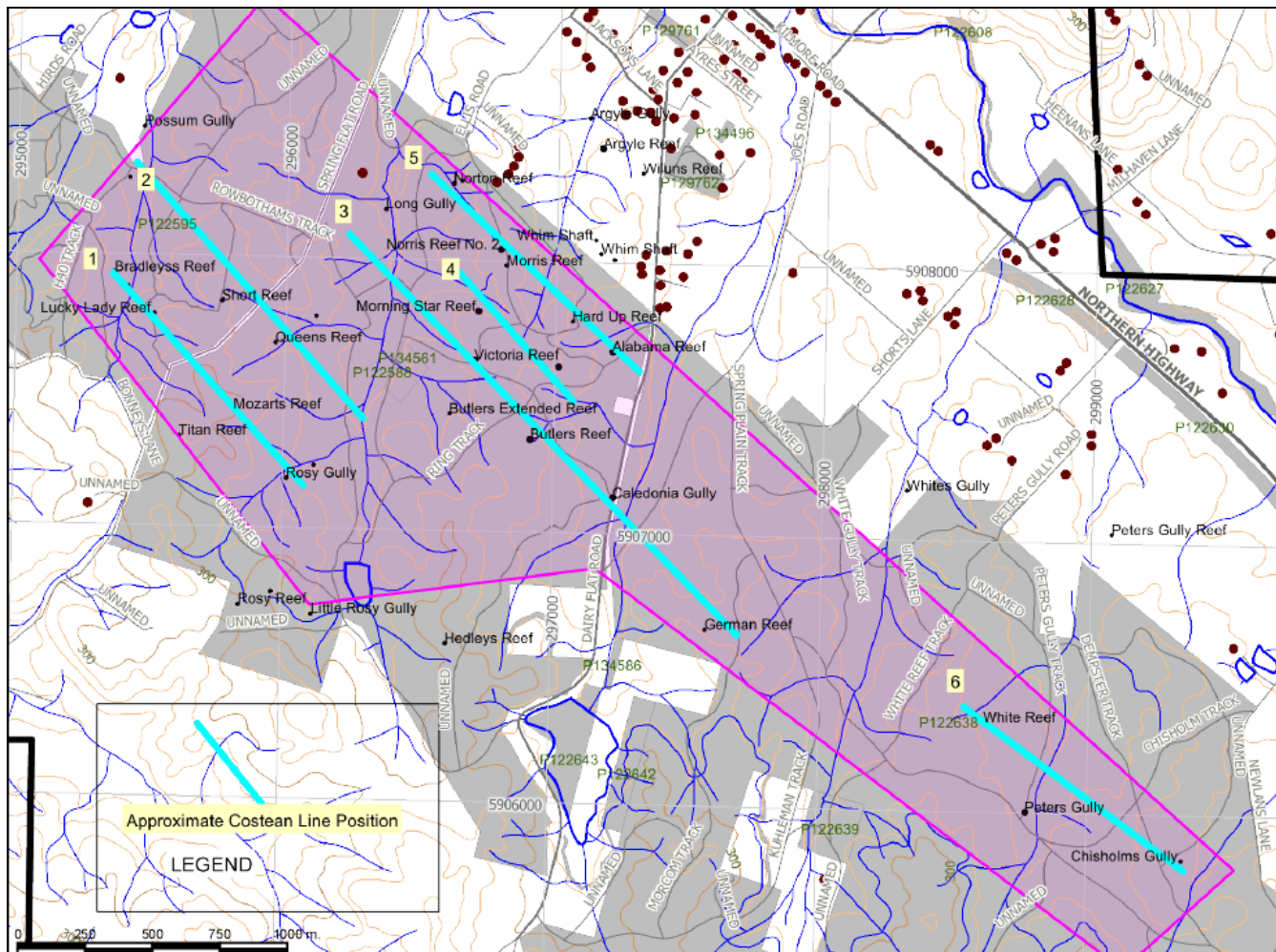
Reef Line	Mine Name	Depth (m)	Grade g/t	Associated
<b>Mitchell Line</b>				
Mitchells Reef	Mitchells Reef		18.4	
Chapman and Babbage Reef	Chapman and Babbage Reef	24	10.2	
Old Black Cat Reef	Old Black Cat Reef	30	7.3	
Staffordshire Reef	Staffordshire Reef		74.9	
<b>Welcome Line</b>				
Welcome Reef	Welcome Reef	107	174.7	Antimony;
Why Not Reef	Why Not Reef		2.1	
<b>New Breccia Line</b>				
Curly Dog Reef	Curly Dog Reef	60	33.0	Antimony;
Beautiful Venice Reef	Beautiful Venice Reef	76	36.3	
<b>Native Gully Line</b>				
Union Reef	Union Reef	43	24.2	Antimony;
Tara Gonyah Reef	Tara Gonyah Reef	52	11.2	
<b>Redcastle Line</b>				
Mountain Maid Reef	Mountain Maid Reef	24	2.6	
Mary Ann Reef	Mary Ann Reef	76	18.0	Antimony;
Long Gully Reef	Long Gully Reef		57.2	
Balmoral Reef	Balmoral Reef		6.4	
Leviathan Reef	Leviathan Reef		22.0	
Go As You Please Reef	Go As You Please Reef		2.2	

Historic Mines with recorded Vic Mines Production

**Table 3 HEATHCOTE GOLDFIELD**

Reef Line	Mine Name	Depth (m)	Grade g/t	Associated
<b>Argyle Line</b>				
	Golden Gully Reef		25.8	
	New Holland Open Cut	80	0.7	Silver
	Argyle Reef		67.4	
	William Tell Reef		60.0	
	Victoria Reef		35.5	
<b>Butlers Line</b>				
	Alabama Reef	182	35.5	
	Butlers Reef	262	33.3	
	Scandinavian Reef	61	27.9	
	Bell Topper Reef		51.2	
	Hermit Reef		53.1	
	Norris Reef No. 2	61	18.0	
	Shakespears Reef		20.7	
<b>Norris Line</b>				
	Norris Reef No. 1	61	6.6	
	Wild Duck Reef		7.6	
	Morning Star Reef		17.3	

Historic Mines with recorded Vic Mines Production



**Figure 3 Heathcote Reef Lines – Area of Costean Selection**

Graytown (app) ELA 5020  
 Awaiting grant. Consists of 6 km<sup>2</sup> and 4 prospects have been identified.

Mitchellstown (app) ELA 5049  
 Awaiting grant. Consists of 10 km<sup>2</sup> and 1 prospect has been identified.

**2. NAGAMBIE GROUP**

- \*Nagambie West EL 5027
- Nagambie EL 5023
- Avenel EL 4887
- Nagambie South EL 4718
- Rushworth EL 4723

\* The old areas of Nagambie North EL 5080 and Nagambie West EL 5027 have been amalgamated into one licence EL 5027

Area 222 km<sup>2</sup>      Prospects 9



Disseminated Epizonal mineralisation occurs in quartz stockworks resulting in the potential for discovery of shallow, low grade gold-bearing oxide “Nagambie Style” pods which could aggregate into a significant gold target.

**2.1 NAGAMBIE PROJECT ELs 5027, 5023, and 4887 (Panaegis 100%)**

Consists of 154 km<sup>2</sup> and 3 prospects have so far been identified. The area has been retained for investigation for “Nagambie Style” deposits. The results from the 2007 roadside soil sampling have revealed an area with potential for these. Further geochemical (A Horizon soil sampling) work will be undertaken in the next quarter on a 200m x 100m grid encompassing the anomalous areas identified from the 2007 survey as shown on Figure 4 below.

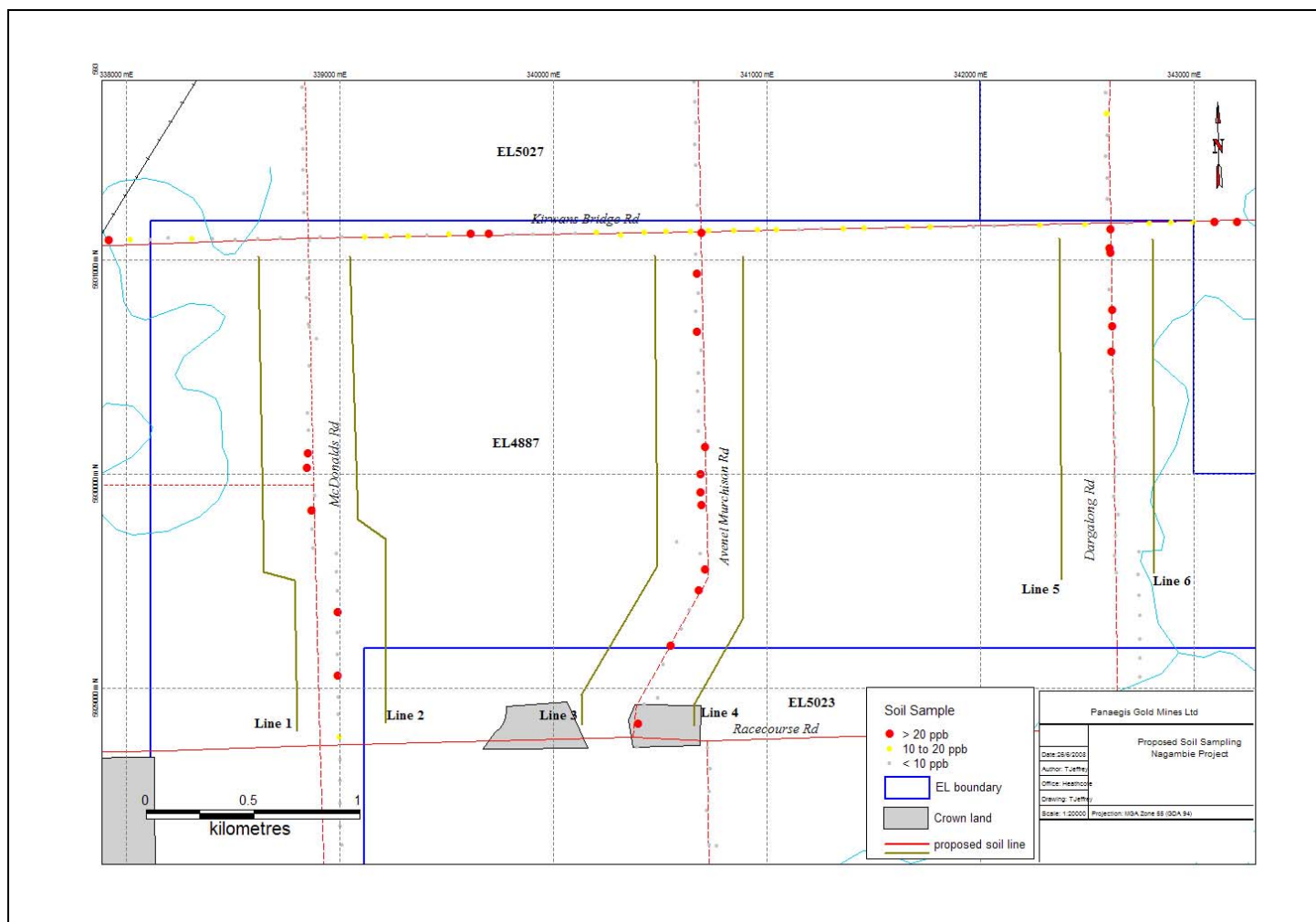


Figure 4

Nagambie Regional Soils

**2.2 RUSHWORTH PROJECT EL 4723 (Panaegis 100%)**

Consists of 68 km<sup>2</sup> in two parts Rushworth North and Rushworth South (Whroo) and 6 prospects have so far been identified. Work done on this area this quarter has been concentrated on identification of landowners and data collection to assist in modeling studies.

**3. TARADALE GROUP**

- Taradale Central EL 4527
- Taradale East EL 4895
- Taradale (app) EL 5151





Area 10 sq kms    Prospects    4

Mineralisation is Mesozonal and closely related to the development of fault reefs and saddle structures.

**3.1 TARADALE PROJECT EL 4527 & EL 4895 (Panaegis 100%)**

Historically, the majority of the Taradale Goldfield was worked extensively and the field as a whole has a lower grade than the Redcastle & Heathcote target areas. Further re-interpretation is required prior to the selection of future drilling targets.

**4. RELINQUISHED TENEMENTS**

After careful review, the Company has chosen to surrender the following tenement:

CASTLEMAINE    EL 4722

**DEVELOPMENT AREAS**

Although these areas require further exploration, they are classified as development areas as exploration targets have been or are in the process of being identified.

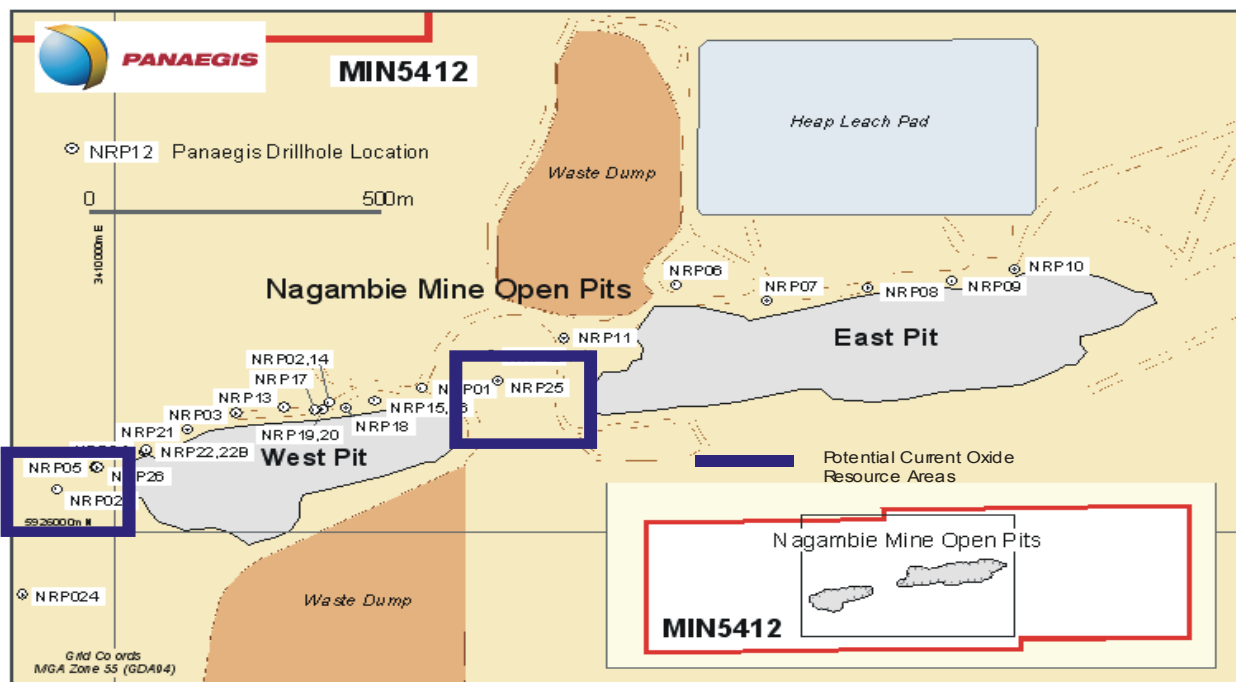
**1. NAGAMBIE**

Nagambie    MIN 5412

Area 7.7 km<sup>2</sup> Prospects 1

Resource evaluation work of an identified area of oxide mineralisation between the West and East Pits and a westerly strike extension (refer figure 5 below) is currently being carried out.

The 2007 drill hole, NRP026, intersected 24m of 1.0 g/t Au of oxide mineralisation (including 6m at 2.2 g/t gold) west of the West Pit.



**Figure 5 Nagambie Areas of Potential Oxide Mineralisation**



The revised model is being developed using in excess of 30,000 sample data points from 932 RC holes drilled by Perseverance plus 27 RC hole drilled by Panaegis. The model will allow for the development of an optimal infill drilling program.

## 2. HOWQUA

Howqua Min

MIN 5420

Area 0.1 km<sup>2</sup>

Prospects 1

A small 5 ha MIN over the old Great Rand Mine is subject to a Historical Area classification and thus requires not only a Work Plan but an Environmental Impact Statement before work can commence.

The Company is negotiating with the Department of Primary Industries in respect of carrying out some small mine rehabilitation work along with some development drilling to assess an Exploration Target identified by Aberfoyle in 1979 – 81.

## CORPORATE

### CASH POSITION

At 30 June 2008, total cash held by the company was \$ 1.02 million.

### EXPENDITURE ON EXPLORATION AND ADMINISTRATION

Total expenditure on exploration and administration for the June 2008 quarter was \$0.34 million.

### WEBSITE

The Panaegis website ([www.panaegis.com.au](http://www.panaegis.com.au)) became operational again during the quarter and the Company apologises to shareholders for the time this valuable method of communication was unavailable. We certainly hope that shareholders will drop in to the site to avail themselves of the more detailed information on the company's activities.

## ASX ANNOUNCEMENTS

During the quarter the following ASX announcements were released regarding the Company's activities and projects:

26/06/2008	Panaegis moves to 100% of Nagambie Gold Project
23/06/2008	Appendix 3B
17/06/2008	Change of Director's Interest Notice
16/06/2008	Reopening of Website
06/06/2008	Forthcoming release of restricted securities
05/06/2008	Change of Director's Interest Notice
16/05/2008	Change of Director's Interest Notice
30/04/2008	Quarterly Cash flow Report
30/04/2008	Quarterly Activities Report
18/04/2008	Appointment of CEO and Exploration Manager
17/04/2008	Becoming a substantial holder
17/04/2008	Ceasing to be a substantial holder
16/04/2008	Change of Director's Interest Notice
04/04/2008	Release of securities from voluntary escrow



## COMPANY INFORMATION

### DIRECTORS

Michael W Trumbull (Non-Executive Chairman)  
Colin Glazebrook (Executive Director)  
Geoff Turner (Non-Executive Director)

### CHIEF EXECUTIVE OFFICER AND EXPLORATION MANAGER

Colin Glazebrook

### COMPANY SECRETARY

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For further information regarding Panaegis' projects contact:

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### COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australian Institute of Mining and Metallurgy.

Mr Glazebrook is a Director of Panaegis Gold Mines Limited and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Colin Glazebrook has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.