



**PANAEGIS**

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163  
174b High Street Heathcote Victoria Australia 3523  
Tel: 03 5433 3422 Fax: 03 5433 3466 [www.panaegis.com.au](http://www.panaegis.com.au)

---

13 October 2008

The Manager  
Company Announcements Platform  
ASX Limited

Dear Sir/Madam

**Letter to Shareholders**

Panaegis Gold Mines Limited confirms that the **attached** letter was today sent to Shareholders in accordance with the ASX Listing Rules in relation to the Company's Non-renounceable Rights Issue announced on 10 October 2008.

For further information see [www.panaegis.com.au](http://www.panaegis.com.au).

Yours faithfully

Alfonso Grillo  
Company Secretary



# 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

000001 000 PAU  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

13 October 2008

Dear Shareholder

## **Non-Renounceable Rights Issue – Information for Shareholders**

On 10 October 2008, Panaegis Gold Mines Limited (*the Company*) announced to ASX that it was to undertake a non-renounceable Rights Issue of New Ordinary Shares to Eligible Shareholders.

Details of the Rights Issue are included in a Prospectus which will be sent to shareholders on or about 24 October 2008. The Prospectus describes in detail Panaegis's offer to Eligible Shareholders of a non-renounceable, non-underwritten Rights Issue which entitles you to acquire **1 New Ordinary Share in Panaegis for every 3 Shares you hold at a price of \$0.03 per New Ordinary Share**. A maximum of approximately 31.7 million New Ordinary Shares will be issued and the New Ordinary Shares will rank equally with Panaegis's existing Shares on issue. The Closing Date for acceptance and payments is 5.00pm AEDT on 10 November 2008.

The largest shareholder in the Company, Cairnglen Investments Pty Ltd, and myself have committed to take up all our entitlements under the Rights Issue. Together, we hold 18.2% of the Company's issued Shares and our commitment is for \$173,300 out of the maximum possible raising of approximately \$950,000. In addition, the other two Directors of the Company have indicated that they intend to take up all their entitlements.

**Major initiatives have been carried out to focus and rationalise the activities of Panaegis during calendar 2008.** Most significantly, Panaegis has moved to 100% ownership of all the tenements, 187 hectares of freehold land and other assets at Nagambie. The central mining licence, MIN 5412, includes the Nagambie Gold Mine which was worked historically between 1990 and 1997. That operation produced approximately 135,000 ounces of gold from the heap leaching of 7.3 million tonnes of ore mined from two adjacent pits at an average head grade of 0.78 g/t gold. MIN 5412 is important to Panaegis for three major reasons.

### **Nagambie MIN 5412**

**Firstly**, MIN 5412 has clear potential to host additional heap-leachable oxide gold mineralisation based on anomalous gold-in-soil sampling and scout drilling results achieved to date. Panaegis intends to carry out an exploratory drilling program to evaluate oxide gold targets adjacent to and along strike of the 1990's open pits with a view to re-commencing mining and heap leaching operations given the current high A\$ gold price relative to the gold price in the 1990's. At least two parallel structures north of the West Pit have been identified from previous drilling. Extending the West Pit westwards is of particular interest to Panaegis given that a 2007 scout hole drilled to the west, NRP 26, intersected 24 metres of oxide mineralisation averaging 1.0 g/t gold.

**Secondly**, as a granted mining licence with a recent operations history, MIN 5412 is a very strategic asset for Panaegis in a regional ore treatment sense. The Company has other compelling oxide gold targets within economic trucking distance of MIN 5412 at Redcastle, Heathcote South, Graytown, Rushworth and Nagambie Regional which could typically average 1 to 2 g/t gold. Together with the oxide targets on MIN 5412, Panaegis is targeting at least 100,000 to 200,000 ounces of low grade oxide gold mineralisation in the region that could be heap-leach treated on MIN 5412. 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.

**Thirdly**, MIN 5412 has the potential to generate substantial income for the Company, well in excess of current market capitalisation, from the sale of waste rock as part of the rehabilitation process. Before gold mining and heap-leach ore treatment commenced at Nagambie in 1990, the site was a quarry supplying the local region. As a result of those operations, which ran until 1997, around 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. The most recent sales, during the 2007/2008 year, were of uncrushed rock to an earthmoving contractor at \$2 per tonne uncrushed on an "as is, where is" basis.

Particularly significant for future rock sales, VicRoads is currently carrying out pre-construction planning for the Nagambie bypass, an AusLink National Project. Construction is planned to commence in 2010. The north-south alignment for the bypass, which is approximately 2 km to the east of central Nagambie and approximately 3 km west of MIN 5412, was approved in July 2006 following a lengthy community consultation process. It is understood that 4 to 5 million tonnes of crushed rock may be required to construct the 17.4 km long, four lane, freeway standard road and Panaegis is well placed to supply the majority of the rock from the stockpiles on MIN 5412. Additionally, large quantities of water will also be required during construction and Panaegis has 3 Gigalitres of non-potable water contained in the open pits on MIN 5412 which may be used for road making.

#### **Proposed Name Change to Nagambie Mining Limited**

Nagambie MIN 5412 is now clearly the most valuable asset of the Company and central to its exploration and development aims in central Victoria. With that in mind, the Directors consider that a change of name to Nagambie Mining Limited is appropriate and a resolution to that effect will be put to Shareholders at the Annual General Meeting next month.

#### **International Shareholders**

The Company has determined that it is unreasonable to make offers of New Ordinary Shares to Shareholders who do not have a registered address in Australia or New Zealand (*International Shareholders*). This decision was made having regard to the number of International Shareholders, the number and value of New Ordinary Shares International Shareholders would be offered and the substantial costs of complying with the legal and regulatory requirements of those other jurisdictions.

Accordingly, the Rights Issue will not be offered to International Shareholders and this information is provided to International Shareholders for information purposes only.

I thank all our Shareholders for their continued support and encourage you to support the Rights Issue to enable you to fully participate in the Company's future growth and success.

If you have any questions regarding the Rights Issue, please telephone the Company's Share Registry, Computershare Investor Services Pty Limited, on 1300 727 173 (within Australia) or +61 3 9415 4068 (outside Australia).

Yours faithfully



Mike Trumbull  
Chairman

## Panaegis Gold Mines Limited Non-Renounceable Rights Issue - Information sheet

The following information is provided to Shareholders in accordance with the ASX Listing Rules. Full details of the Offer are contained in the Prospectus which will be sent to Eligible Shareholders on or about 24 October 2008.

If you are an International Shareholder or an Optionholder, you may not apply for New Ordinary Shares under the Rights Issue and this information is provided to you for informational purposes only.

Is security holder approval required?	No.
Is the issue renounceable or non-renounceable?	Non-Renounceable.
Ratio in which the <sup>+</sup> securities will be offered	1 New Ordinary Share for every 3 Shares held at 7.00pm AEDT time on 20 October 2008.
<sup>+</sup> Class of <sup>+</sup> securities issued or to be issued	Ordinary Shares.
Number of <sup>+</sup> securities issued or to be issued (if known) or maximum number which may be issued	31,664,467 Ordinary Shares.
Do the <sup>+</sup> securities rank equally in all respects from the date of allotment with an existing class of securities	Yes.
<sup>+</sup> Record date to determine entitlements	7.00pm AEDT time on 20 October 2008.
Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded up.
Names of countries in which the entity has <sup>+</sup> security holders who will not be sent new issue documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	United Kingdom Singapore
Closing date for receipt of acceptances or renunciations	5.00pm AEDT time on 10 November 2008.
Name of any underwriters	Not applicable.
Amount of any underwriting fee or commission	Not applicable.
Names of any brokers to the issue	Not applicable.
Fee or commission payable to the broker to the issue	Not applicable.
Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable.
Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	24 October 2008.
If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
Despatch date	18 November 2008.