



31 January 2009

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2008

OVERVIEW

- The Company received EPA approval during the quarter which provides for the use of the existing Heap Leach stockpile at the Nagambie Mine in road construction activities. The EPA has also declared that the stockpiled overburden at the Mine can be used as a non-regulated waste product.
- The Federal Government in December announced a priority infrastructure construction programme for Australia which included the Nagambie Bypass. The 17.4 km long freeway standard road, including various overpasses, is now expected to go to tender in the current half year with construction expected to commence before December 2009.
- Following the close of the quarter, VicRoads called for Expressions of Interest to provide 2,000,000 cubic metres of fill material and 500ML of non-potable water for the Nagambie Bypass project. The Company is well placed to provide both of these requirements and has responded to VicRoads accordingly. Significant quantities of rock will also be required as road base material for the Nagambie Bypass construction but the quantities required are not known at this stage.
- Modelling of the recent costeaning results together with all historical drilling results at the Redcastle gold project is continuing in the March quarter in order to prioritise percussion drilling targets.
- At Heathcote South, an exploration program consisting of 33 costeans commenced during the quarter.
- At the Nagambie Mine, a program of infill percussion drilling has been planned to test the various oxide gold targets indicated by recent soil work and past drilling.
- The Company's Rights Issue (1 for 3 at 3.0 cents per share) which closed on 10 November 2008 received total subscriptions of approximately \$401,000, representing a 42.2% take up by Shareholders and Directors.
- Placement of the shortfall of approximately \$549,000 is now being finalised. Following the placement, Nagambie Mining will have total cash of approximately \$1.2 million.

ABOUT NAGAMBIE

Nagambie Mining Limited (formerly Panaegis Gold Mines Limited (ASX Code: NAG) listed on the ASX in 2006 and is an Australian gold company whose principal focus is on the evaluation and development of shallow open cut gold deposits in Victoria.

The company currently holds over 367 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: 108,352,410
Issued: 108,352,410

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OBJECTIVES

The Company's principal objectives for 2009 are to:

- Position Nagambie MIN 5412 as the lowest cost, lowest impact (in terms of required energy inputs) provider of rock and water for the Nagambie Bypass; and
- Commence evaluation drilling of its oxide gold prospects on and within economic trucking distance of Nagambie MIN 5412, targeting a minimum of 100,000 to 200,000 ounces of gold at grades varying between 1 and 2 g/t gold.

NAGAMBIE MINING PROJECTS

The Company currently holds a 100% interest in 14 Exploration Licences (one under application) and 2 Mining Licences in central Victoria, totalling over 376 km². All licences are undergoing comprehensive exploration for gold and associated minerals.

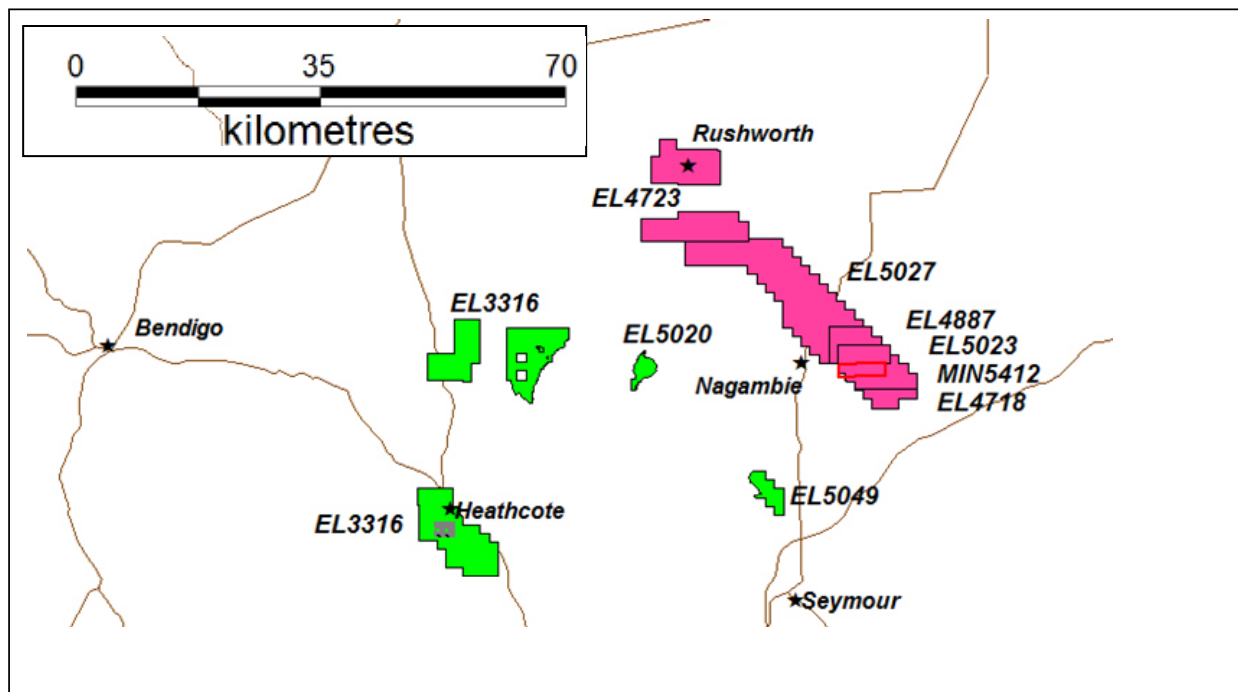
Group Area, Projects and Licences

Group Area	Project Name	Licence Number	Interest %	Holder
EXPLORATION				
<i>Nagambie</i>	Avenel	EL 4887	100	Nagambie
	Nagambie South	EL 4718	100	Sierra
	Nagambie	EL 5023	100	Sierra
	Nagambie North	EL 5027	100	Sierra
	Rushworth	EL 4723	100	Sierra
<i>Redcastle - Heathcote</i>	Redcastle	EL 3316	100	Nagambie
	Mitchellstown	EL 5049	100	Nagambie
	Graytown	EL 5020	100	Nagambie
<i>Taradale</i>	Taradale	EL 4527	100	Nagambie
<i>Other</i>	Howqua	ELA 5189	100	Nagambie
DEVELOPMENT				
<i>Nagambie</i>	Nagambie	MIN 5412	100	Nagambie
<i>Howqua</i>	Howqua	MIN 5420	100	Nagambie

Nagambie - owned by Nagambie Mining Limited.
 Sierra - owned by Sierra Minerals Limited, a wholly owned subsidiary of Nagambie Mining Limited.



Project Location Map



DEVELOPMENT GROUP AREAS

1. NAGAMBIE MIN 5412

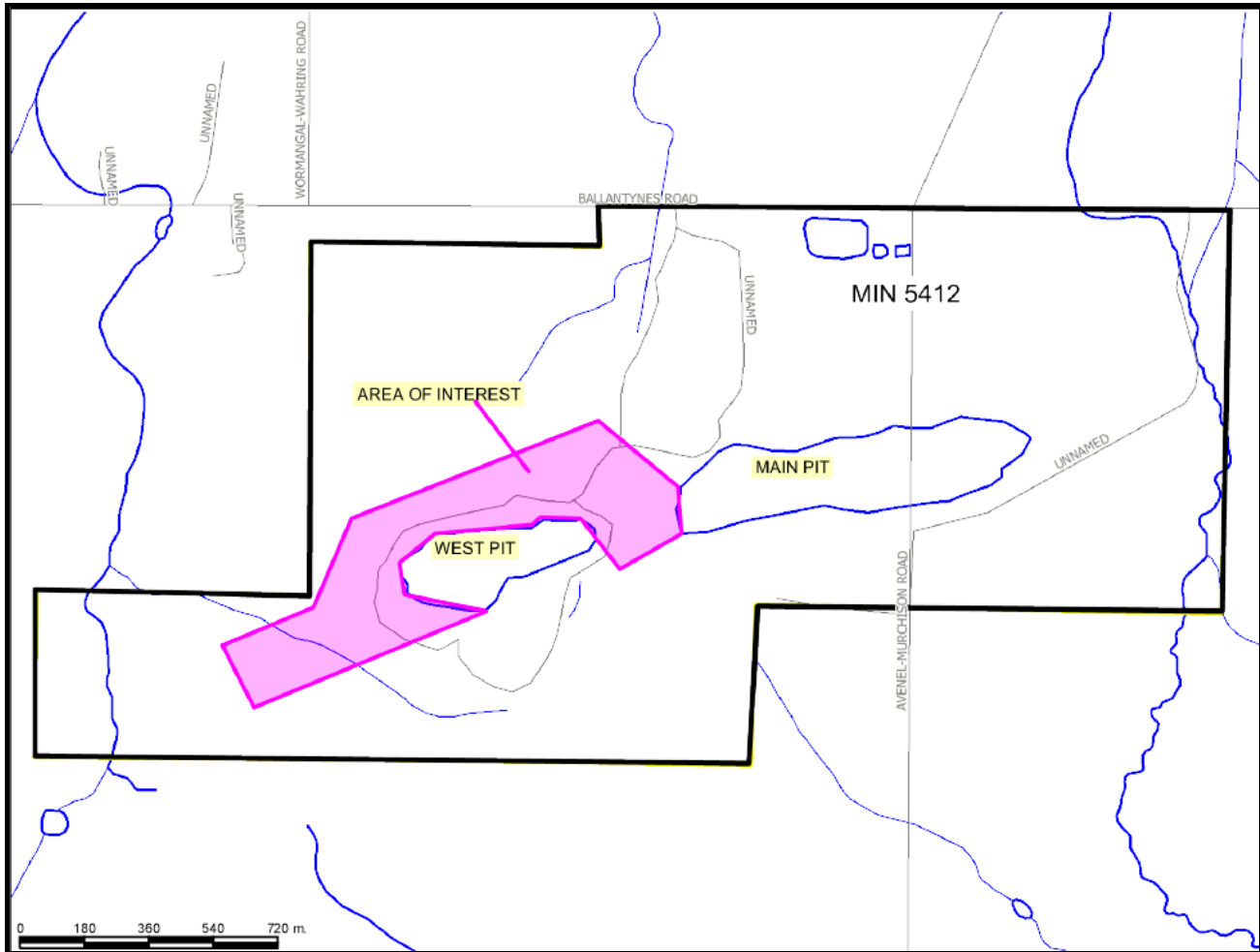
Since obtaining the 100% interest in MIN 5412 and the associated freehold land in the September quarter, the Company has been assessing the potential of the area for additional oxide gold mineralisation. The Company is also investigating the rehabilitation of the site which involves the sale of substantial quantities of waste rock and treated crushed and uncrushed rock which remain on the site in four stockpiles as a result of the previous mining.

1.1 MIN 5412 Additional Oxide Gold Mineralisation

As reported last quarter, resource evaluation work has identified potential oxide mineralisation between the West and East Pits and to the north and west of the West Pit. Based on the results from the recent A Horizon soil sampling program and analysis of past drilling, an area of interest has been identified for a program of infill percussion drilling. This area of approximately 32 ha is shown in **Figure 1**.



Figure 1: Nagambie MIN 5412 Oxide Potential Area of Interest



1.2 MIN 5412 Rehabilitation and Site Utilisation

There are substantial quantities of waste rock and treated crushed and uncrushed rock remaining on the site in four stockpiles as a result of the mining, part of which have been sold in the past for predominantly local road building purposes. Two of these, the Heap Leach Stockpile (refer **Figure 2**) and the East Dump Stockpile, which have over 4 million cubic metres of material (**Table 1**), would be suitable to supply the estimated 2 million cubic metres of fill required for the future construction works on the Goulburn Valley Highway (Nagambie Bypass) which was announced by VicRoads in “An Expression of Interest” advertisement issued after the close of the quarter.

NAGAMBIE MINE - MIN 5412 - STOCKPILE ESTIMATES

Table 1

Stockpile	Area m ²	Volume m ³	Tonnes	Comments
Heap Leach	176,000	3,100,000	1,820,000	Uncrushed Rock
			5,000,000	Crushed Rock (~ 14 mm Top Size)
East Dump	80,500	1,000,000	2,200,000	Uncrushed Rock
Total		4,100,000	9,020,000	

Note: Density used is 2.20 g/cm³



Figure 2: Nagambie MIN 5412 Heap Leach Stockpile (as at December 2008)



The Company believes the material from the Heap Leach Stockpile (as shown in the accompanying photo) is quite suitable for fill. During the quarter, the Company sought and received EPA approval for the supply of mine tailings, sand or waste rock from the Heap Leach Stockpile as regulated waste products, which will allow for the use of this material in road construction activities.

The EPA has declared that the overburden in the East Dump Stockpile is not considered to be mine tailings, sand or rock and thus can be used as a non-regulated waste product.

Vicroads also called for expressions of Interest in respect of the provision of 500ML of non-potable water required for the Nagambie Bypass construction.

The West Pit (the smaller of the two pits) is estimated to contain over 1,500ML of water which could be used for this purpose.

Thus the company is well placed to provide a total package for the project.





2. HOWQUA MIN 5420

No significant work was carried out at Howqua during the quarter.

EXPLORATION GROUP AREAS

1. REDCASTLE – HEATHCOTE GROUP

Redcastle	EL 3316
Graytown	EL 5020
Mitchellstown	EL 5049

Area: 129 km² Identified Prospects: 28

1.1 REDCASTLE PROJECT EL 3316

This project consists of 33 km² in the north-central part of the amalgamated EL 3316 and covers the old Redcastle Goldfield. The Company is in the process of collating the results from the recent costeaning program with previous data, including past drilling results, to create a predictive mineralisation model of this goldfield.

Costean work completed during the quarter tested twelve prospects in five reef lines which had been identified from previous work. Encouraging results from nine of these prospects were reported in the last quarterly report and Nagambie Mining is encouraged by the significant zones of mineralisation within sandstone-shale packages, in many instances with little or minor amounts of quartz veining. The figure below indicates part of the zone in the Native Gully 2 costean that averaged 1.2 g/t gold over a 20 metre interval.



Figure 3: Native Gully No 2 Costean

Experience of the Company’s geologists in other central Victorian goldfields suggest that low surface grades at Redcastle may reflect supergene gold depletion at surface, and higher gold grades can be expected within a few metres below surface in the oxidised zone.



Once all the results are in, collated and modelled, a follow-up evaluation drilling program will be planned in the March quarter. Nagambie will be targeting oxide mineralisation averaging 1 to 2 g/t gold suitable for heap leach treatment at Nagambie MIN 5412.

1.2 HEATHCOTE SOUTH PROJECT EL 3316

This project consists of 53 km² in the southern part of EL 3316. Twenty two prospects in seven reef trends have been identified in two main fields, Butlers & Argyle, in the old Heathcote Goldfield. Thirty three costeans over selected areas (listed below) were completed between November and January.

HEATHCOTE SOUTH PROJECT - BUTLERS LINE			Table 2
Reef Trend	Prospect	* Mine Grades g/t	Costeans
<i>Bradleys</i>	Merles N		2
	Merles		4
	Lucky Lady		6
Queens	British Queen	11.7	3
	Millers		5
	Millers South		5
	Ellis Track		2
	Possum Gully		4
			31
HEATHCOTE SOUTH PROJECT - ARGYLE LINE			
Reef Trend	Prospect	* Mine Grades g/t	Costeans
<i>Argyle</i>	William Tell	15.6	2
* Known Production			2

Figure 4 below shows quartz reef development in Merles Costean No 4. No assay results are available as yet from this area.



Quartz Reef

Figure 4: Merles Reef No 4 Costean and Reef Development



1.3 HEATHCOTE NORTH PROJECT EL 3316

This project consists of 27 km² in the northern part of EL 3316 with four identified prospects . No significant work was carried out on the licence during the quarter and the area’s prospectivity is being re-evaluated.

1.4 GRAYTOWN EL 5020 and MITCHELLSTOWN PROJECTS EL 5049

Compilation this quarter of historical information on the old mine workings and past exploration efforts, together with in-house studies of the geology and regional structural controls, is allowing the development of a definitive structural and mineralisation models to guide further exploration.

2. NAGAMBIE GROUP

Nagambie West	EL 5027
Nagambie	EL 5023
Avenel	EL 4887
Nagambie South	EL 4718
Rushworth	EL 4723

Area: 222 km² Identified Prospects: 21

2.1 NAGAMBIE PROJECT ELs 5027, 5023 and 4887

This area of 154 km² has been subject to further geochemical (A horizon soil sampling) work during the quarter on a 400m x 100m grid to define the shape of the geochemical anomaly to the north of the Nagambie Mine. Delay in land access due to agricultural work on some of the area has resulted in the completion of sample collection being postponed until the March quarter.

2.2 RUSHWORTH PROJECT EL 4723

This project of 68 km² covers Rushworth North and Rushworth South (Whroo). Mapping, drilling, soil and rock chip sampling by previous explorers within the licence area were compiled into electronic format. This will enable all past results to be incorporated easily and automatically into future work programs.

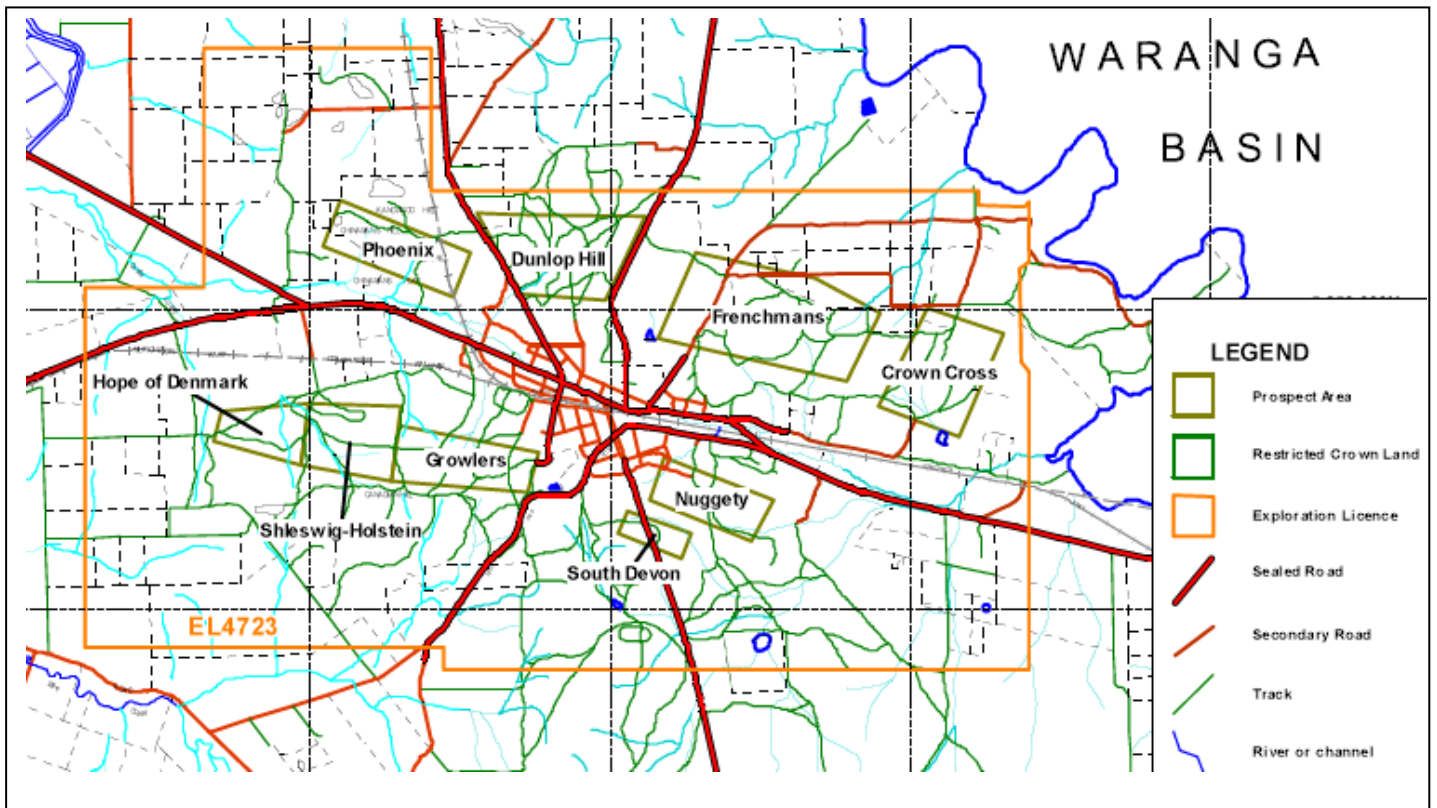
Future work programmes for EL 4723 will begin with the completion of field validation of this work. Mineralisation modelling of surface geology, drillhole information and geochemical results will then be undertaken.

Work to date on Rushworth has allowed Nagambie Mining to increase the number of prospects within the Project area from six to twenty one.

In Rushworth North, nine prospective areas were identified (Refer **Figure 5**) with Phoenix, Crown Cross and Frenchmans having the most promise.

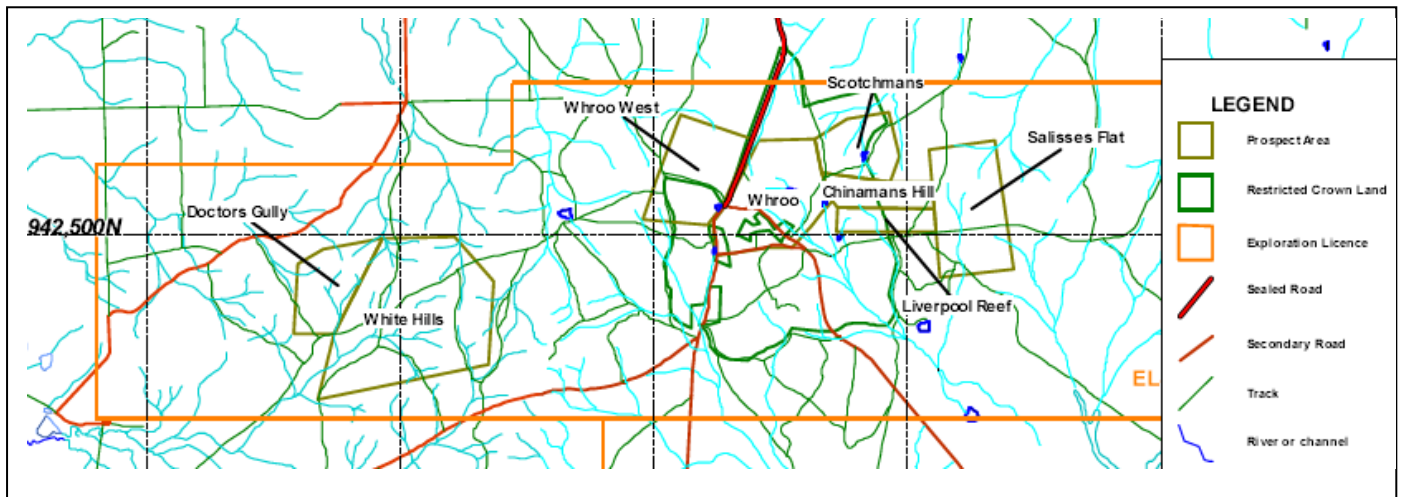


Figure 5: EL 4723 – Rushworth North Prospects



In Rushworth South, six prospective areas (refer Figure 6) were identified with Doctors Gully having the most promise.

Figure 6: EL 4723 – Rushworth South Prospects



Drill targets that are generated from follow up work on these prospects will lead to a percussion drilling programme during 2009.

**3. TARADALE GROUP**

Taradale EL 4527
Area: 7 km² Identified Prospects: 4

Tenements were amalgamated during the quarter, with EL 4527 being the continuing licence. No significant work was carried out on the licence during the quarter and the area's prospectivity is being re-evaluated.

4. OTHER TENEMENTS

Howqua ELA 5189 (previously EL 3424)
Area: 2 km² Identified Prospects: 3

No significant work was carried out on the licence during the quarter.

TENEMENT CHANGES

EL 4994	Piggoreet was surrendered during the quarter.
EL 4527, 4895 and 5151	All tenements at Taradale were amalgamated during the quarter with EL 4527 being the continuing tenement.
MIN 5412	Was reduced in size during the quarter.

**CORPORATE****RIGHTS ISSUE**

On 10 October 2008, the Company announced a non-renounceable, non-underwritten Rights Issue under which Eligible Shareholders were given the opportunity to subscribe for 1 New Ordinary Share for every 3 Shares held at \$0.03 per New Ordinary Share.

By the closing date of 10 November 2008, acceptances had been received for a total of 13,359,010 New Ordinary Shares, raising a total of approximately \$401,000. The take up by Shareholders and Directors of 42.2% was a significant vote of confidence for Nagambie Mining's future given the depressed state of the equity markets due to the global financial crisis.

Placement of the full shortfall under the Rights Issue, approximately \$549,000, is now being finalised by the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting of the company was held on 25 November 2008 and the following resolutions were passed:

RESOLUTION 1: RE-ELECTION OF MR MICHAEL W TRUMBULL AS A DIRECTOR

RESOLUTION 2: ISSUE OF OPTIONS TO DIRECTORS

1,000,000 options to Mr Michael Trumbull;

1,000,000 options to Mr Geoff Turner; and

2,000,000 options to Mr Colin Glazebrook

All of the Options:

- (a) have an exercise price of 10 cents per Option;
- (b) vest on 2 December 2010;
- (c) are exercisable between 2 December 2010 and 2 December 2013; and
- (d) are not transferable.

RESOLUTION 3: ADOPTION OF REMUNERATION REPORT

RESOLUTION 4: CHANGE OF COMPANY NAME:

In respect of Resolution 4, the Company name was changed from Panaegis Gold Mines Limited to Nagambie Mining Limited on 26 November 2008.

CASH POSITION

At 31 December 2008, total cash held by the company was \$0.736 million. Following finalisation of the placement of the shortfall from the Rights Issue, the Company will have total cash of approximately \$1.2 million.

EXPENDITURE ON EXPLORATION AND ADMINISTRATION

Total expenditure on exploration and administration for the December 2008 quarter was \$0.355 million.

**WEBSITE**

The new website for Nagambie Mining is www.nagambiemining.com.au so we would ask all shareholders to change their "Favorites" to this address. The old website www.panaegis.com.au will transfer users to the new website for a limited period.

ASX ANNOUNCEMENTS

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

29/12/2008	Ceasing to be a Substantial Holder from BCD
28/11/2008	Change of Company Name and ASX Code
25/11/2008	Change in Substantial Holding
25/11/2008	Results of Annual General Meeting
25/11/2008	Chairman`s Address
20/11/2008	Change in Substantial Holding
19/11/2008	Change of Director`s Interest Notices
19/11/2008	Change in Substantial Holding
18/11/2008	Dispatch of Transaction Confirmation Statements
13/11/2008	Shortfall under Rights Issue
31/10/2008	Quarterly Cashflow Report
31/10/2008	Quarterly Activities Report
24/10/2008	Dispatch of Rights Issue Prospectus
24/10/2008	Annual Report to Shareholders
21/10/2008	Notice of Annual General Meeting/Proxy Form
13/10/2008	Letter to Shareholders
10/10/2008	Non-renounceable Rights Issue
10/10/2008	Disclosure Document
09/10/2008	Investor Update

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

Alfonso M G Grillo

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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 Nagambie Mining 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. Mr 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'.