



PANAEGIS

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163
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ASX CODE: PAU

About Panaegis

Panaegis is a Victorian-based gold exploration company that listed on ASX on 23 June 2006 and is focussed on the evaluation and development of finely disseminated, sediment hosted gold in Victoria.

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Website:

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Shares on Issue

Issued: 70,062,500
Restricted: 21,672,500
Quoted: 48,390,000

Directors

John W Cornelius
(Non-Executive Chairman)

Ian D Buckingham
(Managing Director &
Chief Executive Officer)

Andrew R Ristrom
(Non-Executive Director)

Peter I Rudd
(Non-Executive Director)

Michael W Trumbull
(Director - Mining)

Alfonso M G Grillo
(Company Secretary)

Share Registry:

Computershare Investor
Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Toll Free: 1300 850 505

QUARTERLY REPORT

Report on activities for the Quarter ending 30 June 2006

HIGHLIGHTS:

- Raised \$6 million and listed on ASX on 23 June 2006
- Commenced drilling at Nagambie Gold Mine on 11 July 2006
- Drilling rig obtained for Taradale Project to commence September 2006

Nagambie Regional Projects

The Nagambie regional tenements include EL 4718, MIN 5412 (Nagambie Gold Mine) and EL 4887, see attached Figure 1. Panaegis owns 100% interests in EL 4718 and EL 4887 and will earn a 51% interest in MIN 5412 by the expenditure of \$0.9 million in exploration by 30 June 2007. When Panaegis earns its interest then the three licences will each be held Panaegis 51% and Perseverance 49%, with Panaegis' acting as manager of the Joint Venture.

▪ *Nagambie Gold Mine [MIN 5412]*

Recent work undertaken by Panaegis indicates that the main structures that host the mineralisation in the Nagambie area are major regional structures that persist along strike. The past mining and exploration conducted by Perseverance Mining Pty Ltd was in the main, limited to the oxide zone of the ore bodies at the Nagambie Gold Mine and did not test the structure in any detail at depth nor the potential for along strike components. Panaegis' program is designed to do this with an initial program of Reverse Circulation (RC) and Diamond Drilling.

The previous drilling is largely limited to shallow RC holes to prove the oxide resource, which has since been mined. These holes have been used to infer the presence of a series of mineralised north dipping fault zones (Nagambie Fault). To better understand this structure, 35 RC and diamond holes are planned to intersect the Nagambie Fault beneath the base of complete oxidation (approximately 50m). The total RC drilling should total approximately 5,000m and the diamond drilling 3,000m.

Anderson Drilling of Orange, NSW was contracted to undertake the drilling program. They commenced drilling 11 July 2006. The drilling program will continue until it's satisfactorily completed and is envisioned to take approximately four months.

▪ *Nagambie South [EL 4718] & Avenel [EL 4887]*

No fieldwork was carried out in these tenements during the period although further interpretation of existing data was undertaken as part of planning for a new ground reconnaissance survey later in this calendar year.

Rushworth [EL 4723]

Stream sediment samples (198) were submitted for assay on June 26 2006, for base metal determinations. No results have been received. Planning to re-establish the regional baselines for follow-up soil sampling, in areas of interest has commenced as has further ground reconnaissance and rock chip sampling in areas of interest.

Taradale [ELs 4527, 4890, 4894, 4895]

Rock assays (18) were collected from various parts of the tenement during May 2006. Various samples yielded anomalous results of 0.1 to 0.5 ppm Au. Angular quartz from the London and Melbourne alluvial mine assayed 0.72 ppm Au and tailings assayed 0.32 ppm Au. A mullock grab sample from a small shaft, 250m SW of London & Melbourne assayed 0.10 ppm Au.

A drilling rig has been retained and will commence drilling a planned fifteen hole program in early September 2006.

Redcastle [ELs 3316 & 4594]

Areas with anomalous trenching results were dump sampled along strike from the trenches that were completed some months previously. The sampling was designed to establish the extent of anomalism in these areas and their likely tenor. Dump samples (69) have been sent for assay.

A submission was completed and submitted to Parks Victoria and to Department of Primary Industries seeking approval to undertake exploration drilling at the Staffordshire Flat prospect. Dependent on the timing of approvals it is currently planned to commence drilling during the December quarter of 2006.

Howqua [EL 3424 & MIN 5420]

The soil sampling at the Horse Creek Prospect established a polymetallic zone of anomalism on strike to an electro-magnetic (EM) anomaly that had been identified by earlier explorers. The best sample, **sample 736915** yielded:

Gold	Copper	Zinc	Arsenic	Molybdenum	Stibnite
21ppb	200 ppm	145 ppm	100 ppm	4.9 ppm	6 ppm

Anomalism is associated with a zone of silicified dolerite and chert. The soil survey is incomplete and further sampling is required, particularly toward and covering the EM anomaly. The sampling covered an area of 250m on strike by 160m wide. A VHMS comparative review of these results is yet to be done.

A low impact geochemical survey program has been proposed to cover the Great Rand corridor to the extents of the tenement. This program will now also follow up of the Horse Creek sample results.

Castlemaine West [EL 4722]

Further stream sediment sampling is being carried out for base metals and Au checks. These samples are from various areas and will aid in the definition of high priority areas.

A reconnaissance survey of the Green Gully and the Maldon areas resulted in the collection of a further 11 stream sediments (Green Gully) and 18 rock chips (Maldon). At Green Gully, a set of small open cuts along a broad stockwork zone coincides with the area of stream sediment anomalism. Soil samples are required to tie down the Au/As/Sb anomalous area.

Detailed stream sediment sampling in larger catchment areas that lack detailed data is planned prior to proceeding with soil sampling traverses in anomalous Au/As/Sb/Ag catchments.

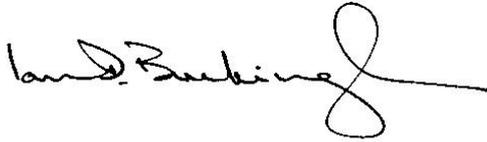
In the northern part of the tenement, a large area of old battery tailings occurs within the flood plain of the main creek. No assessment of this deposit has been carried out, but it remains a significant potential asset. Sampling of other tailings deposits in the northern part of the tenement is also being undertaken.

In the Yandoit area a rock chip database has been completed and interpretation of the information is proceeding. A review of this area has highlighted several areas worthy of further stream sediment sampling.

Wedderburn West [EL 4721]

A review of the previous stream sediment sampling program was carried out to better define the anomalous areas highlighted. Two significant areas of broad base metal (Au, As, Mo, Pb, Sb) and gold anomalism have been identified and further assays have been undertaken to confirm these areas of interest.

In the Stuart Mill area a stream sediment sampling program is planned as a follow up to a 2.6km² anomalous area identified previously.



IAN D BUCKINGHAM
Managing Director/CEO

27 July 2006

For further information please contact Ian Buckingham on 03 9696 9791 or 0417-335.462

Electronic copies of this report are available on www.panaegis.com.au.
To be notified by email of future releases, please subscribe at Email: info@panaegis.com.au

Note:

Within this statement references to Resources and exploration results have been compiled and approved for release by Mr N Motton BSc(Hons), a Member of the Australian Institute of Geoscientists who has a minimum of five years in the estimation, assessment and evaluation of minerals resources and reserves. Neil Motton has considerable experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" the JORC Code (2004). Neil Motton has consented to the inclusion of the material in the form and context in which it appears.

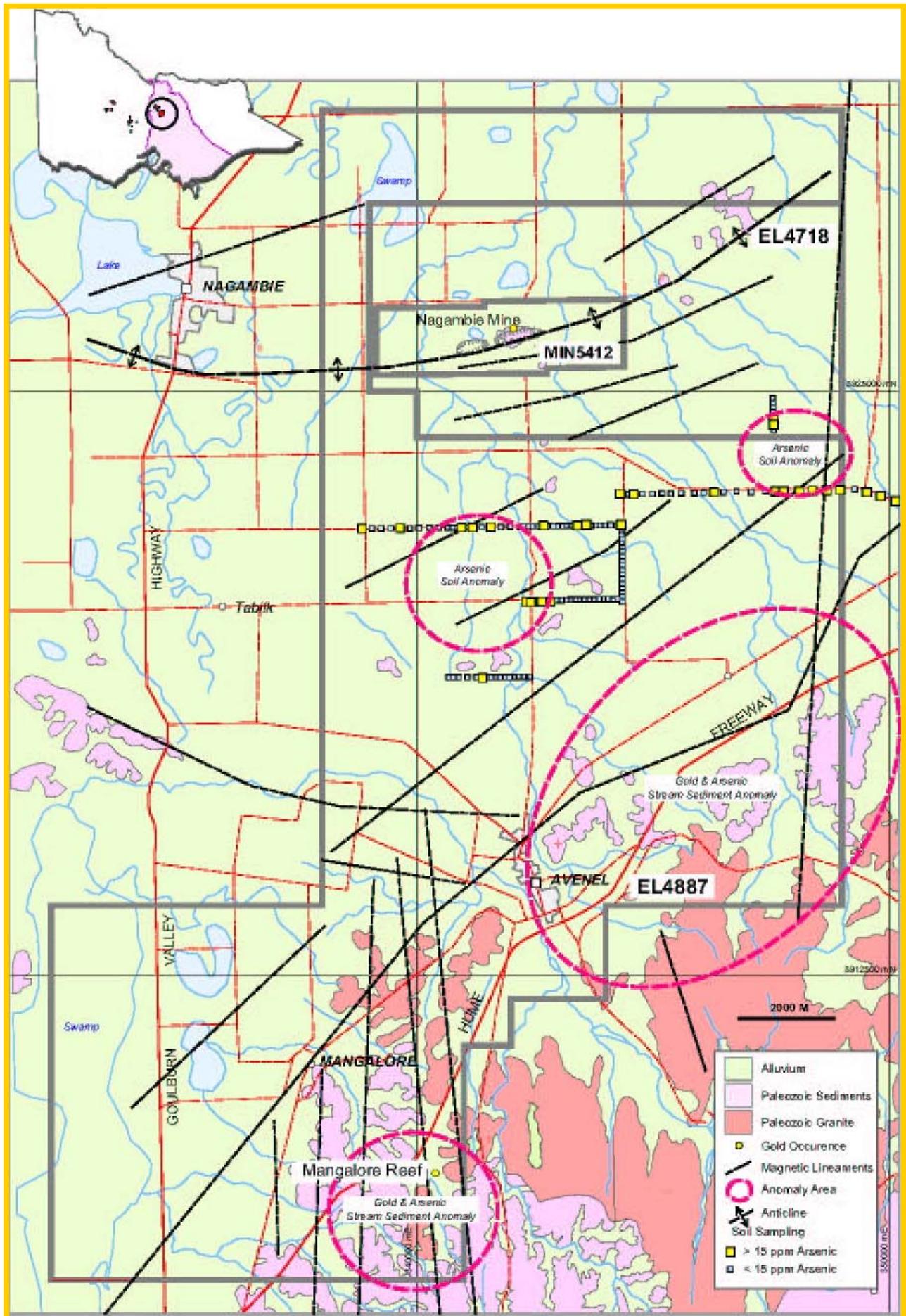


Figure 1: Nagambie Regional tenements (MIN 5412, EL 4718 & EL 4887)

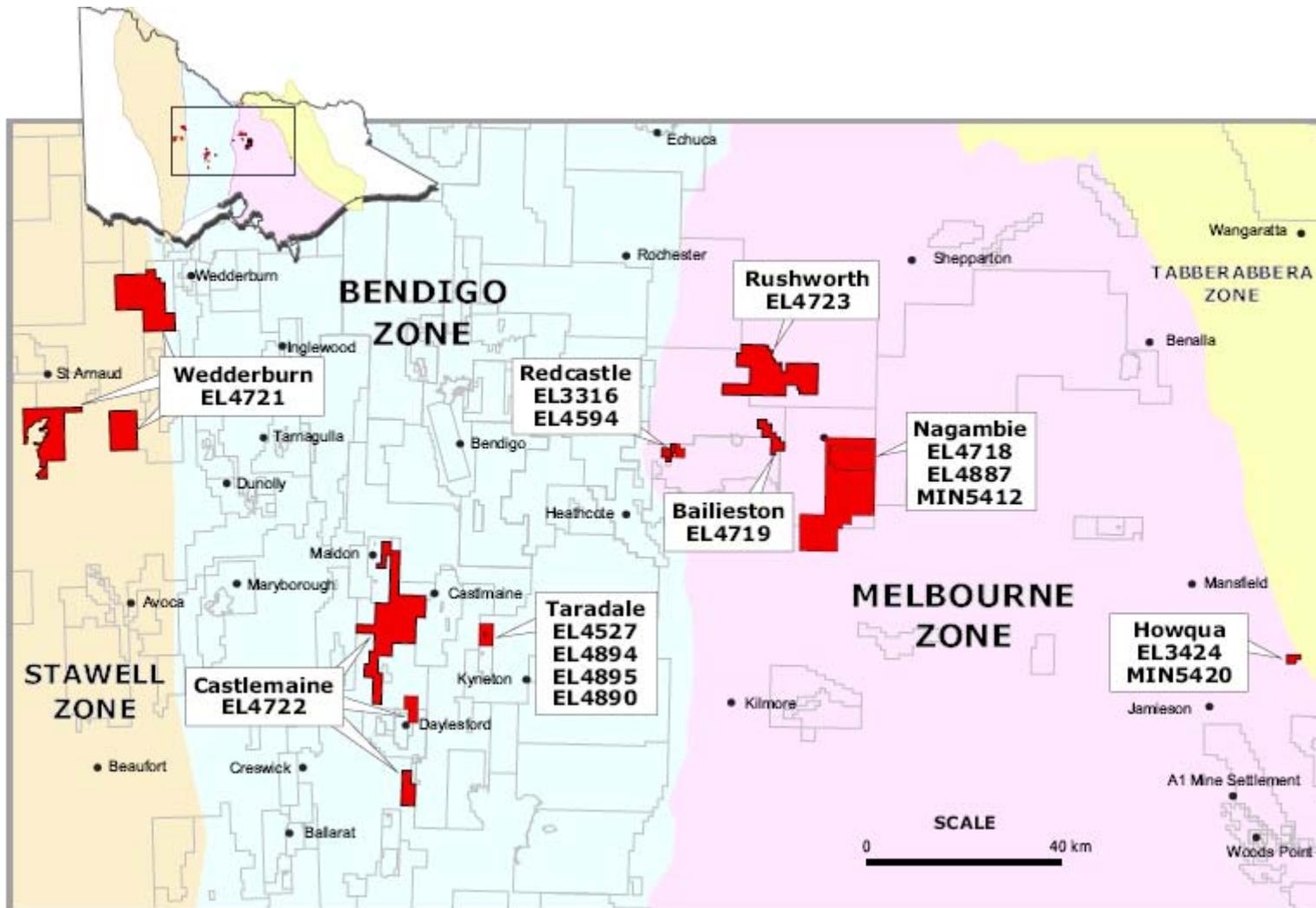


Figure 2: Panaegis Gold Mines Limited tenements

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PANAEGIS GOLD MINES LIMITED

ABN

42 111 587 163

Quarter ended ("current quarter")

June 30, 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.....months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(120)	(743)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	36
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(260)	(1,377)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(295)	(295)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	(3)	(12)
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(298)	(307)
1.13 Total operating and investing cash flows (carried forward)	(558)	(1,684)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(558)	(1,684)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	5,335	5,753
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	5,335	5,753
	Net increase (decrease) in cash held	4,777	4,069
1.20	Cash at beginning of quarter/year to date	102	810
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,879	4,879

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	191
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	945
4.2	Development	
Total		945

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	879	102
5.2	Deposits at call	4,000	
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		4,879	102

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

Appendix 5B
Mining exploration entity quarterly report

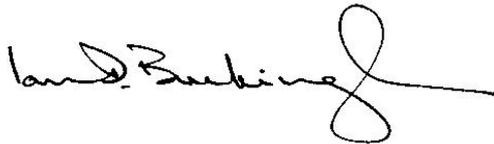
Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	70,062,500	48,390,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	30,000,000	48,390,000 (these shares were admitted to quotation during the quarter)		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	6,137,000 1,000,000 1,500,000		<i>Exercise price</i> 20 cents 35 cents 50 cents	<i>Expiry date</i> 30/06/2008 31/12/2007 30/06/2009
7.8 Issued during quarter	6,137,000		20 cents	30/06/2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



IAN D BUCKINGHAM
Managing Director/CEO

27 July 2006

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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