



PANAEGIS

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ASX CODE: PAU

About Panaegis

Panaegis is focussed on the evaluation and development of disseminated gold deposits in Victoria, particularly at Nagambie (oxide gold and antimony) and Heathcote (oxide gold and base metals).

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Shares on Issue

Quoted: 84,827,500
Restricted: 7,735,000
Issued: 92,562,500

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
(Non-Executive Director)

Alfonso M G Grillo
(Company Secretary)

Exploration Manager

Dr John W Cottle

Share Registry:

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

27 July 2007

June 2007 Quarterly Report

HIGHLIGHTS

- **Total of \$2 million raised to underpin focused Victorian exploration and development.**
- **Further Nagambie drilling confirms mineralisation-enhancing structures within the mine area and further afield.**
- **Evaluation of Nagambie heap leach pad re-treatment project to commence.**
- **Regional Nagambie oxide gold prospects outlined at Perry Hills, Racecourse, Wormangle and Northwood.**
- **Heathcote oxide gold and base metals prospects outlined at Black Squall, Hirds, Peter's Gully, Dowds and Silver Spoon.**

CORPORATE

SHARE PLACEMENTS

Placements of 10.5 million shares at 9 cents each (raising \$945,000) to Beaconsfield Gold NL and 12 million shares to Dr Peter J Woodford (\$1,080,000) provides the financial backing necessary to pursue the Company's next focused phase of exploration. Attention will be directed across our tenements, particularly Nagambie and Heathcote, and for initial development work at the Nagambie heap leach re-treatment project.

NAGAMBIE JOINT VENTURE PROJECT (Panaegis 51%, Operator)

Interpretation of results from drilling, mapping and soils geochemistry has enabled Panaegis to identify a previously unrecognised major regional mineralised structural system. The system consists of two fault sets, one trending NE-SW and the other approximately NW-SE. Enhancement in grade and tonnage can develop when these fault sets intersect.

The presence of several of these features in the mine area, as well as regionally, underlines their crucial importance to exploration (and subsequent project development). While exploration will continue to focus on discovering the main mineralised structures, it will also target the cross-cutting enhancements.

Nagambie Gold Mine – MIN5412

As previously reported, Panaegis has completed 26 holes of combined reverse circulation (RC) pre-collars and diamond-cored tails below these collars to the total depth of the holes.

Interpretation of the drilling results has identified and delineated cross-cutting structures with their enhanced tenor and tonnes within the mine (Figure 1). Preferential distribution of mineralisation occurs not only along the NE-SW axial plane of the Nagambie mineralised anticlinal structure, but also along the NW-SE structures.

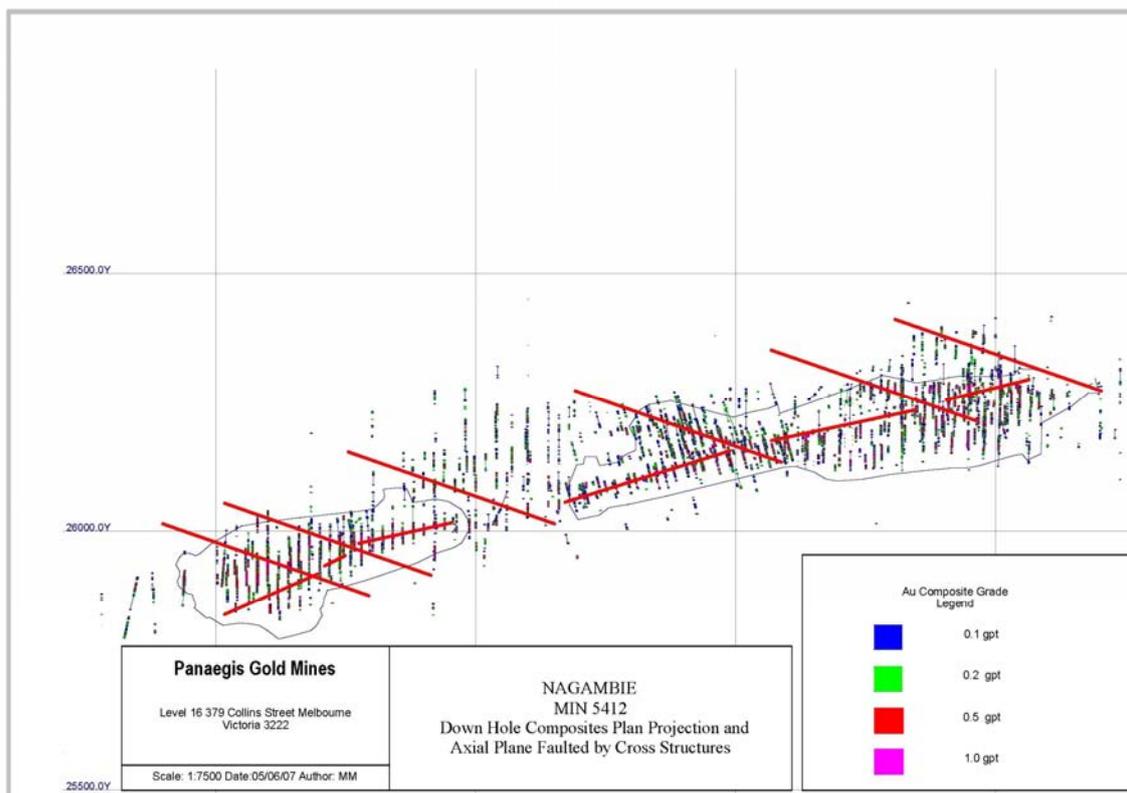


Figure 1: Down hole composites delineating mineralisation influencing cross-structures

A review of over 77,000 blastholes each drilled to a depth of 5 metres by Perseverance during historical production from the East Pit, corroborates the presence and mineralising influence of cross-cutting structures. The NW-SE fault systems occur regularly along the strike of the anticlinal axis. In the West Pit, intersection of the two structures has created a fault wedge bearing gold and massive antimony, thus emphasising the structural interpretation.

Mineralisation Modelling

During the interpretation process composites were plotted and mineralisation bodies interpreted and connected between sections.

Calculations for various cutoff grade shells have been undertaken which provide useful qualitative insights as to the general grade/tonnage relationship(s) that might be expected.

Further Drilling

Given our new understanding of the structure systems at the mine, it is now apparent that the spacing and depth of drilling needs to be re-considered. A second round of closer spaced, in-fill drilling and deeper drilling into the cross-cutting structure junctions is proposed.

Plans for further drilling along strike from the mine are also being developed as part of this in-fill and deeper drilling is proposed.

NAGAMBIE DEVELOPMENT PROJECTS

Panaegis has identified a four stage production process for the project area.

Stage 1. Near Term: Re-treatment of the Nagambie heap leach pad (targeting 50,000 ounces of gold)

A quantity surveyor has been engaged to calculate heap volume and prepare the drill sampling grid layout. A drilling contractor (the Boart Longyear subsidiary, Sonic Drilling) is scheduled to commence on 6 August 2007. Results from this work will provide representative samples for assay and metallurgical test work and preliminary extraction design.

With a six month period to final feasibility (31 December 2007), first production is targeted towards the end of the March quarter 2008.

Stage 2: Short term: In-situ Oxide Resources (targeting 80,000+ ounces of gold)

Much of the political infrastructure (permitting, Mining Licence approval), resource asset character (mineralisation occurrence, form and habit), and mining and metallurgical requirements (mining methods and extractive processing techniques), have been dealt with in the past. Updating, extension and modernisation of existing facilities is now required.

Stage 3: Mid term: Nagambie Sulphide Resources (targeting 200,000+ ounces of gold), and

This stage will require further asset review and identification, including mining, metallurgical and capital development.

Stage 4: Longer term: Nagambie region multiple 'satellite' resources (targeting up to 800,000+ ounces of gold in proximate deposits).

This stage is in progress and will be evolved concurrently with the other stages.

EXPLORATION TARGETS

Nagambie Regional

The major regional NW structural system identified at the Nagambie mine is also interpreted as the focus of the regional soil anomalies. With coincident anomalous corridors, gentle regional highs, and supporting geophysical interpretations there is significant encouragement for repetitions of the Nagambie mine system below the alluvial cover of the area.

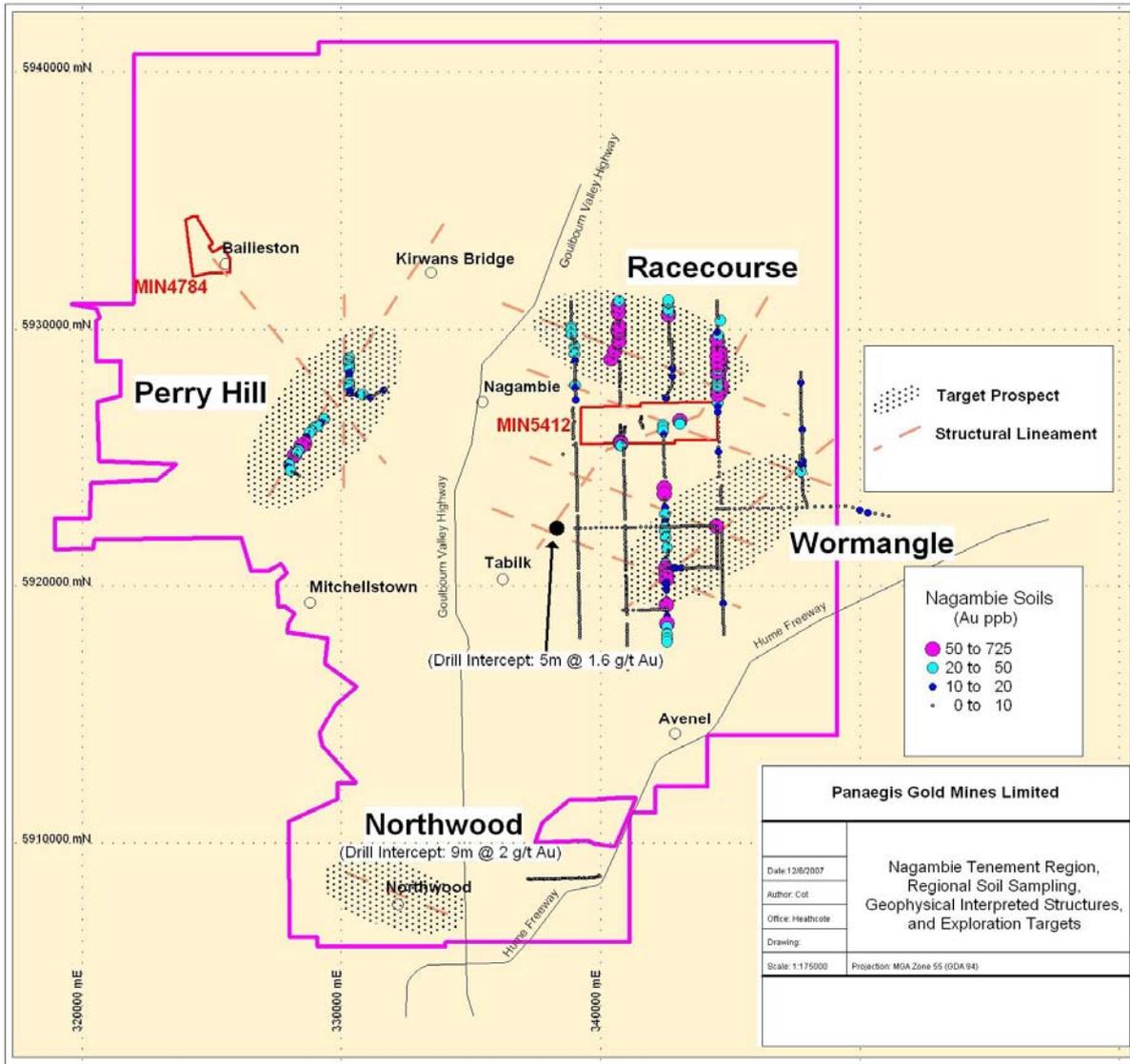


Figure 2: Nagambie regional exploration targets

1. The **Perry Hill** prospect is located at the junction of regional thrust faults and a NE-SW anticlinal structure.
2. The **Racecourse** prospect is also on a regional anticlinal structure that is intersected by geophysically interpreted NW-SE cross structures. Coincident soil anomalism indicates a 'Nagambie Model' setting.
3. The **Wormangle** prospect is an interpreted regional anticlinal structure with coincident soil anomalism (over 10 km of strike) and interpreted geophysical cross-structures, again suggesting a 'Nagambie model' setting.

4. The **Northwood Hills** prospect forms part of the Bailieston–Puckapunyal anticlinal structure. Drilling by Perseverance in the late 1980’s returned intersections of 9m @ 2.0 g/t gold, 6m @ 1.3 g/t gold, and 8m @ 1.1 g/t gold. Ground geophysics has delineated the structure over a strike length of 3 km.

HEATHCOTE REGION TARGETS (PANAEGIS 100%)

Heathcote tenement EL4941 encompasses 30 km of strike along the Mt William Fault, a major regional thrust zone that contains significant intersecting cross structures. Associated gold and base metal anomalies are evidenced by numerous historic mines and workings and underly the Heathcote, Redcastle and Costerfield goldfields. Current mapping and interpretation suggests that significant resources still exist in these areas.

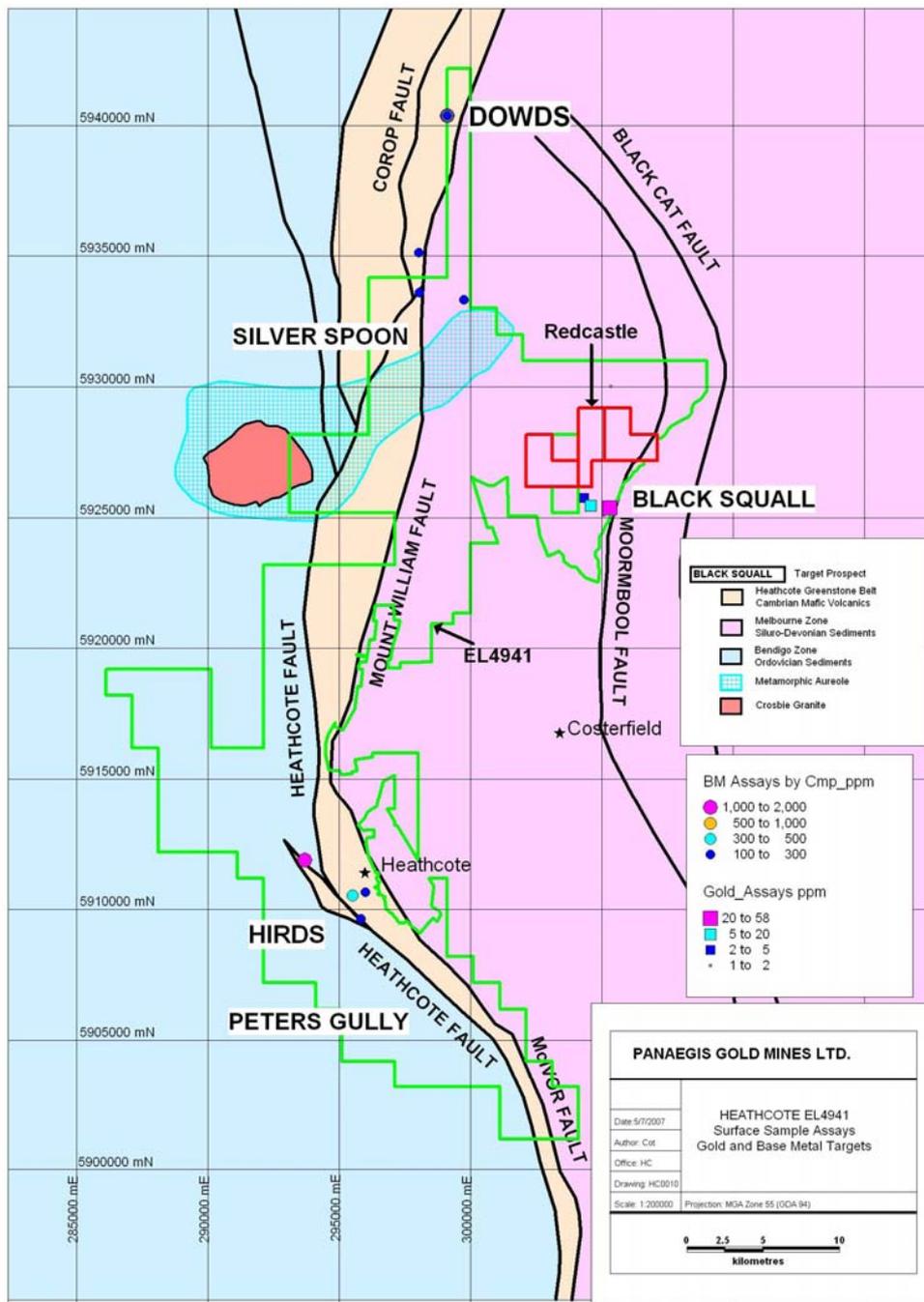


Figure 3: Heathcote region exploration targets

1. The **Black Squall** prospect contains sub-parallel lines of mineralised shears which extend into the adjacent Redcastle tenements of Panaegis. Soil testing indicates the continuity of these lines, and rock chip sampling of vein material returned assays up to 57 g/t gold. Rock chips from the Chapman and Babbages vein (10 to 100 mm thick) returned repeated assays of between 180 and 210 g/t gold. Throughout this area, mineralised shears appear associated with fold hinges, regional joints, and secondary cross structures that are linked to regional fault systems.
2. **Hirds** mine: This ceased operations in the late 1990's and was associated with the intersection of a local thrust fault and the Heathcote fault zone. Exploration is targeted to identify and drill major cross structure intersections within the main regional fault zones to intercept high grade zones.
3. **Peters Gully** mine: This was worked gold mineralisation associated with the Heathcote fault zone where Devonian granodiorite intrudes the Cambrian volcanics. Old reports mention lode widths consistently in excess of 1m and up to 10 m. Again, exploration will target and drill major cross structure intersections to intercept high grade zones of gold mineralisation.
4. **Dowds** prospect: Located on the Mt William Fault where anomalous silver, gold, nickel and lead geochemistry is associated with quartz veins. Similar mineralisation occurs at the Silver Spoon prospect (also on the Mt William Fault) some 15 km to the south. Between these two prospects, a 5m wide copper soil anomaly exists along the fault line on the east flank of Mt Camel. At Dowds, historic rotary air blast and percussion drilling returned peak assays of 42 g/t silver, 0.3 g/t gold, 0.19% lead and 0.15% nickel. Shallow diamond drilling samples included 380 g/t silver, 4.2 g/t gold and 0.7% lead. Diamond drilling is planned to intersect the line of mineralisation below the oxidised zone.
5. **Silver Spoon** prospect: This occurs on the Mt William Fault near Mt Camel (see Dowds above) and is the site of silver-lead-gold mineralisation. The host Cambrian volcanics have been intruded by small granitic intrusions that are thought to be part of, or related to, the Crosbie granite which outcrops nearby.

OTHER TENEMENTS

Piggoreet - EL4994 (Panaegis 100%)

The Piggoreet project covers an area of 2 km² and is located approximately 35 kilometres southwest of Ballarat, near the township of Scarsdale. Gold returns have been received for all 6 initial drill holes and the results are being evaluated.

NEW APPLICATION (EL5080) NAGAMBIE NORTH

The application area covers an area of 227 sq km to the North of Panaegis' Nagambie joint venture project area and includes areas of known gold mineralisation although these have never been exploited. Panaegis believes that there are opportunities within the tenement to develop near-surface, large-tonnage, low-grade open cut operations.

EXPLORATION OPPORTUNITIES:

Panaegis continues to review external exploration opportunities for both gold and base metals elsewhere within Australia and overseas.

Panaegis' current tenements and application position is shown below.

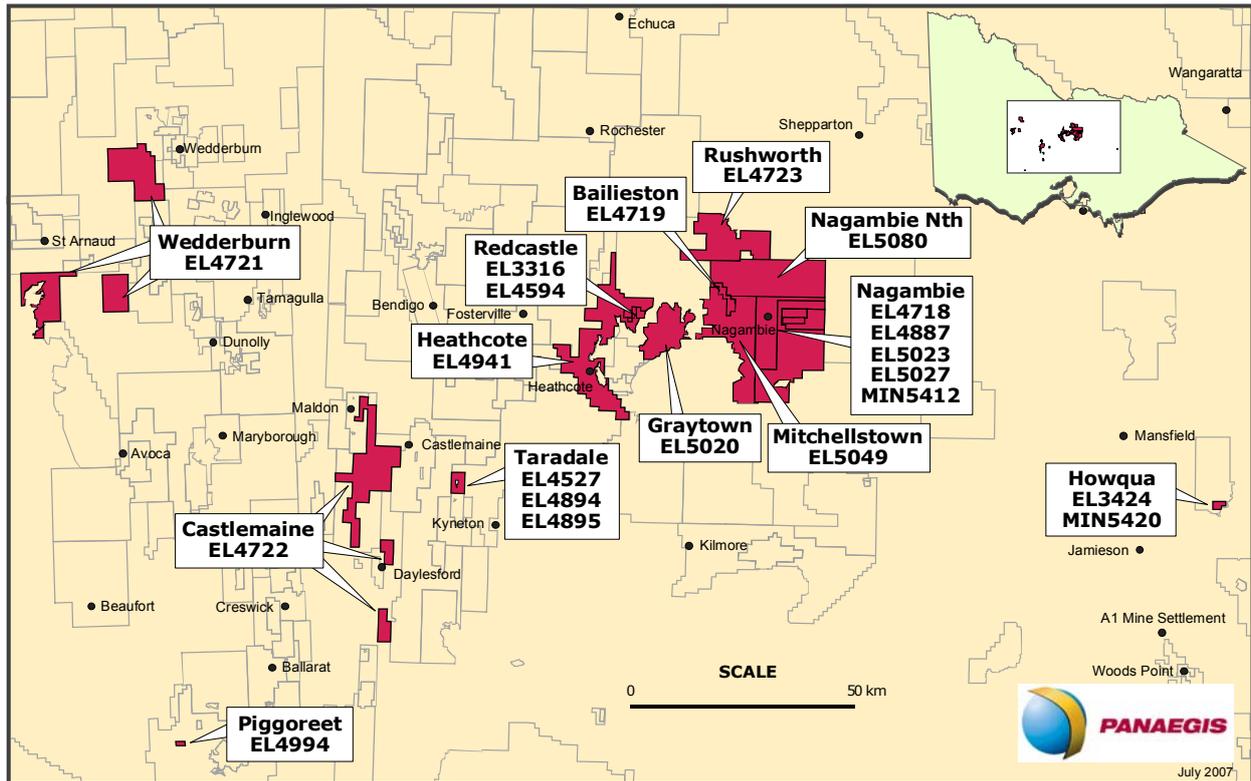


Figure 4: Current Panaegis tenements and new application areas.

IAN D BUCKINGHAM
Managing Director/CEO

For further information please contact Ian Buckingham on 03 8614 1000

Electronic copies of this report are available on www.panaegis.com.au

Notes: Within this statement references to resources and exploration results have been approved for release by Dr John Cottle PhD FAusIMM, CP(Geology), who is a Competent Person as defined by the JORC Code (2004). He has consented to the inclusion of the material in the form and context in which it appears.