



31 October 2008

## QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2008

### OVERVIEW

- Settlement was completed between Panaegis and Perseverance Mining Pty Ltd, a wholly owned subsidiary of Northgate Minerals Corporation, whereby Panaegis became the 100% holder of the Nagambie mining licence, MIN 5412.
- Following the move to 100% of MIN 5412, Panaegis will, in the light of the very strong A\$ gold price, focus on the potential for further oxide gold mineralisation between, along strike and to the north of the two open pits with a view to recommencing mining and heap leaching operations at the Nagambie Mine.
- The Company will also look to sell over time, as part of the rehabilitation process, the 5 million tonnes of crushed rock and 10 million tonnes of uncrushed rock in surface stockpiles at the Nagambie Mine. Of particular interest to Panaegis, VicRoads is currently carrying out pre-construction planning for the Nagambie Bypass, an AusLink National Project, for which construction is planned to commence in the 2009/2010 year. It is understood that 4 to 5 million tonnes of crushed rock may be needed to construct the 17.4 km long, four-lane, freeway standard Bypass and the Company is clearly well placed to provide the majority of the rock required. Additionally, large quantities of water will be required for the road construction and Panaegis is well placed to provide this water as around 3 gigalitres of non-potable water is contained in the open pits on MIN 5412.
- MIN 5412 is also a very strategic asset for Panaegis in a regional ore treatment sense. The Company has other heap-leachable oxide gold targets within economic trucking distance of MIN 5412 at Redcastle, Heathcote South, Graytown, Rushworth, Whroo and Nagambie North, each having the potential to be developed as deposits with grades averaging 1 to 2 g/t gold.
- At Redcastle, 47 costeans have been excavated and sampled with encouraging results. 56 costeans will shortly be excavated at Heathcote South and a large follow-up soil sampling program is underway 3 km north of the Nagambie Mine.

#### 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 open cut gold deposits in Victoria.*

*The company holds over 376 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

#### PANAEGIS GOLD MINES LIMITED

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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 resource drilling of its heap-leachable 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.

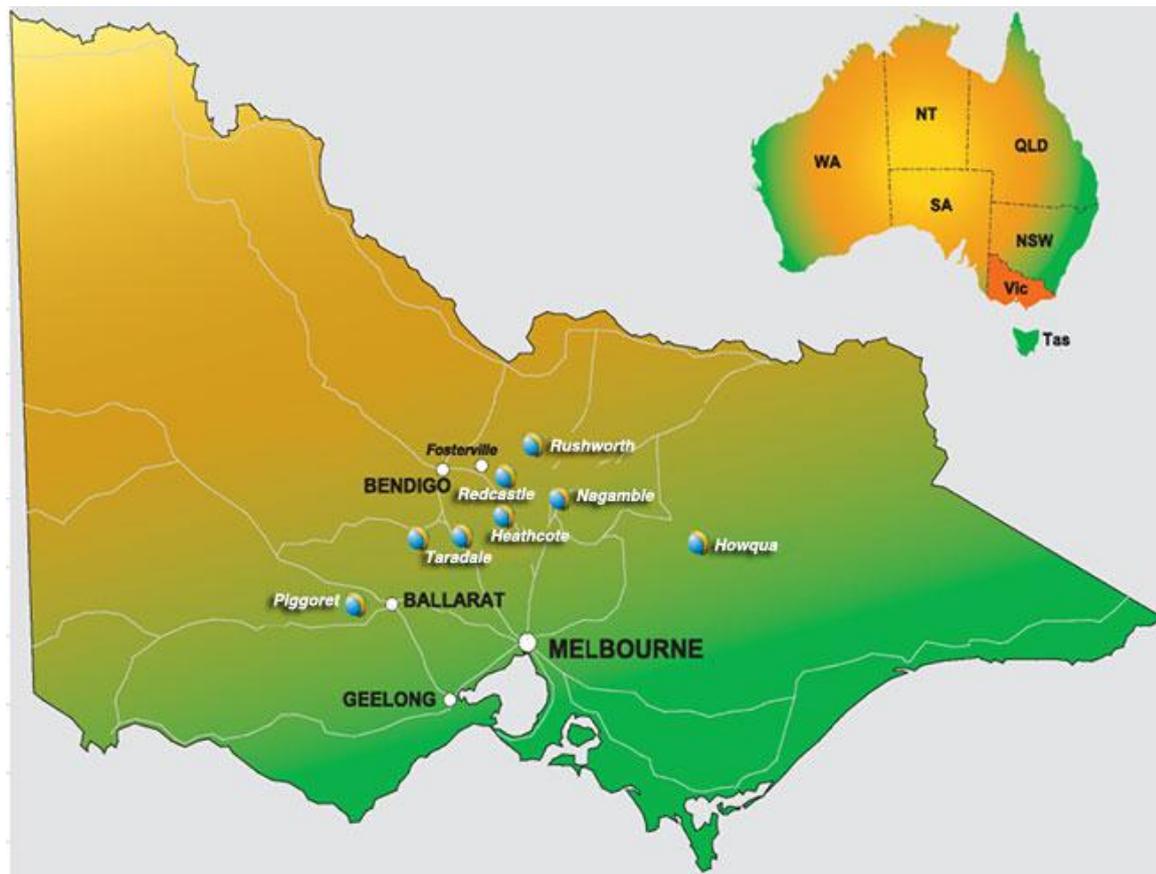
## PANAEGIS PROJECTS

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

Group Name	Licence Number	Holder	Area (graticules)	Area (km <sup>2</sup> )
<b>EXPLORATION</b>				
<b>NAGAMBIE</b>				
Avenel	EL 4887	Panaegis	36	23
Nagambie South	EL 4718	Sierra	22	23
Nagambie	EL 5023	Sierra	18	13
Nagambie North	EL 5027	Sierra	96	95
Rushworth	EL 4723	Sierra	86	68
<b>Sub Total</b>			<b>258</b>	<b>222</b>
<b>REDCASTLE</b>				
Redcastle	EL 3316	Panaegis	131	113.3
Mitchellstown	EL 5049	Panaegis	15	10
Graytown	EL 5020	Panaegis	12	6
<b>Sub Total</b>			<b>158</b>	<b>129.3</b>
<b>TARADALE</b>				
Taradale East	EL 4895	Panaegis	9	4
Taradale Central	EL 4527	Panaegis	13	4
Taradale	EL 5151	Panaegis	7	2
<b>Sub Total</b>			<b>29</b>	<b>10</b>
<b>OTHER</b>				
Piggoreet	EL 4994	Panaegis	6	2
<b>Sub Total</b>			<b>6</b>	<b>2</b>
<b>DEVELOPMENT</b>				
Nagambie Min	MIN 5412	Panaegis	8	8
Howqua	ELA 5189	Panaegis	6	5
Howqua Min	MIN 5420	Panaegis	0.1	0.1
<b>Sub Total</b>			<b>14.1</b>	<b>13.1</b>
	<b>TOTAL</b>		<b>465.1</b>	<b>376.4</b>



## Project Location Map



## DEVELOPMENT AREAS

### 1. NAGAMBIE MIN 5412

MIN 5412 surrounds the Nagambie Mine which, from 1990 to 1997, produced 134,774 ounces of gold from the heap leaching of 7,311,123 tonnes of ore mined from two open pits. Average head grade was 0.78 g/t gold and heap leach recovery was estimated at 73%.

On 24 September 2008, settlement was completed between Panaegis and Perseverance Mining Pty Ltd (PSV), a wholly owned subsidiary of Northgate Minerals Corporation, whereby Panaegis became the holder of 100% of the licence.

PSV also agreed to transfer to Panaegis freehold property totalling 187.25 hectares (including all buildings and chattels) at no cost. Panaegis has assumed full responsibility for the environmental rehabilitation bond of \$385,000 and has agreed to the existence of two separate royalties over certain parts of MIN 5412 which entitle the holders to a combined 2.5% gross royalty interest in any metals produced from the areas involved.

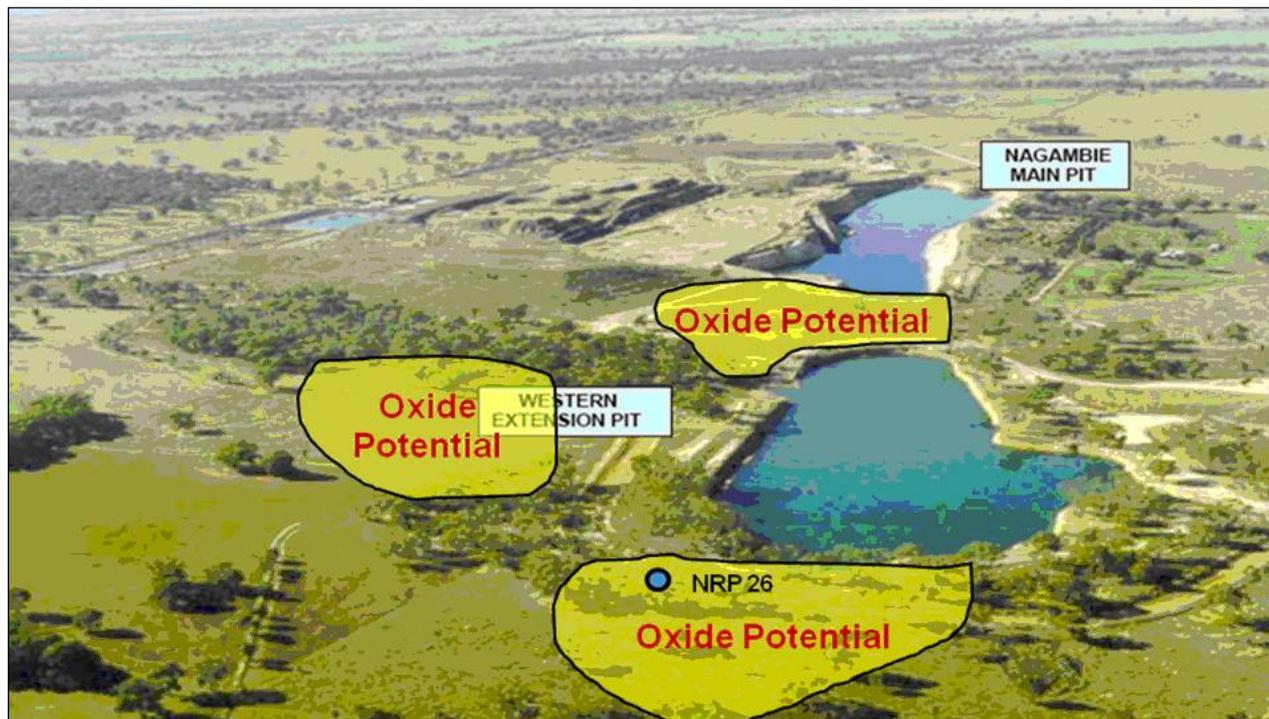
As Panaegis already had earned a 51% interest in MIN 5412, the effective cost of moving to 100% ownership of MIN 5412 and acquiring the 187.25 hectares and other assets was to guarantee an additional \$189,000 (49%) of the environmental bond. By comparison, under the previous joint venture arrangement between Panaegis and PSV, Panaegis would have had to sole fund roughly the next \$4.4 million of expenditure at Nagambie to have moved to 100% of MIN 5412.



## 1.1 MIN 5412 Additional Oxide Gold Mineralisation

Resource evaluation work has identified areas of oxide mineralisation between the West and East Pits and to the north and west of the West Pit.

**Figure 1 Nagambie MIN 5412 Oxide Potential**



The exploration potential west of the West Pit is highlighted by hole NRP 26 which, drilled some 70 metres west of the pit, intersected 24 metres at 1.0 g/t gold (including 6 metres at 2.2 g/t gold) in oxide mineralisation.

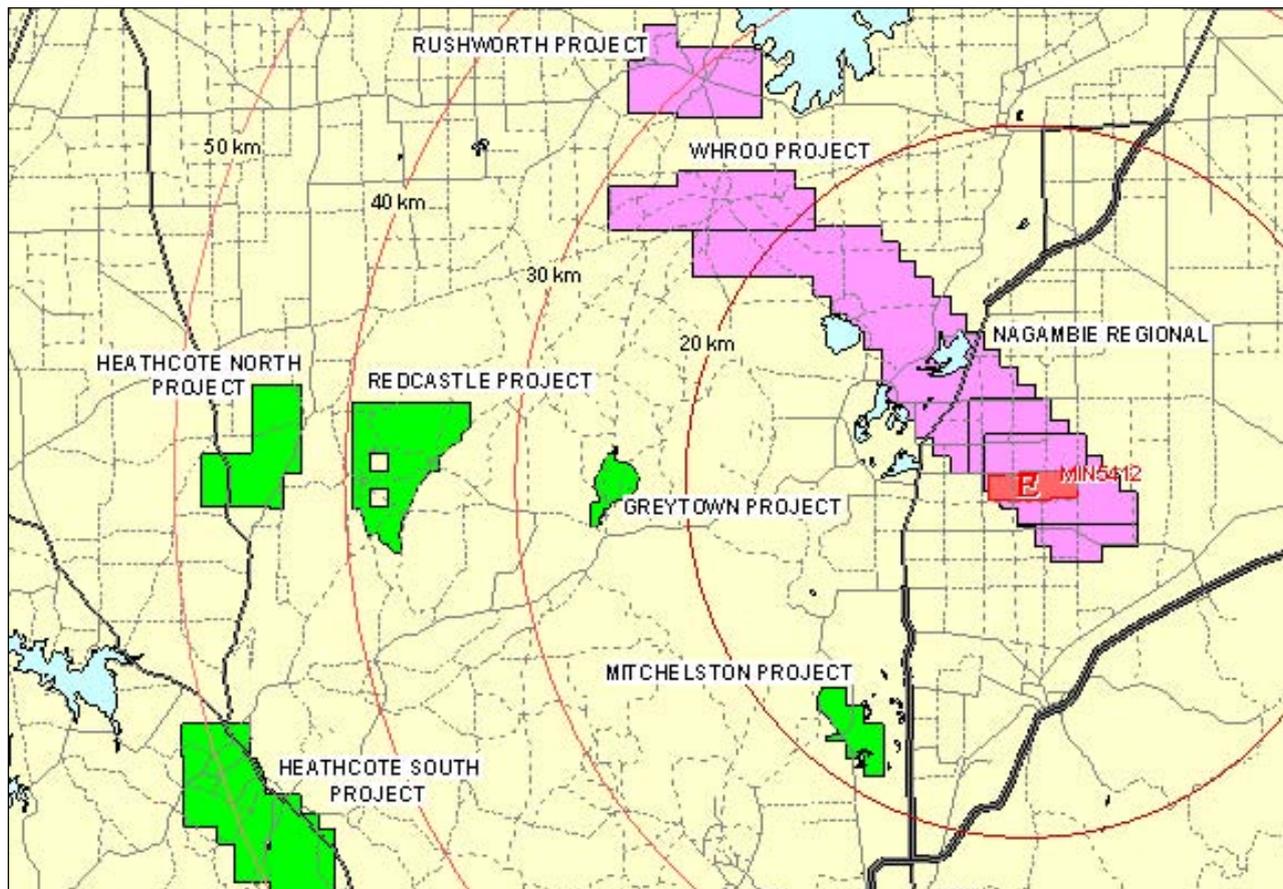
Following further methodical soil sampling to the north and west of the West Pit, a program of infill percussion drilling is proposed to test the various oxide gold targets with the aim of establishing further resources of similar size and gold tenor to that initially contained in the West Pit.

## 1.2 MIN 5412 as a Regional Ore Treatment Centre

MIN 5412 is a particularly strategic asset for Panaegis as the Company is actively exploring for shallow open cut deposits, both additional Nagambie Style pods and quartz reef assemblages in old historic goldfields, within economic trucking distance of MIN 5412.

Together with the oxide targets on MIN 5412, Panaegis is exploring for heap-leachable gold mineralisation of at least 100,000 to 200,000 ounces in deposits typically averaging 1 to 2 g/t gold that can be heap leached within the established operations on MIN 5412.

Priority targets within economic trucking distance of MIN 5412 (shown on Figure 2) are situated on the Company's Redcastle, Heathcote South, Rushworth, Whroo, Graytown, Mitchellstown and Nagambie Regional tenements.

**Figure 2 Trucking Distances from MIN 5412**

## 1.2 MIN 5412 Rehabilitation and Site Utilisation

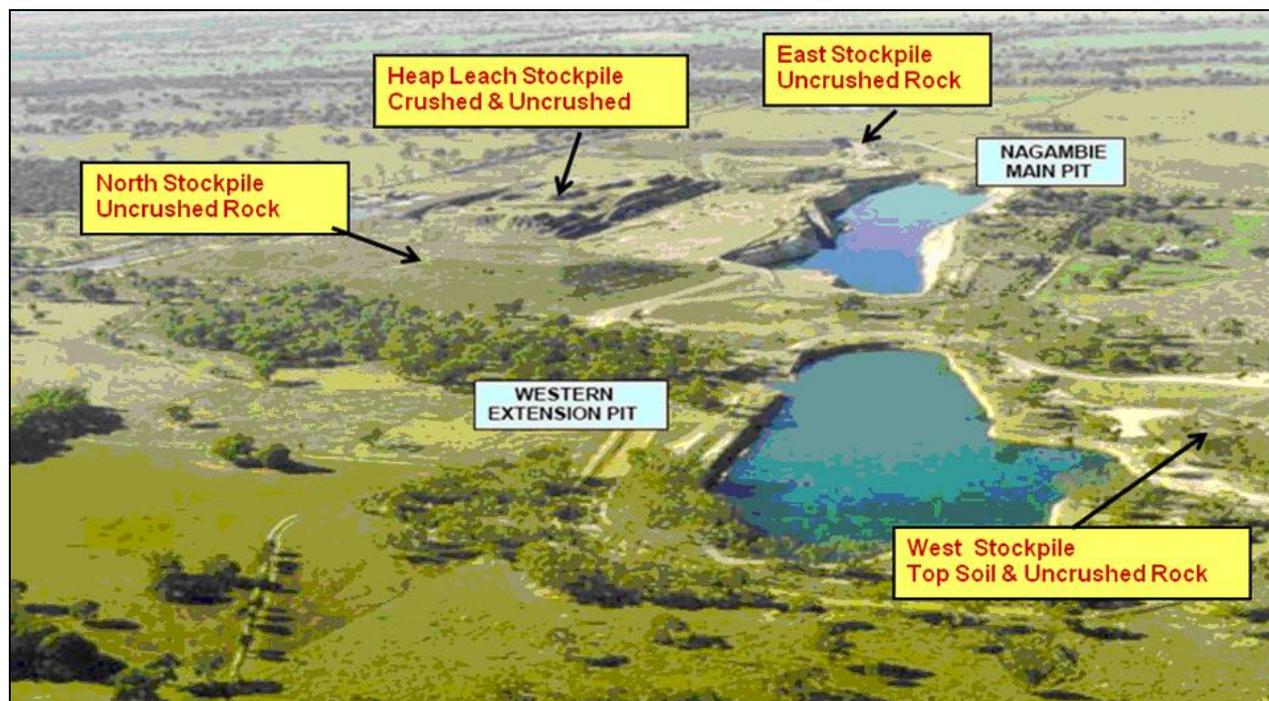
To hold the freehold land and manage the site rehabilitation, the Company has established a wholly owned subsidiary Nagambie Developments Pty Ltd. All current and future mined areas will require rehabilitation and the Company has posted a substantial bond to cover this commitment.

Located on MIN 5412 are three untreated waste rock stockpiles (uncrushed) and one treated heap leach stockpile (mostly crushed with some uncrushed) containing a total of at least 15 million tonnes of rock shown on Figure 3 as:

1. Heap Leach Stockpile
2. East Stockpile
3. West Stockpile
4. North Stockpile

Total crushed rock is estimated to be at least 5 million tonnes and total uncrushed rock is estimated to be at least 10 million tonnes.

As part of the overall rehabilitation of the site during and following the current exploration and anticipated reactivation of mining activities, the Company will be investigating the use of the stockpiles and other attributes of the site to realise its full potential.

**Figure 3 Stockpiles on MIN 5412**

Of particular importance for Panaegis, VicRoads is currently carrying out pre-construction planning for the Nagambie Bypass, an AusLink National Project. Construction is planned to commence in the 2009/2010 year. The Federal and State Governments recently agreed to expedite “Nation Building” infrastructure projects such as the Melbourne-Brisbane road transport route, of which the Nagambie Bypass is part.

Figure 4 below (modified from the VicRoads website) shows the proposed Nagambie Bypass alignments in relation to the location of MIN 5412. The favoured alignment for the bypass is understood to be the most easterly (D1) at 17.4 km length, and Bypass was approved in July 2006 following a lengthy community consultation process.

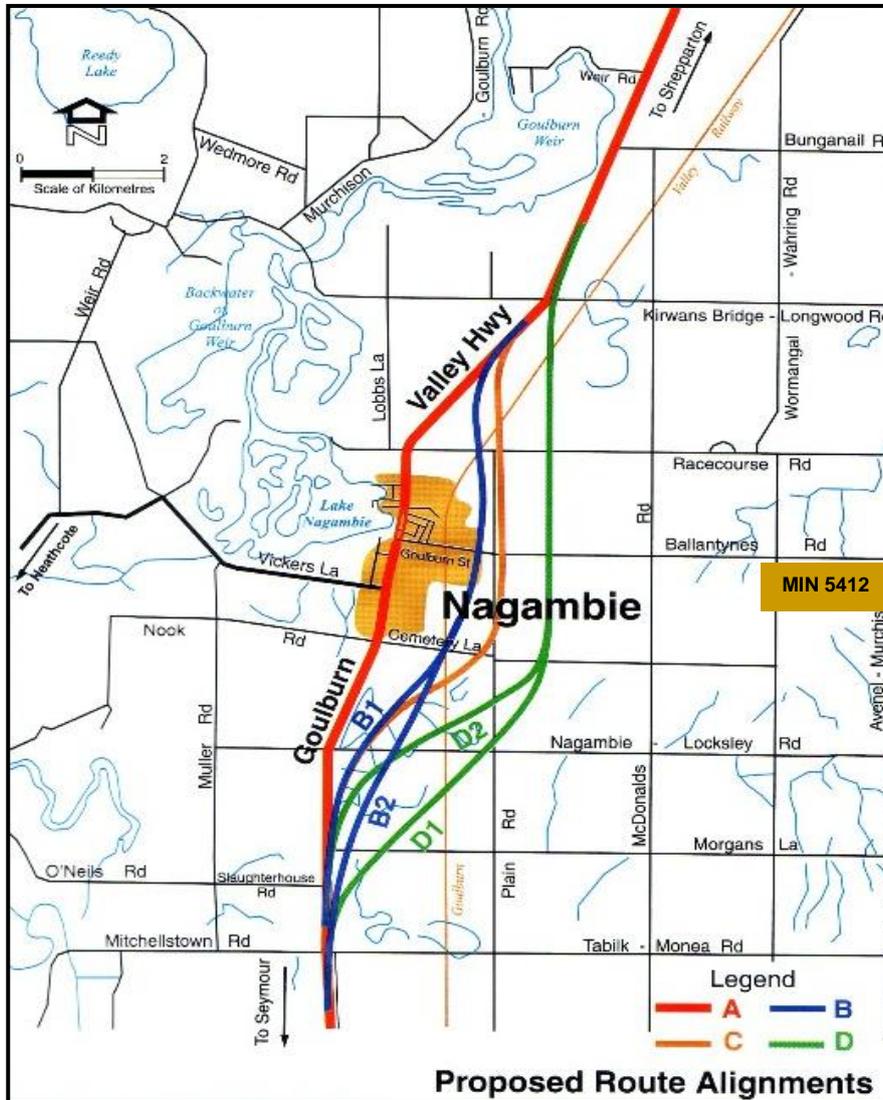
It is understood that 4 to 5 million tonnes of crushed rock may be required to construct the four-lane, freeway standard Bypass and Panaegis is well placed to supply the majority of the rock from the stockpiles on MIN 5412.

VicRoads gave a favourable report on the site in the 1990s and concluded that the stockpiled rock would make an excellent select or capping material, or could be a suitable sub base material for road making. 200,000 tonnes of the crushed rock were subsequently used in the construction of the Goulburn Valley Highway. During the 2007/2008 year, trial sales of uncrushed rock from MIN 5412 to an earthmoving contractor returned \$2 per tonne to the Company on an “as is, where is” basis. The Company anticipates higher returns for future sales of rock from MIN 5412, particularly for the stockpiled crushed rock.

Additionally, large quantities of water will also be required during the Bypass construction and Panaegis, which has over 3 Gigalitres of non-potable water contained in the open pits on MIN 5412, is well placed to provide the water required for the road making.



**Figure 4 Nagambie Bypass in relation to MIN 5412**



**2. HOWQUA**  
Howqua

MIN 5420 & ELA 5189 (previously EL 3424)

EL 3424 was being renewed annually. With restrictions within the Howqua Hills Historic Area on access and exploration, the licence was allowed to expire and a new EL 5189, with a five year tenure period, was applied for in August 2008. The 6 km<sup>2</sup> licence surrounds the small 5 hectare MIN 5420 over the old Great Rand Mine. Limited historic production figures tend to indicate poor recoveries from small tonnages of moderate to high-grade gold mineralisation (up to 30 g/t gold).

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 km<sup>2</sup>      Identified Prospects: 28

During the quarter, the Graytown and Mitchellstown licences were granted. Two applications (ELA 5149 & ELA 5150) covering windows in EL 3316 were granted and amalgamated into EL 3316.

#### 1.1 REDCASTLE PROJECT EL 3316

This project consists of 33 km<sup>2</sup> in the north-central part of the amalgamated EL 3316 and covers the old Redcastle Goldfield. 14 prospects have been initially identified in five reef lines.

A 47 costean program testing continuity of mineralisation along strike from old workings on each of the reef lines was completed after the end of quarter. All costeans were oriented at right angles to the reef lines.

**Table 1 Redcastle Project Costean Locations**

Reef Line	Prospect	Mine Grade (g/t gold)	Number of Costeans
<i>Redcastle</i>	RFZ	18.0	6
	SOUTH EMPRESS		4
	MOUNTAIN MAID	2.6	3
<i>New Breccia</i>	MULLOCKY		5
	BEAUTIFUL VENICE	36.3	5
	CRESCENT		2
<i>Mitchells</i>	PIONEER		4
	CHAPMAN & BABBAGE	10.2	2
	MITCHELLS	18.4	5
<i>Welcome</i>	WELCOME	174.7	6
	WHY NOT	2.1	2
<i>Native Gully</i>	NATIVE GULLY	24.2	3
* Historic Mine on reef line with recorded Vic Mine Production			<b>47</b>

The Company is in the process of collating the results from the costeaning program with all previous relevant data, especially all past drilling results, to create a 3D model of this productive goldfield. Better scout drilling results from 1995 and 2006 include 7m at 2.0 g/t (gold) from 16m (depth), 10m at 2.5 g/t from 22m, 6m at 2.4 g/t from 51m and 8m at 5.2 g/t from 36m.

All assay results from the costean sampling are yet to be finalised. Geological and structural mapping are being tied to the received assay data, and initial indications from this work have confirmed prospect and reef continuity in various areas. Significant costean results to date are shown in Table 2.

The Company is encouraged by the wide zones of mineralisation identified from the costean sampling. Widths from 8 metres up to 20 metres for parts of the Mitchells, New Breccia, Native Gully and Redcastle Fault Zone reef lines indicate significant zones of mineralisation within sandstone-shale packages, and in many instances with little or minor amounts of quartz veining.



**Table 2 Significant Gold Intersections in Redcastle Costeans**

Reef Line	Prospect	Costean	Width (m)	Gold (g/t)
<b>Mitchells</b>	MITCHELLS	RMT02	8	0.8
	PIONEER	RPT01	8	0.8
<b>Welcome</b>	WELCOME	RWT02	4	0.8
	WHY NOT	RWNT02	2	2.1
<b>New Breccia</b>	BEAUTIFUL VENICE	RBVT02	6	1.5
	MULLOCKY	RMULT05	16	1.2
		RMULT02	20	1.2
<b>Native Gully</b>	NATIVE GULLY	RNGT02	18	1.3
<b>Redcastle</b>	MOUNTAIN MAID	RMMT01	2	1.3
	RFZ	RFZT01	14	1.2

Surface grades are low, but the scout drilling carried out in 1995 and 2006 and experience in other central Victorian goldfields suggest that these low surface grades reflect supergene gold depletion at surface, and higher gold grades can be expected within a few metres below surface in the oxidised zone.

A follow-up resource drilling program at Redcastle will be planned in the January quarter. Panaegis will be targeting heap-leachable, oxide mineralisation averaging 1 to 2 g/t gold.

### 1.2 HEATHCOTE PROJECT EL 3316

This project consists of 80 km<sup>2</sup> in the northern and southern part of the amalgamated EL 3316. Nine prospects have been identified with 2 of these in the southern area (the old Heathcote Goldfield) which has been designated the Heathcote South Project.

Gold mineralisation occurs in two sets of reefs perpendicular to each other, and are hosted by quartz sandstones of the Ordovician Castlemaine Supergroup and underlying shales and volcanoclastics of the Upper Cambrian Knowsley East Shale. The major historical workings in the goldfield are confined to the Castlemaine Supergroup.

Records of historical production, particularly along the Butlers Line of reefs, show the field to have realised high gold grades, typically higher than for the Redcastle field. A 56 costean program designed to test continuity of gold mineralisation along strike from these old workings is to commence in early November.

As for Redcastle, Panaegis will be targeting heap-leachable, oxide mineralisation averaging 1 to 2 g/t gold at Heathcote South.

### 1.3 GRAYTOWN PROJECT EL 3316

This licence, covering 6 km<sup>2</sup> over the old Graytown Goldfield, was granted on 28 August 2008. The auriferous reefs are hosted by siltstones and sandstones of the Devonian Dargile and Bradford Formations. The sediments are folded into a series of shallow plunging north trending folds. Gold production was mainly from both north–south striking quartz veins and shallow alluvial leads.

Field work will commence during the December quarter.



#### 1.4 MITCHELLSTOWN PROJECT EL 3316

This licence of 10 km<sup>2</sup> was granted on 28 August 2008 and covers a strike extension of the Mitchellstown Goldfield within Silurian Broadford Formation sediments near the hinge of the Bailieston Anticline. Gold was distributed relatively evenly throughout the reef system which strikes approximately 340° and dips steeply to the east. Over 30 reefs were worked, with typical grades ranging from 30 to 60 g/t gold.

Several regional geological structures and geophysical trends have been identified within the licence area, one of which, the Northwood Hill trend, was identified in 1989 when a program of 25 RC holes by Perseverance Exploration showed the presence of encouraging mineralised intersections.

The better intersections of 9m at 2.0 g/t gold, 6m at 1.3 g/t gold, and 8m at 1.1 g/t gold have led the Company to consider the area to have potential for the discovery of shallow low grade mineralisation of the Nagambie Style.

## 2. NAGAMBIE GROUP

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

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

#### 2.1 NAGAMBIE PROJECT ELs 5027, 5023, and 4887

This area of 154 km<sup>2</sup> has been retained for investigation for Nagambie Style deposits with 3 prospects identified to date.

The project area covers a strike extension of the Whroo Anticline and also has sediments of the early Devonian Waranga Formation under Murray Basin cover. The Waranga Formation is significant in that it is the host for the Nagambie gold deposit.

A 2007 roadside soil sampling program revealed a gold-in-soil anomaly target of more than 3.5 km strike length which overlies the prospective Waranga Formation sediments (shown in purple in Figure 5) only 3 km north of MIN 5412. Further geochemical (A horizon soil sampling) work has commenced on a 400m x 100m grid to define the shape of this anomaly.

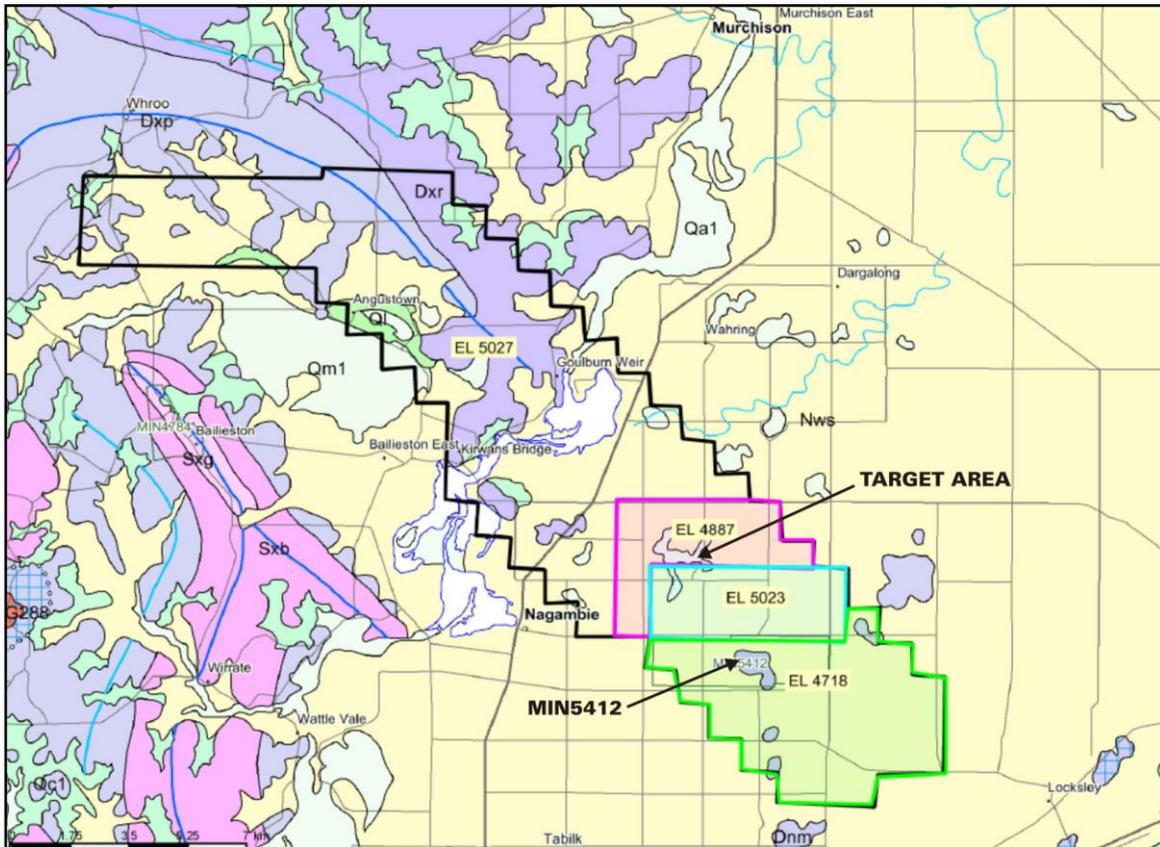
#### 2.2 RUSHWORTH PROJECT EL 4723

This project of 68 km<sup>2</sup> covers Rushworth North and Rushworth South (Whroo). Six prospects have so far been identified over three historic goldfields (Rushworth, Whroo and Fontainbleau). These three fields produced over 2,800 kg (90,000 ounces) of gold at an average recovered grade of 15.7 g/t gold.

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



**Figure 5 Geology and Structure – Nagambie Project**



**3. TARADALE GROUP**

Taradale Central	EL 4527
Taradale East	EL 4895
Taradale	EL 5151

Area: 10 km<sup>2</sup>      Identified Prospects: 4

During the quarter, EL 5151 was granted and the Company is in the process of amalgamating the three ELs into EL 4527. No significant work was carried out on the licences during the quarter.

**4. OTHER TENEMENTS**

Piggoreet	EL 4994
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Area: 2 km<sup>2</sup>      Identified Prospects: 2

No significant work was carried out on the licence during the quarter. The company is reassessing the area prior to any further work decision.



## CORPORATE

### CASH POSITION

At 30 September 2008, total cash held by the company was \$0.738 million.

### EXPENDITURE ON EXPLORATION AND ADMINISTRATION

Total expenditure on exploration and administration for the September 2008 quarter was \$0.251 million.

### WEBSITE

The Panaegis website is fully operational and contains a recent Shareholder Update which emphasises the strategic value and potential of the Panaegis 100% owned MIN 5412 mining licence at Nagambie.

## ASX ANNOUNCEMENTS

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

30/09/2008	Full Year Statutory Accounts
24/09/2008	Settlement of 100% Acquisition of Nagambie Gold Project
23/09/2008	Change in substantial holding
11/09/2008	Change in substantial holding from BCD
11/09/2008	Becoming a substantial holder
10/09/2008	Change of Director's Interest Notice
05/09/2008	Change of Director's Interest Notice
05/09/2008	Becoming a substantial holder
05/09/2008	Appendix 3B
03/09/2008	Change in substantial holding from BCD
02/09/2008	Change of Director's Interest Notice
01/09/2008	Change of Director's Interest Notice
27/08/2008	Change of Director's Interest Notice
31/07/2008	Quarterly Cash flow Report
31/07/2008	Quarterly Activities Report
16/07/2008	Proposed Issue of Options
02/07/2008	Appendix 3B
01/07/2008	Change of Director's Interest Notice

## 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 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. 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'.*