



PANAEGIS

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163
Level 1, 33 Bank Street South Melbourne VIC 3205 Tel: 03 9696 9791 Fax: 03 9696 9911

ASX CODE: PAU

About Panaegis

Panaegis listed on ASX on 23 June 2006 and is focussed on the evaluation and development of finely disseminated, sediment hosted gold deposits in Victoria.

Contact:

Website:

www.panaegis.com.au

Email:

info@panaegis.com.au

Shares on Issue

Quoted: 51,577,500
Restricted: 18,485,000
Issued: 70,062,500

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
(Director - Mining)

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

31 January 2007

December 2006 Quarterly Report

HIGHLIGHTS

- Nagambie Mine drilling confirms extension of mineralised system beneath both pits over a strike length of 1,700 metres.
- Soil sampling identifies 11 km long anomalous gold-arsenic-antimony corridor on-strike with Nagambie Mine and a new corridor 5 km to the south.
- Nagambie Joint Venture (Panaegis 51%, Perseverance 49%) applies for two new exploration tenements following the success of the soil sampling program.
- Rock chip assays at Redcastle confirm previous high-grade 191 g/t gold assay, with ongoing drilling yielding very encouraging results.
- Taradale soil assays yielding up to 32 g/t gold, and showing consistent anomalism over 5 kms.
- Dr John Cottle appointed Exploration Manager.

EXPLORATION

NAGAMBIE JOINT VENTURE AREA – 261 km² (Panaegis 51%)

Nagambie Gold Mine – MIN5412

By December 2006 Panaegis had completed 21 holes of combined reverse circulation (RC) pre-collars (1,872 metres) and diamond cored tails (2,258 metres) at the locations shown in Figure 1.

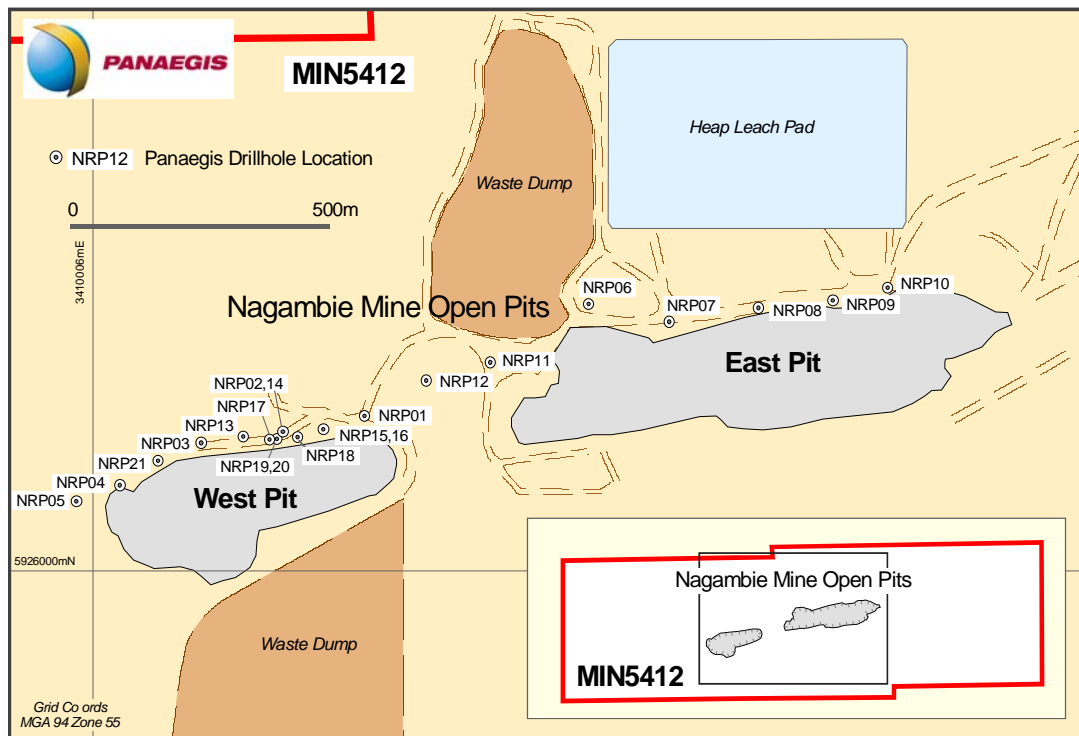


Figure 1: Drill Hole Plan – Nagambie Gold Mine

All holes completed in basement sedimentary rocks encountered finely disseminated gold mineralisation of varying grades and widths within pyrite and arsenopyrite and, in several holes, within stibnite veins. The gold mineralisation is associated with a major structural fault system and Panaegis has now delineated this fault system over a continuous distance of 1,700 metres.

The assay intercept results in Table 1 show a number of higher grade zones in excess of 3g/t gold (in NRP 02, NRP 18, and NRP 19), while the number of intercepts greater than 1g/t gold demonstrates the existence of a relatively wide and consistent mineralisation system with downhole intercept lengths often ranging from 10 to 15 metres and beyond. Further, within these intercepts, non-contiguous 1 metre intervals yield assays exceeding 5g/t gold. For example, the final two sample intervals (1.4m) in NRP 20 yield an average grade of 5.5g/t gold. Panaegis is now investigating extending this hole.

In addition to the relative consistency of the width of the mineralisation system, which is still open at depth, drilling results continue to confirm the existence, and demonstrate the geological continuity of, the mineralisation system along strike, particularly beneath the West Pit from NRP 01 to NRP 21 (~ 500 m).

These results demonstrate the significance of the Nagambie deposit, and its continuation at depth below the current pits. Plans for further along strike drilling, beyond the overall 1,700 metre length of the two existing pits, are now being developed, along with the targeting of still deeper segments of the mineralised fault system in the vicinity of the mine pits.

Hole ID	From (m)	To (m)	Length (m)	Au g/t	Sb ppm
Table 1. Nagambie Drill Program NRP - Selected Assay Intercept Results					
<i>Previously Reported</i>					
NRP 01	113.0	118.0	5.0	2.2	97
NRP 02	98.0	104.0	6.0	1.2	0.2 %
NRP 02	110.0	136.7	26.7	5.0	8.8 %
<i>Including</i>					
NRP 02	110.0	117.0	7.0	7.7	13.8 %
NRP 02	122.1	132.8	10.7	6.1	10.6 %
NRP 02	134.0	136.7	2.7	0.7	2.5 %
NRP 03	152.8	159.0	6.2	1.8	4
NRP 11	78.0	96.0	18.0	1.8	DTF
<i>Dec 2006 Quarter</i>					
NRP 14	156.0	160.0	4.0	2.5	DTF
NRP 14	169.6	182.9	13.3	1.7	DTF
NRP 16	125.0	133.0	8.0	1.6	DTF
NRP 17	104.0	119.0	15.0	1.8	DTF
NRP 17	125.0	135.0	10.0	2.2	DTF
NRP 18	110.0	134.0	24.0	2.4	DTF
<i>Including</i>					
NRP 18	110.0	122.0	12.0	3.6	DTF
NRP 18	131.0	134.0	3.0	2.4	DTF
NRP 19	48.0	56.0	8.0	3.6	DTF
NRP 20	107.0	116.0	9.0	1.6	DTF
NRP 20	133.0	140.4	7.4	1.7	DTF
NRP 21	141.5	147.5	6.0	1.3	DTF
NRP 21	153.0	163.0	10.0	1.6	DTF
NRP 21	187.0	190.0	3.0	1.5	DTF
NRP 21	201.0	211.0	10.0	1.3	DTF
NRP 21	225.0	234.0	9.0	1.0	DTF
NRP 21	236.0	240.0	4.0	1.2	DTF

DTF - Data to Follow

Nagambie South (EL4718) and Avenel (EL4887)

Several soil sampling traverses were completed within both properties during the Quarter. Assay results indicate the presence of two anomalous corridors of gold-arsenic-antimony mineralisation.

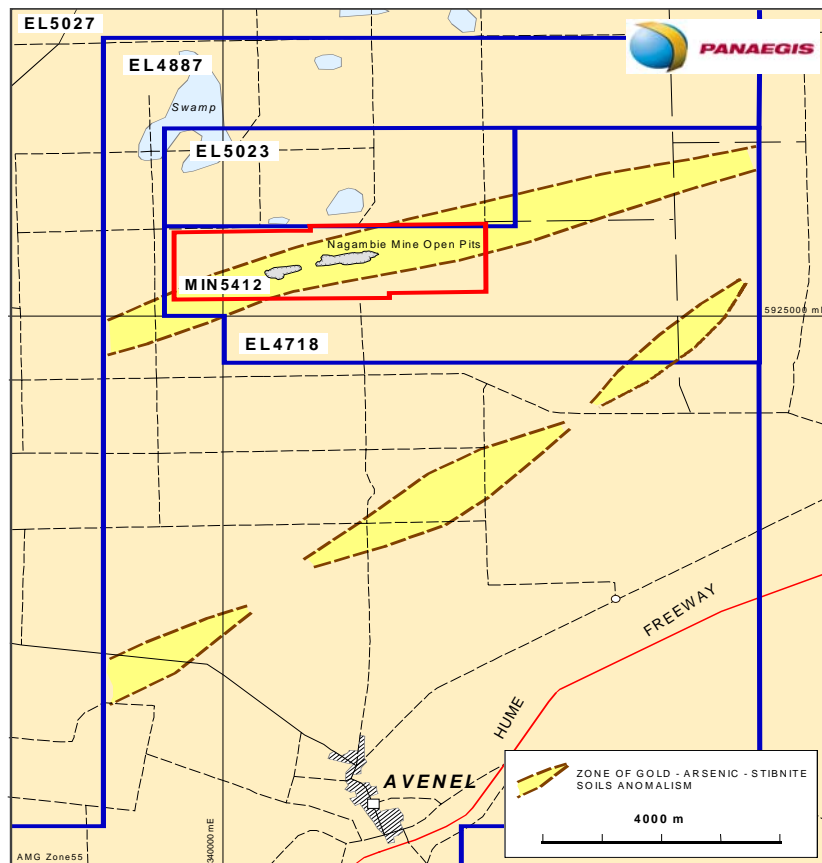


Figure 2: Anomalous Corridors - Nagambie Mine strike extensions, and southern repetition

The first is an east-west trending anomalous corridor of approximately 11km in length which extends along strike from the Nagambie Gold Mine, extending the potential limits of the mine in both easterly and westerly directions (see Figure 2).

The second anomalous corridor lies to the south and is sub-parallel to the Nagambie Gold Mine corridor. Both of these zones are now being targeted with further infill soil sampling.

Based on the results obtained from the drilling and soil sampling programs Panaegis has made application for two new exploration tenements. EL5023 covers an area immediately north of the Nagambie Mining Lease ML 5412 (see Figure 2). EL5027 is located immediately to the west of ML 5412 and encompasses the currently defined anomalous soils trend to the west of the mine.

Panaegis anticipates completing its earn-in before the end of the March quarter 2007, well in advance of the final date of earn-in being 30 June 2007.

Redcastle EL3316 & EL4594 (Panaegis 100%)

Two phases of preliminary scout drilling have been completed during the Quarter. A total of 47 drillholes for 1,783 metres of reverse circulation (RC) drilling was carried out on ten prospects. Rock chip and trench sampling have confirmed gold mineralisation soil sampling anomalies and established a combined strike length of 4,000 metres. The project area is 9.5km² and many of the structures strike into the surrounding ground of Panaegis’ recently granted Heathcote exploration licence (EL4941) which abuts the property to the north and west.

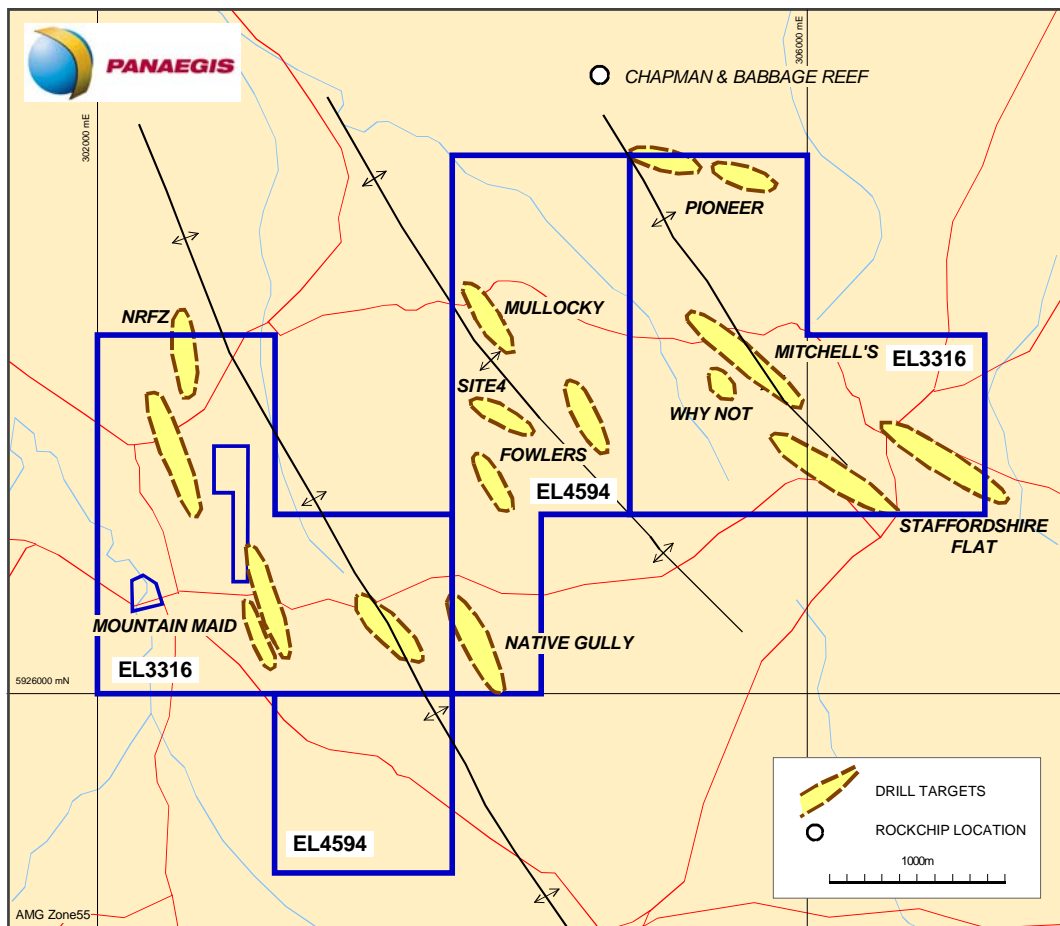


Figure 3: Redcastle Drill Prospects

Drilling assay results have yielded some very encouraging results. At the Mullocky prospect RRC26 intersected 10m @ 2.5g/t gold while at the Mitchell’s prospect RRC30 intersected 20m @ 0.9g/t gold from 9m within the central part of the workings.

To the west, wide zones (12-16m) of anomalous (~0.2g/t) gold were encountered indicating the mineralisation is still open to the west along strike. A narrow zone of mineralisation with a rich 0.5m stibnite intercept was encountered at North Redcastle Fault Zone (NRFZ) (RRC41 at 39m) and the 4m composite samples for this zone assayed 8m @ 5.2g/t gold from 36 to 44m.

Preliminary 1m sample assays of anomalous 4m composite samples have been received and selected intercept results are shown in Table 2.

Table 2. Redcastle Drill Program - Selected Assay Results					
Prospect	Hole ID	From (m)	To (m)	Length (m)	Au g/t
<i>Phase 1</i>					
Chapman's	RRC04	28.0	29.0	1.0	1.5
NRFZ*	RRC06	10.0	12.0	2.0	1.5
Mullocky	RRC08	13.0	23.0	10.0	1.6
	<i>Including</i>				
	RRC08	16.0	23.0	7.0	2.0
Mullocky	RRC10	12.0	13.0	1.0	1.2
Why Not	RRC12	13.0	20.0	7.0	0.6
Mitchell's	RRC13	28.0	30.0	2.0	1.5
Site 4	RRC17	12.0	15.0	3.0	3.3
Native Gully	RRC20	23.0	26.0	3.0	2.5
<i>Phase 2</i>					
Mullocky	RRC24	27.0	31.0	4.0	2.0
Mullocky	RRC25	14.0	15.0	1.0	1.8
Mullocky	RRC26	22.0	32.0	10.0	2.5
Mullocky	RRC27	37.0	39.0	2.0	0.9
Mullocky	RRC28	36.0	38.0	2.0	3.1
Mitchell's	RRC30	9.0	29.0	20.0	0.9
Mitchell's	RRC31	30.0	32.0	2.0	0.7
Mitchell's	RRC32	25.0	29.0	4.0	0.4
Pioneer	RRC36	21.0	22.0	1.0	1.1
NRFZ	RRC41	36.0	44.0	8.0	5.2

*NRFZ - North Redcastle Fault Zone

Check assays on rock chips from the eastern end of the Chapman and Babbage Reef (the extension of the Staffordshire – Why Not shear zone into EL4991) have been received, confirming the previous high-grade assay of 191g/t gold. A new assay of the 0.1m wide quartz zone yielded 158g/t gold. The 0.4m wide Mullocky quartz reef returned one assay of 14 g/t gold.

Taradale

A roadside soil-sampling program was undertaken with samples taken across zones of inferred mineralisation, particularly targeting the Leviathan – Phoenix zone. Assay results range up to 32g/t gold and show consistent anomalism (>50 ppb gold) along the inferred trend of over 5 kilometres. This gold mineralisation is consistent with the fine-grained disseminated gold-in-sulphide style sought by Panaegis. Further sampling is planned.

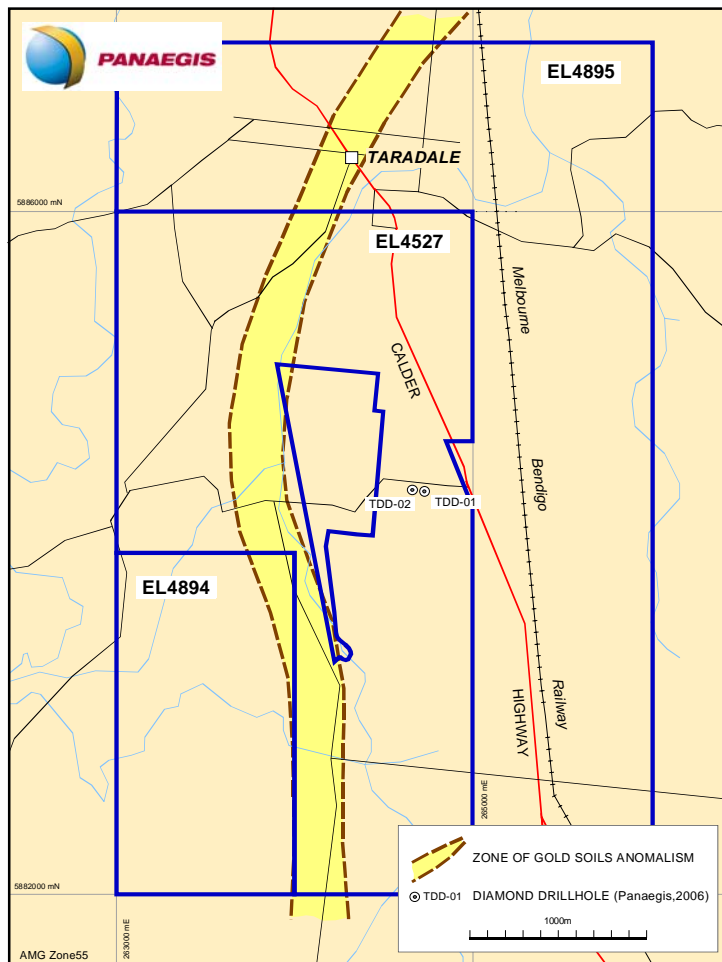


Figure 4: Schematic Plan of anomalous soils geochemistry – Leviathan – Phoenix Zone

Piggoreet - EL4994 (Panaegis 100%)

The Piggoreet project area covers an area of 2 km² and is located approximately 35 kilometres southwest of Ballarat near the township of Scarsdale. Panaegis has commenced developing an exploration program for the project. The project was selected on the basis that samples from both outcrops and old mining dumps indicate that both the wall rocks and the reef are mineralised. Previous descriptions suggest that the mineralisation is similar to that at Stawell, with historical production to the year 1910 amounting to 9094 tons crushed, for 6297.65 ounces (21.2g/t) gold. Several prospects have been identified.

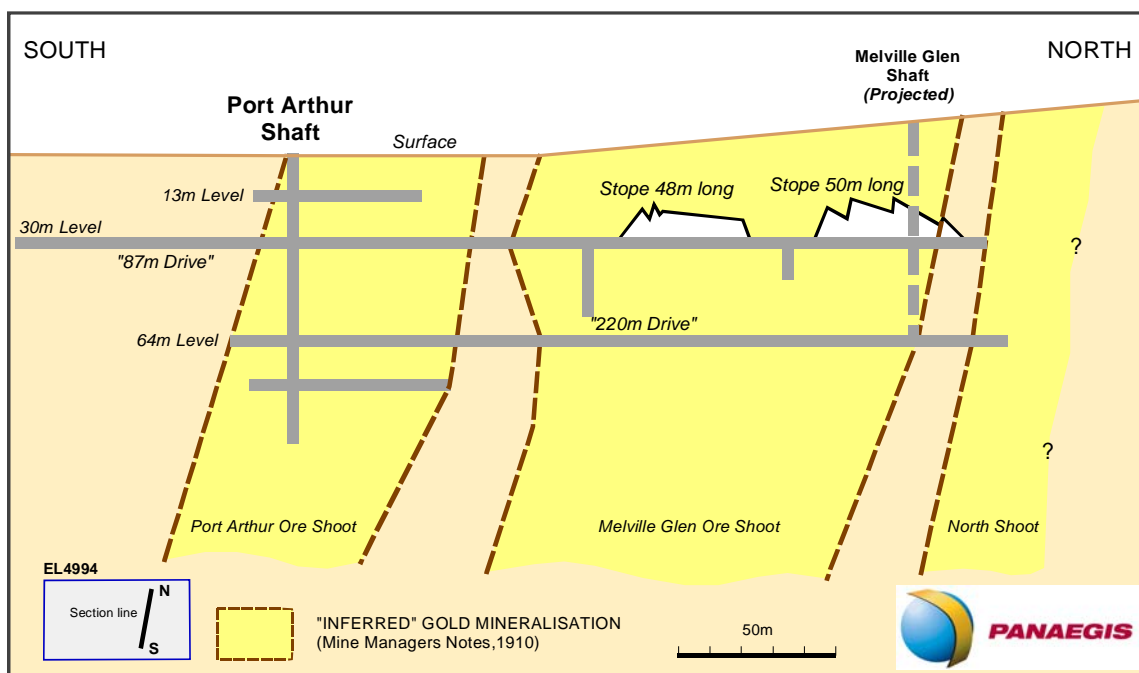


Figure 5: Schematic Section Port Arthur Mine, Piggoreet.

Other Tenements

At Rushworth (EL4723) soil sampling has been undertaken along north-south traverses covering the Whroo to Buffalo Diggings corridor.

Assays results for the Heathcote (EL4991) project have been received for the second batch of the soil sampling program, with assays up to 30 ppb gold, 47 ppm Arsenic, and 69 ppm antimony from different samples. Further results are awaited to complete the survey.

New Applications

Three new applications have been made for tenements during the quarter. EL5020 covers an area of 216km² and is centred on the historic Graytown goldfield located to the west of Nagambie township. EL5023 is located immediately north of the Nagambie Gold Mine and EL5027 lies immediately west of the Nagambie Gold Mine. Panaegis is the priority applicant for all of these areas and expects to be offered the tenements for exploration in the near future. Panaegis' current tenements and application areas are seen in Figure 6 below.

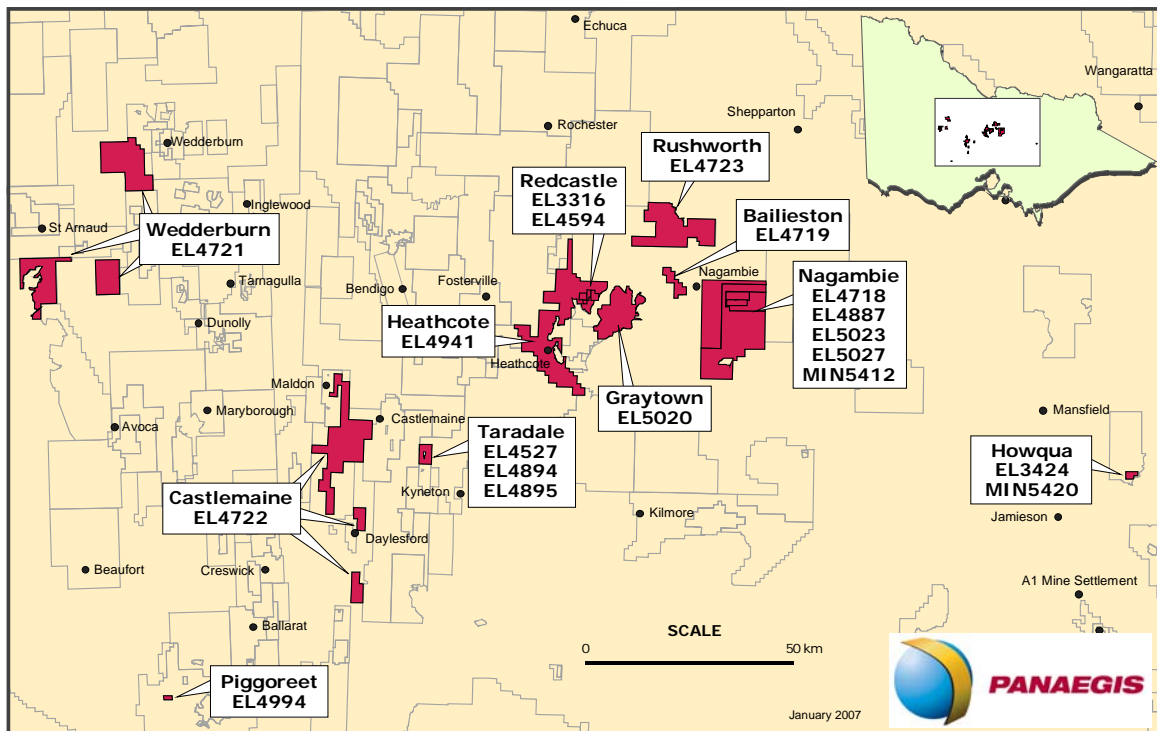


Figure 6: Current Panaegis tenements and new application areas.

CORPORATE

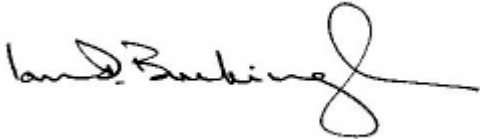
Dr John Cottle – Exploration Manager

In recognition of the advancements made at the Nagambie Gold Mine and several other projects Panaegis has engaged Dr. John Cottle as Exploration Manager. Dr Cottle has over 30 years experience in exploration, geology, geostatistical reserve estimation, mining, project and corporate analysis, and related computing, of gold, copper, lead, zinc, nickel, alumina, iron ore, coal, uranium, and mineral sands, deposits and producers, both in Australia and Internationally. He received his PhD. in Economic Geology and Geostatistics in 1976 based on 4 years of investigations and computer analyses of Australian Copper-Lead-Zinc Sulphide Deposits. He is a Fellow, and Chartered Professional -Geology, of the Australian Institute of Mining and Metallurgy (AusIMM). He has contributed to both large and small project developments, studies, reserve estimates and audits variously, as a member of closely integrated teams, and as a stand-alone consultant.

The complementary experience of Dr Cottle, in conjunction with the in-depth knowledge and expertise in Victorian gold exploration of Neil (Rex) Motton, provides Panaegis with a comprehensive and focused exploration team.

Financial

Panaegis spent a total of A\$659,000 on exploration for the December Quarter 2006. Cash at the end of the Quarter was A\$2.8 million.

A handwritten signature in black ink, appearing to read 'Ian D Buckingham', with a large, stylized flourish at the end.

IAN D BUCKINGHAM
Managing Director/CEO

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

Notes: Within this statement references to resources and exploration results have been approved for release by Mr N Motton BSc(Hons), MAIG, and Dr John Cottle PhD FAusIMM, CP(Geology), who are Competent Persons as defined by the JORC Code (2004). They have consented to the inclusion of the material in the form and context in which it appears.