

# PANAEGIS GOLD MINES LIMITED

ABN 42 111 587 163

## RIGHTS ISSUE PROSPECTUS



© 2008 Google Earth

**NON-RENOUNCEABLE RIGHTS ISSUE TO RAISE UP TO \$949,934  
ON THE BASIS OF ONE (1) NEW ORDINARY SHARE FOR EVERY THREE (3)  
FULLY PAID ORDINARY SHARES AT \$0.03 PER NEW ORDINARY SHARE**

**This document is important and should be read in its entirety. If you do not understand its contents or you are in doubt as to the course of action you should take, you should consult your stockbroker, accountant or other professional advisor without delay.**

**If you decide to take up all or part of your Entitlement, you must do so not later than 10 November 2008 in accordance with the instructions in Section 8 of this Prospectus.**

## 1. Corporate Directory

---

<b>Directors</b>	<b>Contents</b>	<b>Page No.</b>
Mr. Michael Trumbull (Non-Executive Chairman)	Important Notices	1
Mr. Colin Glazebrook (Executive Director)	Summary of Important Dates	3
Mr. Geoff Turner (Non-Executive Director)	Letter from Chairman	4
	1. Details of the Rights Issue	7
	2. Effect of the Rights Issue	11
	3. Review of Operations	13
	4. Board	17
	5. Financial Information	18
	Relevant to the Rights Issue	
	6. Risk Factors	19
	7. Additional Information	24
	8. Action Required by	30
	Shareholders	
	Directors Authorisation	32
	Glossary of Terms	33
<b>Chief Executive Officer</b>		
Mr. Colin Glazebrook		
<b>Company Secretary</b>		
Mr. Alfonso Grillo		
<b>Registered Office</b>		
174b High Street		
Heathcote, Victoria, 3523		
Ph: (03) 5433 3422		
Fax: (03) 5433 3466		
Email: info@panaegis.com.au		
Website: www.panaegis.com.au		
<b>Share Registry</b>	<b>Solicitors to the Rights Issue</b>	
Computershare Investor Services Pty Limited	TressCox Lawyers	
GPO Box 505	Level 9, 469 La Trobe Street	
Melbourne, Victoria, 8060	Melbourne, Victoria, 3000	
Ph: 1 300 727 173 (within Australia)	Ph: (03) 9602 9444	
Ph: +61 3 9415 4068 (outside Australia)	Fax: (03) 9642 0382	
Fax: (03) 9473 2500		
<b>Auditor</b>		
Deloitte Touche Tohmatsu		
180 Lonsdale Street		
Melbourne, Victoria, 3000		
Ph: (03) 9208 7000		
Fax: (03) 9208 7001		
<b>ASX Code</b>		
PAU		
<b>ASX Home Branch</b>		
Melbourne		

## **Important Notices**

This Prospectus is dated 10 October 2008 and is for the issue of 31,664,467 New Ordinary Shares at a price of \$0.03 per New Ordinary Share, payable in full, on application by way of a non-renounceable Rights Issue of one (1) New Ordinary Share for every three (3) Shares held at the Record Date being 20 October 2008.

### **Prospectus**

This Prospectus was lodged with ASIC on 10 October 2008 with the consent of all Directors. Neither ASIC nor ASX and their respective officers take any responsibility for the contents of this Prospectus. No New Ordinary Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary of Terms.

This document is important and should be read in its entirety. Your investment decision in the Rights Issue should be based upon the information contained in this Prospectus. If in doubt, you should consult your stockbroker, solicitor, accountant or other professional advisor without delay.

### **Tax implications**

Eligible Shareholders should be aware that there may be taxation liabilities arising from the subscription for New Ordinary Shares and the sale of those New Ordinary Shares. For this reason, it is very important that Eligible Shareholders consult their own taxation or other advisors in relation to taxation laws and regulations applicable to their personal circumstances. Panaegis and its officers accept no liability or responsibility in respect of any tax consequences connected with an investment in New Ordinary Shares or the sale of those New Ordinary Shares.

### **Entitlement and Acceptance Form**

The enclosed Entitlement and Acceptance Form is important. Please refer to the instructions in Section 8 of this Prospectus regarding your options in relation to your Entitlement. Acceptances must be received together with payment for your subscription amount by 5.00pm (Australian Eastern Daylight Time) on 10 November 2008.

### **Authorised Statements**

No person is authorised to give any information or make any representation in connection with the issue of New Ordinary Shares under this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by the Company in connection with this Rights Issue.

## **Additional Copies of the Prospectus**

Additional copies of this Prospectus are available from the registered office of the Company during normal business hours or can be obtained from the Company's website at [www.panaegis.com.au](http://www.panaegis.com.au).

The Prospectus available on the Company's website does not include an Entitlement and Acceptance Form. Eligible Shareholders wishing to take up their Entitlement to apply for New Ordinary Shares should complete the paper copy of the Entitlement and Acceptance Form which accompanies a paper copy of this Prospectus.

## **Restrictions on Distribution**

The Company has decided that it will not make offers of New Ordinary Shares under this Prospectus to Shareholders with registered addresses outside Australia or New Zealand. This decision was made having regard to the number of Shareholders with registered addresses outside Australia or New Zealand, the number and value of the New Ordinary Shares those Shareholders would have been offered and the cost of complying with the legal and regulatory requirements in the relevant countries outside Australia and New Zealand.

No action has been taken to register or qualify the New Ordinary Shares, the Rights Issue or this Prospectus in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of Applicants who are citizens or residents of jurisdictions outside of Australia and New Zealand to ensure compliance with all laws of any of the relevant jurisdictions.

### Summary of Important Dates

Date of Prospectus	<b>10 October 2008</b>
Lodgement of Prospectus with ASIC	<b>10 October 2008</b>
Lodgement of Appendix 3B with ASX	<b>10 October 2008</b>
Notice sent informing Shareholders of the Rights Issue	<b>13 October 2008</b>
Shares quoted on 'ex' basis	<b>14 October 2008</b>
Record Date for Entitlements to New Ordinary Shares	<b>20 October 2008</b>
Prospectus and Entitlement and Acceptance Form dispatched and announcement that dispatch complete	<b>24 October 2008</b>
Closing date for acceptances	<b>10 November 2008</b>
New Ordinary Shares quoted on deferred settlement basis	<b>11 November 2008</b>
Notify ASX of under subscriptions	<b>13 November 2008</b>
Dispatch of New Ordinary Share transaction confirmation statements	<b>18 November 2008</b>
Expected date of quotation of New Ordinary Shares	<b>19 November 2008</b>

Shareholders are advised that this summary of important dates is an indicative timetable only.

The Company (in consultation with the ASX if necessary), reserves the right to extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date.



# PANAEGIS

PANAEGIS GOLD MINES LIMITED ABN 42 111 587 163 ACN 111 587 163  
174b High Street Heathcote Victoria Australia 3523  
Tel: 03 5433 3422 Fax: 03 5433 3465 www.panaegis.com.au

10 October 2008

Dear Shareholder

## **Rights Issue**

On behalf of Panaegis, I am pleased to send you this Prospectus and a personalised Entitlement and Acceptance Form. It provides the opportunity for you to participate in a pro-rata Rights Issue to raise working capital to fund the Company's focussed exploration and development efforts in central Victoria.

Details of the Rights Issue are included in the Prospectus. I recommend that you read it carefully.

The Prospectus describes in detail Panaegis's offer to Eligible Shareholders of a non-renounceable, non-underwritten Rights Issue which entitles you to acquire **1 New Ordinary Share in Panaegis for every 3 Shares you hold at a price of \$0.03 per New Ordinary Share**. A maximum of approximately 31.7 million New Ordinary Shares will be issued and the New Ordinary Shares will rank equally with Panaegis's existing Shares on issue. The Closing Date for acceptance and payments is 5.00pm AEDT on 10 November 2008. Further details of the Rights Issue are set out in full in Section 1 of the Prospectus.

**The largest shareholder in the Company, Cairnglen Investments Pty Ltd, and myself have committed to take up all our entitlements under the Rights Issue.** Together, we hold 18.2% of the Company's issued Shares and our commitment is for \$173,300 out of the maximum possible raising of approximately \$950,000. In addition, the other two Directors of the Company have indicated that they intend to take up all their entitlements.

**Major initiatives have been carried out to focus and rationalise the activities of Panaegis during calendar 2008.** Most significantly, Panaegis has moved to 100% ownership of all the tenements, 187 hectares of freehold land and other assets at Nagambie. The central mining licence, MIN 5412, includes the Nagambie Gold Mine which was worked historically between 1990 and 1997. That operation produced approximately 135,000 ounces of gold from the heap leaching of 7.3 million tonnes of ore mined from two adjacent pits at an average head grade of 0.78 g/t gold. MIN 5412 is important to Panaegis for three major reasons.

## **Nagambie MIN 5412**

**Firstly**, MIN 5412 has clear potential to host additional heap-leachable oxide gold mineralisation based on anomalous gold-in-soil sampling and scout drilling results achieved to date. Panaegis intends to carry out an exploratory drilling program to evaluate oxide gold targets adjacent to and along strike of the 1990's open pits with a view to re-commencing mining and heap leaching operations given the current high A\$ gold price relative to the gold price in the 1990's. At least two parallel structures north of the West Pit have been identified from previous drilling. Extending the West Pit westwards is of particular interest to Panaegis given that a 2007 scout hole drilled to the west, NRP 26, intersected 24 metres of oxide mineralisation averaging 1.0 g/t gold.

**Secondly**, as a granted mining licence with a recent operations history, MIN 5412 is a very strategic asset for Panaegis in a regional ore treatment sense. The Company has other compelling oxide gold targets within economic trucking distance of MIN 5412 at Redcastle, Heathcote South, Graytown, Rushworth and Nagambie Regional which could typically average 1 to 2 g/t gold. Together with the oxide targets on MIN 5412, Panaegis is targeting at least 100,000 to 200,000 ounces of low grade oxide gold mineralisation in the region that could be heap-leach treated on MIN 5412. Heap-leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of capital cost and operating cost per tonne.

**Thirdly**, MIN 5412 has the potential to generate substantial income for the Company, well in excess of current market capitalisation, from the sale of waste rock as part of the rehabilitation process. Before gold mining and heap-leach ore treatment commenced at Nagambie in 1990, the site was a quarry supplying the local region. As a result of those operations, which ran until 1997, around 5 million tonnes of crushed rock and 10 million tonnes of uncrushed rock were placed in various surface stockpiles on MIN 5412. Since 1997, approximately 200,000 tonnes of the crushed rock and 160,000 tonnes of the uncrushed rock have been sold for local road works and general farm use. The most recent sales, during the 2007/2008 year, were of uncrushed rock to an earthmoving contractor at \$2 per tonne uncrushed on an "as is, where is" basis.

Particularly significant for future rock sales, VicRoads is currently carrying out pre-construction planning for the Nagambie bypass highway, an AusLink National Project. Construction is planned to commence in 2010. The north-south alignment for the bypass, which is approximately 2 km to the east of central Nagambie and approximately 3 km west of MIN 5412, 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 17.4 km long, four lane, freeway standard road and Panaegis is well placed to supply the majority of the rock from the stockpiles on MIN 5412. Additionally, large quantities of water will also be required during construction and Panaegis has 3 Gigalitres of non-potable water contained in the open pits on MIN 5412 which may be used for road making.

#### **Proposed Name Change to Nagambie Mining Limited**

Nagambie MIN 5412 is now clearly the most valuable asset of the Company and central to its exploration and development aims in central Victoria. With that in mind, the Directors consider that a change of name to Nagambie Mining Limited is appropriate and a resolution to that effect will be put to Shareholders at the Annual General Meeting next month.

I thank all our Shareholders for their continued support and encourage you to support the Rights Issue to enable you to fully participate in the Company's future growth and success.

Yours faithfully



Mike Trumbull  
Chairman

## **1. Details of the Rights Issue**

---

This Section provides an overview of the Rights Issue. Before deciding whether to subscribe for New Ordinary Shares under this Prospectus, Applicants should read this Prospectus in its entirety.

### **1.1. The Rights Issue**

The Company has 94,993,400 Shares on issue.

The Company intends to make a non-renounceable Rights Issue of 31,664,467 New Ordinary Shares on the basis of one (1) New Ordinary Shares for every three (3) Shares held at 7.00pm AEDT on the Record Date being 20 October 2008 at an issue price of \$0.03 per New Ordinary Share.

### **1.2. Entitlement to New Ordinary Shares**

The Company has decided that it will not make offers under this Prospectus to Shareholders with registered addresses outside Australia or New Zealand. See Section 1.9 of this Prospectus for further details regarding International Shareholders.

Subject to the conditions described above, Shareholders who are on the Company's Register at 7.00pm AEDT on the Record Date being 20 October 2008 will receive the right to acquire one (1) New Ordinary Share for every three (3) Shares.

Shares acquired on the ASX after 20 October 2008 (or such other date set by ASX) will not receive Rights to subscribe for the New Ordinary Shares offered under this Prospectus.

An Entitlement and Acceptance Form setting out Shareholders' Entitlements to the New Ordinary Shares accompanies the hard copy of this Prospectus distributed to Eligible Shareholders.

Eligible Shareholders who do not take up their Entitlement in full may, as a result of this Rights Issue, have their percentage shareholding in the Company diluted.

### **1.3. Entitlement**

The Entitlement of each Shareholder is shown on the personalised Entitlement and Acceptance Form.

Where the number of New Ordinary Shares to which a Shareholder is entitled contains a fraction, the number will be rounded up to the nearest whole number of New Ordinary Shares.

#### **1.4. Closing Date and Payment for New Ordinary Shares**

The Closing Date for acceptance of Entitlement and Acceptance Forms is 5.00pm (Australian Eastern Daylight Time) on 10 November 2008.

Cheques must be drawn in Australian currency on an Australian bank and made payable to 'Panaegis Gold Mines Limited – Non-Renounceable Rights Issue' and crossed 'Not Negotiable'. Applicants are requested not to forward cash, postal notes or money orders by mail. Receipts for payment will not be issued.

Shareholders may also make payment via BPay. The Entitlement and Acceptance Form sets out the details of the biller code, each Shareholder's BPay reference number and the instructions of how to pay via BPay. In the event a Shareholder elects to make payment via BPay, that Shareholder does not need to complete or return their Entitlement and Acceptance Form.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds are submitted through BPay are received by this time.

#### **1.5. Allotment of New Ordinary Shares**

The New Ordinary Shares will be allotted and issued and holding statements dispatched no more than 6 Business Days after the Closing Date for receipt of Applications.

Until the allotment and issue of New Ordinary Shares under this Prospectus, Application monies will be held by the Company in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on Application monies will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

#### **1.6. ASX Quotation**

The Company has applied to ASX for quotation of the New Ordinary Shares on the Official List of the ASX. If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not issue any New Ordinary Shares and will repay all Application monies without interest.

A decision of ASX to grant Official Quotation of the New Ordinary Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or the New Ordinary Shares offered under this Prospectus.

#### **1.7. No Trading of Entitlements**

This Issue is a non-renounceable rights issue. Accordingly, there will be no trading of Entitlements.

### **1.8. Rights Attached to New Ordinary Shares**

From allotment, the New Ordinary Shares issued pursuant to the Prospectus will rank equally in all respects with existing Shares.

A summary of the rights attaching to Shares as set out in the Company's Constitution is described in Section 7.2 of this Prospectus.

### **1.9. International Shareholders**

The Company has determined that it is unreasonable to make offers of New Ordinary Shares to Shareholders with registered addresses outside Australia or New Zealand. This decision was made having regard to the number of Existing Shareholders with registered addresses outside Australia and New Zealand, the number and value of the New Ordinary Shares those Shareholders would have been offered and the cost and time involved in complying with the legal and regulatory requirements in the relevant countries outside Australia and New Zealand.

Accordingly, this Offer will not be made to International Shareholders and no New Ordinary Shares will be issued to International Shareholders. This Prospectus is sent to International Shareholders for information purposes only. In order for a Shareholder to participate to accept the offer of New Ordinary Shares, the Shareholder must be resident in Australia or New Zealand at the Record Date.

### **1.10. Placement of shortfall of New Ordinary Shares**

In the event the Issue is not fully subscribed, the Directors reserve the right pursuant to Listing Rule 7.2 (Exception 3) to place the shortfall at an issue price per New Ordinary Share of not less than \$0.03 within 3 months of the close of this Offer on normal commercial terms.

### **1.11. Use of Funds Raised**

The proceeds of this Rights Issue will be used to fund the Company's activities including:

- (a) exploration and development of mining licence MIN 5412;
- (b) exploration and development of the other 14 licence areas in central Victoria held by the Company;
- (c) working capital; and
- (d) the expenses of the Offer.

Indicative application of the proceeds of the Offer (including shortfall placements under the Prospectus up to the full subscription) will be as follows:

<b>Indicative Application of Funds (\$000's)</b>	
Exploration and development of licence areas	650
Working capital	250
Expenses of the Offer	50
<b>Total</b>	<b>950</b>

In the event the Issue is fully subscribed, the Directors believe that the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus. However, the Company may need to raise additional funds to carry out certain of its exploration objectives. No minimum amount is sought to be raised by the Rights Issue. Depending on the amount of funds raised by the Rights Issue, the use of the funds may be scaled back as determined by the Directors.

#### **1.12. Issue Expenses**

The estimated expenses of the Rights Issue including, professional fees, registry services and printing and postage are approximately \$50,000.

#### **1.13. Position of Major Shareholders and Directors**

Cairnglen Investments Pty Ltd, whom at the date of this Prospectus owns 11,780,000 Shares representing approximately 12.40% of the Company's issued capital, has committed in writing to take up its full Entitlement under this Issue of 3,926,667 New Ordinary Shares, representing an amount of \$117,800, and to not, during the period up to and including the date on which the New Ordinary Shares are allotted, dispose of any of the Shares held by it as at the date of this Prospectus.

Mr Michael Trumbull, a Director of the Company, owns 5,550,000 Shares as at the date of this Prospectus, representing approximately 5.84% of the Company's issued capital. Mr Trumbull has committed in writing to take up his full Entitlement under this Issue of 1,850,000 New Ordinary Shares, representing an amount of \$55,500, and to not, during the period up to and including the date on which the New Ordinary Shares are allotted, dispose of any of the Shares held by him as at the date of this Prospectus.

For the security holdings and Entitlement details of all Directors of the Company, refer to Section 7.5 of this Prospectus. The other Directors of the Company, Mr Colin Glazebrook and Mr Geoff Turner, have both indicated to the Company that they intend to take up all of their Entitlements under this Issue.

#### **1.14. Enquiries**

If you have any questions regarding your Entitlement, please contact the Company's Share Registry:

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne, Victoria, 8060

Ph: 1 300 727 173 (within Australia)

Ph: +61 3 9415 4068 (outside Australia)

Alternatively, contact your stockbroker, solicitor, accountant or other professional advisor.

## 2. Effect of the Rights Issue

---

### 2.1. Capital Structure

The effect of the Rights Issue on the Company's issued share capital will be as follows:

#### Issued Capital as at the date of this Prospectus:

##### Shares

94,993,400 fully paid ordinary shares.

##### Options\*

Number	Exercise Price	Vesting Date	Expiry Date
700,000	\$0.10	4 September 2010	4 September 2013

#### Issued Capital immediately after the Offer:

##### Shares

126,657,867 fully paid ordinary shares.

##### Options\*

Number	Exercise Price	Vesting Date	Expiry Date
700,000	\$0.10	4 September 2010	4 September 2013

\*The Company proposes to seek Shareholder approval for the issue of 2,000,000 options to Mr Colin Glazebrook and 1,000,000 options to each of Mr Michael Trumbull and Mr Geoff Turner at the Company's upcoming Annual General Meeting to be held in November 2008. The proposed terms of the options provide that the options will have:

- (a) an exercise price of \$0.10;
- (b) a vesting date 2 years after their issue date; and
- (c) an expiry date of 5 years after their issue date.

If Shareholder approval is given and the options are issued to the Directors, the total number of options on issue in the Company will be 4,700,000.

## **2.2. Market Price of Shares**

The highest and lowest market sale prices of the Company's Shares on the ASX during the 4 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were as follows:

Highest: \$0.04 in late July and early August.

Lowest: \$0.02 on 1 September 2008.

The latest available market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.024 on 9 October 2008.

## **2.3. New Ordinary Shares to Rank Pari Passu with Existing Shares**

The New Ordinary Shares will rank pari passu in all respects with all existing Shares in the capital of the Company from the date of allotment and issue.

### 3. Review of Operations

---

#### 3.1. Background

Panaegis is a Victorian-based exploration company which has focused its exploration efforts on the identification of shallow open cut gold prospects in the regional historic goldfields of Victoria.

#### 3.2. Corporate

Since the end of calendar 2007, the Company has undergone a major reorganisation with the appointment of a new Board of Directors, the appointment of a new CEO and Exploration Manager and the relocation of the Registered Office and Head Office to Heathcote in Central Victoria. The restructuring and subsequent strategic review has brought about:

- (a) a significant reduction in corporate and fixed overheads;
- (b) logical relinquishments and amalgamations of exploration licences held by the Company; and
- (c) a significant reduction in the Government minimum tenement expenditure commitments with no significant reduction in prospective areas or efficiency of operation.

#### 3.3. Panaegis Exploration and Mining Licences

The Company currently holds 14 Exploration Licences and Mining Licences in Victoria, with one under application. A six licence decrease occurred during the year from both surrenders and amalgamations, reducing the area under exploration, assuming the application is approved, from 1,648 Km<sup>2</sup> to 376.4 Km<sup>2</sup> (a 77% reduction). All licences are undergoing detailed exploration for gold and associated minerals. The licences are as follows:

<b>Name</b>	<b>Licence</b>	<b>Equity (%)</b>	<b>Area (Km<sup>2</sup>)</b>
Avenel	EL 4887	100	23
Graytown	EL 5020	100	6
Mitchellstown	EL 5049	100	10
Nagambie	EL 5023	100	13
Nagambie MIN	MIN 5412	100	8
Nagambie North	EL 5027	100	95
Nagambie South	EL 4718	100	23
Redcastle	EL 3316	100	113.3
Rushworth	EL 4723	100	68
Howqua MIN	MIN 5420	100	0.1
Howqua*	EL 5189	100	5
Taradale Central	EL 4527	100	4
Taradale	EL 5151	100	2
Taradale East	EL 4895	100	4
Piggoreet	EL 4994	100	2
<b>Total Area</b>			<b>376.4</b>

\* application

The principal areas receiving the most current attention by the Panaegis exploration team are summarised in the following sections.

### **3.4 Nagambie MIN 5412**

On 24 September 2008, Panaegis announced that settlement was completed between the Company and Perseverance Mining Pty Ltd (*PSV*), a wholly owned subsidiary of Northgate Minerals Corporation, whereby following the receipt of Ministerial consent and registration, the Company became the holder of 100% of the Nagambie mining licence MIN 5412.

In addition, PSV transferred to Panaegis the 187.25 hectares of freehold property, including all buildings and chattels, within MIN 5412 known as 726 Ballantynes Road, Nagambie. Panaegis has assumed full responsibility for the environmental bond at MIN 5412 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 2.5% interest in any metals produced from the areas involved.

MIN 5412 includes the Nagambie Gold Mine which was worked by PSV between 1990 and 1997. The operation produced approximately 135,000 ounces of gold from the heap leaching of 7.3 million tonnes of oxide gold ore mined from two adjacent pits. The average head grade was 0.78 g/t gold and heap leach recovery was estimated at 73%.

### **3.5 Oxide Gold Potential on MIN 5412**

The move to 100% of MIN 5412 will allow the Company to continue, in the light of the very encouraging current gold price, its investigation into the potential for near-surface 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.

Drilling carried out to date indicates potential for economic gold mineralisation between the two historic pits. Soil geochemistry north of the West Pit points to two possible parallel mineralised structures, the existence of which is also supported by earlier scout drilling.

The best potential however lies west of the West Pit, along the strike extension of the mineralised structure previously mined by PSV which is largely untested by drilling. Encouragingly, a 2007 scout hole, NRP 26, intersected 24 metres of oxide mineralisation averaging 1.0 g/t gold.

A program of infill Reverse Circulation 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.

### **3.6 MIN 5412 as a Regional Ore Treatment Location**

The acquisition of 100% of MIN 5412 is a key component to Panaegis's regional strategy of exploring other compelling oxide gold targets within economic trucking distance of MIN 5412. The Company's objective is to establish significant oxide gold resources, typically averaging 1

to 2 g/t gold that could be mined and trucked to MIN 5412 for heap leaching along with oxide ore from MIN 5412. Together with the oxide targets on MIN 5412, Panaegis is targeting total heap-leachable gold mineralisation of at least 100,000 to 200,000 ounces. The status of current exploration in these regions is summarised below:

- **Redcastle Project (EL 3316).** Encouraging previous drilling results from the area such as 7m at 2.0g/t (gold) from 16m (depth), 10m at 2.5g/t from 22m, 6m at 2.4g/t from 51m and 8m at 5.2g/t from 36m have been followed up by a detailed costeaning program over the historic Redcastle Gold Field. An evaluation drilling program is now being planned as assays become available from the costeaning program.
- **Heathcote South Project (EL 3316).** A costeaning program over the historic high grade Heathcote Gold Field is to commence in October 2008. Once all assays are received and geological interpretations made, an evaluation drill program is planned to follow on from the Redcastle drilling.
- **Nagambie Project (ELs 4718, 4887, 5023 & 5027).** Only 2 to 3 km north of MIN 5412, an area exceeding 3.5 km in strike with anomalous gold in soil (+20ppb) has been identified from roadside soil sampling. This is being followed up by a comprehensive infill soil sampling program using the latest techniques identified by Geoscience Victoria in using soil geochemistry to locate buried gold deposits.
- **Graytown (EL 5020) and Rushworth (EL 4723) Projects.** Compilation of historic mining and company exploration data has commenced over these historic high grade goldfields, enabling all data to be evaluated in a comprehensive format.

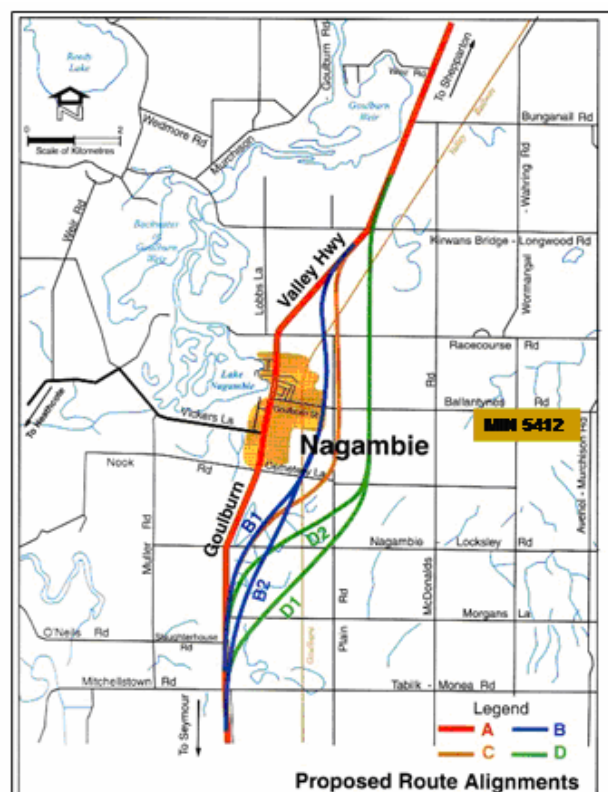
### **3.7 Potential Sales of Waste Rock from MIN 5412**

The move to 100% of MIN 5412 also presents Panaegis with the opportunity to focus on utilising the products of the 1990's mining and treatment operations, particularly waste rock for roadmaking, as part of the rehabilitation process.

Before gold mining commenced at Nagambie, the site was a quarry supplying the local region. As a result of the gold mining and heap-leach treatment operations, which ran until 1997, around 5 million tonnes of crushed rock and 10 million tonnes of uncrushed rock were placed in various surface stockpiles on MIN 5412. Since 1997, approximately 200,000 tonnes of the crushed rock and 160,000 tonnes of the uncrushed rock have been sold for local road works and general farm use. The most recent sales, during the 2007/2008 year, were of uncrushed rock to an earthmoving contractor at \$2 per tonne uncrushed on an "as is, where is" basis.

VicRoads gave a favourable report on the rock in the 1990's 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. The EPA, in a December 1999 report, were also satisfied that the rock stockpiled on MIN 5412 is *"not contaminated waste and therefore is not regulated waste .... this type of waste has no adverse environmental impacts to human health therefore the overburden is safe to use in road construction"*.

Of particular importance for Panaegis, VicRoads is currently carrying out pre-construction planning for the Nagambie bypass highway, an AusLink National Project. Construction is planned to commence in 2010. The figure below, modified from the VicRoads website, shows the proposed Nagambie bypass alignments in relation to the location of MIN 5412. The north-south alignment for the bypass, which is understood to be the most easterly (D1) on the figure and 17.4 km long, 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 road and Panaegis is well placed to supply the majority of the rock from the stockpiles on MIN 5412. Additionally, large quantities of water will also be required during construction and Panaegis has 3 Gegalitres of non-potable water contained in the open pits on MIN 5412 which may be used for the road making.



Source: Vic Roads website

<http://www.vicroads.vic.gov.au/Home/RoadsAndProjects/RoadProjects/PlanningStudies/NagambiePlanningStudies.htm>

#### 4. Board

---

**MICHAEL TRUMBULL      Non-Executive Chairman**

Mr Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 35 years of broad mining industry experience with mines / subsidiaries of Mount Isa Mines Limited, Renison Consolidated Limited, Western Mining Corporation Limited, CRA Limited, Australian Consolidated Minerals Limited and Beaconsfield Gold N.L.

From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1993 to 2004, he was an executive Director for Beaconsfield Gold N.L. and was involved in the exploration and subsequent mines development at Beaconsfield.

Mr Trumbull is also a non-executive director of Beaconsfield Gold N.L. and Allstate Explorations N.L.

**GEOFF TURNER      Non-Executive Director**

Mr Turner, B.Sc (Hons) & M.Sc (Exploration & Mining Geology), is a Registered Professional Geoscientist with the Australian Institute of Geoscientists. He has over 30 years experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry.

Mr Turner is also a non-executive director of Resource Base Ltd.

**COLIN GLAZEBROOK      Chief Executive Officer and Executive Director**

Mr Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has over 45 years experience in the resources industry including 30 years involvement in gold and base metal exploration in all States and Territories in Australia and internationally in New Zealand, the South Pacific, Indonesia and the former Soviet Union.

In Victoria, he has directed exploration and mining activities at various gold properties including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis.

**ALFONSO GRILLO      Company Secretary**

Mr Grillo is a partner with TressCox Lawyers.

## 5. Financial Information Relevant to the Rights Issue

### 5.1. Pro-forma Balance Sheet

The table below sets out the balance sheet of the consolidated entity. The first column sets out the audited balance sheet of the consolidated entity as at 30 June 2008, as per the annual financial report signed by the Directors on 30 September 2008. The final column illustrates the consolidated entity's unaudited pro-forma balance sheet as at 30 June 2008 assuming the Issue is fully subscribed.

	<b>Audited as at 30 June 2008</b>	<b>Rights Issue</b>	<b>Unaudited Pro-forma as at 30 June 2008</b>
<b>Current assets</b>			
Cash and cash equivalents	839,685	899,934	1,739,619
Other receivables	64,427		64,427
Other assets	166,244		166,244
<b>Total current assets</b>	<b>1,070,356</b>		<b>1,970,290</b>
<b>Non-current assets</b>			
Property, plant and equipment	129,252		129,252
Exploration and evaluation assets	5,188,287		5,188,287
<b>Total non-current assets</b>	<b>5,317,539</b>		<b>5,317,539</b>
<b>Total assets</b>	<b>6,387,895</b>		<b>7,287,829</b>
<b>Current liabilities</b>			
Trade and other payables	80,397		80,397
Borrowings	42,283		42,283
Provisions	16,002		16,002
<b>Total current liabilities</b>	<b>138,682</b>		<b>138,682</b>
<b>Non-current liabilities</b>			
Borrowings	101,396		101,396
<b>Total non-current liabilities</b>	<b>101,396</b>		<b>101,396</b>
<b>Total liabilities</b>	<b>240,078</b>		<b>240,078</b>
<b>Net assets</b>	<b>6,147,817</b>		<b>7,047,751</b>
<b>Equity</b>			
Issued capital	11,567,697	899,934	12,467,631
Options reserves	22,180		22,180
Accumulated losses	(5,442,060)		(5,442,060)
<b>Total equity</b>	<b>6,147,817</b>		<b>7,047,751</b>

### 5.2. Notes to the Pro-forma Balance Sheet

The \$899,934 raised under the Rights Issue takes into consideration the estimated \$50,000 expenses of the Issue.

## **6. Risk Factors**

---

To appreciate the risk factors associated with an investment in the Company, this Prospectus should be read in its entirety.

### **6.1. Overview**

This Section identifies the areas the Directors regard as the significant risks associated with an investment in this Offer. Applicants should be aware that an investment in the Company is speculative and involves risks which may be higher than other companies. Applicants should read the entire Prospectus and consider the Company's continuous disclosure notices to the ASX before any decision is made to apply for New Ordinary Shares under this Rights Issue.

### **6.2. General Risks**

There are risks associated with any investment in the stock market. The value of the Company's Shares can be expected to fluctuate depending upon various factors, including general worldwide economic conditions and general stock market conditions, as well as the performance of the Company.

There are a number of risk factors, both specific to the Company and relating to the general business environment, which may impact upon the operating performance and financial position of the Company. Some of these risks can be mitigated by the use of contingency plans and safeguards. However, many are outside the control of the Company and cannot be mitigated.

### **6.3. Exploration**

Exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation Panaegis brings to its exploration projects, there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or insufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

### **6.4. Development and Mining**

Possible future development of mining operations at any of the Company's projects is also subject to numerous risks. The Company's operations may be delayed or prevented as a result of weather conditions, mechanical difficulties, shortage of technical expertise or equipment. There may be difficulties with obtaining government and/or third party approvals, operational difficulties encountered with extraction and production activities, unexpected shortages or increases in the price of consumables, plant and equipment, cost overruns or lack of access to required levels of funding.

If the Company commences production, its operations may be curtailed or disrupted by a number of risks beyond its control such as environmental hazards, industrial accidents and

disputes, technology failures, unusual or unexpected geological conditions, fires, explosions, adverse weather conditions and other accidents.

The Company's operations may be adversely affected by higher than anticipated ore treatment costs, worse than anticipated metallurgical conditions, fluctuations in base and precious metal prices or lack of availability of smelter capacity.

No assurance can be given that the Company will achieve commercial viability through development of any of its tenements or projects.

In addition, in order for the Company to provide waste rock for road construction, the Company must obtain appropriate licences and permits from the DPI and EPA. Panaegis proposes to obtain these licences. Whilst the Nagambie bypass is an AusLink National Project, there is the potential for the timing of the project to be delayed.

#### **6.5. Resource Estimations**

Resource estimates are inherently imprecise as they are expressions of judgment at a particular time based on available information, interpreted through experience and resource modelling techniques. The estimates, while made by qualified professionals, may change over time as other information becomes available which differs from information known or predicted by past drilling, sampling and geological interpretation. Estimates remain subject to change which may adversely affect the Company's operations or the commercial viability of its projects.

#### **6.6. Commodity and Currency Price Volatility**

Commodity prices are subject to influencing factors beyond the control of the Company and can be subject to significant fluctuations. Just some of these influencing factors include:

- (a) world demand for particular commodities;
- (b) the level of production costs in major commodity producing regions; and
- (c) expectations regarding inflation, interest rates and US dollar exchange rates.

Any significant and/or sustained fluctuation in exchange rates or commodity prices in particular gold prices could have a materially adverse affect on the Company's operations and its financial position. The current gold price in Australian dollars per ounce is at a near record high.

#### **6.7. Native Title and Aboriginal Heritage**

In applying for certain tenements and carrying out exploration and/or mining operations, the Company must observe native title legislation (where applicable) and Aboriginal Heritage legislation which protects Aboriginal sites and objects of significance.

In certain circumstances the consent of registered native title claimants must be obtained prior to carrying out certain activities on land to which their claim relates. It is possible that the

conditions imposed by native title claimants on such consent may be on terms unacceptable to the Company.

#### **6.8. Tenure and Access**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

The Company's tenements are subject to numerous State-specific legislative conditions. The renewal of the term of a granted tenement is also subject to discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

#### **6.9. Compulsory Work Obligations**

Each of the Company's tenements is subject to expenditure and work commitments which must be met in order to keep such tenement in good standing. These commitments may be varied on application of the tenement holder but any such variation is at the sole discretion of the Minister administering the relevant State mining legislation. If no variation is approved, and there is a failure to meet the commitments, this could lead to forfeiture of the tenement.

#### **6.10. Environmental**

The Company's projects are subject to both the relevant State and also Commonwealth laws and regulations relating to environmental matters. Should the Company proceed to development of one or more mines, it could be expected that such developments would have numerous environmental impacts which would require various statutory approvals to be put in place. There is no guarantee that such approvals would be granted. The Company intends to conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. However, the Company is unable to predict the effect of future changes to environmental legislation or policy and the cost effect of such changes on its operations and financial position.

#### **6.11. Funding**

The funds raised pursuant to the Prospectus will be used to carry out the Company's exploration and evaluation program detailed in this Prospectus. The Company may require additional funding to carry out further exploration, undertake feasibility studies, develop mining operations and/or acquire new projects. Any additional financing through share issues may dilute shareholdings acquired under this Prospectus. Debt financing may not be available to support the scope and extent of proposed developments. If available, debt funding may impose restrictions on operating activities or anticipated expansion of the Company's operations.

## **6.12. Joint Ventures**

The Company may wish to develop its projects or future projects through joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Company could be affected by the failure or default of any of the joint venture participants.

## **6.13. Changes in Regulatory Environment**

Changes to laws and regulations or accounting standards which apply to Panaegis from time to time could materially adversely impact the operating and financial performance and cash flows of Panaegis.

Changes in the taxation laws of Australia could materially affect operating results of the Company.

## **6.14. Share Investment**

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

Investors should be aware that there are risks associated with an investment in shares of companies listed on a stock exchange. The value of the Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, variations in the operating costs and costs of capital replacement which Panaegis may require in the future. Accordingly, assuming that the Shares are granted official quotation by the ASX, the Shares may trade on the ASX at higher or lower prices than the issue price of the New Ordinary Shares issued pursuant to this Prospectus.

Similarly, the level of dividends that may be paid in the future in respect of Shares can move either up or down and it is possible that Panaegis may not pay any dividends as this will depend on the future profitability, financial position and cash requirements of the Company. To date, Panaegis has not paid any dividends on its Shares.

## **6.15. Exchange Rates**

Adverse movements in exchange rates relating to either equity investments or commodities or project operating costs, or increased price competitiveness in response to movements in exchange rates may materially adversely impact the operational and financial performance and cash flow of Panaegis in the future.

#### **6.16. Occupational Health and Safety**

The resource industry has become subject to increasing environmental and occupational health and safety responsibility and liability. The potential for liability is a constant risk.

#### **6.17. Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company is substantially dependent upon its management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one, or a number of, these employees cease their employment.

The Company's future success also depends upon its continuing ability to attract and retain highly qualified personnel. The ability to attract and retain the necessary personnel could have a material effect upon the Company's business, results of operations and financial position.

#### **6.18. Summary**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or its security holders. The above factors and other factors not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

The New Ordinary Shares issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, return of capital or market value.

An investment in the Company's securities should be regarded as speculative and neither the Company, nor any of its Directors, guarantee that any specific objective of the Company will be achieved.

Applicants should consult their professional advisors before deciding whether to respond to the Offer made by this Prospectus. Any person who responds to the Offer pursuant to this Prospectus does so in recognition of the above factors.

## **7. Additional Information**

---

### **7.1. ASX Listing**

The Company has applied to ASX for Official Quotation of the New Ordinary Shares on the Official List of the ASX. The Company participates in the Clearing House Electronic Sub register System, known as CHESSE. On 18 November 2008, the Company will dispatch transaction confirmation statements that set out the number of New Ordinary Shares allocated to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their Entitlement prior to trading in their New Ordinary Shares.

Applicants who sell New Ordinary Shares before they receive their transaction confirmation statement do so at their own risk.

### **7.2. Rights Attaching to Shares**

The rights attaching to ownership of Shares are detailed in the Constitution of the Company, which may be inspected during normal business hours at the registered office of the Company. The following is a summary of the material provisions of the Constitution relating to the rights attaching to Shares.

#### **Voting**

At a general meeting every member present in person, or by proxy, attorney or representative, has one vote on a show of hands and on a poll, one vote for each fully paid Share held and in respect of which a member may vote. On a poll, partly paid Shares confer a fraction of a vote pre-rata to the amount paid up on the Shares.

A poll may be demanded by the chairperson of the meeting, by any five Shareholders present in person, or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of all the Shareholders having the right to vote on the resolution on a poll.

#### **General Meetings**

Each Shareholder is entitled to receive notice of, and, except in certain circumstances, to attend and vote at general meetings of the Company and received all financial reports, notice and other documents required to be sent to Shareholders under the Company's Constitution, the Corporations Act, or the ASX Listing Rules.

#### **Dividends**

Subject to any special rights or restrictions attaching to a class of Shares, the profits of the Company, which the Directors from time to time determine to distribute by way of dividend,

are divisible amongst the Shareholders in proportion to the amounts paid up on the shares held by them.

### **Issue of Further Shares**

The Directors may (subject to the restrictions on the issue of Shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act) issue, grant options in respect of, or otherwise dispose of further Shares on such terms and conditions as they see fit.

### **Transfer of Shares**

Holders of Shares may transfer them by a proper transfer effected in accordance with the ASTC Settlement Rules and the Listing Rules and as otherwise permitted by the Corporations Act.

The Directors may refuse to register a transfer of Shares where the refusal to register the transfer is permitted under the Listing Rules and the ASTC Settlement Rules.

### **Winding Up**

Subject to any special or preferential rights attaching to any class or classes of Shares on a winding up of the Company, any surplus assets of the Company will be distributed to Shareholders in proportion to the capital paid up on the Shares held by them respectively. On a winding up of the Company, the liquidator may, with the approval of a special resolution, distribute among the Shareholders the whole or any part of the property of the Company and may determine how such division is to be carried out. The liquidator may also, with the approval of a special resolution, vest the whole or any part of the property in trustees on trust for Shareholders as the liquidator thinks fit.

### **Small Holdings**

Provided the Company complies with certain requirements, the Company may sell the Shares of a holder who has less than a marketable parcel of Shares.

### **Directors**

The details of the powers and duties of Directors are contained in the Constitution.

### **Directors' Indemnity**

The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors.

## Share Buy Backs

The Company may buy back Shares in itself in accordance with the provisions of the Corporations Act.

## Alteration of Constitution

The Constitution of the Company can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company.

### 7.3. Litigation

The Company is not currently involved in any litigation.

### 7.4. Options

As at the date of this Prospectus, the Company has the following 700,000 options on issue:

Number of options	Exercise Price	Expiry Date	Vesting Date
700,000	\$0.10	4 September 2013	4 September 2010

### 7.5. Interests of Directors and Experts

#### (a) Shares

The number of Shares held by each of the Directors, as at the date of this Prospectus, is set out in the table below:

Director	Number of Shares
Mr Michael Trumbull	5,550,000
Mr Colin Glazebrook	350,000
Mr Geoff Turner	100,000

Mr Michael Trumbull has committed in writing to taking up his full Entitlement under the Rights Issue of 1,850,000 New Ordinary Shares.

Both Mr Colin Glazebrook and Mr Geoff Turner have both indicated to the Company that they intend to take up their full Entitlements under the Rights Issue.

Accordingly, the number of Shares to be held by each of the Directors, if their Entitlements are taken up in full, is set out in the table below:

Director	Number of Shares
Mr Michael Trumbull	7,400,000
Mr Colin Glazebrook	466,667
Mr Geoff Turner	133,333

(b) **Interests of Directors**

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- the Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Issue.

(c) **Director's Emoluments**

	<b>1 July 2006 to 30 June 2007</b>	<b>1 July 2007 to 30 June 2008</b>	<b>1 July 2008 to 10 October 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mr Michael Trumbull	50,374	62,375	23,838
Mr Colin Glazebrook	—	104,004	56,438
Mr Geoff Turner	—	24,369	12,713

(d) **Interests of Experts**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the last 2 year period ending on the date of this Prospectus, any interests in:

- the formation or promotion of the Company; or
- the Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a

professional capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

TressCox Lawyers have acted as solicitors to the Company in relation to this Prospectus. In respect of the work on the Prospectus the Company will pay approximately \$30,000 (plus GST) for these professional services. TressCox Lawyers has provided other professional services to the Company during the last two years totalling approximately \$220,000 plus GST. The Company Secretary, Alfonso Grillo, is a partner of TressCox Lawyers. Company secretarial fees are payable to TressCox Lawyers for Mr Grillo's services. On 4 September 2008, the Company also issued 250,000 options to a related party of Mr Grillo.

#### **7.6. Expenses of the Offer**

The total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses) are currently estimated to be approximately \$50,000.

#### **7.7. Continuous Disclosure Obligations**

The Company is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Copies of documents lodged at ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC. This Prospectus contains information required under special prospectus content rules for continuously quoted securities pursuant to section 713 of the Corporations Act. This section enables disclosing entities to issue a special prospectus in relation to securities in a class of securities that have been quoted by the ASX at all times in the 12 months before the issue of the Prospectus. Apart from formal matters, a 'continuous disclosure' prospectus need only contain information relating to the terms and conditions of the offer, the effect of the offer on the Company and the rights attaching to the New Ordinary Shares.

#### **7.8. Documents available for inspection**

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of the Company, for thirteen months after the date of this Prospectus:

- (a) this Prospectus;
- (b) the Constitution;
- (c) the consents referred to in Section 7.9 of this Prospectus; and

- (d) any other document or financial statement lodged by the Company with ASIC or the ASX under the continuous disclosure reporting requirements in the period after 30 September 2008 (the date of lodgement of the financial statements for the year ending 30 June 2008) to the date of this Prospectus being 10 October 2008.

**SUBJECT OF ANNOUNCEMENT**

Investor Update

**DATE LODGED**

9 October 2008

**7.9. Consents**

Written consents to be named in this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

- (b) TressCox Lawyers has given, and not withdrawn, its consent to be named as solicitors to the Offer in the form and context in which it is named, but does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by TressCox Lawyers.
- (c) Computershare Investor Services Pty Limited has given, and not withdrawn, its consent to be named as the Share Registrar of the Company. Computershare Investor Services Pty Limited does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement made by Computershare Investor Services Pty Limited.
- (d) Deloitte Touche Tohmatsu has given, and not withdrawn, its consent to be named as auditor of the Company in the form and context in which it is so named. Deloitte Touche Tohmatsu has not authorised or caused the issue of the Prospectus.

## **8. Action Required by Shareholders**

---

### **8.1. What Shareholders may do**

The number of New Ordinary Shares to which you are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

You may:

- take up part of your Entitlement;
- take up your Entitlement in full; or
- do nothing and allow your Entitlement to lapse.

### **8.2. Taking up part of your Entitlement**

If you wish to take up part of your Entitlement, and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form, indicating the number of New Ordinary Shares you wish to accept (being less than your Entitlement as specified on the Entitlement and Acceptance Form). Send your completed Entitlement and Acceptance Form together with your cheque in Australian currency drawn on and payable at an Australian bank for the amount shown on the form using the envelope provided to reach the Company's Share Registry, no later than 5.00pm (Australian Eastern Daylight Time) on 10 November 2008 at the address set out below:

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne, Victoria, 8060

Shareholders may also make payment via BPay as set out in the Entitlement and Acceptance Form and at Section 1.4 of this Prospectus. In the event a Shareholder elects to make payment via BPay, that Shareholder does not need to complete or return the acceptance attached to the Entitlement and Acceptance Form.

### **8.3. Taking up Your Entitlement in full**

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. Send your completed Entitlement and Acceptance Form together with your cheque in Australian currency drawn on and payable at an Australian bank for the amount shown on the form using the envelope provided to reach the Company's Share Registry, no later than 5.00pm (Australian Eastern Daylight Time) on 10 November 2008 at the address set out below:

Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne, Victoria, 8060

Shareholders may also make payment via BPay as set out in the Entitlement and Acceptance Form and at Section 1.4 of this Prospectus. In the event a Shareholder elects to make payment via BPay, that Shareholder does not need to complete or return the acceptance attached to the Entitlement and Acceptance Form.

#### **8.4. Consequences of Doing Nothing – Entitlement Not Taken Up**

If you decide not to take up all or part of your Entitlement, your rights will lapse and your shareholding in the Company will be diluted.

#### **8.5. Payment**

Cheques must be drawn in Australian currency on an Australian bank and made payable to 'Panaegis Gold Mines Limited – Non-Renounceable Rights Issue' and crossed 'Not Negotiable'. Applicants are asked not to forward cash, postal notes, or money orders by mail. Receipts for payment will not be issued.

Shareholders may also make payment via BPay. The Entitlement and Acceptance Form sets out the details of the biller code, each Shareholder's BPay reference number and the instructions of how to pay via BPay. In the event a Shareholder elects to make payment via BPay, that Shareholder does not need to complete or return the acceptance attached to the Entitlement and Acceptance Form.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds are submitted through BPay are received by this time.

#### **8.6. Enquiries**

If you have any queries about your Entitlement please contact the Company's Share Registry:

Phone: 1 300 727 173 (within Australia)  
Phone: +61 3 9415 4068 (outside Australia)

Alternatively, contact your stockbroker or other professional adviser.

#### **8.7. Privacy**

Information provided in the Entitlement and Acceptance Form will be made available to the Company and the Share Registry. Applicants are able to gain access to such information by contacting either of those entities. The information on the Entitlement and Acceptance Form is being collected for the purposes of determining the number of New Ordinary Shares which the Company should issue to Applicants and to allow the Company to act in accordance with Applicants' instructions. Information that is provided in the Entitlement and Acceptance Form is provided to printing and mailing houses and the ASX and other regulatory authorities. If Applicants do not provide the information in the Entitlement and Acceptance Form, the Company will not be able to issue New Ordinary Shares as per Applicants' instructions.

## **Directors Authorisation**

---

The Directors of Panaegis Gold Mines Limited have authorised the issue of this Prospectus on behalf of Panaegis Gold Mines Limited.

This Prospectus has been signed by a Director for and on behalf of the Directors, in accordance with Section 351 of the Corporations Act.



Mr Michael Trumbull  
10 October 2008

## Glossary of Terms

---

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

<b>Applicant</b>	A person who submits an Entitlement and Acceptance Form.
<b>Application</b>	A valid application made to subscribe for a specified number of New Ordinary Shares pursuant to this Prospectus.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532).
<b>ASTC Settlement Rules</b>	The settlement rules of ASTC.
<b>ASX</b>	ASX Limited (ACN 008 624 691).
<b>AusLink</b>	A department of the Australian Government Department of Infrastructure, Transport, Regional Development and Local Government.
<b>AusLink National Project</b>	AusLink projects that are to deliver high national benefits to significantly improve the efficiency and safety of the AusLink Network. A total of \$9.8 billion (from 2004-05 to 2008-09) has been allocated for National Projects on the AusLink national network.
<b>Board</b>	The board of Directors of the Company as set out in this Prospectus.
<b>Business Day</b>	Has the same meaning as in the ASX Listing Rules.
<b>CHESS</b>	ASX Clearing House Electronic Sub-register System operated by ASTC.
<b>Closing Date</b>	10 November 2008 or such other date and/or time as the Directors may determine in accordance with the Listing Rules.
<b>Company or Panaegis</b>	Panaegis Gold Mines Limited (ACN 111 587 163).
<b>Constitution</b>	The Constitution of the Company.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Deloitte Touche Tohmatsu</b>	Deloitte Touche Tohmatsu (ABN 74 490 121 060).
<b>DPI</b>	Victorian Department of Primary Industries.
<b>Directors</b>	The directors of the Company at the date of this Prospectus.
<b>Eligible Shareholders</b>	A Shareholder having a registered address in Australia or New Zealand at the Record Date.
<b>Entitlement</b>	Eligible Shareholders' entitlement to subscribe for the New Ordinary Shares as set out in the Entitlement and Acceptance Form.

<b>Entitlement and Acceptance Form</b>	The personalised Entitlement and Acceptance Form which is sent to Eligible Shareholders that sets out the Entitlement of Shareholders to subscribe for New Ordinary Shares pursuant to the Issue.
<b>EPA</b>	Environment Protection Authority of Victoria.
<b>Existing Shareholder</b>	A Shareholder at the Record Date.
<b>Exploration Licence or EL</b>	Exploration licence granted pursuant to the <i>Mineral Resources Development Act (1990)</i> (Vic).
<b>g/t</b>	Grams per tonne.
<b>Gigalitre</b>	1,000,000,000 litres.
<b>International Shareholder</b>	A holder of Shares having a registered address outside Australia or New Zealand.
<b>Issue or Offer or Rights Issue</b>	The offer pursuant to this Prospectus by the Company of one (1) New Ordinary Share for every three (3) Shares held on the Record Date at an issue price of \$0.03 per New Ordinary Share.
<b>Km<sup>2</sup></b>	Square kilometres.
<b>Listing Rule</b>	The listing rules of ASX.
<b>Mining Licence or MIN</b>	Mining licence granted pursuant to the <i>Mineral Resources Development Act (1990)</i> (Vic).
<b>New Ordinary Share</b>	The Shares to be allotted and issued pursuant to this Prospectus.
<b>Official List</b>	The official list of ASX.
<b>Official Quotation</b>	Has the meaning given to the term 'quotation' in the Listing Rules.
<b>ppb</b>	Parts per billion.
<b>Prospectus</b>	This prospectus dated 10 October 2008.
<b>Record Date</b>	20 October 2008.
<b>Register</b>	The register of Shareholders of the Company.
<b>Reverse Circulation</b>	A double tube drilling technique which uses compressed air to operate a down hole hammer and the resulting rock chip and powder sample is returned to the surface inside the drill rods. Sample contamination is reduced significantly using this technique.
<b>Rights</b>	The non-renounceable rights to subscribe for one New Ordinary Share for every three Shares.
<b>Shareholders</b>	Holders of Shares.
<b>Shares</b>	Ordinary fully paid shares in the capital of the Company.
<b>Share Registry</b>	Computershare Investor Services Pty Limited (ACN 078 279 277).
<b>US\$</b>	United States of America dollar.
<b>VicRoads</b>	Registered business name of the Roads Corporation, a statutory

corporate within the Victorian Government.

**\$ or A\$**

Australian dollars unless otherwise indicated.