



PANAEGIS

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

About Panaegis:

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

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Shares on Issue:

Quoted: 51,577,500

Restricted: 18,485,000

Total: 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)

Share Registry:

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ASX/MEDIA RELEASE

30 October 2006

PANAEGIS GOLD MINES LIMITED

Report on activities for the Quarter ending 30 September 2006

QUARTERLY REPORT

KEY POINTS:

- **Ongoing drilling program at Nagambie Gold Mine with spectacular early gold and antimony intersection of 26.7m @ 30.4 g/t gold equivalent**
- **Completed initial two hole diamond core drilling program at Taradale**
- **Commenced RC drilling program at Redcastle**

NAGAMBIE GOLD MINE – MIN5412 (Panaegis 51%*)

On 11 July 2006, Panaegis commenced its resource definition drilling program at the Nagambie Gold Mine. The initial wide-spaced program of 12 holes was designed with reverse circulation (RC) pre-collars and diamond cored tails. This program was completed on 7 October 2006. Given the identification of thick, high-grade antimony (stibnite) veins carrying high gold grades in Hole NRP 02, closer-spaced drilling is now continuing either side of NRP 02 to test along strike and at depth for continuity of these veins.

The locations of the drill holes are marked on Figure 1 and further information is contained in Table 1.

Figure 1: Drill Hole Plan – Nagambie Gold Mine

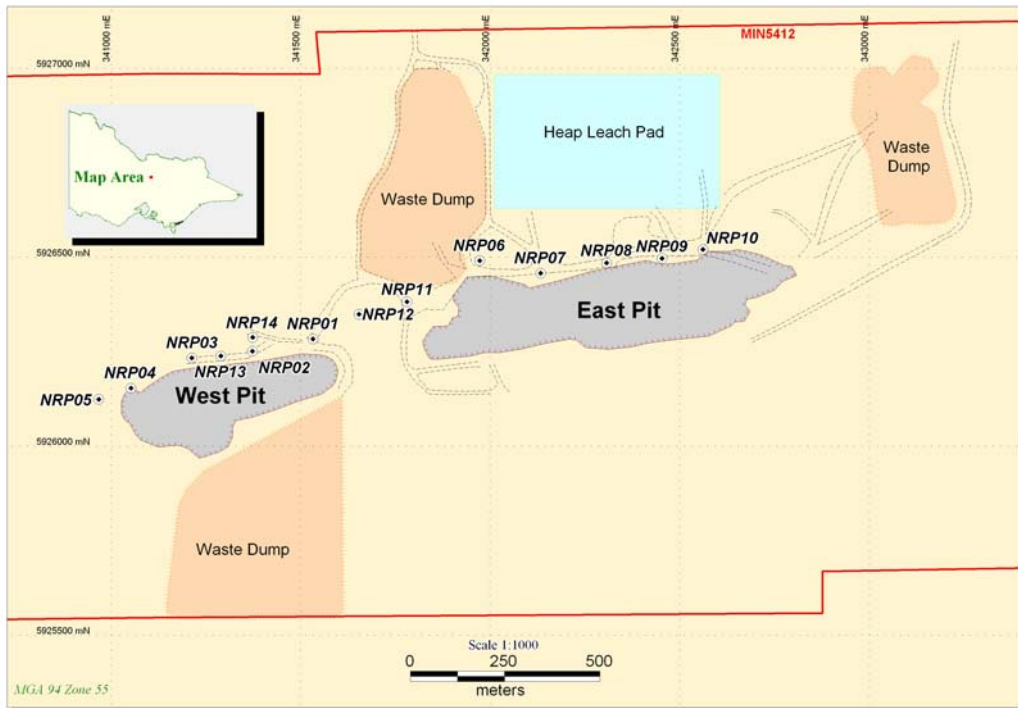


Table 1: Nagambie Drill Program NRP – Drill Hole Co-ordinates and Details

Hole ID	Easting	Northing	RL	Dip	Azimuth (magnetic)	Total Depth (m)	RC Depth (m)	Diamond Interval (m)
NRP 01	41420	26100	130	-55	169	225.2	167	167.3-225.2
NRP 02	41260	26060	130	-55	169	250.6	117	117.9-250.6
NRP 03	41100	26050	130	-55	169	300.6	73	72.9-300.6
NRP 04	40940	25970	130	-55	169	17	17	0
NRP 05	40860	25940	130	-55	169	18	18	0
NRP 06	41860	26300	130	-55	169	293.5	131	131-293.5
NRP 07	42020	26255	130	-55	169	312.5	115	115-312.5
NRP 08	42220	26335	130	-55	169	300.6	92	92.2-300.6
NRP 09	42420	26330	130	-55	169	252.4	139	139-252.4
NRP 10	42459	26330	130	-55	169	252.3	125	125.1-252.3
NRP 11	41695	26140	130	-55	169	186.3	100	100-186.3
NRP 12	41580	26120	130	-55	169	82	82	0
NRP 13	41100	26050	130	-55	169	198.5	97	96.8-198.5
Total						2689.5	1273	1,416.5

Visual logging of the cores from all holes is being progressed and cuttings of selected sections of the cores prepared and sent for assay. Various zones of pyrite and arsenopyrite mineralisation along with minor quartz stock-workings have been encountered in most holes. Apart from massive stibnite veining encountered in Hole NRP 02, only minor stibnite has been noted in the other holes to date. Difficulties have been encountered in obtaining turn-around of assay results from the South Australian laboratory and additional laboratories are now being used for assaying. To date we have only received detailed results for the diamond drilling (which is testing the main shear zone) for Hole NRP 02.

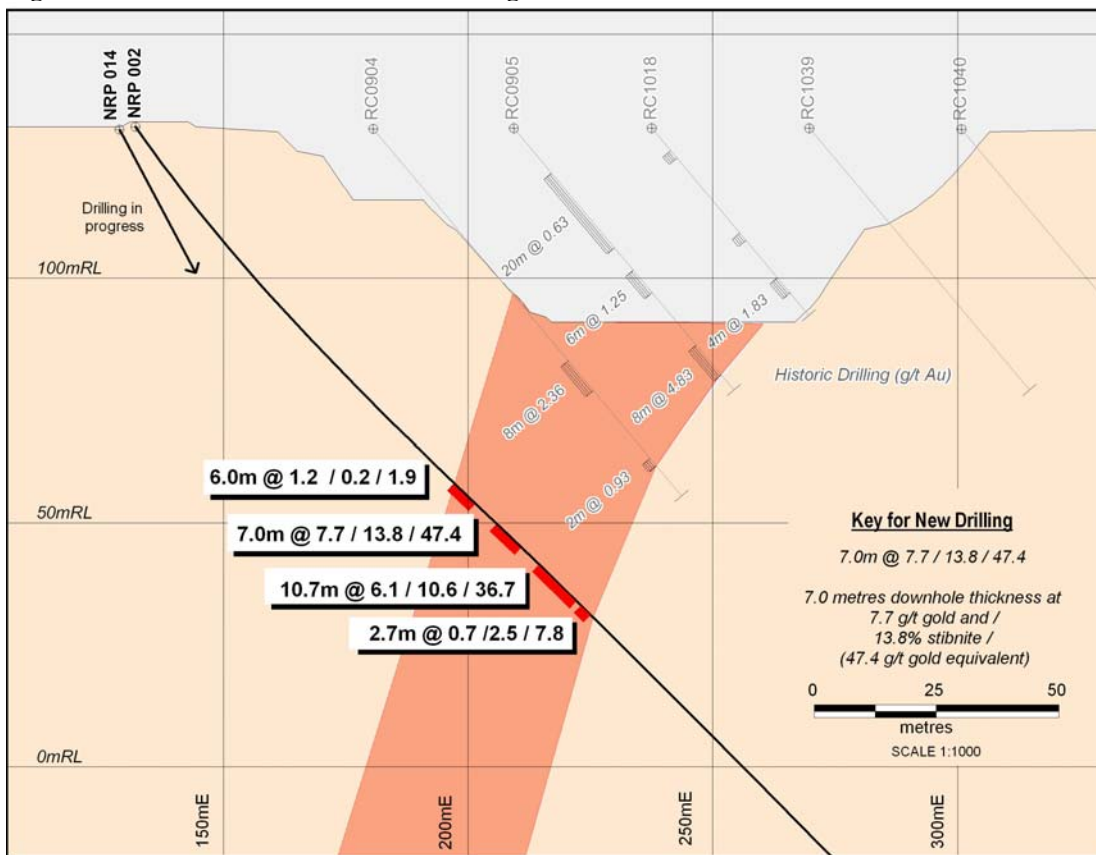
Table 2: Assay Results for Hole NRP 02.

Hole	From (m)	To (m)	Width (m)	Au g/t	Sb%	Au equiv g/t	Core Loss (m)
NRP02	98.0	104.0	6.0	1.2	0.2	1.9	0.0
NRP02	110.0	136.7	26.7	5.0	8.8	30.4	2.1
<i>including</i>							
NRP02	110.0	117.0	7.0	7.7	13.8	47.4	0.0
NRP02	122.1	132.8	10.7	6.1	10.6	36.7	0.0
NRP02	134.0	136.7	2.7	0.7	2.5	7.8	0.0

Note: (i) The total interval shown represents the lower section of RC drilling and top section of the core. Gold and stibnite mineralisation has been identified from 98 metres to 137 metres. This appears to correspond to a zone of mineralisation in Hole NRP 01 between 113 metres and 118 metres.
(ii) A significant set of stibnite veins was intersected between 110 metres and 134 metres that are generally 0.5-1 metre wide.
(iii) Gold equivalent values are determined by converting the % stibnite to kg/tonne, multiplying by the antimony price/tonne and equating this to gold at prevailing prices. In this instance, prices used are: antimony at US\$5,500/tonne and gold at US\$600/oz.

The attached cross section indicates the position of Hole NRP 02 and the new mineralised intersections in relation to the existing open cut and the historic drill results from Perseverance Mining Pty Ltd. No antimony (stibnite) assays are available for the historic drilling data.

Figure 2: Schematic cross-section Nagambie Gold Mine



The combined reverse circulation (RC) and diamond core program has confirmed the presence of gold-in-sulphides mineralisation below the existing pits. The information from this program has already allowed Panaegis to identify exceptional grades of gold and antimony mineralisation within a section of the mine that is now being targeted with further drilling. Drilling further along strike, beyond the overall length of the two existing pits of 1,700 metres, is to be undertaken. Although previous mining operations identified that the mineralisation is controlled by a series of mineralised north dipping shear zones similar in style to the Fosterville mine area, the current drilling program has indicated that the system operating at the Mine may be more complex than originally thought.

NAGAMBIE SOUTH - (EL4718) and AVENEL - (EL4887)

During the quarter, Panaegis completed reconnaissance soil sampling traverses over both properties. Initial assay results have been received from an orientation traverse that was completed but nothing has been received for the main survey. Results from the orientation traverse indicate that several metallic elements are present in the area including some that are measurable to parts per billion levels. These elements are: silver, arsenic, cobalt, copper, iron, nickel and zinc. The ppb results were obtained using the MMI technique. BLEG results are yet to be returned. Following the receipt of these complete assays, the regional samples taken previously and currently in storage will be forwarded for assay.

- * Panaegis will earn a 51% interest (currently Perseverance Mining Pty Ltd (PSV) 100%) in MIN 5412 by the expenditure of \$0.9 million in exploration by 30 June 2007. PSV will earn a 49% interest in ELs 4718 and 4887 (currently Panaegis 100%) by allowing up to a total of 30% of Panaegis' expenditure to be allocated to exploration activities within those exploration licences.

BAILIESTON – EL4719 (Panaegis 100%)

Panaegis has completed a regional magnetic interpretation and reviewed all available geological data. A considerable volume of PSV drilling data has now been copied into the Panaegis data base. Rock chip geochemical programs were conducted in the HR3 and HR4 areas. In the HR3 area, particularly in the area of Dan Genders Reef, 36 samples were collected from various workings. Assays were generally disappointing with a median of only 55 ppb Au. Six samples assayed better than 450 ppb and all were less than 1,000 ppb (1 g/t Au). Follow up and more extensive sampling is required.

RUSHWORTH – EL4723 (Panaegis 100%)

Results from the stream sediment sampling program conducted previously indicated the potential for gold mineralisation in the southern section of the exploration licence along an east west corridor of mineralisation, beginning at Buffalo Diggings through Whroo to White Hills and in an area to the west and north of the township of Rushworth. Subsequent mapping by Panaegis indicates that in the southern section there are several areas of disseminated gold mineralisation and that potential for this style of mineralisation may also exist in the north of the property.

At Whroo, soils geochemistry traverses were conducted across the area of anomalous stream sediment samples south from Balaclava Hill and follow up rock sampling was also conducted in the Mysterious Reef area west of Balaclava Hill. Average rock chip assays for gold, stibnite (antimony) and arsenic in ppm (g/t) were:

Table 4: Rock chip geochemistry assays

Prospect	Samples	Au ppm	Sb ppm	As ppm
Mysterious Reefs	9	1.10	610	125
South Dyke	3	0.80	179	66

Mullock sampling east of Balaclava Hill also shows a significant zone of gold-arsenic-stibnite mineralization over a distance of about 800m. Parts of this zone have been drilled by New Holland. However the New Holland drilling appears to have not targeted the most mineralised part of the zone based on the Panaegis sampling.

TARADALE – EL4527, EL4890, EL4894, EL4895 (Panaegis 100%)

Two diamond drill holes were drilled in August 2006 to test the United Kingdom line in the vicinity of a soil anomaly obtained by Panaegis previously. Geological interpretation of the drill core demonstrates that the western limbs of several minor gold bearing quartz reefs, a saddle reef and a deep lead were intersected and the position of the anticlinal axis determined. Panaegis is reviewing the results of this drilling and is considering the potential to explore along strike of this line of reefs and the neighbouring fold and fault structures for gold mineralisation within quartz reef and disseminated sulphides.

REDCASTLE – EL3316, EL4594 (Panaegis 100%)

During the quarter, rock mullock sampling totalling more than 120 samples from several areas within the properties continued in preparation for the first drilling program.

To date, Panaegis has collected 1,483 soil, rock chip and trenching samples which have resulted in the identification of nine separate shear zone structures, all of which are consistently auriferous. These shear zones have a collective strike length of 4,000m. Of the total 470 rock chip samples, assay results range up to 63.2g/t gold and 20% of these samples are >0.3g/t gold.

The vast majority of these mineralised rock chips are located along these shear zones, many of which have been mapped as striking into the surrounding ground to the North West that was recently granted to Panaegis – the Heathcote EL4941 tenement.

A drilling contractor was engaged to undertake a first-pass program totalling approximately 1,500m of reverse circulation (RC) drilling on 15 prospects. Drilling commenced on 14 October 2006.

HOWQUA – EL3424, MIN5420 (Panaegis 100%)

No field work was undertaken during the quarter on this tenement. Discussions with DPI personnel regarding proposed work activities were held and planning for the approaching field season is underway.

CASTLEMAINE – EL4722 (Panaegis 100%)

Guildford Plateau Block:

Three soil sample traverses were completed in the Maldon stibnite (antimony) prospect area. Each traverse was about 600m in length with the traverses about 400m apart along strike. Assays are awaited.

At Yandoit, assay results from a mullock sampling program are also awaited.

Dry Diggings Block:

Assays were received for 55 rock mullock samples taken in the project area. The best results came from the Commissioner's Reef with 5 consecutive samples ranging from 0.34 to 4.97g/t gold (average 1.7g/t gold). Only 4 samples of the remaining 50 samples assayed greater than 0.5g/t Au, with most being less than 0.1g/t Au; thus downgrading the possibility of disseminated gold in these areas

Haphazard Block:

No field work was undertaken during the quarter.

WEDDERBURN –EL4721 (Panaegis 100%)

Nine Mile Block:

No field work was undertaken during the quarter.

Stuart Mill Block:

No field work was undertaken during the quarter.

Emu Block:

Planning for a drilling campaign at the Royal George mine site was commenced.

HEATHCOTE –EL4941 (Panaegis 100%)

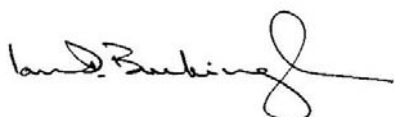
This exploration licence was granted on 4 October 2006.

PIGGOREET –EL4994 (Panaegis 100%)

Office studies during the quarter resulted in an application being made on 22 August 2006 for a 2km² tenement (EL4994) at Piggoreet, 20 km south west of Ballarat. The tenement straddles the Avoca Fault and represents one of the few areas along the fault where Cambrian greenstones are exposed at surface. Geology is similar to that observed at the Stawell gold mine.

PERMIT EXPENDITURE SUMMARY FOR QUARTER ENDED 30 SEPTEMBER 2006

Permit Number	Panaegis Interest	Drilling	Geochemistry	Geology	Other	Accrual	Total
MIN5412	51%	\$141,727.03	\$29,892.48	\$10,830.39	\$24,664.18	\$47,800.00	\$254,914.08
MIN5420	100%						
EL3316	100%		\$5,266.83		\$10,687.50		\$15,954.33
EL3424	100%				\$1,302.09		\$1,302.09
EL4527	100%	\$159,851.42	\$14,124.63				\$173,976.05
EL4594	100%		\$4,865.86				\$4,865.86
EL4718	51%		\$1,530.40				\$1,530.40
EL4719	100%		\$4,905.98				\$4,905.98
EL4721	100%		\$1,174.74				\$1,174.74
EL4722	100%		\$4,676.80				\$4,676.80
EL4723	100%		\$7,230.26				\$7,230.26
EL4887	51%		\$1,711.57				\$1,711.57
EL4890	100%						
EL4894	100%						
EL4895	100%						
		\$301,578.45	\$75,379.55	\$10,830.39	\$36653.77	\$47,800.00	\$472,242.16



IAN D BUCKINGHAM
Managing Director/CEO

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Notes: Within this statement references to Resources and exploration results have been approved for release by Mr N Motton BSc(Hons), MAIG, who is a Competent Person as defined by the JORC Code (2004). He has consented to the inclusion of the material in the form and context in which it appears.