



**PAN AUSTRALIAN**  
RESOURCES LIMITED

ABN 17 011 065 160

## **Quarterly Report for the three months ending 31 December 2006**

### **Copper**

#### Phu Kham Copper-Gold Mine

- Development is running ahead of the scheduled date for initial concentrate production in mid-2008 and is within budget, while management recruitment is over 80% complete and is also running ahead of schedule.
- At the end of December, the initial complement of mining equipment was on site, with seven out of eight CAT 777D trucks and both O&K RH40 excavators in operation.

#### Puthep Feasibility Study

- Land access and permission to commence a feasibility study on the Puthep Copper Project near Loei in Thailand was granted by the Thai Government in November.

### **Gold**

#### Phu Bia Gold Mine

- A new monthly gold production record of 3,601 ounces was achieved in December, marking a solid turnaround in gold mine operating performance, which followed the commissioning of two heap leach cells stacked during the dry season.
- Gold production for the quarter was 4,683 ounces (1,300 ounces in the previous quarter).

#### Ban Houayxai

- The initial six holes of a drilling program to test the primary mineralisation potential at Ban Houayxai intersected a broad zone of stockwork gold-silver mineralisation with significant high-grade intervals, with the best results being:

**250 metres at 1.5g/t gold equivalent from surface to end of hole, including**

- **82 metres at a gold equivalent grade of 3.2g/t (2.5g/t gold and 37.0g/t silver) from a depth of 66 metres**

### **Other Exploration**

- Soil sampling identified large copper, molybdenum, gold, zinc and lead anomalies at the Pha Nai Prospect, located 20km north of the Phu Kham project.

### **Corporate**

- At 31 December, Pan Australian had cash of US\$75 million and no debt.

## Phu Kham Copper-Gold Project, Laos

### *Development*

Good progress with capital works, and equipment procurement and fabrication has meant that the Project is running ahead of the scheduled target date for first concentrate production in mid-2008.

At the end of December 2006, project commitments totalled US\$68 million. This expenditure includes all critical path and long lead items and represents 30% of the overall budget. On current projections, the Project is expected to be completed within the US\$232 million feasibility study budget.

### *Site Works*

Process plant earthworks have been completed with the exception of the stockpile reclaim area. Concrete form work at the plant site commenced in early December and the first concrete footings were poured in the workshop and concentrate warehouse areas (Table 1).

Earthworks for the crusher progressed well in December and are on track for completion by the end of January. Construction of the tailings storage facility started in October.

Table 1: Development and commissioning milestones

Event	Scheduled	Status
First concrete pour	December 2006	Achieved
Start structural steel work	March 2007	On schedule
Complete critical concrete works	June 2007	On schedule
All major mill components on site	September 2007	On schedule
Start commissioning	February 2008	On schedule
First production	Mid-2008	On schedule

Good progress continued to be made on all roads during the quarter, with a scheduled completion date for all road works of May 2007.

The 115kV transmission tower assemblies and line route were approved in November and

clearance given to commence construction. Concrete foundations for 25 of the total 28 towers were completed by the end of December.

### *Mining*

Commissioning of the first complement of owner-operated mining equipment was running ahead of schedule at the end of the quarter with seven out of eight CAT 777D trucks and both O&K RH40 excavators operating. This equipment has been initially deployed to augment the tailing storage facility construction and gold mining fleets.

Earthworks started on the mining offices and mobile equipment workshop site during the quarter, with construction activities in this area scheduled to commence by March 2007.

### *Recruitment*

At the end of December over 80% of managerial positions (superintendent level and above) had been filled. Despite the prevailing tight labour market Project recruitment is running well ahead of schedule.

### *Metallurgical & Mineral Resource Drilling*

At the end of the quarter plans had been completed for both a further round of metallurgical drilling and an infill program for the north mine area for the Phu Kham copper-gold deposit. Drilling of the 1,330 metre metallurgical diamond core program started mid-January 2007 using two rigs. The purpose of the metallurgical drilling is to provide additional core samples that are representative of ore scheduled to be mined during the first three and a half years of production.

The north mine area infill drill program is scheduled to start in March 2007 with 54 holes planned for a total of 9,935 metres using up to three drill rigs. The current 100 metre spaced grid that covers the northern most 400 metres of strike of the copper-gold deposit will be infilled to 50 metre line spacing, with holes at 50 metre intervals on existing lines and 100 metre intervals on new lines. The program is designed to upgrade existing Indicated/Inferred mineral resources into the Measured/Indicated categories.

## **Background**

The Phu Kham Copper-Gold Project represents the second and major phase of the initial development of the Company's Lao assets following the commissioning of the Phu Bia Gold Mine in 2005.

The development of the fully funded US\$232 million Phu Kham Project commenced after the completion of a Feasibility Study in March 2006; the results of the Study were announced to the ASX on 3 April 2006. The Study was based on a low strip ratio open pit mining operation delivering ore to a conventional copper flotation concentrator, to produce a copper-gold-silver concentrate for export and custom smelting.

At full production, the 12 million tonne per annum Phu Kham copper-gold concentrator is scheduled to produce more than 200,000 dry metric tonnes of concentrate per year containing on average 50,000 tonnes copper, 50,000 ounces gold and 400,000 ounces silver.

## **Gold, Laos**

### ***Phu Bia Gold Mine***

A solid turnaround in heap leach operating performance occurred during the December 2006 quarter, with a new monthly gold production record of 3,601 ounces achieved in December.

Total gold produced for the quarter was 4,683 ounces, a marked improvement on the 1,054 ounces poured during the previous reporting period (covering the wet season).

Following the onset of the dry season in October, a number of remedial initiatives were implemented to improve heap leach performance. These measures included:

- increasing cement addition to the ore from 9 kg/t to 15 kg/t to improve agglomerate strength and quality;
- slowing the agglomerator from 11 rpm to 8 rpm;
- adding barren solution to agglomerates on a leach pad grasshopper conveyor;
- reinstallation and reversal of the rotation of the secondary sizer;
- reduction in height of the second leach pad lift from 6m (previously 8m) to 5m;
- installation of new collector piping for second lift; and
- improving blend control of saprolite and gossan ore types.

Wet season rain damage inflicted upon agglomerates on the surface of active cells (in the June and September quarters) prevented uniform leach solution penetration of the underlying heap. As a result, gold production and recovery were adversely affected.

Table 3: Quarterly Production Statistics

<b>Phu Bia Gold Mine</b>	<b>Units</b>	<b>March Quarter 2006</b>	<b>June Quarter 2006</b>	<b>September Quarter 2006</b>	<b>December Quarter 2006</b>	<b>2006 Full year</b>	<b>Project to-date</b>
Waste Mined	Tonnes	13,968	28,612	94,007	339,262	475,849	483,778
Ore Mined	Tonnes	449,497	319,068	180,453	330,735	1,279,753	1,682,852
Waste: Ore Ratio		0.0	0.1	0.5	1.0	0.4	0.3
Ore Stacked	tonnes	433,428	297,503	183,582	411,196	1,325,709	1,707,832
Gold Head Grade	g/t	1.3	1.0	0.9	1.0	1.1	1.2
Gold Poured	Ounces	9,449	6,125	1,300	4,683	21,557	24,975
Gold Sold	Ounces	8,684	7,773	1,054	3,439	20,950	23,046

However, during November and early December, two new cells were commissioned that were stacked following the onset of the dry season and agglomerated with around 15kg/t of cement. Within days of these cells coming under irrigation leach solution grades increased dramatically resulting in a substantial rise in gold production, in-part as a result of a first flush of solution.

Stacking of the initial heap leach lift was completed in November and the stacker was immediately moved and commenced operation on the second lift. The first cell of the second lift started to come under irrigation late in December and by the end of the month an area of over 40,000m<sup>2</sup> was under active irrigation.

A partial redesign of the solution collection piping was implemented for the second lift that is expected to lead to more efficient collection of pregnant solution compared to that achieved for the first lift.

During the latter part of November, as gold production ramped-up – with the newly agglomerated ore coming under irrigation – the heap leach operation made the transition to become cash flow positive again.

### ***Safety and Environment***

An expatriate staff member suffered a superficial gunshot wound in November after a shooting incident at the Phu Bia Gold Mine. Subsequent investigation confirmed that the incident was an isolated event. The police and local community leaders initially advised that they believed the likely perpetrator was a disgruntled former employee but now have advised that the key suspect is a local itinerant who has fled the region.

Regrettably, in December, a sub-contractor was fatally injured when he lost control and rolled a 10-wheel road truck on the gold mine haul road. The driver was taken by helicopter to Vientiane for medical attention but died soon after arriving at the hospital.

Numerous improvement initiatives have been introduced over the last 12 months to reduce an unacceptable rise in the number and severity of

vehicle related accidents that have coincided with the influx of subcontractor operated trucks to develop the Phu Kham Project and supplement gold mining activities. This latest and most serious incident is believed to have been largely a result of operator error. However, procedures have also been implemented for routine safety checks and a site licensing system to be applied to all vehicles working at the mine to ensure road worthiness.

Reliance on contracted vehicles has reduced with the commissioning of the first complement of the owner-operated mining fleet in December.

There were no reportable environmental incidents during the quarter.

### ***Integration Planning for start-up of the Phu Kham Copper-Gold Mine***

Pan Australian is currently developing a plan to integrate and optimise mining activities and human resources for the Phu Kham deposit and thereby manage the transition from gold mining activities to copper-gold mining activities. A comprehensive cost benefit exercise will be conducted as part of the process.

One of the key objectives will be to optimise the future integration of the current gold mine workforce into the workforce for the new Phu Kham Copper-Gold Mine (under development).

Fundamental to these considerations will be the revised mineral resource and ore reserve estimates for the Phu Bia Gold Mine following the 2006 resource drilling programs at the three deposits that comprise the gold mine ore reserve: Phu Kham gold cap, Ban Houayxai and Long Chieng Track. The new estimates will be finalised in the March 2007 quarter.

### ***Production Outlook for the Phu Bia Gold Mine***

The future focus for the heap leach gold mine will be to process ore from the Phu Kham gold cap, to accelerate preparations for copper-gold mining activities. Gold production at the Phu Bia heap leach mine is anticipated to be

maintained at around 3,000 ounces per month during the dry season.

A heap leach operating review process is well advanced, with a comprehensive wet season strategy for Phu Bia on schedule to be finalised later in the March 2007 quarter. The resulting operating plan will lead to significant seasonal changes for the heap leach process.

Amongst other initiatives, the review is investigating the viability of covering the active cells during the wet season to protect surface agglomerates from the effects of rainfall. Although this strategy would result in temporary suspension of gold leaching operations from June to September inclusive, it should allow for a rapid resumption of gold production at the start of the following dry season. Under such a scenario the fixed cost base of the gold mine would be lowered dramatically by utilising all mining equipment at the Phu Kham copper-gold mine development and transferring all non-essential labour onto copper-gold duties.

### ***Ban Houayxai***

In September 2006, the Company completed a scoping study on the Ban Houayxai deposit (located 45 kilometres west of the heap leach process facility for the Phu Bia Gold Mine – Figure 1) following the discovery of high-grade mineralisation in step-out drilling during an oxide resource delineation program conducted earlier in 2006.

Table 2: Drill data received during the quarter from the Ban Houayxai gold deposit

Hole No. (hole depth)	Interval (m)	Depth From (m)	Gold Grade (g/t)	Silver Grade (g/t)	Gold Eq Grade* (g/t)	Peak gold equivalent interval
HDD006 (301m)	132	4	0.7	7.9	0.9	19m at 2.2g/t Au equivalent from 59m
HDD007 (300m)	196	2	1.2	2.4	1.3	68m at 3.1g/t Au equivalent from 60m
HDD008 (300m)	300	surface	0.7	19.1	1.0	98m at 1.4g/t Au equivalent from surface, 5m at 2.0g/t Au equivalent from 138m and 4m at 16.8g/t Au equivalent from 292m
HDD009^ (250m)	250	surface	1.0	29.2	1.5	46m at 0.9g/t Au equivalent from surface and 82m at 3.2g/t Au equivalent from 66m
HDD010^ (248m)	86	4	0.7	13.2	0.9	10m at 2.5g/t Au equivalent from 80m
HDD011 (300m)	42 21	24 81	1.0 1.2	42.3 18.5	1.8 1.6	22m at 3.0g/t Au equivalent from 24m

\* Gold-silver price ratio 50 to 1

^ Drilled at 80° from horizontal all other holes 60°

The scoping study confirmed the potential for a stand-alone carbon-in-pulp (CIP) operation to mine and process both oxide and primary ore subject to the drill definition of a significant primary gold resource, thereby setting the target resource goals for future drill investigation of the primary mineralisation.

In the December 2006 quarter, the first drill program to investigate the potential of the primary mineralisation started at Ban Houayxai. Drilling from the initial six-holes of the program (Table 2) intersected broad zones of primary gold-silver stockwork mineralisation with significant high-grade intervals (Section 1), with the best results being:

### **Hole HDD009;**

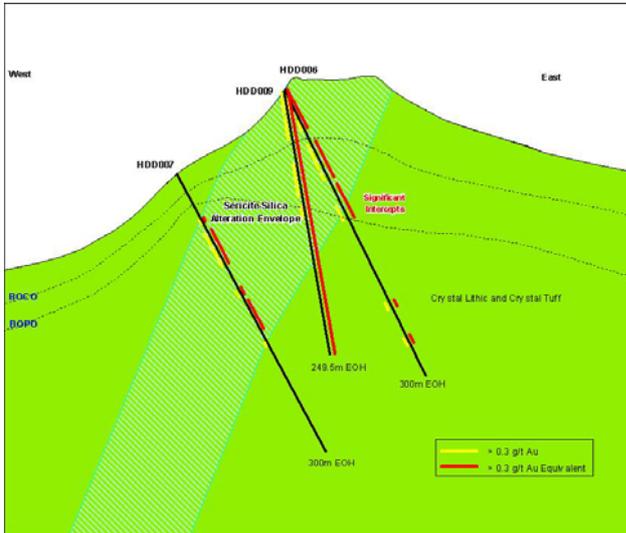
- **250 metres at a gold equivalent grade of 1.5g/t (1.0g/t gold and 29.2g/t silver) from surface to the end-of-hole, including**
  - **82 metres at a gold equivalent grade of 3.2g/t (2.5g/t gold and 37.0g/t silver) from a depth of 66 metres**

### **Hole HDD011;**

- **42 metres at a gold equivalent grade of 1.8g/t (1.0g/t gold and 42.3g/t silver) from a depth of 24 metres, including**
  - **22 metres at a gold equivalent grade of 3.0g/t (1.5g/t gold and 75.8g/t silver) from a depth of 24 metres**
- **21 metres at a gold equivalent grade of 1.6g/t (1.2g/t gold and 18.5g/t silver) from a depth of 81 metres**

A revised mineral resource for oxide and transitional mineralisation will be estimated in the March 2007 quarter. A primary mineral resource will be estimated once assays from the next phase of drilling are available.

Section 1: Ban Houayxai Gold Deposit – Schematic Section



Furthermore, test-work undertaken as part of the scoping study indicated that metallurgical recoveries for gold of more than 90% in oxide and over 85% in primary mineralisation should be attainable by a CIP process. The latest drilling has intersected significant silver, the precise mineralogy of which is not currently known. The Company will carry out metallurgical test-work to confirm that gold and silver CIP recoveries are unaffected by this mineralogy.

**Puthep Copper Project, Thailand**

The Puthep Copper Project took a major step forward in November with the Thai Government granting a land access permit and permission to commence a feasibility study at the PUT 1 deposit. Puthep is a joint venture between Pan Australian (20% and earning up to 60%) and Padaeng Industry Public Company.

The Puthep Project is located in north-east Thailand near the provincial centre of Loei. The Project is also within a few hours' drive of the Company's Vientiane office in Laos. Puthep is currently Pan Australian's most advanced

project not already in production or under development.

Previous evaluations by Pan Australian have focused on the feasibility of developing a heap leach operation based on the substantial chalcocite transitional Indicated/Inferred mineral resource of 85 million tonnes at 0.4% copper<sup>1</sup> at the PUT 1 deposit.

Drilling at the PUT 1 deposit by previous joint ventures also intersected broad zones of primary mineralisation below the existing transitional resource for combined transitional/primary intercepts of:

**240m at 0.6% copper and 0.2g/t gold from 3m; including**

- **10m at 1.6% copper and 0.5g/t gold from 105m, and**
- **23m at 2.1% copper and 0.7g/t gold from 138m**

**145m at 0.47% copper and 0.16g/t gold from 3m; including**

- **18m at 0.92% copper, 0.30g/t gold from 57m, and**
- **18m at 1.25% copper, 0.39g/t gold, 7 g/t silver and 11.2% zinc from 108m**

A review of this data utilising Pan Australian's experience at the Phu Kham Copper-Gold Project in Laos, support the evaluation of a much bigger open-pit and flotation operation on transitional and primary mineralisation at PUT 1 to produce a copper concentrate for custom smelting with gold and silver by-products.

The feasibility study will be conducted in two phases and will commence in the March 2007 quarter. The first phase will be designed to test the overall economics and potential of the project and will allow accurate planning for the potential second phase. The second more detailed phase will be dependent on a positive outcome to the first phase and is currently scheduled to be completed by the end of 2008.

<sup>1</sup> Refer to the 2005 Annual Report for the JORC compliant mineral resource statement.

## **Exploration, Laos**

Early exploration success was received during the December 2006 quarter at the Pha Nai and Tharkhek prospects, along with further positive drill results from Ban Houayxai. Such encouraging results from multiple prospects and deposits support the aggressive US\$13 million exploration and evaluation budget for the fifteen months to December 2007, committed to late in the previous reporting period.

### ***Pha Nai***

Soil sampling at the Pha Nai Prospect (Figure 1) – located 20 kilometres north of the Company's Phu Kham copper-gold deposit – has defined an extensive anomalism over an area four kilometres long and two kilometres wide with anomalous copper, molybdenum, gold, zinc and lead.

The main high-tenor copper anomaly at Pha Nai (Figure 2) is 1.5 kilometre long and between 500 metres and 1.0 kilometre wide. Several copper values in soils have exceeded 0.1% copper with the highest value being 0.18% copper. Assays of surface outcrop have returned values of up to 0.73% copper. There is also elevated molybdenum in the centre of the main copper anomaly.

The area to the east of the main copper anomaly is dominated by limestone and could have the potential to form skarn ore-bodies. The north-eastern corner is also anomalous in gold, zinc and lead while the south-eastern corner is zinc and lead enriched.

A separate 600 metre by 200 metre copper soil anomaly also hosts point gold soil anomalies of more than 0.5g/t with a maximum of 1.7g/t.

The main copper anomaly at Pha Nai is the largest copper anomaly to be discovered within the Contract Area. It is worth noting that previous exploration beneath similar anomalies within the Contract Area has led to the discovery of mineralisation of significant grade and width at those locations.

The work program at Pha Nai to the end of December 2006 was focused on trenching to

better define priority targets locations within the anomalous area for drilling. An initial drill program is scheduled for April 2007 once all trenching and associated channel sample assays have been returned.

### ***Tharkhek***

Initial scout drilling results from the Tharkhek copper-gold prospect near the regional capital Phonsavan, were reported in the September 2006 quarterly: 167 metres grading 0.3% copper from surface to end of hole. Assays for the remaining two holes, TKD003 and TKD005 (not previously reported), of this wide spaced four-hole scout program did not return significant intercepts. The Company is encouraged by the prospectivity at Tharkhek and a follow-up drill program has been planned and is scheduled to start late in the March 2007 quarter.

### ***Triple 'N' Prospect***

A brief two-hole scout drill program was undertaken in November at the Triple 'N' gold prospect – located in the very north of the Phu Bia Contract Area – to follow-up on a steeply dipping alteration zone beneath trenches, which delivered encouraging assay results (reported in the previous quarter). A modest intercept of 8 metres grading 0.8g/t gold from 2 metres down-hole was returned in one hole, NND001.

Later in the quarter, a soil sample grid was completed over the area to delineate the strike and width of the mineralised zone. Further work is scheduled for the June 2007 quarter.

## **Community Affairs, Laos**

The Company continued to contribute to the development of essential regional services. The total committed cost of this direct assistance to the community in the 12 months to December 2006 was approximately US\$400,000.

A draft community trust fund management committee and strategy document has been prepared by the Company. Advancement of the proposals for the structure and administration of a Community Fund are awaiting government approval of documentation.

During the quarter the Company agreed to contribute US\$50,000 to the upgrade of Route 5B, which now represents the secondary form of road access to the Phu Kham site.

Pan Australian will own a 90% interest in Phu Bia Mining and thereby 90% of the Phu Kham Copper-Gold Project and the Phu Bia Gold Mine.

Community affairs activities during the quarter continued to focus on consultation with provincial and district government bodies with regards to the infrastructure requirements of the Phu Kham Copper-Gold Project.

## **Corporate**

### ***Share Capital and Cash Position***

At 31 December 2006, the Company had cash of US\$75 million and no debt.

Debt facilities underwritten by ANZ Investment Bank at the end of the quarter totalled US\$222 million, including a US\$35 million lease facility for the Phu Kham Copper-Gold Project mining fleet. Of this, a US\$140 million term facility is expected to enter the syndication process early in 2007. First debt draw-down for the Phu Kham copper-gold development is not anticipated to be required until the June 2007 quarter.

A further US\$10 million loan facility from Sempra remains subject to due diligence.

The issued capital of the Company at 31 December 2006 comprised:

1,407,809,179	Ordinary fully paid shares
35,161,649	Unlisted options

### ***Hedging***

At 31 December 2006, Pan Australian had no outstanding hedge positions.

### ***Phu Bia Mining Limited Ownership***

Pan Australian owns 100% of Phu Bia Mining Limited, the Lao-registered company that holds all of the Company's minerals interests in Laos.

The Government of Laos has indicated that it intends to exercise its option to acquire a 10% interest in Phu Bia Mining. However, the timing for the exercise of this option has not been finalised. Once this option is exercised

## **Corporate Information**

### ***Directors***

Robert Bryan.....Non-executive Chairman  
Gary Stafford.....Managing Director  
Nerolie Withnall.....Non-executive Director  
Andrew Daley.....Non-executive Director  
Geoff Handley.....Non-executive Director

### ***Registered & Principal Office***

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### ***Stock Exchange Listing***

Australian Stock Exchange Code: PNA

### ***Indexation***

Pan Australian is a constituent of the S&P/ASX 300 Index.

### ***For Further Information Contact:***

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### ***Shareholder Enquiries to:***

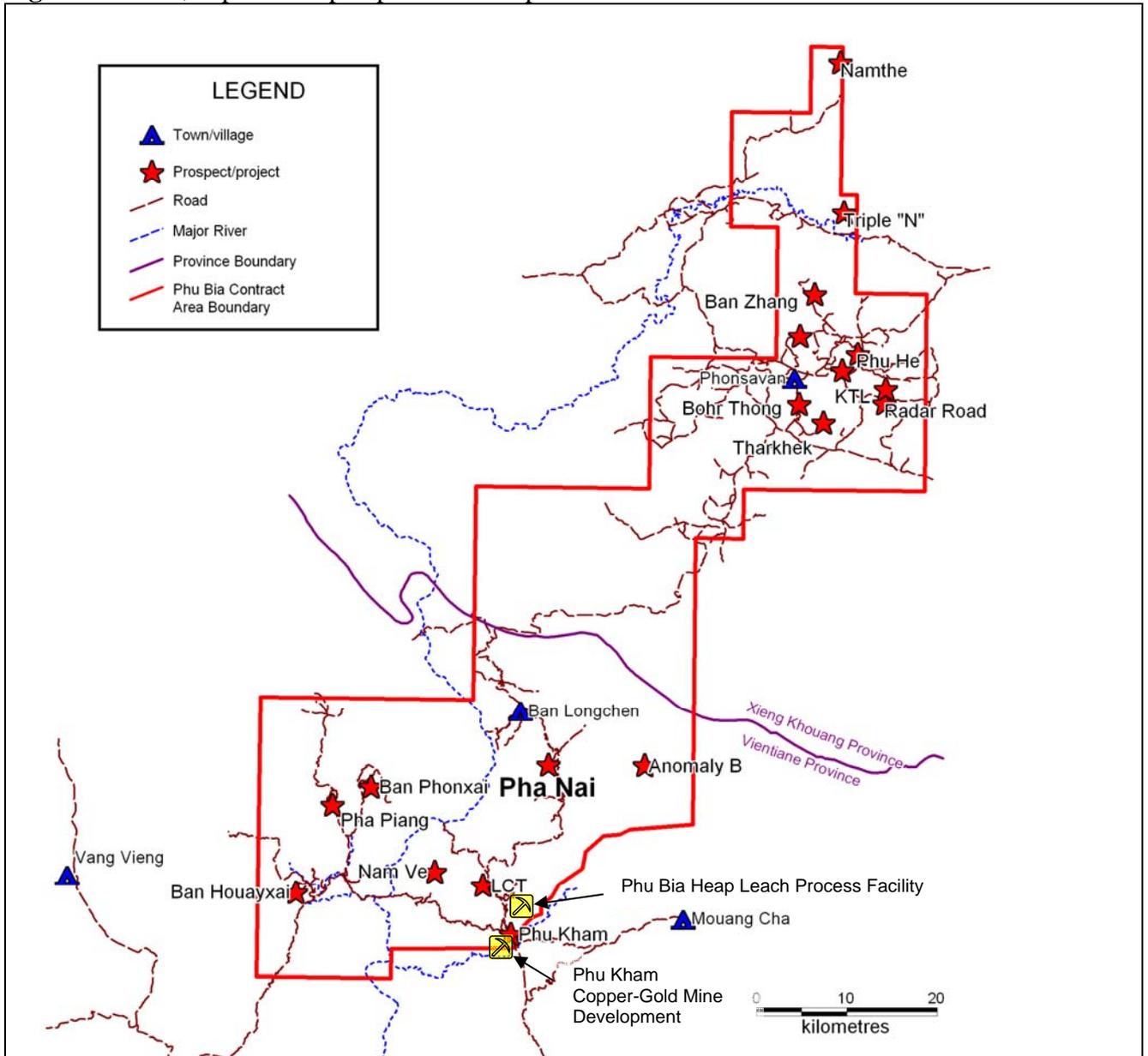
Computershare Registry Services  
PO Box 523, Brisbane Qld 4001  
Telephone: 1300 552 270  
Facsimile: (07) 3229 9860  
Website: [www.computershare.com.au](http://www.computershare.com.au)

*The data in this report that relates to Exploration Results are based on information evaluated by Dr. Ralph Child who is a Fellow of The Australasian Institute of Mining and Metallurgy (FAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Dr. Ralph Child is a full-time employee of Pan Australian Resources Limited and he consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.*

### **Forward-Looking Statements**

*This announcement includes certain "Forward-Looking Statements". All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralisation, resources and reserves, exploration results and future plans and objectives of Pan Australian Resources Limited are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.*

**Figure 1.** Mine, deposit and prospect location plan within the Phu Bia Contract Area



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

PAN AUSTRALIAN RESOURCES LIMITED.

ACN or ARBN

011 065 160

Quarter ended ("current quarter")

DECEMBER 2006

### Consolidated statement of cash flows

	Current quarter US\$'000	Year to date (12.. months) US\$'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	2,162	12,670
1.2 Payments for (a) exploration and evaluation	(1,581)	(6,558)
(b) development	(21,725)	(35,835)
(c) production	(3,864)	(15,110)
(d) administration	(1,875)	(5,844)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,932	3,633
1.5 Interest and other costs of finance paid	-	(332)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(24,951)</b>	<b>(47,376)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(1,292)	(3,738)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(1,292)</b>	<b>(3,738)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(26,243)</b>	<b>(51,114)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(26,243)	(51,114)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	36	137,531
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	5,500
1.17	Repayment of borrowings	-	(9,500)
1.18	Dividends paid	-	-
1.19	Other – deposit mining equipment	(8,254)	(9,635)
<b>Net financing cash flows</b>		<b>(8,218)</b>	<b>123,896</b>
<b>Net increase (decrease) in cash held</b>		<b>(34,461)</b>	<b>72,782</b>
1.20	Cash at beginning of quarter/year to date	109,723	2,480
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	75,262	75,262

**Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	155
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	10,000	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	3,900
4.2 Development	48,100
<b>Total</b>	<b>52,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	13,539	17,611
5.2 Deposits at call	61,723	92,112
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>75,262</b>	<b>109,723</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	NIL		
6.2	Interests in mining tenements acquired or increased	NIL		

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	1,407,809,179	1,407,809,179	NA	NA
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	1,598,172	1,598,172	NA	NA
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	35,161,649	0	<i>Exercise price</i> See Attached	<i>Expiry date</i> See Attached
7.8 Issued during quarter	0	0		
7.9 Exercised during quarter	1,000,000	0	4.7 cents	4.7 cents
7.10 Expired during quarter	0	0		
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 24 January 2007  
(Company Secretary)

Print name: .....David Hairsine.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The loan facility identified in item 3.1 does not include US\$222 million in debt facilities currently underwritten by ANZ Investment Bank but yet to be syndicated (see comment on page 8 of the Pan Australian Resources Limited quarterly activities report for the three months ending 31 December 2006).
- 3 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 4 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 5 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 6 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**PAN AUSTRALIAN RESOURCES LIMITED  
QUARTERLY REPORT  
FOR THE QUARTER ENDING 31 DECEMBER 2006**

**ISSUED OPTIONS AT 31 DECEMBER 2006**

<b>NUMBER ISSUED</b>	<b>EXERCISE PRICE CENTS</b>	<b>EXPIRY DATE</b>
10,000,000	12.00	01/07/2007
500,000	22.00	02/02/2007
9,000,000	18.00	13/10/2008
1,000,000	18.00	15/03/2009
2,000,000	18.00	27/03/2009
11,661,649	64.00	19/05/2008
1,000,000	32.00	13/09/2009
<b>35,161,649</b>		

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+ See chapter 19 for defined terms.