



PAN AUSTRALIAN
RESOURCES LIMITED

ABN 17 011 065 160

Quarterly Report for the three months ending 30 September 2007

Phu Kham Copper-Gold Mine Development

- Concentrate production scheduled to commence in the March quarter 2008
- Initial spot sale contracts entered into with a combined TC/RC of less than US\$0.03/lb copper and first shipment scheduled for the June quarter 2008
- Construction of the mine remains within the US\$241 million capital budget
- The first copper-gold ore mined and stockpiled during the quarter
- SAG mill and ball mill shells assembled and lifted into position; flotation cells in position; and high-voltage power line to site ready to be energised



Ball mill (left) and SAG mill (right) in position – photo taken early October

Heap Leach Gold Operation

- Heap leach gold production recommenced ahead of schedule
- Production ramped up to record levels with total gold shipment of over 4,400 oz for October

Growth Strategy

- **Phu Kham Expansion:** decision to expand nameplate ore throughput capacity by 33% to 16 million tonnes per year by mid-2010
- **Ban Houayxai Gold-Silver Project:** resource drilling and pre-feasibility study commenced with the target of identifying the potential for an ore reserve to support a plus 100,000 oz/yr gold operation
- **Exploration and evaluation** budget expanded to US\$25 million for 2008

Phu Kham Operations, Laos

Copper-Gold Mine Development

The construction of the Phu Kham Copper-Gold Mine remains within budget and ahead of the scheduled mid-2008 target date for first concentrate production. All major equipment had been delivered to site by the end of the September quarter. The Phu Kham Copper-Gold Mine is initially designed to mine and process 12 million tonnes per annum of ore to produce more than 200,000 dry metric tonnes of concentrate containing on average 50,000 tonnes copper, 50,000 oz gold and 400,000 oz silver.

A review of development progress has resulted in the schedule for commencement of concentrate production being brought forward several months. First concentrate production is now expected to be achieved in the March quarter 2008 with first sales occurring during the June quarter 2008.

Pan Australian's concentrate sales agent, BHP Billiton, has conducted a third party tender for an initial spot sale contract covering 40,000 tonnes of Phu Kham copper-gold-silver concentrate for delivery in four 10,000-tonne lots during 2008. The contract was awarded at a combined TC/RC (treatment and refining charge) of less than US\$0.03/lb copper with no price participation and a four-month quotational period. BHP Billiton will present a strategy and recommendation for further sales to cover the balance of 2008 production and beyond.



Aerial view of the flotation cells in position

At the end of the quarter, construction commitments totalled US\$210 million (US\$150 million at 30 June 2007). This expenditure represents 87% of the capital budget. Cash expenditure on construction was US\$174 million at the end of the quarter (US\$125 million at 30 June 2007).

The development is expected to be completed within the US\$241 million capital budget.

Site Works

Civil construction works for the process plant area and permanent camp progressed well during the quarter and are nearing completion. Construction of the permanent camp buildings is nearing completion. The administration and mining offices were completed and occupied during the quarter.



Phu Kham Operations accommodation

The crusher wing wall civil works progressed during the quarter and are expected to be completed by mid-November. Installation of the crusher is expected to commence in late November.

Processing plant construction proceeded well. The SAG mill and ball mill segments were preassembled in September and the shells were lifted into position in early October.

All flotation cells have now been lifted into position on the support steelwork. Installation of operating mechanisms is nearing completion. The concentrate thickener tank was successfully hydro-tested and the rubber lining installed.

Table 1: Development and commissioning milestones

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

Construction of the high-voltage transmission line was completed and by late October, both the line and site substations were ready to be energised.

By the end of the quarter, a total of 14,900m³ of concrete had been poured, representing 83% of the total development requirement. All major pours have now been completed.

Mining

The first parcel of copper-gold ore was mined and stockpiled during the quarter. The mining capacity was increased with the commissioning of two RH90 180-tonne face shovels, adding to the existing two RH40 120-tonne excavators. By the end of the quarter a total of eleven CAT777 100-tonne trucks were in operation.

The expanded fleet achieved a record monthly total material mined of 585,799 tonnes during September. The monthly total is expected to increase to over one million tonnes by the end of the December quarter 2007 as a further seven trucks are commissioned.

Heap Leach Gold Operation

Gold production recommenced ahead of schedule; the staged start-up of heap leach irrigation commenced in mid-September with the first dry season gold pour completed by the end of that month. Gold production for the quarter was 784 oz. Full-scale leaching was resumed in early October and a record total gold shipment of over 4,400 oz was achieved during the month.

The strong production performance highlights the success of the strategy of seasonal operation and production of gold during the dry season months (October to April). During the balance of the year irrigation is suspended and the heap leach pads are covered with plastic. Maintenance work completed at the processing plant during the planned shutdown has also resulted in significantly improved in-circuit recoveries.

By the end of the September quarter, there was approximately 300,000 tonnes of run-of-mine gold ore (containing over 9,500 oz) stockpiled ready for crushing and stacking and approximately 300,000 tonnes of ore under irrigation.

Production Outlook

The accelerated re-start of leaching and gold production resulted in a strong production performance during October. Heap leach gold production is expected to exceed previous estimates of 3,000 oz per month between October and April.

Growth Strategy

Pan Australian is pursuing a five-year growth strategy to double planned production in metal equivalent terms by 2012.

Pan Australian will place a major focus on advancing organic growth opportunities from projects and exploration activities within the Phu Bia Contract Area in Laos (Figure 2), and in neighbouring Thailand. The exploration and evaluation budget for 2008 is US\$25 million. The Company has also recruited an experienced team to evaluate both organic and corporate opportunities.

The organic growth strategy is being pursued through the following activities:

- Phu Kham Expansion (Laos) – plan to implement by mid-2010
- Ban Houayxai Gold-Silver Project (Laos) – resource drilling and pre-feasibility study commenced
- Advanced exploration and pre-feasibility at the Puthap Copper Project (Thailand)
- Advanced exploration at the Phonsavan Copper Project (Laos)
- Early exploration in Laos including Pha Nai copper prospect and Phu He gold prospect

Phu Kham Expansion

In September, Pan Australian announced that it would expand throughput at the Phu Kham Copper-Gold Mine. The expansion will deliver a 33% increase in throughput from a nominal design rate of 12 million tonnes per annum (Mtpa) of ore in the second half of 2008 to a rate of 16 Mtpa by mid-2010.

The decision to expand throughput can be justified on the 2006 feasibility study operating cost assumptions and Ore Reserve¹, which was estimated using commodity prices of US\$1.35/lb copper, US\$450/oz gold and US\$8/oz silver for an average head grade of 0.56% copper and 0.25g/t gold.

Adopting that average head grade, annual production of 65,000t copper, 60,000oz gold and 550,000oz silver could be achieved from 2011 onwards, with a payback on the additional capital of less than 6 months at current commodity prices. A definitive production profile will be determined after the Ore Reserve has been re-estimated and an updated study completed in March 2008.

The decision to expand production follows the receipt of positive infill and resource extension drill results, which are likely to lead to a significant increase in the size of the Ore Reserve, coupled with positive results from recent ore grinding simulation studies. Capital expenditure for the expansion is estimated at US\$40 million (includes contingency of US\$7 million).

The current plant design has a nominal capacity of 12 Mtpa. Subject to definitive engineering design and the completion of purchase contracts, Pan Australian anticipates that a new 6.5MW ball mill and further upgrades to the flotation, tailings disposal and concentrate dewatering circuits will be commissioned by mid-2010 to enable annual throughput of 16 Mt to be achieved from 2011 onwards. An order for the ball mill is expected to be placed during the December quarter 2007.

Table 2 indicates the estimated increase in cash flow at different commodity prices (adopting 2006 feasibility study assumptions) resulting from the expansion from 12 Mtpa to 16 Mtpa.

¹ Refer to 2006 Annual Report

Table 2: Forecast cash flows

Forecast average annual cash flows (at steady state production) for current design and expanded throughputs	12 Mtpa Feasibility Study	16 Mtpa Expanded
Copper US\$2.25/lb, Gold US\$550/oz, Silver US\$8/oz	US\$110M	US\$135M
Copper US\$3.15/lb, Gold US\$650/oz, Silver US\$8/oz	US\$180M	US\$255M

Phu Kham Resource Extension Drilling

Infill and resource extension drilling continued over the northern-most 400 metres of strike of the Phu Kham copper-gold deposit.

By the end of the quarter, 60 of the currently planned 66 holes at the north mine area in-fill drill program had been completed for a total of 10,686 metres. The latest drilling (refer to results in attachment 1) within the north mine area has extended mineralisation further to the north and west, and confirmed copper-gold mineralisation below the existing open pit design. A revised ore reserve is scheduled to be completed during March 2008.

Drill hole GRD251 (Attachment 1) extended the northern limit of mineralisation to a substantially greater depth than was previously interpreted. The hole was expected to intersect the interpreted basal contact of the deposit at a depth of 120 metres but intersected 188 metres at 1.3% copper and 0.5g/t gold from a depth of 192 metres, including 40 metres at 3.4% copper and 0.4g/t gold from 340 metres. The hole intersected the basal contact at a depth of 450 metres.

A new geological interpretation, incorporating data from GRD251, indicates that the Phu Kham deposit may extend further north beneath a fault emplaced barren unit. Geological modelling is in progress and will aid the planning of further step-out drilling into an untested area of similar host-rock geology to that of the Phu Kham deposit.

Ban Houayxai Gold-Silver Project

In late September, a resource drilling program and pre-feasibility study commenced at Ban Houayxai. The program is targeting a steeply-dipping zone of primary gold-silver mineralisation (Figure 1) that has been defined over a strike length of approximately one kilometre. The program comprises 20 diamond core holes totalling approximately 6,000 metres and will infill existing drilling to a spacing of 100 metres x 100 metres.

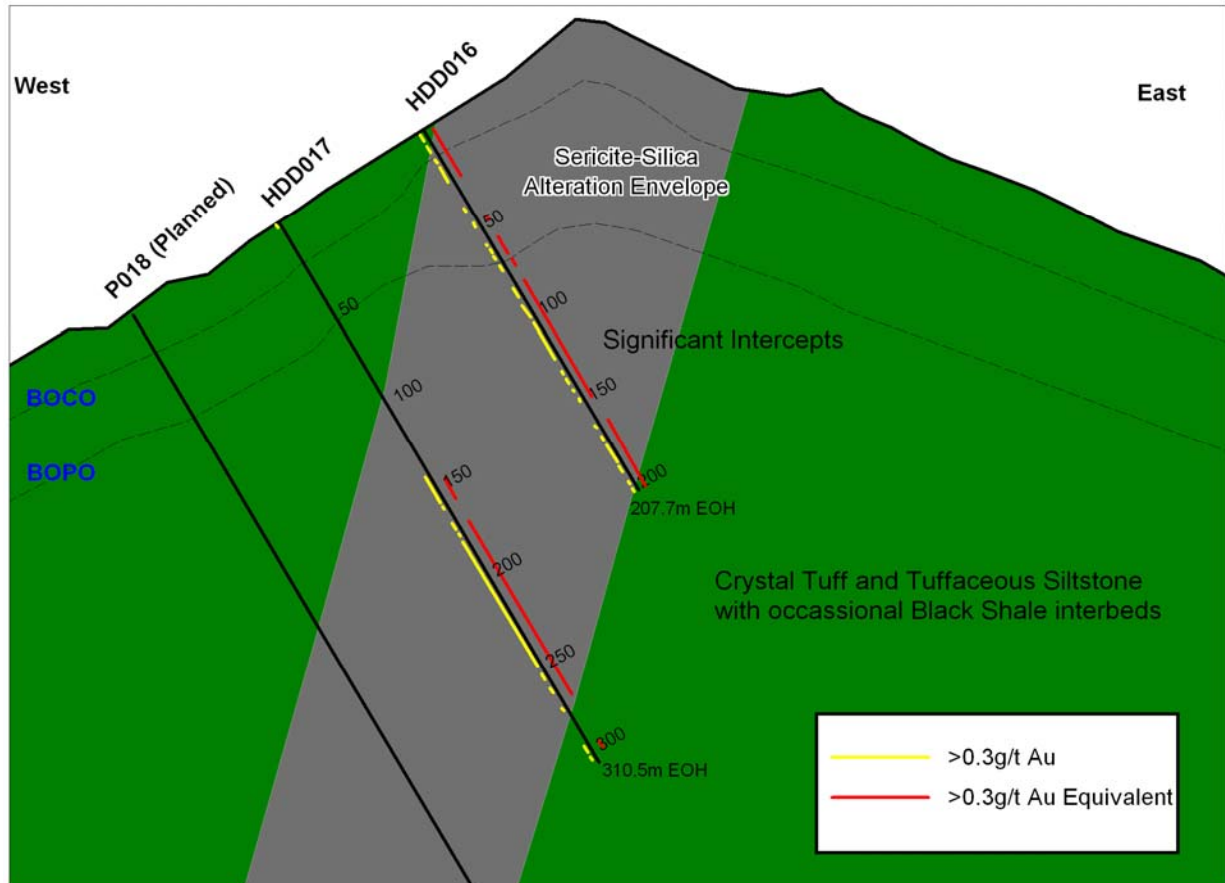
Two drill rigs are currently on site with a third rig soon to be mobilised. The program is scheduled to be completed by the end of the year. The data will provide the basis for a resource estimate which will be completed during the March quarter 2008 and a pre-feasibility study to be completed during the June quarter 2008.

Subject to a positive outcome from the pre-feasibility study, Pan Australian will proceed to complete a further phase of drilling and a feasibility study with the aim of establishing an ore reserve that could support a project producing greater than 100,000 oz of gold per year and with a target for first gold production in 2011.

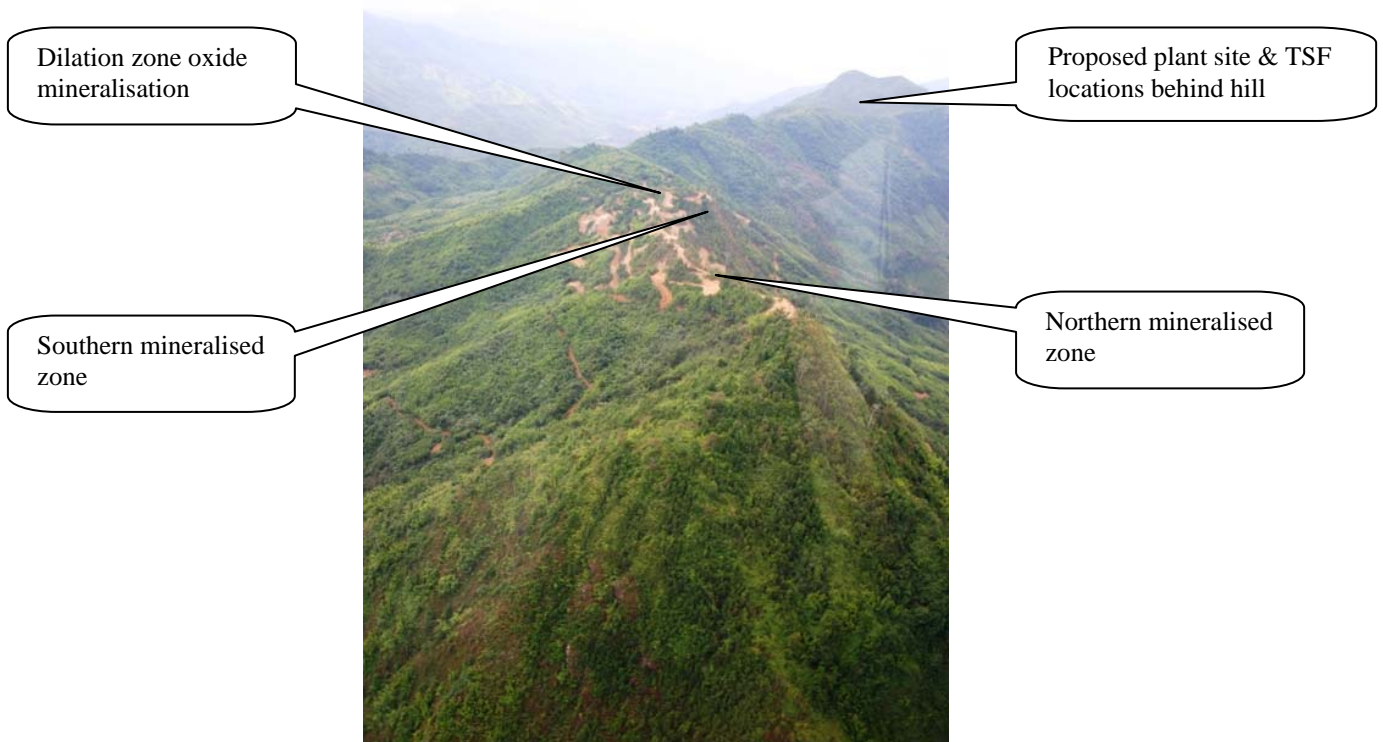
The Ban Houayxai mineralisation is interpreted to be part of a low sulphidation epithermal system. High silver-gold ratio indicates that it is in the upper part of the mineralised system.

Preliminary carbon-in-leach testwork results indicate that excellent metallurgical recoveries in a range of 88%-98% for gold and 76%-98% for silver can be achieved for both oxide and primary mineralisation.

Figure 1: Ban Houayxai Gold Deposit – Schematic Section



Refer to note at the end of this report for calculation of gold (Au) equivalent grades



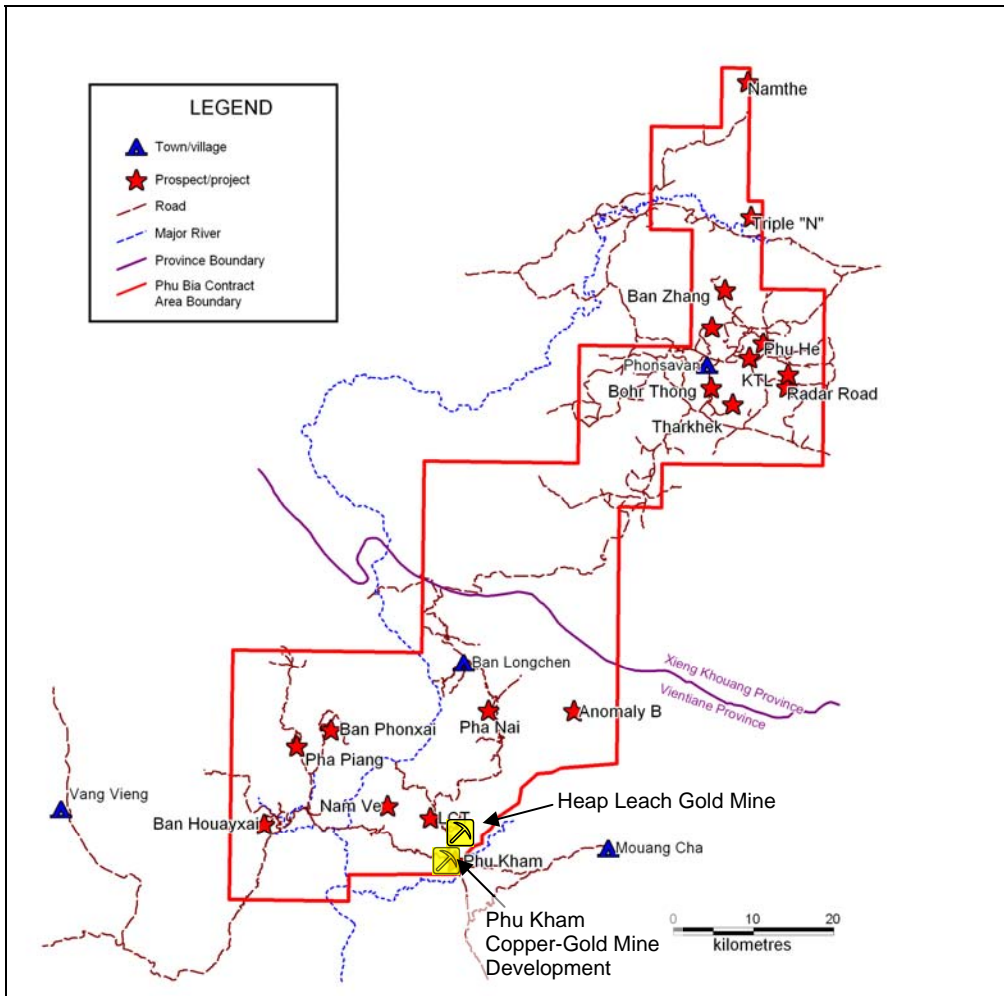
Ban Houayxai ridge looking south

Advanced Exploration

Phonsavan Copper Project, Laos – Tharkhek, Bohr Thong and KTL prospects

A number of geophysical surveys including ground magnetics and IP/resistivity were completed over a 10km by 2km area at the Tharkhek and Bohr Thong prospects. The prospects are located near the town of Phonsavan in the north of the Phu Bia Contract Area (Figure 2).

Figure 2: Phu Bia Contract Area, Laos



The Phase 2 drilling program at the Tharkhek prospect was completed during the quarter (selected results in Table 3). Six holes were completed for 1,956 metres. Drilling has defined a copper-bearing porphyry/skarn system with a strike length of at least 700 metres which is open to the east and west.

Table 3: Selected drill results from the Tharkhek prospect

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)	Comment
TKD006 (390.8m)	53.6	110.8	0.3	<0.1	Drilled at -60deg towards 360deg
TKD007 (519.2m)	48 8.4 14	270 377 484	0.9 0.8 0.6	0.1 <0.1 0.1	Drilled at -65deg towards 360deg
TKD009 (418.5m)	4.6	203.4	0.5	0.3	Drilled at -70deg towards 360deg

Puthep Copper Project, Thailand

The Puthep Project is a joint venture between Pan Australian (shareholding right 33.17%) and Padaeng Industry Public Company. Pan Australian can earn a 51% interest in Puthep by completing a feasibility study on the Puthep Copper Project and has further options to acquire a total 60-70% interest.

Table 4: Selected drill results from the PUT 1 deposit

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)
P1DD016 (208.7m)	40	52	0.9	0.2
	14	100	0.9	0.2
	24	136	0.9	0.3
	30	170	0.5	0.3
P1DD017 (200.1m)	74	6	0.6	0.1
	16	104	1.3	0.1
P1DD018 (227.0m)	6	70	0.3	0.1
	6	166	0.9	0.2
P1DD019 (133.4m)	76	16	0.7	-
P1DD020 (200m)	14	4	0.6	0.1
	18	24	0.3	0.1
	6	54	0.4	0.2
	84	104	0.3	0.2
P1DD21 (331.6m)	74	100	0.4	0.2
	48	174	0.7	0.3
	60	222	0.3	0.1
P1DD22 (354.9m)	26	210	1.3	0.5
P1DD23 (173.5m)	91.5	82	0.4	0.1
P1DD24 (182.0m)	8	102	0.6	0.3
	42	118	1.1	0.3
	6	170	0.9	0.2

All holes drilled at -60deg apart from P1DD020 which was drilled at -70deg

The Puthep Project is located in north-east Thailand near the provincial centre of Loei and is within a few hours' drive of the Company's Vientiane office in Laos. The PUT 1 deposit is covered by a blanket of chalcocite mineralisation. The focus of current activities is on the establishment of a primary copper-gold resource.

The 27-hole Phase 1 drill program at the PUT 1 deposit was completed with 10 (largely diamond core) holes during the quarter for 2,168 metres. The Phase 2 drilling program commenced in late September and comprises 70 holes for a total of 20,810 metres of RC and diamond core drilling. The program is designed to test the chalcocite and primary skarn/intrusive mineralisation and provide a drill spacing that will support the preparation of a resource estimate to a depth of approximately 250 metres. The program is expected to be completed in mid-2008.

Early Exploration, Laos

Pha Nai Copper Prospect

The Pha Nai Prospect (Figure 2) is located approximately 20 kilometres north of the Phu Kham copper-gold deposit.

Pha Nai is a copper anomaly four kilometres long and up to two kilometres wide that contains zones of anomalous gold, zinc and molybdenum.

The Phase 1 reconnaissance drilling program was completed during the quarter, following up encouraging results from trenching earlier in the year. The program comprised 10 holes for 2,581 metres. Drilling intersected mineralised feldspar porphyry and skarns. The best intersection was:

- 18 metres at 1% copper from 156 metres (PGD003)

A ground magnetic survey (approximately 155 line-kilometres) commenced during the quarter and was completed in October. A number of magnetic anomalies were identified and the results will form the basis for planning a program of further drilling.

Hoy Tum Zinc-Lead Prospect

Assay results from soil sampling at Hoy Tum, east of the Tharkhek prospect show a broad zinc-lead anomaly in soils coincident with a large geophysical anomaly identified from the Tharkhek-Bhor Thong geophysical survey. The soil anomaly has a strike length of 1500 metres and a width up to 500 metres. A follow up scout drilling program is planned for the current quarter.

Phu He Gold Prospect

The Phase 4 drilling program commenced during the quarter. The drill program comprised 11 RC holes and 7 diamond core holes for a total of 2,700 metres. Results to date are very encouraging and included:

- 8 metres at 6.6g/t gold from 32 metres (PHR024)
- 4 metres at 4.7g/t gold from 8 metres (PHR026)
- 2 metres at 9.5g/t gold from 4 metres (PHR027)

Triple “N” Gold Prospect

A program of trenching and sampling was completed at Triple “N” to test for anomalous gold beneath an 1800 metre x 30 metre gold-in-soil anomaly. Initial assay results from the program show clusters of anomalous gold and once all assay results have been received a follow up drilling program will be planned.

Safety and Environment

One lost time injury occurred during the quarter. The incident has been investigated and relevant work practice improvements have been implemented.

There were no reportable environmental incidents during the 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 2007 is budgeted to be US\$300,000.

Proposals for the structure and administration of a community fund were drafted and are awaiting further government consultation and approval. A draft strategy document has also been prepared by the Company and initial consultation with government undertaken.

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

Corporate

Cash Position and Share Capital

The Phu Kham Operations debt facilities comprise a US\$35 million lease facility for the mining fleet, a US\$160 million term facility, and working capital and cost overrun facilities totalling US\$47 million.

First draw down of the US\$160 million term facility occurred in early July. At 30 September 2007, the Company had cash and equivalents of US\$31 million, debt of US\$119 million and undrawn facilities totalling US\$112 million.

The issued capital of the Company at 30 September 2007 comprised:

1,420,959,179	Ordinary fully paid shares
29,561,649	Unlisted options
5,084,412	Unlisted share rights

Hedging

In September and October, Pan Australian established the modest hedging requirements of the Phu Kham project loan agreements. Under the terms of the original project debt facility, the Company was required to hedge approximately 50% of planned gold production between 2008 and 2013 from the combined Phu Kham Operations. The recent rise in gold price provided an opportunity to reconsider that requirement and to substitute most of the planned committed forward sales with Put Options thereby increasing the Company's exposure to the spot gold price. Hedging of copper was not required under the loan agreement.

Following agreement with the syndicate banks on a revised hedging protocol for the project debt facility for the Phu Kham Operations (incorporating the Heap Leach Operation and the much larger copper-gold operation under development), Pan Australian will be an un-hedged copper producer and a substantially un-hedged gold producer.

The following gold hedging was finalised in full satisfaction of the terms of the project debt facility:

- Gold forward sales totalling 70,000 oz at escalating prices between US\$749/oz and US\$858/oz deliverable between 2009 and 2013
- Gold Put Options purchased on a deferred premium basis covering 123,398 oz of gold at a strike price of US\$700/oz and executable between 2008 and 2013.

The forward sales component (70,000 oz) represents only 2% of anticipated revenue from the Phu Kham Operations over the next six years (based on a copper price of US\$3.00/lb and a gold price of US\$650/oz).

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

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Stock Exchange Listing

Australian Stock Exchange Code: PNA

Indexation

Pan Australian is a constituent of the S&P/ASX 200 Index.

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Competent Person Statements

The data in this report that relates to Exploration Results for the Phu Bia Contract Area, Laos, are based on information compiled by Mr Genesio Circosta who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Circosta is a full time employee of Pan Australian Resources Limited. Mr Circosta 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. Mr Circosta consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

The data in this report that relates to Exploration Results for the PUT 1 deposit, Thailand, are based on information compiled by Mr George Brech who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Brech is a full time employee of Loei Technical Services Co Ltd. Mr Brech 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. Mr Brech consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

Calculation of Gold Equivalent Grades

Gold equivalent grades were calculated in this report by applying a gold:silver price ratio of 50:1 to gold and silver assay results. The ratio was derived by assuming a gold price of US\$650/oz and a silver price of US\$13/oz. The gold equivalent grades stated in this report are therefore calculated by the following formula:

$$\text{Gold Equivalent Grade} = \text{Gold Grade} + \frac{\text{Silver Grade}}{50}$$

For example, an intercept with a gold grade of 3.3g/t and silver grade of 18.4g/t will convert to a gold equivalent grade of:

$$3.3 + \frac{18.4}{50} = 3.7\text{g/t gold equivalent}$$

Note that gold, silver and gold equivalent grades in this report are rounded to one decimal place.

It is the Company's opinion that the gold and silver included in the metal equivalent calculation have a reasonable potential to be recovered as indicated by preliminary metallurgical test work.

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 forecast cash flows and potential mineralisation, resources and reserves, exploration results and future expansion plans and development 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.

Attachment 1: Significant drill results during the quarter from the Phu Kham copper-gold deposit infill drill program

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)	Peak copper-gold (Cu-Au) interval
GDD220 (415m)	98	51	0.7	0.5	
	47	230	0.6	0.2	
	75	310	0.6	0.1	
GDD223 (311m)	138	18	0.6	0.3	12m at 1.2% Cu and 1.0 g/t Au from 18m and 8m at 1.6% Cu and 0.1 g/t Au from 115m
	86	190	0.9	0.1	42m at 1.4% Cu and 0.1 g/t Au from 234m
GRD224 (198m)	36	10	0.5	0.2	
	47	94	0.7	0.4	
GRD225 (402m)	12	56	0.5	0.2	
	186	108	0.5	0.1	
GDD227 (275m)	29	9	0.4	1.1	
	22	38	0.6	0.1	
GDD228 (307m)	278	6	0.6	0.4	5m at 1.1% Cu and 0.6 g/t Au from 6m and 20m at 2.3% Cu and 0.5 g/t Au from 163m
GRD229 (374m)	133	48	0.5	0.3	41m at 0.8% Cu and 0.6 g/t Au from 127m and 17m at 1.0% Cu and 0.1 g/t Au from 327m
	38	327	0.7	0.1	
GDD230 (334m)	52	10	0.5	0.2	
	35	147	0.8	0.5	
GRD231 (226m)	44	8	2.7	1.1	24m at 4.4% Cu and 1.7 g/t Au from 24m
	93	93	0.5	0.1	
GDD232 (254m)	26	24	0.5	0.6	
	78	156	0.8	0.6	10m at 1.5% Cu and 1.2 g/t Au from 158m
GRD233 (280m)	172	70	1.0	0.6	32m at 1.5% Cu and 0.8 g/t Au from 131m
GDD235 (250.5m)	63	121	0.8	0.7	20m at 1.0% Cu and 0.8g/t Au from 142m
GDD236 (236m)	46	62	0.4	0.1	
	36	114	0.5	0.2	
GRD238 (245.3m)	10	12	1.0	0.9	
	50	30	0.5	0.7	
	46	102	0.6	0.2	
	60	156	1.8	0.2	16m at 3.1% Cu and 0.2g/t Au from 200m
GRD239 (223.4m)	26	14	1.0	0.1	16m at 1.2% Cu and 0.1g/t Au from 22m
	9	52	0.7	0.2	
	25	175	0.5	0.6	
GRD240 (199m)	11.5	102.8	0.8	0.8	4.6m at 1.0% Cu and 1.1g/t Au from 102.8m
	10	118	0.5	0.6	
	12	134	0.5	0.5	
	44.1	150	0.6	0.6	
GRD241 (308m)	97	56	0.4	0.1	
	12	159	0.3	0.3	
	8	177	0.4	0.2	
	42	207	0.6	0.5	
	12	285	0.6	0.2	
GRD242 (136.4m)	14	8	0.6	0.2	
	8	68	1.1	0.7	
	8	82	1.2	0.6	
GDD243 (237.3m)	40	10	0.9	0.5	6m at 2.2% Cu and 0.4g/t Au from 12m
	10	98	0.4	0.1	
	16	208	0.6	0.6	
GDD246 (111.5m)	40	22	0.6	0.1	
GRC102 1 (108m)	102	6	0.6	0.3	10m at 1.0% Cu and 0.2g/t Au from 24m 8m at 1.1% Cu and 1.2g/t Au from 82m
	16	10	0.4	0.2	
GRC102 2 (49m)					
GRD251 (468m)	188	192	1.3	0.5	40m at 3.4% Cu and 0.4g/t Au from 340m

All holes drilled at 60deg from horizontal towards an azimuth of 090deg except drill hole GDD220 which was drilled at -60deg towards an azimuth of 080deg. Composite grades are length weighted calculations. Grades are rounded to one decimal place.

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")

SEPTEMBER 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (9 months) US\$'000
1.1 Receipts from product sales and related debtors	43	12,249
1.2 Payments for (a) exploration and evaluation	(2,856)	(6,636)
(b) development	(60,448)	(144,470)
(c) production	(2,402)	(13,282)
(d) administration	(1,096)	(3,371)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	584	1,796
1.5 Interest and other costs of finance paid	(16)	(47)
1.6 Income taxes paid	-	-
1.7 Other deposits	-	(675)
Net Operating Cash Flows	(66,191)	(154,436)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(791)	(2,500)
(c) other fixed assets	(6,855)	(13,856)
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)	-	-
Net investing cash flows	(7,646)	(16,356)
1.13 Total operating and investing cash flows (carried forward)	(73,837)	(170,792)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(73,837)	(170,792)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	102	1,443
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	84,969	120,110
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		85,071	121,553
Net increase (decrease) in cash held		11,235	(49,239)
1.20	Cash at beginning of quarter/year to date	19,797	80,271
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	31,032	31,032

**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	225
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	242,000	120,110
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	2,950
4.2 Development	56,400
Total	59,350

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	30,947	6,166
5.2 Deposits at call	85	13,631
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	31,032	19,797

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 Preference ⁺ securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺ Ordinary securities	1,420,959,179	1,420,959,179	NA	NA
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000	12 cents	12 cents
7.5 ⁺ Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
	Total number	Number quoted	Exercise price per security (cents)	Expiry date per security
7.7 Options/Share Rights (description and conversion factor)	29,561,649 options 5,084,412 share rights	0 0	See Attached See Attached	See Attached See Attached
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	1,000,000 options	0	12 cents	-
7.10 Expired during quarter	464,179 share rights	0	-	-
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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: 29 October 2007
(Managing Director)

Print name:Gary Stafford.....

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 "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.
- 3 **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.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **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 30 SEPTEMBER 2007**

ISSUED OPTIONS AT 30 SEPTEMBER 2007

NUMBER ISSUED	EXERCISE PRICE CENTS	EXPIRY DATE
11,661,649	64.00	19/05/2008
6,250,000	18.00	13/10/2008
600,000	18.00	27/03/2009
2,000,000	32.00	06/04/2009
1,000,000	32.00	13/09/2009
8,050,000	40.00	29/02/2012
29,561,649		

ISSUED EMPLOYEE SHARE RIGHTS AT 30 SEPTEMBER 2007

NUMBER ISSUED	EXERCISE PRICE CENTS	EXPIRY DATE
3,325,000	NIL	31/03/2017
1,231,448	NIL	14/05/2017
232,380	NIL	29/05/2017
295,584	NIL	01/06/2017
5,084,412		