



PAN AUSTRALIAN
RESOURCES LIMITED

ABN 17 011 065 160

Quarterly Report for the three months ending 31 December 2007

Phu Kham Copper-Gold Mine Development

- Project commissioning commenced
- Production of first concentrate is scheduled for March 2008 (ahead of the original schedule) with first concentrate sales in the June quarter 2008
- Construction costs remain within the US\$241 million capital budget
- Concentrate haulage contract awarded

Heap Leach Gold Operation

- Record quarterly gold production of 13,501 oz achieved

Growth Strategy

- Phu Kham Expansion completion date brought forward by 6 months to the December quarter 2009 following confirmation of earlier than forecast delivery date for the ball mill
- Ban Houayxai Gold-Silver Project: Bateman Engineering Pty Ltd appointed as lead consultant for the pre-feasibility study
- US\$80 million debt facility secured with Goldman Sachs JBWere to accelerate expansion of Phu Kham and to fund the increased US\$30 million exploration and evaluation expenditure planned for 2008



Construction of Phu Kham Copper-Gold Mine processing plant nears completion

Phu Kham Operations, Laos

Copper-Gold Development

Construction of the Phu Kham Copper-Gold Mine is nearing completion and progressive commissioning has commenced.

The Mine is designed to 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.

First concentrate production is expected to be achieved in March 2008, significantly ahead of the original mid-2008 schedule, with first concentrate sales planned for the June quarter 2008.

Development of the Phu Kham Copper-Gold Mine is expected to be completed within the US\$241 million capital budget.

Development

Significant construction advances were achieved during the quarter. The high voltage power line to the site was energised in late November. Energising and testing of site transformers, motor control centres and other electrical circuits has commenced. Assembly of the structural components of the SAG mill and ball mill was completed during the quarter and the ring gears installed, allowing the mills to be turned using their inching drives.



Assembly of structural SAG and ball mill components completed and mills turned

At the processing plant, the SAG mill and ball mill segments were lifted into position in early October and by the end of the quarter assembly of the mills was approximately 75% complete with all structural components (shells heads and trunnions) installed. Lining of the SAG mill and ball mill was completed in early January.

Mechanical fit out of the flotation cells was completed and mechanical installation of the thickening, filtration and concentrate storage area was nearing completion.

Processing plant electrical and pipe work installation was in progress at the end of the quarter.

Installation of the primary crusher was completed in mid-January. The final concrete pour for the crusher vault was completed in January.

Construction of the one kilometre long overland conveyor from the primary crusher to the processing plant was well advanced and on schedule for completion during February.

At the end of the quarter, construction commitments totalled US\$211 million, representing 88% of the capital budget. Cash expenditure on construction was US\$194 million at the end of the quarter (US\$174 million at 30 September 2007).

Concentrate Logistics and Sales

Following a tender process, the concentrate haulage contract was awarded to Deuan Sawanh Group Co Ltd (DSG), a Lao incorporated company. Pan Australian already has a working relationship with DSG with that company providing general freight services to Phu Kham during construction. Copper-gold-silver concentrate, loaded into 25-tonne containers, will be trucked from the concentrator to a port facility at Sri Ratcha in Thailand, approximately 120 kilometres south of Bangkok, for export to custom smelters. On the return leg of the journey, the otherwise empty containers will be used to transport bulk commodities (e.g. coarse lime, grinding media, bulk explosives) and general freight to the mine site, generating significant savings on freight costs.

Pan Australian's concentrate sales agent, BHP Billiton, has already awarded 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.



Construction of the overland conveyor from the crusher

Commissioning

The Phu Kham copper-gold processing plant will be commissioning progressively during the current March quarter with the aim of first concentrate production in March.

Under the commissioning schedule the crusher, grinding and rougher flotation circuits will be commissioned first on low-grade ore followed by the cleaner flotation and concentrate dewatering circuits and then the balance of the process circuit.



Filter for dewatering of copper-gold-silver concentrate

Table 1: Development and commissioning milestones

Event	Original Schedule	Current 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
Commissioning	March Qtr 2008	Commenced in December
First production	Mid-2008	Scheduled for March

Mining

The mining fleet was expanded during the quarter with the commissioning of a further eight CAT777D 100-tonne trucks, bringing the total fleet to eighteen. The entire mining fleet now operates under the automatic control and real time GPS tracking of the Jigsaw production and maintenance management system supplied by Leica Systems. The combination of additional trucking fleet and the Jigsaw system has resulted in successive monthly records for total material mined and a quarterly record total material mined of almost 3 million tonnes.

Construction of a haul road between the mine and the Tailings Storage Facility (TSF) was completed during the quarter and direct trucking of waste rock from the mine to the TSF commenced using the mine's CAT777D fleet.

As a direct consequence of the success of 12-months of owner mining in the Phu Kham open pit, Pan Australian will move to owner-operation of the construction of the TSF. This will realise further cost, productivity and safety benefits. The fleet will be expanded by the addition of three CAT777D 100-tonne trucks, six 40-tonne articulated dump trucks, a CAT D10 dozer and associated compacting equipment. Replacement of the smaller and more numerous contractor equipment will commence in the June quarter 2008.

Pan Australian has commenced discussions with its financiers to increase the existing US\$35 million equipment lease finance facility to US\$49 million to include the TSF owner-operate mobile fleet.

Heap Leach Gold Operation

Strong heap leach gold production performances continued, resulting in a quarterly gold production record of 13,501 oz (4,683 oz for December quarter 2006).

The heap leach gold operation is based on recovering gold from the oxide gold cap that overlies the Phu Kham Copper-Gold deposit. This provides a valuable revenue stream and offsets the cost of waste material mining for the Phu Kham Copper-Gold Mine.

The excellent heap leach gold production performance can be attributed to successful implementation of a seasonal production strategy, and improved operating practices and processing plant performances. Heap Leach operations are limited to 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 to protect the ore agglomerates from rain damage.

Table 2: Gold production

		3 months to 31 Dec 2007	12 months to 31 Dec 2007
Gold Production	Ounces	13,501	31,380
Gold Sold	Ounces	12,447	30,892

At the end of the December quarter, a leach pad area of approximately 60,500 square metres was under irrigation, and approximately 350,000 tonnes of run-of-mine gold ore (containing nearly 10,000 oz of gold) was stockpiled ready for crushing and stacking.

Gold sold for the quarter was also a record at 12,447 oz, all sold on the spot market. The average realised gold price for the quarter was US\$794/oz. The total cash cost for the quarter after inventory adjustment of US\$123/oz and royalty was US\$672/oz. From the March quarter 2008, the heap-leach gold operation production will be accounted for as a by-product of the Phu Kham Copper-Gold Mine.

Table 3: Gold production costs

	3 months to 31 Dec 2007 US\$/oz	12 months to 31 Dec 2007 US\$/oz
Total Cash Cost	672 *	643

* includes US\$123/oz inventory adjustment

Production Outlook

Heap leach gold production will continue to exceed 3,000 oz per month until the commencement of the wet season (May).

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\$30 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 Copper-Gold Expansion (Laos) - scheduled to be completed by the end of 2009
- Ban Houayxai Gold-Silver Project (Laos) – resource drilling in progress and pre-feasibility study commenced
- Advanced exploration and pre-feasibility at the Puthep 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 December, Pan Australian announced that it will bring forward the completion date of the Phu Kham Copper-Gold Expansion by six months to the December quarter 2009. This follows the placement of an order for a ball mill with CITIC Heavy Machinery Company Limited China, and the confirmation of an earlier than anticipated delivery date for this long lead item which was on the critical path for the expansion.

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 in early 2010. Capital expenditure for the expansion is estimated at US\$40 million (includes a contingency of US\$7 million).

Based on the current Ore Reserve¹ grades, annual production of 65,000 tonnes copper, 60,000 oz gold and 550,000 oz silver (73,300t copper equivalent² production) could be achieved from 2010 onwards.

Phu Kham will be one of the most capital efficient mines in the world on a US\$/t of annual copper equivalent production basis (capital intensity). The incremental expansion will cost only US\$2,400/t and the capital intensity for the mine on a post-expansion basis (total initial plus expansion capital of US\$281 million) will be just over US\$3,800/t.

Infill and resource extension drilling completed during 2007 at the north mine area has upgraded the mineral resource categories. A definitive new production profile will be determined in the June quarter 2008 after the Ore Reserve has been re-estimated and an updated production schedule completed.

Phu Kham Resource Extension Drilling

The infill and resource extension drilling program was completed during the quarter. Drilling was focused on the northern-most 400 metres strike of the Phu Kham copper-gold deposit.

¹ Refer to 2006 Annual Report

² Assuming US\$6,500/t copper, US\$780/oz gold and US\$13.5/oz silver (refer calculation details later in this report)

Table 4: 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)	Drill hole orientation
GDD265 (185.7m)	12.0	6.0	0.5	0.2	Drilled at -60 towards an azimuth of 090deg
	12.0	72.0	0.6	0.1	
GRD268 (451.9m)	178.0	218.0	0.7	0.5	Drilled at -60 towards an azimuth of 090deg
	12.0	404.0	1.4	0.5	

Composite grades are down-hole length weighted calculations. Grades are rounded to one decimal place.

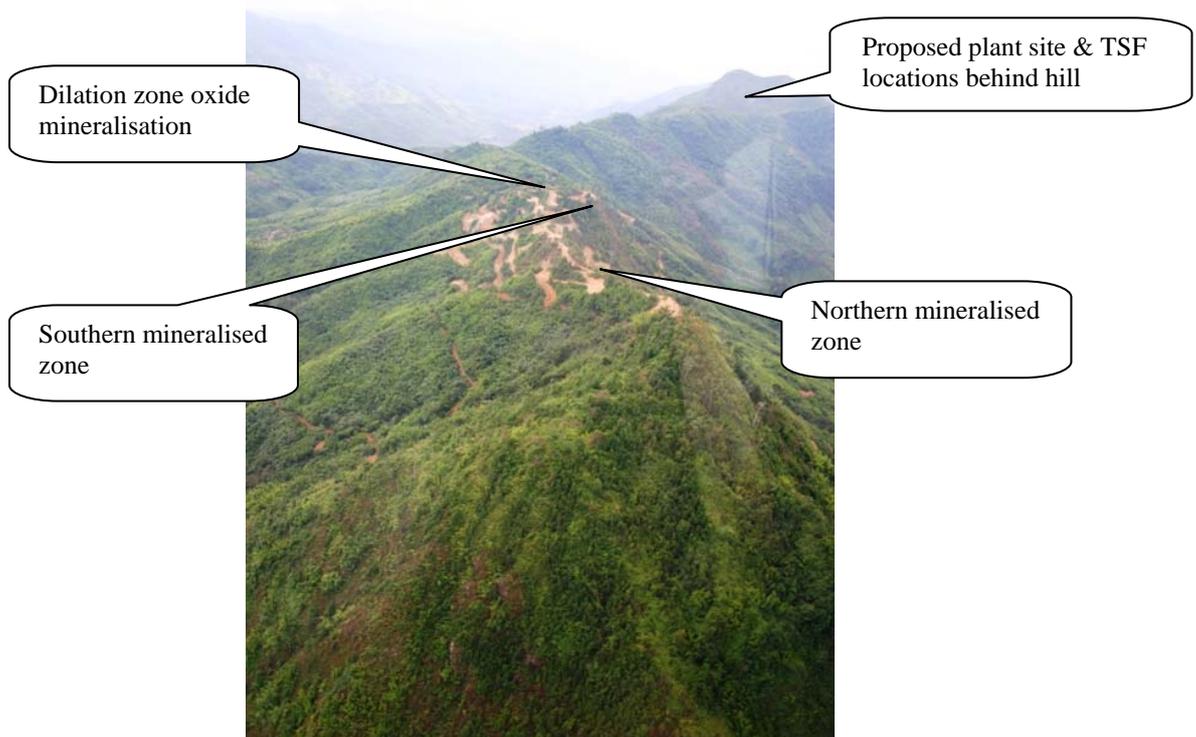
Ban Houayxai Gold-Silver Project

The exploration and infill drilling program continued with five rigs on site at the end of the quarter. The program is targeting a steeply-dipping zone of primary gold-silver mineralisation 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.

Data from the drilling program will provide the basis for a pre-feasibility study to be completed during the June quarter 2008. Bateman Engineering Pty Ltd has been appointed as lead consultant for the study.

Subject to a positive outcome from the study, Pan Australian will proceed to complete a further phase of drilling and a full 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.

Preliminary carbon-in-leach test work 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.



Ban Houayxai ridge looking south

Advanced Exploration

Puthep Copper Project, Thailand

The Puthep Project is a joint venture between Pan Australian (shareholding right of 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.

The Puthep Project is located in north-east Thailand near the provincial centre of Loei and is within three 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 Phase 2 drilling program continued through the quarter with a total of 3,974 metres completed. 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.

A ground magnetic survey over the PUT1 deposit commenced in December. The 227 line kilometre survey is expected to be completed during the March 2008 quarter.

Table 5: Selected drill results from the PUT 1 deposit

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)	Drill hole orientation
P1RC004 (109.0m)	40.0	28.0	0.7	<0.1	Drilled at -65 towards an azimuth of 270deg
P1DD25 (264.5m)	38.0	14.0	0.4	0.2	Drilled at -80 towards an azimuth of 270deg
	6.0	74.0	0.3	0.1	
	18.0	134.0	0.3	0.1	
P1DD026 (201.8m)	26.0	96.0	0.6	0.1	Drilled at -60 towards an azimuth of 090deg
	18.0	128.0	0.7	0.3	
P1DD027 (243.3m)	18.0	38.0	0.4	0.1	Drilled at -60 towards an azimuth of 090deg
	14.0	94.0	0.4	0.1	
P1DD028 (250.2m)	18.0	6.0	0.5	0.1	Drilled at -60 towards an azimuth of 090deg
P1DD029 (181.5m)	20.0	4.0	0.5	0.1	Drilled at -60 towards an azimuth of 270deg
	12.0	100.0	0.5	0.2	
P1DD030 (200.0m)	6.0	34.0	0.3	0.1	Drilled at -65 towards an azimuth of 270deg
P1RD031 (320.6m)	10.0	96.0	0.4	0.1	Drilled at -60 towards an azimuth of 270deg
	6.0	136.0	0.3	0.1	
	20.0	148.0	0.5	0.1	
P1DD032 (146.9m)	6.0	8.0	0.4	0.2	Drilled at -65 towards an azimuth of 270deg
	6.0	126.0	0.3	<0.1	
P1RD033 (298.9m)	6.0	42.0	0.8	0.1	Drilled at -60 towards an azimuth of 270deg
	8.0	218.0	0.4	0.1	
	6.0	232.0	0.4	0.1	
	30.0	244.0	1.3	0.4	
P1DD034 (246.5m)	18.0	4.0	0.5	0.1	Drilled at -60 towards an azimuth of 090deg
	14.0	202.0	0.3	0.8	
	8.5	238.0	0.4	0.1	

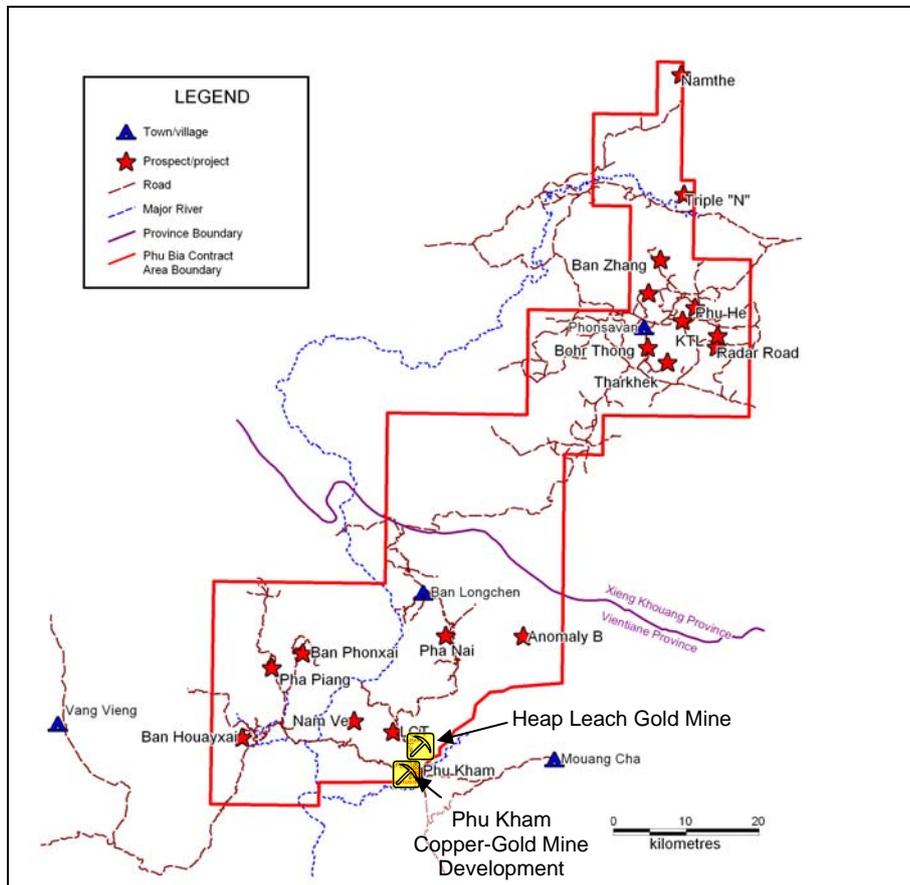
Composite grades are down-hole length weighted calculations. Grades are rounded to one decimal place.

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

The prospects are located near the town of Phonsavan in the north of the Phu Bia Contract Area (Figure 2).

The Phase 1 drilling program commenced at Bohr Thong. The program comprises six diamond core holes for 1,930 metres. By the end of the quarter two holes had been completed.

Figure 2: Phu Bia Contract Area, Laos



Early Exploration, Laos

Planning for a major aerial magnetic and radiometric survey covering the entire Phu Bia Contract Area is well advanced. The survey is scheduled to commence in late January and will provide valuable regional data and assist with the targeting of exploration activities. The survey is expected to be completed by mid-2008.

Pha Nai Copper Prospect

Pha Nai comprises a series of copper anomalies over a four-kilometre by two-kilometre wide area that contain zones of anomalous gold, zinc and molybdenum located approximately 20 kilometres north of the Phu Kham copper-gold deposit.

A ground magnetic survey (approximately 155 line-kilometres) was completed in October which identified a number of magnetic anomalies. An IP / resistivity survey commenced during the quarter and by the end of December a total of 77 line kilometres had been completed.

Results from the geophysical surveys will form the basis for planning a follow up drilling program.

Hoy Tum Zinc-Lead Prospect

A scout drilling program commenced during the quarter. The program comprises eight diamond holes for a total of 1520 metres and is designed to test a broad zinc-lead anomaly in soils coincident with a large geophysical anomaly east of the Tharkhek prospect. The soil anomaly has a strike length of 1500 metres and a width up to 500 metres.

Phu He Gold Prospect

The Phase 4 drilling program was completed during the quarter. The drill program comprised thirteen RC holes and eight diamond core holes for a total of approximately 3,700 metres. Assay results received to date have returned encouraging results defining anomalous gold and silver zones. The best intersections from results received during the quarter are included in Table 6.

Table 6: Selected drill results from the Phu He Gold Prospect

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Gold Grade (g/t)	Silver Grade (g/t)	Drill hole orientation
PHD011 (408.1m)	3.3 2.0	154.0 273.0	5.2 12.1	49.4 196.0	Drilled at -55deg towards an azimuth of 215deg
PHR036 (130.0m)	6.0	32.0	3.2	-	Drilled at -50deg towards an azimuth of 0deg
PHR037 (85.0m)	3.0	82.0	12.7	110.0	Vertical hole

Composite grades are down-hole length weighted calculations. Grades are rounded to one decimal place

Triple “N” Gold Prospect

Results from a program of trenching and sampling at Triple “N” have defined two gold targets beneath an 1800 metre x 30 metre gold-in-soil anomaly. A follow up scout drilling program is planned comprising seven diamond core holes for 1380 metres to test the mineralisation potential at depth.

Safety and Environment

During the quarter one lost time injury occurred at the Phu Kham Operations and two lost time injuries occurred at exploration camps. The incidents have been investigated and relevant work practice improvements have been implemented.

There were no reportable environmental incidents during the quarter.

Community Affairs, Laos

Community affairs activities focussed on consultation with local communities and government authorities with regards to the infrastructure and logistical requirements of the Phu Kham Copper-Gold Mine Development.

The Company continued to contribute to the development of essential community services. The Company has committed to provide funding for direct assistance to the community in the 12 months to December 2007 up to a total of US\$300,000.

The Government of Laos has approved the Company’s proposal for the strategy, structure and administration of a community fund and it is anticipated that the fund will commence activities in the current March quarter.

Corporate

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

In order to finance the acceleration of the US\$40 million capital works for the Phu Kham expansion and a substantially increased exploration and evaluation budget of US\$30 million for 2008 and capitalised interest, Pan Australian has agreed terms for a US\$80 million subordinated debt facility with Goldman Sachs JBWere. Importantly, the subordinated facility will also provide the Company with funding flexibility through the first year of production. The consent of the Phu Kham Copper-Gold Mine project financiers is currently being sought for entry into the facility.

During the quarter, 11,661,649 options were exercised over ordinary shares at an option exercise price of 64 cents per ordinary share.

At 31 December 2007, the Company had cash and equivalents of US\$24 million, debt of US\$174 million and undrawn facilities totalling US\$148 million.

The issued capital of the Company at 31 December 2007 comprised:

1,433,370,828	Ordinary fully paid shares
17,900,000	Unlisted options
5,657,287	Unlisted share rights

Hedging

Pan Australian will be an un-hedged copper producer and a substantially un-hedged gold producer.

In September and October, Pan Australian established the modest hedging requirements of the Phu Kham project loan agreements. A rise in gold price at that time provided an opportunity 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.

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.

For Further Information Contact:

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Website: www.computershare.com.au

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 Capital Efficiency

Capital Efficiency was calculated in this report by first calculating the value of forecast annualised gold and silver production from the Phu Kham Mine and then converting that value into copper production of equivalent value. The total equivalent copper production calculated was then divided by the total capital cost.

The equivalent copper production was derived by assuming a copper price of US\$6,500/t, gold price of US\$780/oz and a silver price of US\$13.50/oz.

By way of example, the Capital Efficiency for the Phu Kham Mine on a post-US\$40 million expansion basis for a total capital expenditure (initial plus expansion) of US\$281 million was calculated by the following formula:

$$\frac{\text{US\$281,000,000}}{65,000t + (60,000 \text{ oz} \times 780/6,500) + (550,000 \text{ oz} \times 13.50/6,500)} = \frac{\text{US\$281,000,000}}{73,342t} = \text{US\$3,831/t}$$

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.

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 2007

Consolidated statement of cash flows

	Current quarter US\$'000	Year to date (12 months) US\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	9,925	22,174
1.2 Payments for:		
(a) exploration and evaluation	(3,560)	(10,195)
(b) development	(55,338)	(196,061)
(c) production	(7,775)	(24,064)
(d) administration	(1,959)	(5,330)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	244	2,040
1.5 Interest and other costs of finance paid	(59)	(109)
1.6 Income taxes paid	-	-
1.7 Other deposits	(90)	(765)
Net Operating Cash Flows	(58,614)	(213,050)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(1,166)	(3,667)
(c) other fixed assets	(8,552)	(22,408)
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	(9,718)	(26,075)
1.13 Total operating and investing cash flows (carried forward)	(68,332)	(239,125)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(68,332)	(239,125)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	6,686	8,129
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	55,028	175,138
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
Net financing cash flows		61,714	183,267
Net increase (decrease) in cash held		(6,618)	(55,857)
1.20	Cash at beginning of quarter/year to date	31,032	80,271
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	24,414	24,414

**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	220
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	173,998
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	7,350
4.2 Development	21,450
Total	28,800

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	18,263	30,947
5.2 Deposits at call	6,151	85
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	24,414	31,032

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,433,370,828	1,433,370,828	NA	NA
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	750,000 11,661,649	750,000 11,661,649	18 cents 64 cents	18 cents 64 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options/Share Rights <i>(description and conversion factor)</i>	23,557,287	0	<i>Exercise price</i> See Attached	<i>Expiry date</i> See Attached
7.8 Issued during quarter	1,322,875	0	See Attached	
7.9 Exercised during quarter	750,000 11,661,649	0	18 cents 64 cents	
7.10 Expired during quarter	0	0		
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 2008
(Company Secretary)

Print name:Paul Scarr.....

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 31 DECEMBER 2007**

ISSUED OPTIONS AT 31 DECEMBER 2007

NUMBER ISSUED	EXERCISE PRICE CENTS	EXPIRY DATE
5,500,000	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
750,000	83.00	07/10/2012
17,900,000		

ISSUED EMPLOYEE SHARE RIGHTS AT 31 DECEMBER 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
568,375	NIL	1/10/2017
4,500	NIL	1/10/2017
5,657,287		

+ See chapter 19 for defined terms.