



**PAN AUSTRALIAN**  
RESOURCES LIMITED

ABN 17 011 065 160

## **Quarterly Report for the three months ending 31 March 2008**

### **Phu Kham Operations, Laos**

#### **Copper-Gold Operation**

- Construction of the Phu Kham Copper-Gold Operation was completed ahead of schedule and within the US\$241 million capital budget
- First copper-gold ore fed into the mills on 29 March 2008 and first concentrate was produced on 28 April 2008; concentrate sales to commence late May/early June
- Phu Kham Copper-Gold Ore Reserve increased by 25% in contained copper
- The higher Ore Reserve Grade has enabled the Company to lift forecast annual production rates for the initial development and the post 2009 expansion to:
  - 30,000t copper, 27,000oz gold and 300,000oz silver in 2008 (ramp-up year)
  - 60,000t copper, 60,000oz gold and 600,000oz silver in 2009 (first full year)
  - 75,000t copper, 65,000oz gold and 600,000oz silver (average from 2010)

#### **Heap Leach Gold Operation**

- Quarterly gold production of 12,214oz; record monthly production of 4,762oz achieved in March
- Production milestone reached: two tonnes of gold have been produced since the operation commenced

### **Growth**

#### **Ban Houayxai, Laos**

- Bonanza grade, potential feeder chute intersected
  - **54.2 metres at 11.6g/t gold and 100.3g/t silver from 66 metres including:**
    - **22 metres at 25.0g/t gold and 200.6g/t silver from 76 metres**

#### **Puthep, Thailand**

- Drilling intersected broad zones of copper-gold mineralisation, increasing the potential for a significant primary copper-gold mineral resource beneath the identified PUT1 deposit transitional copper resource. Intersections included:
  - **84 metres at 0.8% copper and 0.1g/t gold from 48 metres**
  - **90 metres at 0.6% copper and 0.2g/t gold from 204 metres**
  - **48 metres at 1.1% copper and 0.5g/t gold from 130 metres**
  - **86 metres at 0.6% copper and 0.1g/t gold from 2 metres**
  - **48 metres at 0.6% copper from 142 metres**
  - **66 metres at 0.6% copper and 0.1g/t gold from 52 metres**and a new zone of high-grade gold was intersected:
  - **14 metres at 15.8g/t gold, 41g/t silver and 0.3% copper from 178 metres**

# Phu Kham Operations, Laos

## Copper-Gold Operation

Construction of the Phu Kham Copper-Gold Operation was completed within the US\$241 million capital budget and ahead of the original mid-2008 schedule.

### *Commissioning*

Most areas of the plant were fully commissioned by the date of this report with first ore feed on 29 March and first concentrate production on 28 April. The Operation will now proceed to work towards achieving steady-state operations through May and progressively ramp-up throughput to design rates over the next six months.



Phu Kham copper-gold concentrate; rougher flotation cells

First concentrate deliveries to Sriracha Harbour are expected to commence in early May with the first concentrate sale in late May/early June. Sriracha Harbour is the largest deep sea port in Thailand and is located approximately 120 kilometres south of Bangkok. The Company has storage facilities at Sriracha for 25,000 tonnes of concentrate.

### *Mining*

Strong mining performances continued and a quarterly record for total material mined of nearly 3.9 million tonnes was achieved. By the end of the quarter approximately 650,000 tonnes of copper-gold ore had been stockpiled ready for processing.

The mining fleet operates under the automatic control and real time GPS tracking of the Jigsaw production and maintenance management system supplied by Leica Systems. The successful introduction of double side loading, where the face shovel loads trucks on both sides, has been a key productivity improvement for the mining operation.



Double sided loading at Phu Kham Operations; a key productivity improvement

### ***Mineral Resource and Ore Reserve Upgrade***

In early April, Pan Australian increased its Mineral Resource and Ore Reserve estimates for the Phu Kham Copper-Gold Operation. Copper contained in the 2008 Ore Reserve increased by more than 25% through a 14% increase in ore grade and an 11% increase in ore tonnes. The increase in Ore Reserve copper grade will result in higher annual production of copper in concentrate.

The increase followed a successful infill and resource extension drilling program completed during 2007, an upgraded metallurgical recovery model, and revised cost and revenue assumptions.

The increase in identified Ore Reserve tonnes due to drilling success was partly offset by a reduction in low-grade tonnes as the economic cut-off grade is raised from 0.25% copper to 0.30% copper as a consequence of a better understanding of the metallurgical recovery characteristics of the ore.

**Table 1:** Phu Kham Copper-Gold Ore Reserves (as at 31 December 2007)

Category	Tonnes (Mt)	Copper grade (%)	Gold grade (g/t)	Silver grade (g/t)	Copper in-situ (kt)	Gold in-situ (Moz)	Silver in-situ (Moz)
Proved	116	0.64	0.26	2.0	750	0.98	7.5
Probable	44	0.62	0.24	2.1	270	0.34	2.9
<b>TOTAL</b>	<b>160</b>	<b>0.64</b>	<b>0.26</b>	<b>2.0</b>	<b>1,020</b>	<b>1.32</b>	<b>10.4</b>

*Metal price assumptions: copper US\$2.00/lb, gold US\$600/oz, silver US\$12/oz*

## Heap Leach Gold Operation

The Phu Kham 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 mining waste material for the Phu Kham Copper-Gold Operation.

Gold dore production for the quarter was 12,214oz (10,510 oz for the March quarter 2007).

A record monthly gold production of 4,762oz was achieved in March reflecting the strategy of maximising the heap leach area under irrigation. During the quarter, a leach pad area of approximately 65,000 square metres was under irrigation. Upgrades to the primary sizer, which crushes the soft oxide ore, contributed to a quarterly record for ore stacked of nearly 565,000 tonnes.

The operation reached a significant production milestone during the quarter with the total heap leach gold production since operations commenced exceeding two tonnes.

Gold sold for the quarter was a record at 12,844oz; all sold on the spot market. The average realised gold price for the quarter was US\$931/oz. The total cash cost for the quarter was US\$544/oz after an inventory adjustment of US\$167/oz and royalty.

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 sheeting to protect the ore agglomerates from rain damage.

Transition to the wet season operating mode commenced in mid April. Irrigation of the leach pads will be suspended during May.

## Production outlook - combined Phu Kham Operations

The initial (Phase 1) process plant for the Phu Kham Copper-Gold Operation is designed to process 12 million tonnes per annum (Mtpa) to produce approximately 240,000 dry tonnes of concentrate containing 60,000t of copper, 60,000oz of gold and 600,000oz of silver per annum.

The 2008 Ore Reserve estimate underpins updated production guidance for the next two years with the increase in copper grade having a positive impact on annual copper production forecasts.

A conservative ramp-up schedule has been assumed for both throughput (six months) and metallurgical recovery (12 months) of the process plant, with design production rates expected to be attained after 12-months of operation.

The Phase 2 expansion of the process plant to a nominal ore treatment capacity of 16 Mtpa is scheduled to be implemented and commissioned in late 2009 coinciding with an expansion of the mining fleet.

In addition, it is anticipated that the Phu Kham Heap Leach Operation will produce 30,000 ounces of gold in 2008 reducing to approximately 20,000 ounces of gold in 2009 as oxide gold reserves are depleted (Figure 1).

On the basis of the above assumptions, Table 2 and Figure 1 summarise the anticipated production profile from the combined Phu Kham Operations through 2008-2010:

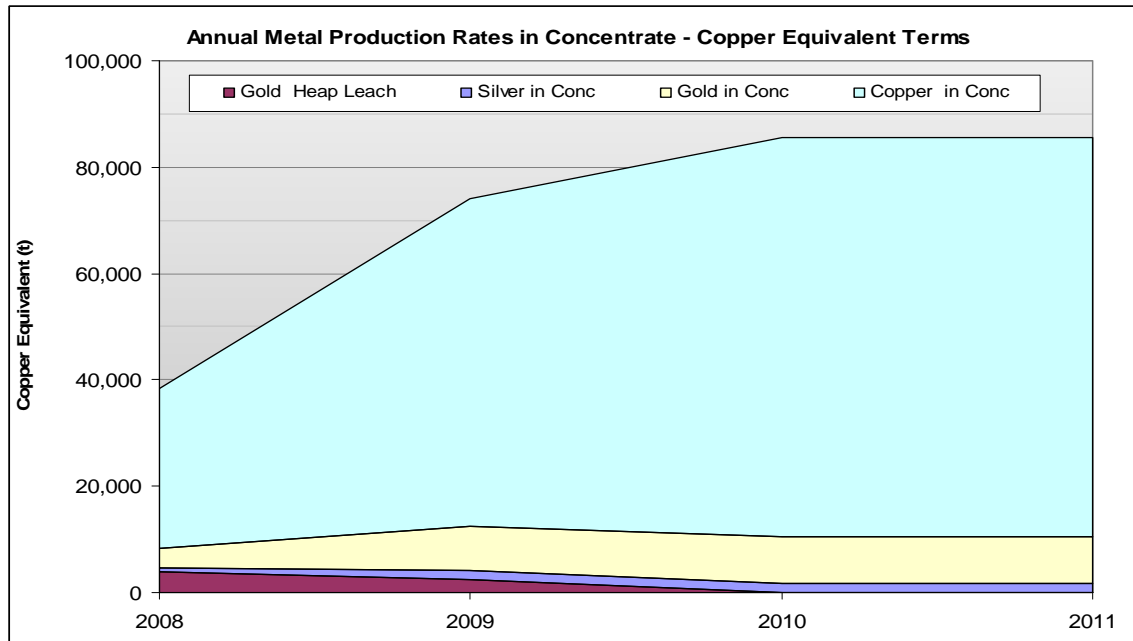
**Table 2: Phu Kham Operations Production Outlook**

Year	Throughput <sup>1</sup> (Mt)	Copper Production (t)	Gold Production <sup>2</sup> (oz)	Silver Production (oz)
2008 (ramp-up)	7,500,000	30,000	57,000	300,000
2009 (Phase 1)	12,000,000	60,000	80,000	600,000
2010 (Phase 2)	16,000,000	75,000	65,000	600,000

<sup>1</sup> Throughput is for Phu Kham Copper-Gold Operation only, excludes ore processed by the Heap Leach Gold Operation

<sup>2</sup> Gold production includes gold dore produced by the Heap Leach Gold Operation

**Figure 1: Annual metal production from combined Phu Kham Operations in copper equivalent\* terms**



\*Refer to formula at the end of this report

Waste tonnes have increased with the 2008 Ore Reserve estimate resulting in a revised strip ratio of 1.0:1. Although increased from the 0.6:1 ratio estimated in the 2006 Ore Reserve, the Phu Kham Operation remains one of the world’s lowest strip ratio copper mines.

As a consequence of the increased material movements associated with the 2008 Ore Reserve estimate, the mining fleet will be expanded by early 2009. The production guidance for 2008 and 2009 has taken this requirement into account through the retention of a slightly low cut-off grade than the nominal economic cut-off grade (at US\$2.00/lb copper price) of 0.30% copper until such time as the expansion of the mining fleet is implemented.

Additions to the current mining fleet are still being assessed, but are anticipated to be minor. Initial enquires indicate the Company will be able to secure equipment within this time frame. It is anticipated that the expansion of the mining fleet will be funded through an increase in the Company’s mobile equipment lease facility.

### Forecast Cash Flows and Operating Costs

Most industry analysts concur that the copper price is likely to remain above US\$3.00/lb through to 2010, with a long term copper price of US\$2.00/lb. Accordingly, the Phu Kham Copper-Gold Operation should be a significant generator of cash flow.

Table 3 indicates the potential pre-tax cash flow that could be generated by the Phu Kham Copper-Gold Operation (on a 100% ownership basis) at various copper, gold and silver prices according to the Company’s assumptions for operating costs.

**Table 3:** Indicative annual pre-tax cash flow (100% ownership basis)

Metal price assumptions	Phase 1, 2009 12Mtpa	Phase 2, from 2010 16Mtpa <sup>3</sup>
Copper US\$2.00/lb, gold US\$600/oz, silver US\$14/oz	US\$120M	US\$150M
Copper US\$3.00/lb, gold US\$700/oz, silver US\$14/oz	US\$245M	US\$310M
Copper US\$4.00/lb, gold US\$1,000/oz, silver US\$14/oz	US\$385M	US\$485M

<sup>3</sup> Correction – in the 9 April 2008 announcement to ASX titled “Phu Kham Copper-Gold Operation, Laos 2008 Ore Reserve Estimate” the indicative cash flow data included in that announcement was on a post-tax basis (not the pre-tax basis incorrectly stated in that announcement).

The Phu Kham Copper-Gold Operation will benefit from a world low strip ratio and a reliable supply of low cost hydro-electric power, these benefits will underpin long-term cost competitiveness. Cash operating costs denominated in December 2007 dollars and net of precious metal credits (adopting conservative price assumptions<sup>^</sup>) are forecast to average US\$0.91/lb over the life of mine, post ramp-up (Table 4). All production cost inputs have been revised to reflect prevailing pricing estimates.

From 2008, gold production from the Phu Kham Heap Leach Gold Operation will be accounted for as a by-product credit against the Phu Kham Copper-Gold Operation. An estimate of that credit has not been incorporated into the cost estimates in Table 4.

**Table 4: Phu Kham Copper-Gold Operating Cost Estimate**

<b>Phu Kham Copper-Gold Operating Cost Estimate</b>	<b>Dec. 2007 dollars US¢/lb Copper</b>
Mining	47
Process	38
General and Administration	7
<b>Total Mine Site Operating Costs</b>	<b>92</b>
Transport, Handling and Marketing	24
Concentrate Treatment and Refining	9
<b>Off-Site Operating Costs</b>	<b>125</b>
Precious Metal Credit	-34 <sup>^</sup>
<b>Total Direct Operating Costs</b>	<b>91</b>

<sup>^</sup> US\$700/oz gold, US\$14/oz silver

The 2006 Feasibility Study had assumed a contractor margin for mining, but the subsequent decision to owner-operate the mining fleet has realised the Company significant cost and efficiency benefits. However, when quoted on a cost per pound of copper produced basis, unit mining costs will rise due to the increased strip ratio.

General and administrative costs – which are essentially fixed costs – have risen over the past two years. Increased production associated with the expansion means that the rise is less significant when presented on a cost per pound of copper produced basis. Transport, handling and marketing costs remain unchanged from previous forecasts, due to an innovative concentrate haulage solution using containers that cost effectively integrate back haulage to the mine site.

Both prevailing and forecast treatment and refining charges (TC/RCs) have declined considerably over the past two years; accordingly, rates of US\$60/dmt and US¢6.0/lb respectively have been adopted compared with the US\$70/dmt and US¢7.0/lb respectively used in the Feasibility Study.

A conservative stance continues regarding assessment of by-product credits from gold and silver contained in concentrate (as adopted in Table 4), when compared with prevailing market prices. At prices of US\$900/oz for gold and US\$18/oz for silver (less than today's spot prices), the precious metal credit increases to over US¢43/lb, which would result in an average cash operating cost of US¢82/lb.

## Growth Strategy

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

A major focus will be placed on advancing organic growth opportunities from projects and exploration activities within the Phu Bia Contract Area in Laos (Figure 1) and in neighbouring Thailand. The exploration and evaluation budget for 2008 is US\$30 million. The Company has 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) - initial mineral resource to be completed in July 2008
- Puthep Copper Project (Thailand) - initial resource to be completed in July 2008
- Advanced exploration at the Phonsavan Copper Project (Laos)
- Early exploration at several prospects within the Contract Area (Laos).

### Phu Kham Copper-Gold Expansion (Phase 2)

Pan Australian will expand production at the Phu Kham Copper-Gold Operation from 2010.

The expansion, which comprises additional milling, flotation and concentrate handling facilities, will deliver a 33% increase in throughput from a nominal design rate of 12Mtpa 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 new Ore Reserve grades (Table 1), average annual production of 75,000t copper, 65,000oz gold and 600,000oz silver is expected to be achieved from 2010 onwards.

Pan Australian has added significant value to the Phu Kham Copper-Gold Project since the 2006 Feasibility Study. The planned annual production of copper has been increased by 44% and gold by 38%.

Phu Kham will be one of the most capital efficient mines in the world on a US\$/t of annual copper equivalent<sup>4</sup> production basis (capital intensity). The incremental expansion will cost only US\$2,550/t and the capital intensity for the mine on a post-expansion basis (total initial plus expansion capital of US\$281 million) will be under US\$3,290/t.

#### *Phu Kham copper-gold north extension*

A nine-hole scout drilling programme commenced immediately north-west of the Phu Kham copper-gold deposit in an area of similar host-rock geology to that of the main copper-gold deposit. The target area extends approximately 800 metres and over an area where soil sampling has confirmed the presence of copper mineralisation.

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<sup>4</sup> Assumptions: US\$2/lb copper, US\$600/oz gold and US\$12/oz silver (refer calculation details later in this report)

## Ban Houayxai Gold-Silver Project

The current drilling program is targeting steeply-dipping zones of primary gold-silver mineralisation that have been identified over a strike length of approximately one kilometre. Data from the drilling program will provide the basis for a pre-feasibility study to be completed during the September quarter 2008.

Results received from the ongoing exploration and infill drilling program, including a bonanza grade intersection in drill hole HDD048 of **54.2 metres at 11.6g/t gold and 100.3g/t silver from a depth of 66 metres** (Table 5). The intersection included 2 metre assay **intervals of up to 115g/t gold and 1,149g/t silver and a peak continuous intercept of 22 metres at 25g/t gold and 200.6g/t silver from 76 metres**. The results demonstrate the potential for the deposit to host bonanza grade gold-silver chutes (very high-grade feeders/sources of epithermal mineralisation) associated with multiple steeply-dipping zones of low-grade primary mineralisation overlain by a disseminated oxide zone.

During the quarter, surface geological mapping of drill pad excavations together with earlier results from the drilling program led to a revision in the geological interpretation of the orientation of structures controlling the primary mineralisation. These structures were re-interpreted as having an east-west rather than north-south trend. The orientation of planned drill holes was modified and results from subsequent drilling have supported the new interpretation.

Subject to a positive outcome from the pre-feasibility 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, with a target first gold production of 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 at Ban Houayxai.

**Table 5: Selected drill intersections  $\geq 1$ g/t from the Ban Houayxai deposit**

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Gold Grade (g/t)	Silver Grade (g/t)	Drill Hole Orientation
HDD021 (451.1m)	12.0	200.0	1.1	5.8	-60 to 090
HDD022 (57.8m)	8.0	0.0	1.2	11.7	-60 to 090
HDD024 (377.4m)	8.0	88.0	1.2	3.7	-60 to 090
HDD028 (510.3m)	24.0 10.0	334.0 368.0	1.3 3.1	9.9 33.5	-60 to 090
HDD029 (221.4m)	4.0	84.0	1.4	180.8	-60 to 090
HRD031 (467.5m)	6.0	288.0	1.0	1.9	-60 to 090
HDD032 (365.5m)	44.0 6.0	2.0 142.0	1.2 33.3	13.1 112.0	-60 to 090
HDD034 (425.7m)	2.0	42.0	2.7	5.5	-60 to 090
HDD036 (587.2m)	6.0	412.0	1.5	63.8	-60 to 090
HDD037 (389.0m)	16.0	338.0	4.4	4.5	-60 to 090
HDD038 (518.8m)	18.0 6.0	414.0 464.0	1.2 5.8	39.9 15.4	-60 to 135
HDD039 (495.1m)	8.0 10.0	158.0 196.0	1.5 1.0	5.6 15.4	-60 to 135



**Table 5** (cont.)

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Gold Grade (g/t)	Silver Grade (g/t)	Drill Hole Orientation
HDD041 (555.1m)	2.0	344.0	1.4	31.0	-60 to 135
	2.0	404.0	1.1	69.0	
	4.0	438.0	1.0	15.8	
HDD043 (446.2m)	4.0	126.0	1.5	5.0	-60 to 090
	4.0	200.0	1.7	10.4	
HDD045 (455.7m)	6.0	32.0	1.9	7.0	-60 to 090
	42.0	146.0	1.6	5.1	
HDD047 (458.8m)	16.0	298.0	2.5	7.3	-60 to 180
	20.0	362.0	3.2	14.0	
HDD048 (120.2m)	36.0	4.0	1.1	3.4	-80 to 090
	54.2	66.0	11.6	100.3	
HDD052 (485.7m)	48.0	42.0	1.4	16.6	-60 to 180
	18.0	216.0	1.0	44.6	
HDD057 (435.8m)	40.0	6.0	1.4	2.4	-60 to 180
	28.0	52.0	1.1	13.7	
	4.0	122.0	2.5	81.5	
HDD058 (505.8m)	18.0	110.0	1.0	22.9	-60 to 180

## Puthep Copper Project, Thailand

The Puthep Project comprises the PUT 1 and the PUT 2 deposits and is a joint venture between Pan Australian (shareholding right of 33.17%) and Padaeng Industry Public Company. Pan Australian will earn a 51% interest in Puthep upon completing a feasibility study on the PUT 1 deposit 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 transitional resource defined by 17,000 metres of diamond core and reverse circulation drilling by a previous Phelps Dodge-Padaeng joint venture. The focus of current activities is on the establishment of a primary copper-gold resource to a depth of 250 metres beneath the chalcocite blanket.

The Phase 2 drilling program continued through the quarter with a total of 6,623 metres completed. At the end of the quarter a total of 5 drill rigs were in operation.

Drilling successfully intersected broad zones of copper-gold mineralisation and a new zone of high-grade gold (Table 6). The results significantly increase the potential for a significant primary copper-gold mineral resource to be defined beneath the identified PUT 1 deposit transitional copper mineral resource.

Geophysical surveys (ground magnetics and IP) were completed over the PUT 1 deposit during the quarter and the results will be used to plan further drilling.

**Table 6: 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
P1RD035 (445.1m)	268.0	172.0	0.3	0.2	-60 to 090
	Including: 90.0	204.0	0.6	0.2	
P1RD037 (250.3m)	126.0	0.0	0.3	0.1	-60 to 090
	14.0	178.0	0.3	<b>15.8</b>	
P1DD038 (312.8m)	64.0	16.0	0.3	0.1	-60 to 090
	42.0	100.0	0.3	0.1	
	114.0	176.0	0.4	0.1	
	Including: 12.0	176.0	0.9	0.1	
	And 36.0	216.0	0.6	0.1	
P1RD039 (233.8m)	86.0	2.0	0.6	0.1	-65 to 270
	48.0	130.0	1.1	0.5	
	6.0	192.0	0.8	0.2	
	12.0	204.0	0.7	0.1	
P1RD040 (304.6m)	18.0	34.0	1.0	0.1	-60 to 270
	26.0	72.0	0.4	0.1	
	4.0	126.0	0.4	0.1	
	8.0	170.0	0.3	0.1	
	4.0	272.0	0.4	0.1	
14.0	282.0	1.3	0.5		
P1RD041 (293.1m)	16.0	230.0	1.2	0.3	-60 to 270
P1RD042 (330.6m)	84.0	48.0	0.8	0.1	-60 to 090
	10.0	154.0	0.7	0.3	
	22.0	170.0	0.5	0.3	
	8.0	198.0	0.3	0.1	
	10.0	248.0	1.0	0.3	
	18.0	272.0	1.3	0.4	
4.0	298.0	0.3	0.1		
P1DD043 (333.1m)	6.0	252.0	0.6	0.1	-60 to 290 Also intersected 10m at 3.1% zinc from 22.0m
	8.0	282.0	0.6	0.1	
P1RD044 (284.9m)	22.0	12.0	0.9	0.1	-60 to 270
	8.0	44.0	0.4	0.1	
	10.0	62.0	0.4	0.1	
	34.0	90.0	0.4	0.1	
	22.0	138.0	0.4	0.1	
P1RD045 (257.8m)	30.0	0.0	0.6	0.1	-60 to 270
	4.0	158.0	0.4	0.1	
	8.0	218.0	0.5	0.1	
P1RD048 (212.6m)	4.0	32.0	1.4	0.3	-60 to 270
	8.0	128.0	0.5	0.1	
	48.0	142.0	0.6	0.0	
P1RD050 (213.2m)	14.0	24.0	0.6	0.0	-60to 090
	6.0	142.0	0.4	0.1	
P1RD051 (185.5m)	22.0	10.0	0.4	0.1	-60 to 270
	66.0	52.0	0.6	0.1	
P1DD059 (256.6m)	20.0	58.0	0.3	0.2	-60 to 270
	24.0	84.0	0.4	0.2	
	28.0	114.0	0.4	0.2	

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

## Advanced Exploration

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

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

The Phase 1 drilling program continued at Bohr Thong. The program comprises six diamond core holes for 1,930 metres. Several zones of copper-gold and copper-silver mineralisation have been intersected. Intersections to date are included in Table 7.

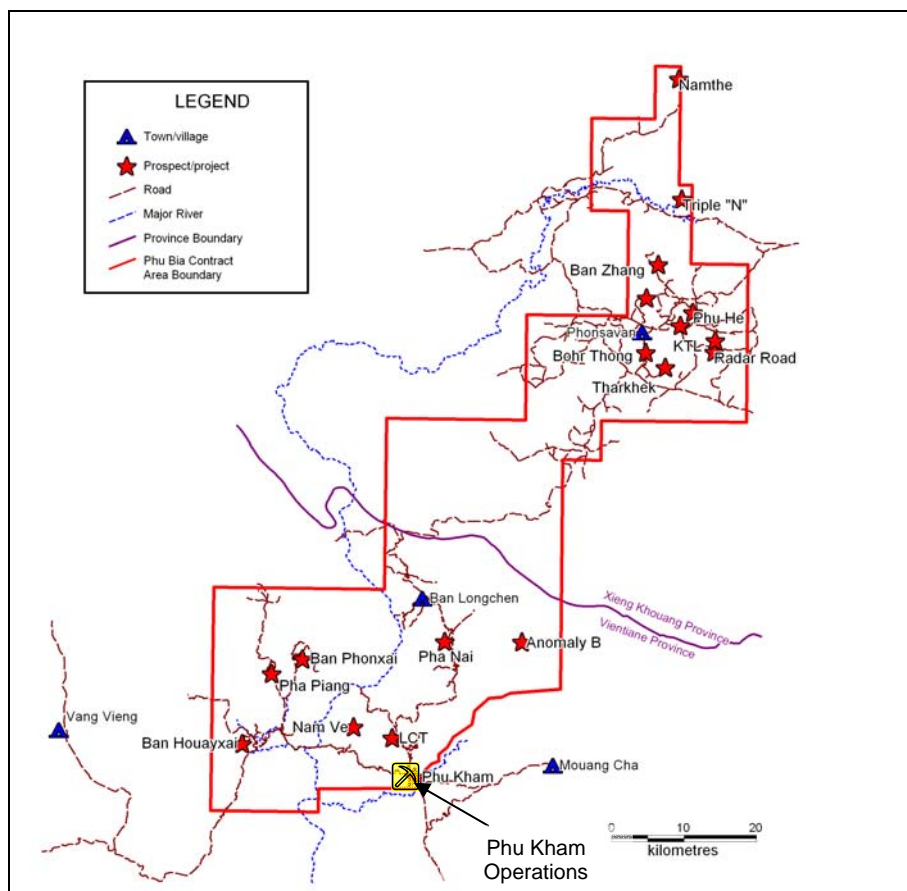
At the KTL prospect, a gradient array IP survey was completed during the quarter and a ground magnetic survey commenced at the end of March. Results of these surveys will be used to plan a follow up drilling program.

**Table 7:** Selected drill results from the Bohr Thong prospect

Hole No. (depth of hole)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)	Drill hole orientation
BTDD003 (500m)	15.3 4.0	392.7 440.0	0.6 0.5	0.4 0.0	- -	-50 to 180
BTDD004 (405.0m)	6.0	24.0	0.3	-	-	-60 to 360
	8.0	60.0	0.9	-	-	
	8.0	184.0	0.5	-	-	
	4.0	205.0	0.5	-	-	
	4.0	223.0	0.7	-	-	
BTDD005 (363.8m)	20.0	14.0	1.0	-	7.3	-50 to 360
	4.0	46.0	1.0	-	8.6	
	4.0	252.0	0.7	-	6.8	

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

**Figure 2:** Contract Area, Laos



## **Early Exploration, Laos**

A major aerial magnetic and radiometric survey covering the entire Contract Area commenced during the quarter. By the end of the quarter approximately 17,900 line-kilometres had been flown (nearly 60% of the program). The data collection phase of the survey is scheduled to be completed during the June quarter 2008. Results from the survey will provide valuable regional data and assist with the targeting of exploration activities.

### ***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 (Figure 2).

A program of exploration drilling was commenced during the quarter. The program comprises 14 drill holes for a total of 4200 metres and is targeting magnetic and chargeability anomalies identified from a geophysical survey which was completed during the December 2007 quarter.

### ***Hoy Tum Zinc-Lead Prospect***

A scout drilling program was completed during the quarter. No significant intersections were returned and no further work is planned.

### ***Triple "N" Gold Prospect***

Drilling commenced during the quarter to test the mineralisation potential at depth beneath an 1800 metre x 30 metre gold-in-soil anomaly. The scout drilling program comprises seven diamond core holes for a total of 1,380 metres.

## **Safety and Environment**

During the quarter one lost time injury occurred at the Phu Kham Operations and one lost time injury occurred at the Ban Houayxai exploration camp. 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**

The Community Development Fund held its first meeting, and the preliminary annual implementation plan for 2008 was adopted. The Village Development Committee for the communities next to the Phu Kham Copper-Gold Operation was established and it held its first meeting in February.

Ongoing project work includes improvements to the water supply of Ban Nam Gnone (closest village to the Phu Kham Operations) and to the Ban Nam Gnone primary school.

During the March quarter, a full socio-economic survey, including a health and nutrition survey, was completed for the communities next to the mine. Data analysis and evaluation will be undertaken in the June quarter, and such information will provide further guidance for Community Development Fund activities.

## Corporate Information

At 31 March 2008, the Company had cash and equivalents of US\$11 million, debt of US\$231 million and undrawn facilities totalling US\$91 million.

The issued capital of the Company at 31 March 2008 comprised:

1,433,405,698	Ordinary fully paid shares
25,210,000	Unlisted options
9,132,823	Unlisted share rights

### ***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***

PO Box 3468, South Brisbane Qld 4101  
Telephone: (07) 3117 2000  
Facsimile: (07) 3846 4899

### ***Securities Exchange Listing***

Australian Securities Exchange Code: PNA

### ***Indexation***

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

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

Gary Stafford Managing Director  
Allan Ryan Investor Relations Manager

Pan Australian Resources Limited  
PO Box 3468, South Brisbane Qld 4101

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Email: [info@panaustralian.com.au](mailto:info@panaustralian.com.au)

Website: [www.panaustralian.com.au](http://www.panaustralian.com.au)

### ***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)

### Competent Person Statements

The data in this report that relates to Exploration Results is based on information reviewed by Mr Dan Brost who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Brost is a full time employee of Pan Australian Resources Limited.

Mr Brost 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 Brost 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 Phu Kham Copper-Gold Ore Reserve is based on information evaluated by Mr. John Wyche who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and an employee of Australian Mine Design and Development Pty Limited.

Mr. Wyche 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").

Mr. Wyche consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.

### Calculation of copper equivalent tonnes

Copper equivalent production referred to in this report was calculated by combining copper, gold and silver production using the following equation:

$$\text{Copper equivalent tonnes} = \text{copper tonnes} + \frac{\text{value of gold produced (US\$)} + \text{value of silver produced (US\$)}}{\text{copper price (US\$/tonne)}}$$

Assumptions unless otherwise stated are:

Copper	US\$2.00/lb
Gold	US\$600/oz
Silver	US\$12/oz

### 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\$4409/t (US\$2.00/lb), gold price of US\$600/oz and a silver price of US\$12/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:

$$\frac{\text{US\$281,000,000}}{75,000\text{t} + (65,000 \text{ oz} \times 600/4,409) + (600,000 \text{ oz} \times 12/4,409)} = \frac{\text{US\$281,000,000}}{85,479\text{t}} = \text{US\$3,287/t}$$

### 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")

MARCH 2008

### 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	8,046	8,046
1.2 Payments for (a) exploration and evaluation	(5,988)	(5,988)
(b) development	(48,806)	(48,806)
(c) production	(8,971)	(8,971)
(d) administration	(4,482)	(4,482)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	192	192
1.5 Interest and other costs of finance paid	(4,066)	(4,066)
1.6 Income taxes paid	-	-
1.7 Other deposits	-	-
<b>Net Operating Cash Flows</b>	<b>(62,076)</b>	<b>(62,076)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	(1,129)	(1,129)
(c) other fixed assets	(5,609)	(5,609)
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>(6,738)</b>	<b>(6,738)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(68,814)</b>	<b>(68,814)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(68,814)	(68,814)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	55,212	55,212
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	55,212	55,212
	<b>Net increase (decrease) in cash held</b>	(13,602)	(13,602)
1.20	Cash at beginning of quarter/year to date	24,414	24,414
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	10,812	10,812

**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	217
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

Finance leases have been included in cash flows, as the outflow of cash on other fixed assets has occurred prior to the reimbursent of this cash at a later date from the finance lease facility. Cash outflow is recorded under 1.8(c) and the subsequent cash inflow rec orded under 1.16.

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	322,000	231,178
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	7,914
4.2 Development	21,278
<b>Total</b>	<b>29,192</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	10,660	10,660
5.2 Deposits at call	152	152
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>10,812</b>	<b>10,812</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>	1,433,405,698	1,433,405,698	NA	NA
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	34,870	34,870	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/Share Rights</b> <i>(description and conversion factor)</i>	34,342,823	0	<i>Exercise price</i> See Attached	<i>Expiry date</i> See Attached
7.8 Issued during quarter	11,262,140	0	See Attached	
7.9 Exercised during quarter	34,870	0	NA	
7.10 Expired during quarter	441,734	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: 29 April 2008  
(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 31 MARCH 2008**

**ISSUED OPTIONS AT 31 MARCH 2008**

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
2,310,000	90.00	31/12/2012
5,000,000	114.50	05/03/2009
<b>25,210,000</b>		

**ISSUED EMPLOYEE SHARE RIGHTS AT 31 MARCH 2008**

NUMBER ISSUED	EXERCISE PRICE CENTS	EXPIRY DATE
3,075,000	NIL	31/03/2017
1,137,959	NIL	14/05/2017
109,390	NIL	29/05/2017
295,584	NIL	01/06/2017
558,250	NIL	1/10/2017
4,500	NIL	1/10/2017
2,385,000	NIL	31/12/2017
1,459,950	NIL	31/01/2018
107,190	NIL	31/01/2018
<b>9,132,823</b>		

+ See chapter 19 for defined terms.