

21 February 2008



PAN AUSTRALIAN
RESOURCES LIMITED

APPENDIX 4E

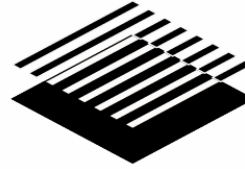
Financial Results Summary for the full-year ending 31 December 2007

Contents

ASX Announcement relating to full-year 2007 financial results

ASX Preliminary Final Report for the year ended 31 December 2007

The information in this Appendix 4E and announcement should be read in conjunction with the Annual Financial Report of Pan Australian Resources Limited as at 31 December 2006. It is recommended that the financial results summary be considered together with any public announcements made by Pan Australian Resources Limited and its controlled entities during the full-year to 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.



ASX ANNOUNCEMENT

21 February 2008

PAN AUSTRALIAN RESOURCES LIMITED

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Financial Results Summary for the year to 31 December 2007

Activities during the year focused on the Phu Kham Operations in Laos comprising the Copper-Gold Mine Development and the Heap Leach Gold Operation (formerly the Phu Bia Gold Mine), and feasibility work and exploration in Laos and Thailand.

Key Points

➤ **Phu Kham Copper-Gold Mine Development:**

- Construction remains within the US\$241 million capital budget.
- Wet commissioning of the process plant has commenced and first concentrate production is planned for March, well ahead of the original mid-2008 schedule. Production is scheduled to ramp up to the design annual production rate of approximately 50,000t copper, 50,000oz gold and 400,000oz silver in concentrate by the end of 2008.
- First concentrate sales are planned for the June quarter with an initial spot sale contract awarded covering 40,000t of concentrate for delivery during 2008. The contract was awarded at a combined treatment and refining charge of less than US\$0.03/lb copper with no price participation and a four-month quotational period.
- The board approved the expansion of the nameplate ore throughput capacity by 33% to 16 million tonnes per annum (Mtpa) by the end of 2009 for a fully funded capital cost of US\$40 million (includes a contingency of US\$7 million).
- Annual production of 65,000t copper, 60,000oz gold and 550,000oz silver could be achieved from 2010 onwards by adopting the average head grade from the 2006 Ore Reserve¹ estimate, with a payback on the expansion capital of less than 6 months at current commodity prices.

➤ **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-100,000oz/yr gold operation.

➤ **Phu Kham Heap Leach Gold Operation:**

- Record annual gold production of 31,380oz was achieved at the Heap Leach Gold Operation at a total cash cost of US\$643/oz. Gold sales totalled 30,892oz at an average realised gold price of US\$714/oz.

¹ Refer to 2006 Annual Report

Pan Australian Financial Summary:

- Construction of the Phu Kham Copper-Gold Mine is fully funded. Syndication of the senior debt facilities, comprising a US\$160 million construction facility, a US\$35 million lease facility, and working capital, Letter of Credit and cost overrun facilities totalling US\$47 million, was finalised in June. First draw down occurred in July.
- At the end of December 2007, capital incurred on construction of the Phu Kham Copper-Gold Mine totalled US\$205 million. The Company announced on 13 February 2008 that the Project was more than 95% complete.
- Pan Australian reported a net loss for the year ending 31 December 2007 of US\$13.1 million. The loss includes depreciation and amortisation charges of US\$7.3 million and unrealised losses of US\$2.7 million (reflecting the deferred cost basis for purchase of gold put options).
- Revenue from sales was US\$22.1 million (US\$12.7 million for the year to 31 December 2006).
- At 31 December 2007, Pan Australian had cash and equivalents of US\$24 million, debt of US\$174 million and undrawn facilities totalling US\$148 million.
- Terms for an US\$80 million subordinated debt facility were agreed in December with Goldman Sachs JBWere. The facility will provide funding flexibility through the first year of Phu Kham Copper-Gold Mine production. It will also be used to fund the accelerated expansion of the Phu Kham Copper-Gold Mine and the increased exploration and evaluation expenditure planned for 2008.

Phu Kham Operations, Laos

Wet commissioning of the process plant has commenced and vendors of the mills have been instructed to mobilise to site in readiness for commencement of commissioning of the mills. The installation of conveyor belts is nearly complete.

The plant is on track to start concentrate production in March 2008, significantly ahead of the original mid-2008 schedule and the construction cost remains within the US\$241 million capital budget.

The plant is designed to initially process 12 Mtpa of ore to produce more than 200,000 dry metric tonnes of concentrate containing on average 50,000t copper, 50,000oz gold and 400,000oz silver. The initial throughput rate of 12 Mtpa will be increased to 16 Mtpa in 2010 (refer to “Phu Kham Expansion” section below).

First concentrate sales are planned for the June quarter 2008. An initial concentrate spot sale contract was awarded covering 40,000t of Phu Kham copper-gold-silver concentrate for delivery in four 10,000-tonne lots during 2008. The contract terms reflect a combined treatment and refining charge of less than US\$0.03/lb copper, no price participation and a four-month quotational period. Pan Australian is working with its concentrate sales agent, BHP Billiton, to formulate a sales strategy for the balance of 2008 production and beyond.

A successful transition to owner operation and integration of the mining operations for the Copper-Gold and Heap Leach Gold Operations occurred in 2007 and has proved an outstanding success with increased productivity, lower unit costs and improved safety performance.

The concentrate haulage contract was awarded to Deuan Sawanh Group Co Ltd, a Lao incorporated company, with which Pan Australian already has a working relationship.

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 and in neighbouring Thailand. The exploration and evaluation budget for 2008 is US\$30 million. The Company has 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 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 2007, the board approved the expansion of the Phu Kham Copper-Gold Mine by mid-2010. In December, the Company announced an acceleration of the expansion to the end of 2009 following the placement of an order for a ball mill with CITIC Heavy Machinery Company Limited China.

The expansion will deliver a 33% increase in throughput from a nominal design rate of 12 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 Reserve² grades, annual production of 65,000t copper, 60,000oz gold and 550,000oz silver (73,300t copper equivalent³ production) could be achieved from 2010 onwards.

Phu Kham will be one of the most capital efficient copper operations in the world on a US\$/t of annual copper equivalent production basis (capital intensity). The incremental expansion has a capital intensity of only US\$2,400/t. On a post-expansion basis (total initial plus expansion capital of US\$281 million) the capital intensity 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 in all categories. A revised production profile will be

² Refer to 2006 Annual Report

³ Assuming US\$6,500/t copper, US\$780/oz gold and US\$13.5/oz silver (refer calculation at end of this report)

determined during the June quarter 2008 after the Ore Reserve has been re-estimated and an updated production schedule completed.

Ban Houayxai Gold-Silver Project, Laos

An ongoing exploration and infill drilling program is targeting a steeply-dipping zone of primary gold-silver mineralisation that has been defined 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 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 100,000oz 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.

Puthep Copper Project, Thailand

The Puthep Project is a joint venture between Pan Australian and Padaeng Industry Public Company. Pan Australian will 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.

Ongoing exploration drilling at the Puthep Copper Project in northern Thailand, has increased the potential for a significant primary copper-gold mineral resource to be defined beneath the identified PUT 1 deposit transitional (near-surface and partially oxidised) copper mineral resource.

The Puthep Copper Project is located in north-east Thailand near the provincial centre of Loei, within three hours' drive of the Company's Vientiane office in Laos. It comprises two copper deposits; PUT 1 and PUT 2, which are 14 kilometres apart.

Previous work at the PUT 1 deposit has identified a total near-surface **transitional Indicated and Inferred Mineral Resource of 85 million tonnes at 0.4% copper** (see full tabulation of mineral resource estimates for the PUT 1 deposit and the PUT 2 deposits at the end of this report). This shallow resource has been defined to an average depth of 100 metres. The objective of the 2008 exploration program will be to identify a significant primary copper-gold mineral resource to complement the transitional resource.

Outlook

In 2008, Pan Australian will emerge as a significant copper-gold miner in Southeast Asia. Concentrate production at the Phu Kham Operations will commence in March with initial copper-gold-silver concentrate sales during the June quarter.

The copper concentrate market is expected to remain in deficit for the next several years and the Mine is well positioned to supply concentrate to custom smelters in the Southeast Asia region.

The mine comes on line at a time of high demand for copper and high prices for both copper and gold. For 2009, the first full year of production, the unit cash cost of copper production, after precious metal credits, is expected to be approximately US\$0.80/lb (assumes US\$700/oz gold, US\$12/oz silver). At current prices, the Mine is expected to generate substantial cash flow.

Under the terms of the project finance agreement, project free cash flow generated, prior to financial completion, will be used to pre-pay debt. Following financial completion, which is expected to occur before 2009, 45% of the Mine's free cash will be used to pre-pay debt with the balance available to further grow the Company.

The Company will this year commence design and capital works to expand throughput of the Copper-Gold Mine by 33% from early 2010. Pan Australian has agreed terms for an US\$80 million subordinated debt facility with Goldman Sachs JBWere to finance the US\$40 million capital works for the expansion and to fund a substantially increased exploration and evaluation budget of US\$30 million for 2008. This facility will also provide the Company with funding flexibility through the first year of production.

The following table provides indicative cash flows at various price assumptions for the Phu Kham Copper-Gold Mine based on the initial 12 Mtpa throughput, and the expanded 16 Mtpa throughput.

Copper price	Gold price	12Mt/yr (Feasibility Study)	16Mt/yr (Expanded case)
US\$2.25/lb	US\$550/oz	US\$110m	US\$135m
US\$3.15/lb	US\$650/oz	US\$180m	US\$225m

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 70,000oz 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 124,398oz of gold at a strike price of US\$700/oz and executable between 2008 and 2013

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

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, and in neighbouring Thailand. The exploration and evaluation budget for 2008 is US\$30 million.

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**Full tabulation of Puthep transitional Mineral Resources (0.1% copper cut-off),
 PUT 1 and PUT 2 deposits**

Deposit	Resource Category	Tonnes (Mt)	Copper Grade (%)	Copper In-situ (t)
PUT 1 deposit	Indicated	22	0.4	95,000
	Inferred	62	0.4	275,000
	Total	85	0.4	370,000
PUT 2 deposit	Indicated	-	-	-
	Inferred	36	0.4	150,000
	Total	36	0.4	150,000
Total - Puthep	Indicated and Inferred	120	0.4	520,000

Tonnes are rounded to three significant figures. Grades are rounded to one decimal place

Competent Person Statement

The data in this report that relates to Mineral Resources for the Puthep Copper Project, Thailand, are based on information reviewed by Mr Daniel 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 matters based on his review in the form and context in which it appears

Calculation of Equivalent Copper and 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:

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

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.

Pan Australian Resources Limited

ABN 17 011 065 160

ASX Preliminary Final Report

for the year ended 31 December 2007

Lodged with the ASX under Listing Rule 4.3A

Pan Australian Resources Limited ABN 17 011 065 160
Preliminary Final Report - 31 December 2007

Lodged with the ASX under Listing Rule 4.3A

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For the year ended 31 December 2007
(Previous corresponding period: Year ended 31 December 2006)

Results for Announcement to the Market
31 December 2007

APPENDIX 4E
Preliminary Final Report
31 December 2007
Pan Australian Resources Limited
ABN 17 011 065 160

				US\$'000
Revenue from ordinary activities <i>(Appendix 4E item 2.1)</i>	up	47 %	to	23,900
Profit / (loss) from ordinary activities after tax attributable to members <i>(Appendix 4E item 2.2)</i>	up	189 %	to	(13,055)
Net profit / (loss) for the period attributable to members <i>(Appendix 4E item 2.3)</i>	up	189 %	to	(13,055)

Dividends / distributions <i>(Appendix 4E item 2.4)</i>	Amount per security	Franked amount per security
Dividend	-	-

Key Ratios	2007	2006
	31 December	31 December
Basic earnings per share (cents)	(0.92)	(0.39)

Net tangible assets per share (\$)	0.12	0.12
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Pan Australian Resources Limited
Income statement
For the year ended 31 December 2007

		Consolidated	
		31 December	31 December
		2007	2006
	Notes	US\$'000	US\$'000
Year Ended 31 December 2007			
Revenue from continuing operations	3	23,900	16,303
Other income	4	1,075	7,379
Depreciation and amortisation expense	5	(7,346)	(4,507)
Employee benefits expense		(10,681)	(4,479)
Hedging expenses	5	(2,687)	-
Mining Costs		(11,436)	(9,654)
Write off uneconomically recoverable gold in heaps	5	-	(5,212)
Finance costs	5	(264)	(456)
Provision for diminution on intercompany loans		-	-
Other expenses	5	(3,885)	(3,582)
Royalties		(1,731)	(314)
Profit/(Loss) before income tax		(13,055)	(4,522)
Income tax expense	6	-	-
Profit/(Loss) for the year		(13,055)	(4,522)
Net Profit/(Loss) is attributable to:			
members of Pan Australian Resources Limited		(13,055)	(4,522)
Basic loss per share (cents per share)	29	(0.92)	(0.39)
Diluted loss per share (cents per share)	29	(0.92)	(0.39)

The above income statement should be read in conjunction with the accompanying notes.

Pan Australian Resources Limited
Balance sheet
As at 31 December 2007

		Consolidated	
		31 December	31 December
		2007	2006
	Notes	US\$'000	US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	24,414	68,472
Receivables and other assets	8	5,341	2,285
Inventories	9	13,288	4,579
Derivative financial instruments	10	<u>535</u>	<u>-</u>
Total current assets		<u>43,578</u>	<u>75,336</u>
Non-current assets			
Receivables and other assets	11	29,236	-
Investments accounted for using the equity method	12	1,021	1,021
Held-to-maturity investments	13	-	11,800
Other financial assets	14	3,667	-
Property, plant and equipment	15	47,389	21,775
Exploration and evaluation, development and mine properties	16	274,585	80,975
Intangible assets	17	5,380	5,380
Derivative financial instruments	10	<u>3,871</u>	<u>-</u>
Total non-current assets		<u>365,149</u>	<u>120,951</u>
Total assets		<u>408,727</u>	<u>196,287</u>
LIABILITIES			
Current liabilities			
Trade and other payables	18	23,711	13,412
Borrowings	19	9,014	-
Provisions	20	1,825	1,020
Derivative financial instruments	10	<u>1,002</u>	<u>-</u>
Total current liabilities		<u>35,552</u>	<u>14,432</u>
Non-current liabilities			
Payables	21	5,607	-
Borrowings	22	164,984	-
Provisions	23	12,479	1,568
Derivative financial instruments	10	<u>9,910</u>	<u>-</u>
Total non-current liabilities		<u>192,980</u>	<u>1,568</u>
Total liabilities		<u>228,532</u>	<u>16,000</u>
Net assets		<u>180,195</u>	<u>180,287</u>
EQUITY			
Contributed equity	24	215,985	207,856
Reserves	25(a)	(9,438)	743
Accumulated Losses	25(b)	<u>(41,387)</u>	<u>(28,332)</u>
		165,160	180,267
Minority interest	26	<u>15,035</u>	<u>20</u>
Total equity		<u>180,195</u>	<u>180,287</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Pan Australian Resources Limited
Statement of changes in equity
For the year ended 31 December 2007

		Consolidated	
	Notes	31 December 2007 US\$'000	31 December 2006 US\$'000
Total equity at the beginning of the financial year		<u>180,287</u>	<u>46,915</u>
Net movement in hedging reserves	25	<u>(10,788)</u>	<u>-</u>
Restated total equity at the beginning of the financial year		<u>169,499</u>	<u>46,915</u>
Profit/(loss) for the year		<u>(13,055)</u>	<u>(4,522)</u>
Total recognised income and expense for the year		<u>(13,055)</u>	<u>(4,522)</u>
Contributions of equity, net of transaction costs	24	8,129	137,672
Option reserve on recognition of bonus element of unlisted executive options	25	607	222
Total changes in minority interest	26	<u>15,015</u>	<u>-</u>
		<u>23,751</u>	<u>137,894</u>
Total equity at the end of the financial year		<u>180,195</u>	<u>180,287</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Pan Australian Resources Limited
Cash flow statement
For the year ended 31 December 2007

		Consolidated	
		31 December	31 December
		2007	2006
Notes		US\$'000	US\$'000
Cash flows from operating activities			
	Receipts from customers (inclusive of goods and services tax)	22,163	12,671
	Payments to suppliers and employees (inclusive of goods and services tax)	<u>(42,552)</u>	<u>(30,419)</u>
		(20,389)	(17,748)
	Interest received	2,040	3,292
	Interest paid	<u>(67)</u>	<u>(351)</u>
	Net cash (outflow) inflow from operating activities	28	(14,807)
		<u>(18,416)</u>	<u>(14,807)</u>
Cash flows from investing activities			
	Payments for property, plant and equipment	(22,097)	(12,199)
	Payments for investment in associate	(3,667)	-
	Payments for held-to-maturity investments	-	(11,800)
	Payment of development costs	(180,316)	(36,113)
	Loans to subsidiaries	-	-
	Proceeds from held-to-maturity assets	<u>11,800</u>	<u>-</u>
	Net cash (outflow) inflow from investing activities	(194,280)	(60,112)
		<u>(194,280)</u>	<u>(60,112)</u>
Cash flows from financing activities			
	Proceeds from issues of shares and other equity securities	8,129	143,574
	Proceeds from borrowings	196,697	5,500
	Share issue and buy-back transaction costs	-	(6,043)
	Repayment of borrowings	(21,559)	(9,500)
	Borrowing and loan establishment costs and interest	<u>(15,577)</u>	<u>-</u>
	Net cash inflow (outflow) from financing activities	167,690	133,531
		<u>167,690</u>	<u>133,531</u>
Net increase (decrease) in cash and cash equivalents			
		(45,006)	58,612
	Cash and cash equivalents at the beginning of the financial year	68,472	2,481
	Effects of exchange rate changes on cash and cash equivalents	<u>948</u>	<u>7,379</u>
	Cash and cash equivalents at end of year	7	68,472
		<u>24,414</u>	<u>68,472</u>

Financing arrangements

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The above cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The preliminary financial report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX appendix 4E.

This preliminary financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2006, the half year report for the period ended 30 June 2007 and any public announcements made by Pan Australian Resources Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented, unless otherwise stated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency. This ensures that parent company reporting is consistent with the requirements for the main operating subsidiary in Laos where our key assets are located.

2 Segment information

(a) Description of segments

Business segments

The consolidated entity operated solely in the mining and mineral exploration industry.

Geographical segments

Australia

The home country of the parent entity which is the corporate headquarters for the Group.

South East Asia

Comprises mining and mineral exploration operations carried on in Lao PDR and Thailand.

(b) Primary reporting format - geographical segments

2007	Australia US\$'000	South East Asia US\$'000	Eliminations US\$'000	Total US\$'000
Sales to external customers	-	22,174	-	22,174
Interest revenues	1,492	253	-	1,745
Total sales revenue	1,492	22,427	-	23,919
Foreign exchange gains/sundry revenue	948	109	-	1,057
Consolidated revenue				24,976
Segment result	(3,636)	(6,732)	-	(10,368)
Hedging expenses				(2,687)
Profit before income tax				(13,055)
Profit for the year				(13,055)
Segment assets	218,244	370,511	(180,028)	408,727
Segment liabilities	2,199	406,361	(180,028)	228,532
Other segment information				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	228	23,408	-	23,636
Depreciation and amortisation expense	99	7,247	-	7,346
Other non-cash expenses	462	(2,031)	-	(1,569)
Increase in deferred exploration, evaluation and development costs	-	193,611	-	193,611

2 Segment information (continued)

2006	Australia US\$'000	South East Asia US\$'000	Eliminations US\$'000	Total US\$'000
Total sales revenue	-	12,671	-	12,671
Interest revenue	3,633	-	-	3,633
Foreign exchange gains/sundry revenue	<u>7,379</u>	<u>-</u>	<u>-</u>	<u>7,379</u>
Total segment revenue	<u>11,012</u>	<u>12,671</u>	<u>-</u>	<u>23,683</u>
Segment result	<u>7,018</u>	<u>(11,476)</u>	<u>-</u>	<u>(4,458)</u>
Loss from foreign currency translation				<u>(64)</u>
Net loss				<u>(4,522)</u>
Segment assets	<u>201,186</u>	<u>110,329</u>	<u>(115,228)</u>	<u>196,287</u>
Segment liabilities	<u>5,256</u>	<u>125,972</u>	<u>(115,228)</u>	<u>16,000</u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>301</u>	<u>11,898</u>	<u>-</u>	<u>12,199</u>
Depreciation and amortisation expense	<u>49</u>	<u>4,458</u>	<u>-</u>	<u>4,507</u>
Other non-cash expenses	<u>200</u>	<u>57</u>	<u>-</u>	<u>257</u>
Increase in deferred exploration, evaluation and development costs	<u>-</u>	<u>52,836</u>	<u>-</u>	<u>52,836</u>

3 Revenue

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	<u>22,113</u>	<u>12,671</u>
Other revenue		
Interest	<u>1,745</u>	<u>3,632</u>
Sundry income	<u>42</u>	<u>-</u>
	<u>1,787</u>	<u>3,632</u>
	<u>23,900</u>	<u>16,303</u>

4 Other income

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Net gain on disposal of property, plant and equipment	<u>19</u>	<u>-</u>
Foreign exchange gains (net)	<u>1,056</u>	<u>7,379</u>
	<u>1,075</u>	<u>7,379</u>

5 Expenses

	Consolidated	
	31 December	31 December
	2007	2006
	US\$'000	US\$'000
(a) Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	120	-
Field plant and equipment	52	47
Mine properties	6,005	3,933
Office equipment	108	157
Mining plant and equipment	949	352
Motor vehicles	70	19
Total depreciation	<u>7,304</u>	<u>4,507</u>
<i>Amortisation</i>		
Development costs	42	-
Total amortisation	<u>42</u>	<u>-</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	17,925	351
Provisions: unwinding of discount	101	-
Other borrowing costs	96	105
Amount capitalised	(5,325)	-
Amount recognised as prepayment	(12,533)	-
Finance costs expensed	<u>264</u>	<u>456</u>
<i>Intercompany management fees</i>	-	-
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	338	223
Total rental expense relating to operating leases	<u>338</u>	<u>223</u>
<i>Defined contribution superannuation expense</i>	262	151
(b) Other expenses		
Professional and consultancy fees	930	745
Travel expenses	951	305
Community relations	629	317
Investor relations	440	309
Insurance	270	307
Other	665	1,599
	<u>3,885</u>	<u>3,582</u>
(c) Material impacts on expenses		
Hedging expenses	2,687	-
Write off of uneconomically recoverable gold in heaps	-	5,212
	<u>2,687</u>	<u>5,212</u>

Initial adoption of AASB 139 - Hedge Accounting during 2007 resulted in a negative impact to the profit and loss statement as a result of ineffectiveness in some of the hedge relationships, as well as the movement in value of deferred premium on gold put options due to increase in gold price.

5 Expenses (continued)

During 2006, wet season rain damage inflicted upon agglomerates on the surface of active cells prevented uniform leach solution penetration of the underlying heap. In order to commence the stacking of fresh agglomerated ore, the rain damaged cells had to be sealed to ensure maximum recovery of gold from the fresh agglomerates. As a result 16,040 ounces of gold in circuit is uneconomically recoverable and has been written off at cost as at 31 December 2006.

6 Income tax expense

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
(a) Income tax expense		
Current tax	(3,917)	(1,357)
Deferred tax	512	(1,086)
Adjustments for current tax of prior periods	<u>3,405</u>	<u>2,443</u>
	<u>-</u>	<u>-</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	<u>(13,055)</u>	<u>(4,522)</u>
Tax at the Australian tax rate of 30% (2006 - 30%)	(3,917)	(1,357)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenditure not allowed for income tax purposes	300	272
Other assessable income	928	-
Diminution of intercompany loans	-	-
Other deductible expenses	(406)	(371)
Non-assessable income	<u>(310)</u>	<u>(987)</u>
	<u>(3,405)</u>	<u>(2,443)</u>
Deferred tax asset not brought to account	<u>3,405</u>	<u>2,443</u>
Income tax expense	<u>-</u>	<u>-</u>

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<u>73,913</u>	<u>53,718</u>
Potential tax benefit @ 30%	22,174	16,115
International tax rate differential	<u>(3,349)</u>	<u>(2,403)</u>
	<u>18,825</u>	<u>13,712</u>

The Company has not recognised any deferred tax assets or liabilities as at 31 December 2007. If the Company had recognised deferred tax balances at period end the estimated tax position would be US\$19 million deferred tax asset, US\$13 million deferred tax liability and US\$6 million tax credit to profit & loss.

6 Income tax expense (continued)

(d) Tax consolidation legislation

Effective 1 January 2004, for the purposes of Australian income taxation, PanAust and its 100% Australian owned subsidiaries have formed a tax consolidated Group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the Group is Pan Australian Resources Limited.

7 Current assets - Cash and cash equivalents

	Consolidated	31 December
	2007	31 December
	US\$'000	2006
		US\$'000
Cash at bank and in hand	<u>24,414</u>	<u>68,472</u>

(a) Reconciliation to cash at the end of the year

	Consolidated	31 December
	2007	31 December
	US\$'000	2006
		US\$'000
Cash balance comprises:		
Cash at bank	19,111	28,346
Short term money market deposits	5,254	40,087
Cash on hand	<u>49</u>	<u>38</u>
	<u>24,414</u>	<u>68,471</u>

(b) Cash at bank and on hand

These are interest bearing floating interest rates between 3.7% to 7.4% (2006: 5.3% to 5.8%).

8 Current assets - Receivables and other assets

	Consolidated	31 December
	2007	31 December
	US\$'000	2006
		US\$'000
Net receivables		
Other receivables	202	340
Prepayments		
Prepayments	3,234	1,945
Prepayments - Lease facility fees	308	-
Prepayments - Loan facility fees	<u>1,597</u>	<u>-</u>
	<u>5,139</u>	<u>1,945</u>
	<u>5,341</u>	<u>2,285</u>

9 Current assets - Inventories

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Raw materials and stores - at cost	5,193	1,408
Provision for obsolete stores	<u>(74)</u>	<u>-</u>
	<u>5,119</u>	<u>1,408</u>
Gold in heaps - at cost	8,169	2,316
Gold bullion - at cost	<u>-</u>	<u>855</u>
	<u>13,288</u>	<u>4,579</u>

10 Derivative financial instruments

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Current assets		
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	223	-
Gold put options ((a)(iii))	<u>312</u>	<u>-</u>
Total current derivative financial instrument assets	<u>535</u>	<u>-</u>
Non-current assets		
Gold put options ((a)(iii))	<u>3,871</u>	<u>-</u>
Total non-current derivative financial instrument assets	<u>3,871</u>	<u>-</u>
Total derivative financial instrument assets	<u>4,406</u>	<u>-</u>
Current liabilities		
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	7	-
Interest rate swaps - cash flow hedge ((a)(i))	<u>995</u>	<u>-</u>
Total current derivative financial instrument liabilities	<u>1,002</u>	<u>-</u>
Non-current liabilities		
Interest rate swaps - cash flow hedge ((a)(i))	96	-
Gold forward contracts ((a)(iii))	<u>9,814</u>	<u>-</u>
Total non-current derivative financial instrument liabilities	<u>9,910</u>	<u>-</u>
Total derivative financial instrument liabilities	<u>10,912</u>	<u>-</u>
Net derivative financial instrument assets/(liabilities)	<u>(6,506)</u>	<u>-</u>

10 Derivative financial instruments (continued)

(a) Instruments used by the company

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

(i) Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 7.73%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 90% (2006 - nil%) of the construction facility principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.12% and 5.1375% (2006 - nil%) and the variable rates are 2.5% above the LIBOR rate which at last reset prior to balance date was 5.2447%.

The contracts require settlement of net interest receivable or payable each 30 days until 10 April 2008, then each 90 days from 30 June 2008 to 30 June 2009. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 31 December 2007 a gain of US\$99,087 was transferred to profit and loss (2006 - nil) and recognised as a hedge gain relating to the ineffective portion of the interest rate swaps due to differences in values and timing of maturities between the interest rate swaps and the hedged debt. In the year ended 31 December 2007 a loss of US\$6,193 was capitalised as finance costs for the Phu Kham Copper Gold mine development (2006 - nil) on the settlement of interest rate swaps.

(ii) Forward exchange contracts - cash flow hedges

The South East Asian operations use materials and services purchased from Australia. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase Australian dollars.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments of component parts are scheduled to be made or Australian dollar costs for services are payable.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the company adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

During the year ended 31 December 2007 a gain of US\$586,007 (2006 - nil) was removed from equity and included in the acquisition cost of components.

(iii) Precious metal forward contracts and put options

The Company has entered into forward contracts for the sale of gold as well as entering into put options over the sale price of gold at a strike rate of US\$700 per ounce. This strategy has the effect of hedging 20% of the Company's current schedule of gold production from the Phu Kham Operations through to 2013 with committed gold forward hedging of 70,000 ounces at an average price of approximately US\$800 per ounce. A further 124,000 ounces (approx 45%) is covered by the put options, which protects the Company from any downturn in gold prices, while leaving it exposed to the upside.

11 Non-current assets - Receivables and other assets

	Consolidated	
	31 December	31 December
	2007	2006
	US\$'000	US\$'000
Prepayments		
Prepaid Tax	3,592	-
Prepayments - Lease facility fees	1,847	-
Prepayments - Loan facility fees	<u>8,781</u>	-
	<u>14,220</u>	-
Receivables		
Government of Laos receivable	<u>15,016</u>	-
	<u>29,236</u>	-

Tax prepaid by PBM is able to be offset against future income tax payments.

Amount receivable from Government of Laos to acquire 10% interest in PBM represents fair value of estimated future cash flows required to obtain the interest based on 10% of current equity invested by Pan Australian as at 31 December 2007.

(a) Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

	Floating interest rate US\$'000	Non- interest bearing US\$'000	Total US\$'000
2007			
Financial Assets			
Non-trade debtors	-	47	47
Cash	24,414	-	24,414
Held-to-maturity investments	<u>-</u>	<u>-</u>	<u>-</u>
	24,414	47	24,461
Weighted average interest rate	<u>4.8 %</u>	<u>- %</u>	

	Floating interest rate US\$'000	Non- interest bearing US\$'000	Total US\$'000
2006			
Financial Assets			
Non-trade debtors	-	341	341
Cash	68,471	-	68,471
Held-to-maturity investments	<u>11,800</u>	<u>-</u>	<u>11,800</u>
	80,271	341	80,612
Weighted average interest rate	<u>5.7 %</u>	<u>- %</u>	

12 Non-current assets - Investments accounted for using the equity method

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Shares in associates	1,021	1,021

(a) Interest in associate

The interest in associates are accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity (refer to note 14).

	Ownership interest held by consolidated entity	
	31 December 2007	31 December 2006
	%	%
Puthep Company Limited - ordinary shares	20.66	20.66

(i) Principal activity

Puthep Company Limited is a copper exploration company incorporated in Thailand. Puthep Company's sole asset is the Puthep Copper Project in northern Thailand.

	Consolidated	
	31 December 2007	31 December 2006
	US\$	US\$
(ii) Carrying amount of investment in associate		
Balance at the beginning of the financial year	1,020,825	1,020,825
Carrying amount of investment at year end	1,020,825	1,020,825

In order for the consolidated entity to earn a 51% interest in Puthep Project held by Puthep Company Limited, the consolidated entity is required to complete a bankable feasibility study for a cost of at least US\$4 million (estimated total approximate cost of US\$10 million). The consolidated entity has completed the expenditure requirements of the First and Second Earning Period of the Participation Agreement (US\$2 million) and has earned a 33.17% interest in Puthep Company Limited. The share issue of 20.66% interest in Puthep Company Limited was finalised on 29 June 2005, with the share issue for the further 12.51% for the Second Earning Period currently in progress, and is expected to be finalised in the first half of 2008.

The Company has further options to acquire a total of 60% or 70% interest. The Free Trade Agreement (FTA) between Thailand and Australia limits the ownership interest to 60%, therefore an increase in interest to 70% would require approval from the Government of Thailand.

The land access permit was obtained from the Royal Forestry Department on 19 December 2006 for the research program on the PUT1 deposit area. In accordance with the Participation Agreement, the consolidated entity will resume its further expenditure requirements to earn a further interest in Puthep Company Limited through a feasibility study to be conducted in two phases and the first phase commenced in March 2007. The first phase will be designed to test the overall economics and potential of the project and will allow accurate planning for the potential second phase. The second more detailed phase will be dependent on a positive outcome to the first phase and is currently scheduled to be completed by the end of 2008. Eligible expenditure incurred in the second earnings period has been capitalised in deferred exploration, evaluation and development costs (Note 16).

13 Non-current assets - Held-to-maturity investments

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Short term money market deposits	-	11,800
	-	11,800

The short term money market deposits are carried at cost. They are held to their maturity and carry a fixed interest rate of 5 % for 2006.

14 Non-current assets - Other financial assets

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Other investments		
Loan to equity accounted investment **	3,667	-
	3,667	-
Other unlisted securities		
Equity securities	7	7
Provision for diminution on unlisted shares	(7)	(7)
	-	-
	3,667	-

** Represents advances for exploration expenditure to Puthep Company Limited.

15 Non-current assets - Property, plant and equipment

	Office Equipment US\$'000	Field Plant and Equipment US\$'000	Mine Properties US\$'000	Mining Plant and Equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
Year ended 31 December 2006						
Opening net book amount	272	92	1,223	10,230	49	11,867
Additions	389	384	-	11,427	-	12,200
Amortisation charge	-	-	(191)	(1,526)	-	(1,717)
Depreciation charge	(157)	(47)	-	(352)	(19)	(575)
Transfers in/(out)	-	-	-	-	-	-
Closing net book amount	<u>504</u>	<u>429</u>	<u>1,032</u>	<u>19,779</u>	<u>31</u>	<u>21,775</u>

At 31 December 2006						
Cost or fair value	773	508	1,277	22,183	105	24,846
Accumulated amortisation	-	-	(245)	(1,993)	-	(2,238)
Accumulated depreciation	<u>(269)</u>	<u>(79)</u>	<u>-</u>	<u>(411)</u>	<u>(74)</u>	<u>(833)</u>
Net book amount	<u>504</u>	<u>429</u>	<u>1,032</u>	<u>19,779</u>	<u>31</u>	<u>21,775</u>

	Office Equipment US\$'000	Field Plant and Equipment US\$'000	Mine Properties US\$'000	Mining Plant and Equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
Year ended 31 December 2007						
Opening net book amount	504	429	1,032	19,779	31	21,775
Additions	283	29	-	19,232	2,074	21,618
Disposals	(15)	-	-	-	(19)	(34)
Amortisation charge	-	-	-	-	-	-
Depreciation charge	(107)	(52)	(6,416)	(803)	(70)	(7,448)
Depreciation transferred (in)/out	174	131	(4,417)	(77)	10	(4,179)
Transfers in/(out)	<u>(398)</u>	<u>(537)</u>	<u>23,778</u>	<u>(7,266)</u>	<u>80</u>	<u>15,657</u>
Closing net book amount	<u>441</u>	<u>-</u>	<u>13,977</u>	<u>30,865</u>	<u>2,106</u>	<u>47,389</u>

At 31 December 2007						
Cost or fair value	643	-	25,055	34,149	2,241	62,088
Accumulated depreciation	<u>(202)</u>	<u>-</u>	<u>(11,078)</u>	<u>(3,284)</u>	<u>(135)</u>	<u>(14,699)</u>
Net book amount	<u>441</u>	<u>-</u>	<u>13,977</u>	<u>30,865</u>	<u>2,106</u>	<u>47,389</u>

The parent entity does not hold any property, plant or equipment.

(a) Leased assets

Furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated 31 December 2007 US\$'000	31 December 2006 US\$'000
Cost	25,980	-
Accumulated depreciation	<u>(1,810)</u>	<u>-</u>
Net book amount	<u>24,170</u>	<u>-</u>

16 Non-current assets - Exploration and evaluation, development and mine properties

Consolidated	Preproduction Exploration & Evaluation US\$'000	Phu Kham Mine Development US\$'000	Production Mine Development US\$'000	Restoration Asset US\$'000	Total US\$'000
Year ended 31 December 2006					
Carrying amount at start of year	17,156	-	13,200	-	30,356
Additions	6,315	46,041	480	-	52,836
Amortisation charge	-	-	(2,217)	-	(2,217)
Carrying amount at end of year	<u>23,471</u>	<u>46,041</u>	<u>11,463</u>	<u>-</u>	<u>80,975</u>

Consolidated	Preproduction Exploration & Evaluation US\$'000	Phu Kham Mine Development US\$'000	Production Mine Development US\$'000	Restoration Asset US\$'000	Total US\$'000
Year ended 31 December 2007					
Carrying amount at start of year	23,471	46,041	11,463	-	80,975
Additions	12,206	159,061	22,224	11,860	205,351
Amortisation charge	-	-	(42)	144	102
Amortisation transferred out/(in)	-	-	2,835	(641)	2,194
Transfers in/(out)	9	252	(14,298)	-	(14,037)
Carrying amount at end of year	<u>35,686</u>	<u>205,354</u>	<u>22,182</u>	<u>11,363</u>	<u>274,585</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

17 Non-current assets - Goodwill

	Goodwill US\$'000
Year ended 31 December 2006	
Opening net book amount	-
Additions	5,380
Amortisation charge	-
Closing net book amount	<u>5,380</u>
At 31 December 2006	
Cost	5,380
Accumulated amortisation and impairment	-
Net book amount	<u>5,380</u>
Year ended 31 December 2007	
Opening net book amount	5,380
Amortisation charge	-
Closing net book amount	<u>5,380</u>
At 31 December 2007	
Cost	5,380
Accumulated amortisation and impairment	-
Net book amount	<u>5,380</u>

17 Non-current assets - Goodwill (continued)

The ultimate recoupment of goodwill carried forward is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

18 Current liabilities - Payables

	Notes	Consolidated	
		31 December 2007 US\$'000	31 December 2006 US\$'000
Trade payables		10,271	6,172
Accrued expenses		10,979	6,838
Gold put option premium payable		1,321	-
Other payables		<u>1,140</u>	<u>402</u>
		<u>23,711</u>	<u>13,412</u>

19 Current liabilities - Borrowings

		Consolidated	
		31 December 2007 US\$'000	31 December 2006 US\$'000
Secured			
Project finance		8,000	-
Lease liabilities		<u>1,014</u>	<u>-</u>
Total secured current borrowings		<u>9,014</u>	<u>-</u>

Refer to Note 22 Non-current liabilities - Borrowings for further details.

20 Current liabilities - Provisions

		Consolidated	
		31 December 2007 US\$'000	31 December 2006 US\$'000
Employee benefits		1,805	1,020
Other provisions		<u>20</u>	<u>-</u>
		<u>1,825</u>	<u>1,020</u>

21 Non-current liabilities - Payables

		Consolidated	
		31 December 2007 US\$'000	31 December 2006 US\$'000
Gold put option premium payable		<u>5,607</u>	<u>-</u>
		<u>5,607</u>	<u>-</u>

22 Non-current liabilities - Borrowings

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Secured		
Lease liabilities	25,784	-
Project finance	<u>139,200</u>	-
Total secured non-current borrowings	<u>164,984</u>	-

(a) Bank loans and bank overdraft

On 26 June 2007, the Company entered into loan agreements for a total of US\$242 million of debt facilities with a syndicate of banks led by the ANZ Investment Bank. The facilities include a US\$160 million construction facility over a seven year term for the completion of the development and construction of the Phu Kham Copper-Gold Project in Laos. The facility also includes US\$47 million working capital and cost over-run facilities and a US\$35million equipment lease facility secured over the mobile mining equipment. As at 31 December 2007, the Company has drawn down US\$26.8 million of the lease equipment facility and US\$147.2 million of the project finance facility.

The project finance facility and the working capital and cost over-run facility have variable interest rates and are repayable in instalments over the next 7 years. The interest rate at reporting date on funds drawn from these facilities is 7.745%. The equipment lease facility has a variable interest rate and is repayable in instalments over the next 7 years. The interest rate at reporting date on funds drawn from the two lease facility tranches is 7.58% and 8.03%.

(b) Financing arrangements

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Bank loan facilities		
Construction facility	160,000	-
Cost overrun facility	25,000	-
Working capital facility	20,000	-
Letter of credit facility	<u>2,000</u>	-
Total facilities	<u>207,000</u>	-
Used at balance date (Construction facility)	<u>147,200</u>	-
Unused at balance date	<u>59,800</u>	-

The current interest rates are LIBOR plus 2.5% on the \$160 million construction facility, LIBOR plus 3.25% on the \$25 million cost overrun facility, and LIBOR plus 2% on the \$20 million working capital facility.

22 Non-current liabilities - Borrowings (continued)

(c) Interest rate risk exposures

The following table sets out the company's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

2007	Floating interest rate US\$'000	Fixed interest rate		Total US\$'000
		1 year or less US\$'000	Over 1 to 2 years US\$'000	
Bank overdrafts and loans (notes 19 and 22)	147,200	-	-	147,200
Lease liabilities (notes 19 and 22)	26,798	-	-	26,798
Interest rate swaps * (note 10)	-	101,106	34,869	135,975
	<u>173,998</u>	<u>101,106</u>	<u>34,869</u>	<u>309,973</u>
Weighted average interest rate	7.63 %	5.13 %	5.13 %	
2006				
	Floating interest rate US\$'000	1 year or less US\$'000	Over 1 to 2 years US\$'000	Total US\$'000
Bank overdrafts and loans (note 19)	4,000	-	-	4,000
Lease liabilities (notes 19 and 22)	-	-	-	-
Interest rate swaps * (note 10)	-	-	-	-
Weighted average interest rate	7.70 %	- %	- %	

* Notional principal amounts

23 Non-current liabilities - Provisions

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Employee benefits	556	50
Restoration	<u>11,923</u>	<u>1,518</u>
	<u>12,479</u>	<u>1,568</u>

A provision for restoration is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on anticipated technology, legal requirements and future costs which have been discounted to their present value. In determining the restoration provision, the Company has assumed no significant changes will occur in the relevant country legislation in relation to restoration of such mines in the future.

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Restoration US\$'000
Consolidated - 2007	
Non-current	
Carrying amount at start of year	1,518
- additional provisions recognised	10,304
- unwinding of discount	<u>101</u>
Carrying amount at end of year	<u>11,923</u>

24 Contributed equity

	Parent entity		Parent entity	
	31 December 2007 Shares	31 December 2006 Shares	31 December 2007 US\$'000	31 December 2006 US\$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>1,433,370,828</u>	<u>1,407,809,179</u>	<u>215,985</u>	<u>207,856</u>

24 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	US\$'000
1 January 2006	Opening balance	754,469,646	70,184
	Executive options exercised	9,000,000	621
	Unlisted options exercised	9,999,820	1,731
	Employee share plan	598,172	141
	Entitlements offer	622,079,892	136,222
	Private placement	11,661,649	5,000
	Less Transaction costs	-	(6,043)
31 December 2006	Balance	1,407,809,179	207,856
1 January 2007	Opening balance	1,407,809,179	207,856
	Executive options exercised	13,900,000	1,564
	Unlisted options exercised	11,661,649	6,565
			<u>215,985</u>
31 December 2007	Balance	<u>1,433,370,828</u>	<u>215,985</u>

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

25 Reserves and accumulated losses

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
(a) Reserves		
Hedging reserve - cash flow hedges	(10,788)	-
Share-based payments reserve	1,213	606
Other reserves	137	137
	<u>(9,438)</u>	<u>743</u>

25 Reserves and accumulated losses (continued)

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Movements:		
<i>Hedging reserve - cash flow hedges</i>		
Balance at beginning of year	-	-
Adjustment on adoption of hedge accounting (note 10)	(10,109)	-
Transfer to net profit - gross	(679)	-
Balance at end of year	(10,788)	-
<i>Share-based payments reserve</i>		
Balance at beginning of year	606	384
Valuation options and share rights	607	222
Balance at end of year	1,213	606
<i>Option reserve</i>		
Balance at beginning of year	137	137
Valuation options	-	-
Balance at end of year	137	137
(b) Accumulated losses		
Balance at the beginning of the financial year	(28,332)	(23,810)
Net gain/(loss) attributable to members of PanAust	(13,055)	(4,522)
Balance at end of year	(41,387)	(28,332)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of executive options and employee share rights issued.

(ii) Option reserve

The option reserve is used to recognise the fair value of options issued.

(iii) Hedge Reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

26 Minority interest

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Interest in:		
Share capital	15,035	20
	15,035	20

The Government of Laos retains the right to acquire a 10% interest in Phu Bia Mining Limited. The Government has exercised that option, which will be paid from future dividend flows. The 10% interest has been valued as the discounted future cash flows relating to an amount equivalent to 10% of PanAust's cash investment in Phu Bia Mining Limited as at 31 December 2007.

27 Subsidiaries

Name of entity	Place of incorporation	Class of shares	Equity holding **	
			2007 %	2006 %
Masons Hill Gold Limited	WA	Ordinary	90	90
Pan Australian Exploration Pty Ltd	QLD	Ordinary	100	100
Terra Firma Resources NL	QLD	Ordinary	100	100
Pan Australian Services Pty Ltd	QLD	Ordinary	100	100
Pan Mekong Exploration Pty Ltd	QLD	Ordinary	100	100
PNA (Puthep) Pty Ltd	QLD	Ordinary	100	100
Phu Bia Mining Limited (Subsidiary of Pan Mekong Exploration Pty Ltd)	Laos	Ordinary	100	100

28 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	31 December 2007 US\$'000	31 December 2006 US\$'000
Profit for the year	(13,055)	(4,522)
Depreciation and amortisation	7,346	4,507
Write back rehabilitation	-	(172)
Capitalised exploration expenditure	(10,224)	(6,567)
Fair value (gains)/losses on other financial assets at fair value through profit or loss	2,687	-
Net exchange differences	(947)	(7,379)
Intercompany management fees	-	-
Movement in provision for diminution on intercompany loans	-	-
Value employee shares issued	199	69
Value executive options issued	176	188
Decrease (Increase) in inventories	(8,783)	(505)
Decrease (Increase) in prepayments	(2,546)	(1,493)
Decrease (Increase) in receivables	(459)	(341)
(Decrease) increase in employee benefits	1,114	1,117
(Decrease) increase in trade creditors	6,076	291
Net cash (outflow) inflow from operating activities	(18,416)	(14,807)

29 Earnings per share

(a) Reconciliations of earnings used in calculating earnings per share

	Consolidated	Consolidated
	31 December	31 December
	2007	2006
	US\$'000	US\$'000
<i>The following reflects the income and share data used in the calculations of basic and diluted earnings per share:</i>		
Loss used in calculating basic and diluted loss per share	(13,055)	(4,522)

(b) Weighted average number of shares used as the denominator

	Consolidated	Consolidated
	31 December	31 December
	2007	2006
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic loss per share</i>	1,416,854,854	1,147,669,718
Effect of dilutive securities:		
Share options	<u>40,077,761</u>	<u>43,713,376</u>
<i>Adjusted weighted average number of ordinary shares used in calculating diluted loss per share</i>	<u>1,456,932,615</u>	<u>1,191,383,094</u>

(c) Conversions, calls, subscription or issues after 31 December 2007

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of ordinary shares since the reporting date and before the completion of this financial report.

30 Schedule of tenements and joint venture arrangements

Project and Activities	Tenement Description	% Beneficial Interest	Joint Venture Operator	Joint Venture Partners
Western Australia				
Darlot South - gold exploration	M 37/246, 265, 320, 343, 345, 393 and P 37/4669 and MLA 37/776	16%	Sundowner Minerals N.L (1)	Sundowner Minerals N.L (1) RAL Baker
Thailand				
Puthep - copper evaluation and development	The consolidated entity is party to an agreement to earn a 51% interest in Puthep Company Limited a subsidiary of Padaeng Industry Public Company Limited.			
Laos				
Phu Bia Contract Area – gold and copper evaluation and development	The consolidated entity has 100% interest in Phu Bia Mining Limited that holds the Phu Bia Contract Area under a Mineral Exploration & Production Agreement with the Government of Laos.			

(1) Wholly-owned subsidiary of Barrick Gold of Australia

Exploration, evaluation and development costs capitalised (Note 16) includes nil amount (2006:\$Nil) pertaining to interests in the Darlot South joint venture.