



**PAN AUSTRALIAN**  
RESOURCES LIMITED

ABN 17 011 065 160

## Quarterly Report for the three months ending 31 March 2005

### Highlights

#### Phu Bia Gold Mine Construction

- On target to be developed within the budget of US\$15.3 million
- Ore mining commenced
- Unanticipated material supply problems resolved with all equipment delivered or en route to site
- Ore crushing and stacking scheduled to commence in May with gold production now scheduled to commence in June
- Ramp-up to the initial annual mining rate of 1.5 million tonnes for annual production of over 50,000 ounces of gold remains on track for the September 2005 quarter

#### Phu Kham Copper-Gold Project

- Feasibility study on schedule for completion by the end of August 2005
- Drilling during the quarter highlighted further resource potential.

The known boundary of the deposit was extended 100 meters to the north with the highest value<sup>1</sup> intersection to date in hole GDD099 (reported subsequent to quarter's end), which intersected two broad resource grade (>0.3% copper) intervals separated by 42 metres of sub-resource grade mineralisation for a cumulative interval of:

- **280 metres at 1.3% copper and 0.2 g/t gold from a depth of 8 metres including a peak interval of 34 metres at 4.6% copper and 0.7 g/t gold from a depth of 294 metres**

In the southern end of the deposit, high-grade intercepts were encountered along the western contact of the deposit, including:

- **32 metres at 1.3% copper and 4.6g/t gold from 66 metres down hole**

#### Corporate

- Terms have been agreed with ANZ Investment Bank for an US\$8.0 million revolving corporate loan facility
- Pan Australian entered the S&P / ASX 300 Index and the benchmark S&P / ASX Small Resources Index on 18 March 2005
- At the end of the March quarter Pan Australian had cash of A\$12.8 million and no debt

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<sup>1</sup> Value based on copper and gold grade as well as mineralised interval above a 0.3% copper cut-off at a copper price of US\$1.00/lb and a gold price of US\$400/oz. No account of the relative depth of mineralisation is factored into this assessment.

## **Phu Bia Gold Mine, Laos**

(Pan Australian 80% with option to increase to 100%)

The Phu Bia Gold Mine represents the first phase of a planned two phase development of Pan Australian's assets in Laos.

### ***Construction***

Construction costs for the Phu Bia Gold Mine are running within the total budget of US\$15.3 million. At the end of March all major items of proprietary and fabricated equipment had been delivered to site and erection of all parts of the process plant were well advanced. Construction of the heap leach pads is complete and drainage pipes installed.

Unanticipated supply problems with the delivery of miscellaneous electrical distribution components, while now resolved have impacted on the original commissioning schedule. Commissioning of the crusher/stacker system will start in May with first gold pour scheduled for June. Ramp-up to full gold production remains on schedule for the September quarter.

Essential works necessary to eliminate the risk of rainfall and run-off erosion of the heap leach pads and the process ponds have been completed with the laying of impermeable liners before the onset of the wet season (usually occurs between June and September).

### ***Mining***

The Phu Bia Gold Mine comprises three deposits with mining for the first two years focused on the Phu Kham gold cap deposit before development of two satellite pits at the Long Chieng Track (LCT) and Ban Houayxai deposits (Figure 1).

This mining schedule will realise the benefits during the first two years of mining of very low strip ratio (0.2 to 1) and elevated grade (up to 1.5 g/t gold) ore blocks identified at the Phu Kham gold cap deposit. The Phu Kham gold cap overlays the much bigger Phu Kham copper-gold deposit and therefore the mining schedule will also accelerate the effective pre-strip of the copper-gold deposit.

The mining contractor has completed construction of the haul road from the Phu Kham deposit to the process plant. Mining commenced in March, with first ore from Phu Kham delivered to the run-of-mine ore pad, adjacent to the crusher.

### ***Resource Extension Drilling Program***

The Company has decided to postpone the resource extension drilling program planned for the LCT and Ban Houayxai deposits until after the wet season. This postponement will enable the Company to allocate drill rigs to the higher priority and more accessible Phu Kham copper-gold deposit.

### ***Phu Bia Gold Project Background***

Key parameters identified by the feasibility study completed and previously reported in July 2004 (with an ore reserve upgrade previously reported in November 2004) are (100% basis):

- Ore reserve: 8.55 million tonnes at 1.1 g/t for approximately 300,000 ounces of contained gold
- Processing rate: 1.5 million tonnes per annum (Mtpa) increasing to 2.0 Mtpa in Year 3
- Mine life: 5 years
- Gold production: plus 50,000 ounces per annum approx.
- Pre-production capital costs: US\$15.3 million (10% accuracy)
- Cash operating costs: US\$230/oz approx. life of mine.
- First two years approx. cash operating costs: <US\$200/oz
- Low strip ratio: 0.6 to 1
- Royalty: 2.5%
- Internal Rate of Return\*: 36.2%
- NPV at 7.5% discount\*: US\$9.2 million

*\* Key financial data modelled at US\$375/oz gold price (before tax and 100 percent equity basis). The project will also benefit from tax free and reduced tax periods.*

## **Phu Kham Copper-Gold Project, Laos**

(Pan Australian 80% with option to increase to 100%)

The second phase of the Company's plan for a two phase development of its Lao assets is represented by the Phu Kham Copper-Gold Project.

### ***Feasibility Study***

The full feasibility metallurgical testwork and plant design programs started early in the March quarter.

A preliminary design of the tailings storage facility and a stability analysis for the proposed waste dumps has been completed. Detailed geotechnical assessment works for the tailings storage facility and the proposed open pit are scheduled for the June quarter.

The Company has also commissioned a road, rail and port logistics study that will identify the most cost-effective options for getting copper-gold concentrate to market.

Pit optimisation results support the potential for a viable copper-gold operation based on mining ore from a very low strip ratio open pit to the production of a copper-gold concentrate through flotation.

An environmental and social impact assessment study is well advanced, with an initial environmental evaluation report completed and presented to the Lao Government in March.

The feasibility study remains on schedule for completion in late August 2005. The study will seek to confirm the results from a Preliminary Study, reported to the ASX on 5 March 2004. That study indicated the potential for the Phu Kham copper-gold deposit to support an economically viable mining and processing operation at processing rates of 9 Mtpa and 12.5 Mtpa.

### ***Resource drilling***

During the quarter, five drill rigs continued to operate on the initial phase of infill resource drilling. By mid-March the entire known deposit, which currently has a strike length of

1,300 metres, had been drilled on a 100 metre by 100 metre spacing. It is anticipated that this spacing will enable an Indicated mineral resource to be identified and reported for most of the deposit. Infill drilling has now commenced with the objective of enabling a Measured mineral resource to be identified over part of the deposit.

Assays are pending for part of the 'Indicated resource' infill drilling program in the north of the current Resource Area and for much of the Northern Extension Area (see Figure 2).

During March the pre-collar for drill hole GRD98 demonstrated that mineralisation continues at least 100 metres north of the currently defined resource envelope. Subsequent to quarter's end assays were received for the entire GRD98 drill hole, as well as that for GDD99 (Table 1), with the latter returning the highest value intercept of any drill hole from the project to date (for further detail see ASX announcement of 15 April 2005). These results highlight the presence of a shallow broad zone of high-tenor copper-gold mineralisation, which remains open to the north. This zone appears to overlie or be juxtaposed to a deeper zone of high-grade mineralisation. This second broad mineralised interval down hole represents the highest grade intercept to date in primary mineralisation over such a significant width.

Another important feature of the Phu Kham copper-gold deposit highlighted during the March 2005 quarter, was the indication from several drill holes, including GRD75 of another higher grade zone along the western flank of the southern part of the Resource Area. It is envisaged that such high-grade zones will enable the Company to optimise production plans and add significant value to the Project.

By the end of the quarter drilling operations had progressed onto the final phase of infill resource drilling, aimed at increasing the confidence of the Mineral Resource by promoting part of the Indicated material into the Measured category. This program involves infilling the existing 100 metre spaced holes at 50 metre intervals on existing sections and 100 metre intervals on the

new sections. It is anticipated sufficient drill density will be achieved to promote a portion of the Mineral Resource into Measured category by late August 2005, when the Project feasibility study is scheduled for completion.

Table 1: Selected drill data Phu Kham copper-gold

Hole No. (hole depth)	Interval (m)	Depth From (m)	Copper Grade (%)	Gold Grade (g/t)	Peak Copper-Gold (Cu-Au) Intervals
GRD80 (254m)	72	24	1.2	0.7	8m at 4.3% Cu and 1.3g/t Au from 26m
GRD98 (229m)	46	10	1.0	0.4	8m at 2.0% Cu and 0.5g/t Au from 28m
	24	82	0.5	0.2	
	34	128	0.4	0.4	
	6	222	0.6	0.3	
GDD99 (349m)	142	8	0.7	0.1	18m at 1.8% Cu and 0.1g/t Au from 120m 12m at 2.2% Cu and 0.3g/t Au from 242m & 34m at 4.6% Cu and 0.7g/t Au from 294m
	138	192	1.9	0.3	
GRD75 (112m)	32	66	1.3	4.6	10m at 1.5% Cu and 10.1g/t Au from 76m

All depth intervals represent down-hole distance drilled at an angle of 60 degrees from horizontal

## Exploration, Laos

(Pan Australian 80% with option to increase to 100%)

During the quarter a plan was compiled for an initial 15 hole drill program to test for strike extensions to the current drill-identified mineralisation at KTL near the town of Phonsavan (see Figure 1). An exploration office has been established in Phonsavan and by the end of the quarter site access for the first drill pads had commenced. These works include clearance of unexploded ordinance from the last Indochina war.

## Puthep Copper Project, Thailand

(Pan Australian earning 51% from Padaeng Industry with options to increase up to 70%)

The joint venture completed discussions with Thai government officials to agree a set of conditions to be applied to the feasibility study drilling program. This followed Thai Cabinet approval for land access, which was received last year.

Pan Australian has a budget to commence the first phase of the feasibility drilling program during the current half-year to June 2005 but is awaiting final government approval to commence the program and this is likely to cause the postponement of the program until the December quarter (after the wet season).

## Corporate

### *Cash Position and Share Capital*

At 31 March 2005 Pan Australian had cash of \$12.8 million and no debt.

The issued capital of the Company at 31 March 2005 was made up as follows:

635,122,590 Ordinary fully paid shares  
32,700,000 Unlisted options

In March terms were agreed with ANZ Investment Bank for a US\$8.0 million two-year term revolving corporate loan facility. This facility will contribute to working capital for the Company as it commissions and then ramps up production at the Phu Bia Gold Mine and completes the feasibility study on the Phu Kham Copper-Gold Project.

### *Indexation*

On 18 March Pan Australian became a constituent of the S&P / ASX 300 Index and the benchmark S&P / ASX Small Resources Index.

## Corporate Information

### *Directors*

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

### *Registered & Principal Office*

PO Box 1009, Indooroopilly Qld 4068  
Telephone: (07) 3878 9299  
Facsimile: (07) 3878 6955

### *Stock Exchange Listing*

Australian Stock Exchange Code: PNA

### *For Further Information Contact:*

Gary Stafford Managing Director  
Joe Walsh GM Corporate Development

Pan Australian Resources Limited  
PO Box 1009, Indooroopilly Qld 4068  
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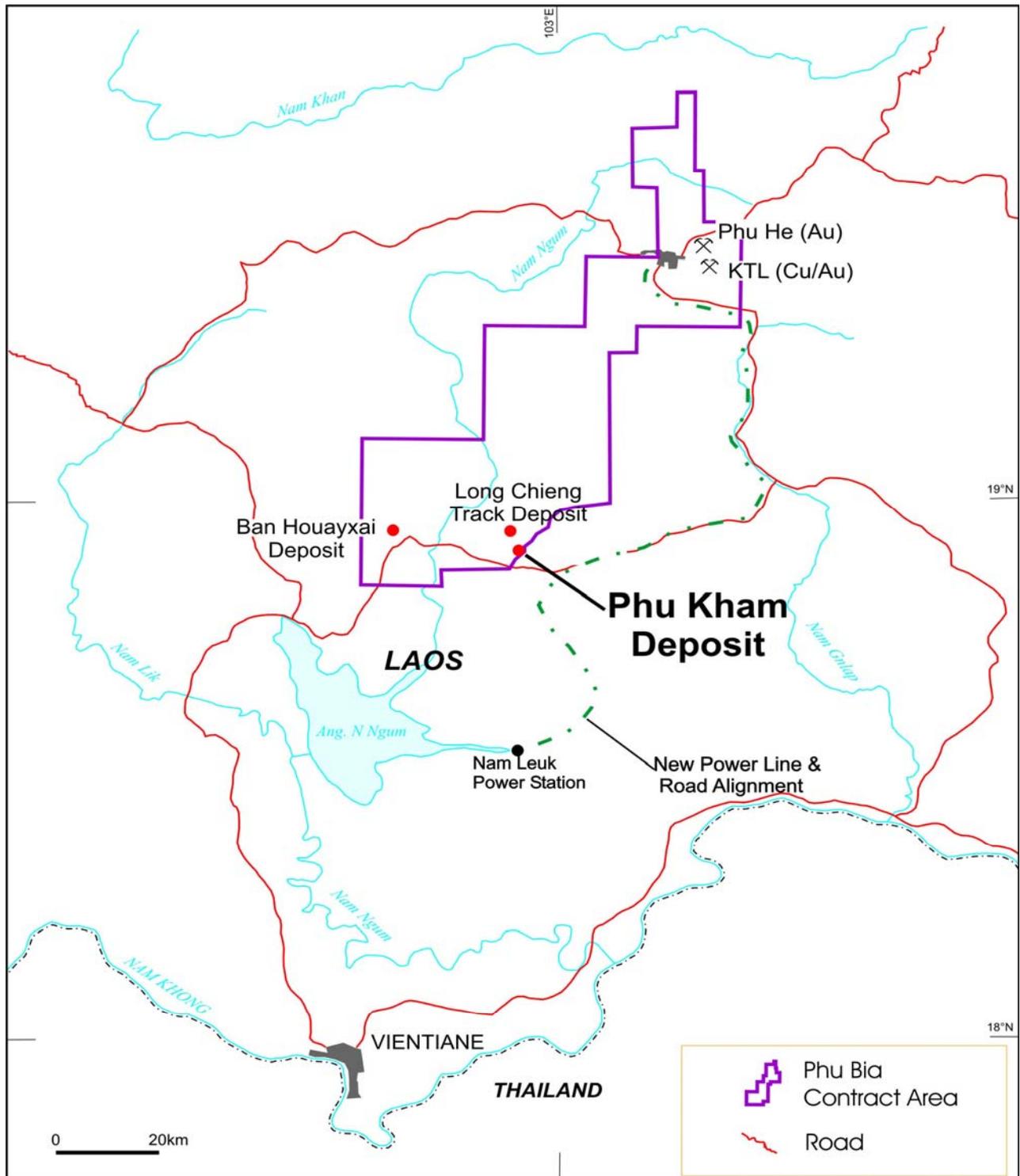
### *Shareholder Enquiries to:*

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

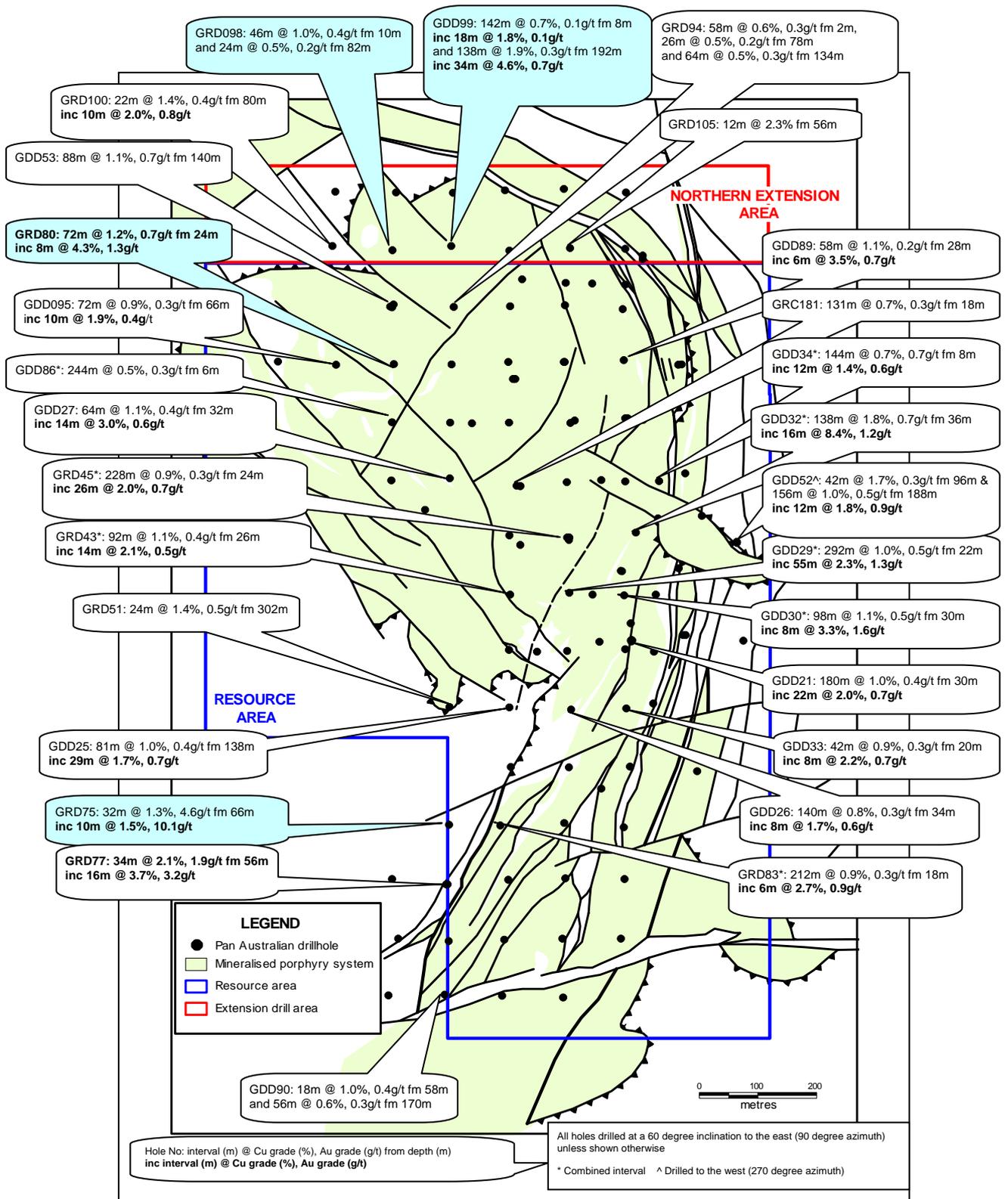
*The information in this report that relates to Exploration Results and Mineral Resources for the Phu Kham Copper-Gold deposit is based on information compiled by Dr. Ralph Child, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Dr. Child is a full-time employee of Pan Australian.*

*Dr. Child 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 Exploration Results, Mineral Resources and Ore reserves" (the JORC Code). This report is issued with Dr. Child's consent as to the form and context in which the Exploration Results appear.*

Figure 1. Project location map and tenement area, Laos



**Figure 2. Drill plan Phu Kham Copper-Gold – indicates resource and extension drilling areas**



# 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 2005

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(3,379) (8,405) - (749)	(8,189) (14,354) - (1,859)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	230	659
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	8	8
<b>Net Operating Cash Flows</b>	<b>(12,295)</b>	<b>(23,735)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	- - (3)	- - (176)
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>(3)</b>	<b>(176)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(12,298)</b>	<b>(23,911)</b>

1.13	Total operating and investing cash flows (brought forward)	(12,298 )	(23,911 )
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	255	29,112
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>255</b>	<b>29,112</b>
	<b>Net increase (decrease) in cash held</b>	<b>(12,043)</b>	<b>5,201</b>
1.20	Cash at beginning of quarter/year to date	24,815	7,571
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	12,772	12,772

**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 \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	107
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

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

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

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,200
4.2 Development	3,000
<b>Total</b>	<b>6,200</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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,361	14,260
5.2 Deposits at call	9,411	10,555
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>12,772</b>	<b>24,815</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		

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

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	635,122,590	635,122,590	NA	NA
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	3,625,000	3,625,000	NA	NA
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	32,700,000	0	<i>Exercise price</i> See Attached	<i>Expiry date</i> See Attached
7.8 Issued during quarter	2,000,000 500,000	0 0	17 cents 27 cents	01/07/2007 02/02/2007
7.9 Exercised during quarter	1,500,000 2,000,000		4 cents 9.74 cents	
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

## 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: 22 April 2005  
(Company Secretary)

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

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "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 2005**

**ISSUED OPTIONS AT 31 MARCH 2005**

<b>NUMBER ISSUED</b>	<b>EXERCISE PRICE CENTS</b>	<b>EXPIRY DATE</b>
6,200,000	4.00	31/03/2006
2,000,000	9.74	30/11/2006
14,000,000	17.00	01/07/2007
10,000,000	25.00	23/09/2006
500,000	27.00	02/02/2007
<b>32,700,000</b>		