



PAN AUSTRALIAN
RESOURCES LIMITED

ABN 17 011 065 160

Quarterly Report for the three months ending 31 March 2006

Highlights

Phu Bia Gold Mine

- Ramp-up of gold production continues, with a rate of over 40,000oz per annum achieved in the month of March. Production of gold for the quarter was 9,449oz.

Phu Kham Copper-Gold Project

- Feasibility Extension Program was completed on schedule in March.
- The Board of Pan Australian approved the US\$232 million development of the Phu Kham Copper-Gold Project.
- Pioneering works and front end engineering and design activities have progressed well.
- Tenders for the crusher and mills have been issued.

Exploration

- Gold ore reserve replacement and extension drill programs are in progress at all three deposits that comprise the ore reserve for the Phu Bia Gold Mine: Ban Houayxai, Phu Kham gold cap and Long Chieng Track.
- Interim assay results from drilling at the Long Chieng Track deposit indicate extensions to the mineral resource.

Corporate

- At 31 March, Pan Australian had cash and bullion of US\$1.9 million and debt of US\$7.5 million.
- Completion of the financing for the Phu Kham Copper-Gold Project is the priority task. ANZ Investment Bank has a mandate to arrange senior project finance for approximately 65% of the capital for the Project and Goldman Sachs JBWere has a mandate to arrange the equity component through an entitlements issue.

Phu Bia Gold Mine, Laos

(Pan Australian 100%, GoL 10% option¹)

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

Processing & Production

Month-on-month gold production continued to ramp-up during the March 2006 quarter (Table 1), as progressively more newly stacked ore came under irrigation. In the month of March the mine was producing at an annualised rate of over 40,000oz per year, equivalent to 80% of designed output. This ramp-up will continue through the June quarter.

Sales for the quarter were 8,684oz at an average realised gold price of US\$563/oz. This compares favourably with the average spot price for the period of US\$554/oz.

Currently, the Company has no price-committing hedge positions and can therefore fully participate in any upside to the gold price going forward. A price floor was established at US\$450/oz by way of put options for a modest number of ounces in April 2006 (see page 6).

At the end of March there were an estimated 23,465oz of gold in circuit – in the heaps and in-solution. Levels of gold in-solution rose considerably during the quarter to an estimated 1,680oz, mainly due to a fault in the carbon columns, within the adsorption area of the plant. Remedial work, which involves the installation of a new type of diffuser at the base of the carbon columns is being undertaken and will be completed in the June 2006 quarter. It is anticipated that this will result in a recovery of gold in-solution that has accumulated since production started in November 2005.

Mining

Oxide ore mining activities continued in both the Phu Kham north and south pits during the quarter. Waste movement requirements were again modest, as highlighted by a waste to ore ratio of 0.03 to 1. All ore mined to date has been free-dig (not requiring blasting or ripping).

Mining rates continued to exceed those predicted in the feasibility study at this stage of the mine schedule. Nevertheless, the excellent crushing and stacking performance means that the Phu Bia operation is currently mining constrained. Haul truck breakdowns during the quarter adversely affected mining equipment availability. This issue has now been addressed through an upgrade of the contractor's maintenance systems.

Upgrade works on the primary haul road occurred throughout the reporting period and included a by-pass to reduce a steep gradient in one section. These initiatives should greatly improve the capacity of the Phu Bia Gold Mine to sustain operations during the wet season.

Table 1: Quarterly Production Statistics

Phu Bia Gold Mine	Units	December 2005 Quarter	March 2006 Quarter
Waste Mined	Tonnes	7,929	13,968
Ore Mined	Tonnes	338,390	449,497
Waste: Ore Ratio		0.02	0.03
Ore Stacked	tonnes	325,568	433,428
Gold Head Grade	g/t	1.5	1.3
Gold Recovery	%	NA	NA
Gold Poured	Ounces	3,418	9,449

Financial Performance

The Phu Bia Gold Mine became cash flow positive early in the quarter. In March, the mine provided a cash flow surplus that covered general and administrative charges within Phu Bia Mining Limited and contributed to exploration expenditure.

Safety and Environment

There was one minor lost time injury reported during the quarter and there were no environmental incidents during the period.

¹ Government of Laos 10% option, refer Page 6.

Phu Kham Copper-Gold Project, Laos (Pan Australian 100%, GoL 10% option²)

The Phu Kham Copper-Gold Project represents the second phase of the development of the Company's Lao assets. Its development follows the completion of a Feasibility Study in March; the results of the Study were announced to the ASX on 3 April 2006. The Study was based on an open pit mining operation and conventional copper flotation process, to produce a saleable copper-gold-silver concentrate for export and custom smelting.

Feasibility Study

The Company initially considered a 9 million tonnes per annum (Mtpa) ore processing option. However, a Feasibility Extension Program (FEP) designed to optimise outcomes showed that a larger scale 12Mtpa operation would deliver greater value, after infill drilling and further evaluation identified a significantly larger ore reserve.

The Board of Pan Australian has decided to proceed with the development of the 12Mtpa option. A summary of the key project fundamentals is presented in Table 2.

Table 2: Phu Kham Copper Gold Summary

Plant Throughput	12Mtpa
Strip Ratio	0.6:1
Annual Concentrate Specification	207,000dmt @ 25% copper, 7g/t gold and 65g/t silver
Annual Production Average	52,000t copper, 47,000oz gold and ~400,000oz silver
Mine Life	+12 yrs
Development Capital	US\$232M
Mine Site Cash Operating Cost*	US¢40/lb
Total Cash Operating Cost*	US¢74/lb

* Stated net of by-product credits on a pay-metal basis

The Phu Kham Copper-Gold mine will benefit from having one of the lowest strip ratios in its global peer group. A ready supply of low cost hydro-electric power, coupled with the ore being relatively soft means that power and grinding media costs should also be very competitive.

During the FEP, metallurgical test-work revealed that payable quantities of silver were present in samples of concentrate produced. Further assessment indicated that an estimated 400,000oz of silver pay-metal will be produced on average each year. At current silver prices of around US\$12/oz this represents a revenue benefit of some US\$4.5 million per year for the Project.

On average over 200,000 dry metric tonnes (dmt) of concentrate (grading 25% copper) is planned to be produced annually and exported for further treatment and refining by one or more of the many custom smelters in the Asia Pacific region. Annually, the concentrate produced is forecast to contain on average 52,000 tonnes copper, 47,000 ounces gold and 400,000 ounces silver.

Transport studies have demonstrated that the concentrate can be trucked and shipped to Japan via Vietnam or trucked to the port of Rayong in Thailand. The tonnage of concentrate to be trucked is comparable to the quantities of other commodities (such as cement, zinc calcine, sugar and salt) hauled by road over similar distances in the region.

Close proximity to the rapidly expanding copper smelting and refining capacity in the Asia-Pacific region means that the Project should be advantaged through relatively rapid delivery times to market.

The Phu Kham Copper-Gold Project continues to be competitive from a capital cost perspective with the increase in scale to 12Mtpa. The capital cost intensity per tonne of copper equivalent produced per year is less than US\$3,900 per tonne in 2006 dollar terms.

² Government of Laos 10% option, refer Page 6.

Mineral Resources and Ore Reserves³

The mineral resource estimate (Table 3) has been completed based on a new geological model and incorporates all infill drill data. There has been a greater than 10% increase in the mineral resource grade (at the tabulated cut-offs) compared to the previous August 2005 mineral resource estimate. Furthermore, the confidence in the mineral resource estimate has been elevated so that 85% of the resource tonnes are now in the Measured and Indicated categories at a cut-off grade of 0.3% copper.

The FEP identified significant reductions in process costs and applied higher metallurgical recoveries for low-grade mineralisation. This

has reduced the economic cut-off grade from 0.40% copper equivalent to 0.25% copper equivalent at a copper price of US\$1.35/lb and gold price of US\$450/oz.

A suite of pit optimisation studies were undertaken at copper prices of US\$1.15/lb, US\$1.25/lb and US\$1.35/lb, to investigate the robustness of the Phu Kham copper-gold deposit under a range of economic conditions. Detailed mine design was completed adopting commodity prices of US\$1.35/lb copper and US\$450/oz gold (Table 4).

The resulting ore reserve estimate converted over 80% of measured and indicated mineral resource contained copper (at a 0.3% copper cut-off) into proved and probable ore reserves.

Table 3: Phu Kham Copper-Gold Mineral Resource

Mineral Resources		Tonnes (Mt)	Copper Grade (% Cu)	Gold Grade (g/t Au)	Copper In-situ (000 t)	Gold In-situ (M oz)
0.4% copper cut-off grade	Measured	50	0.82	0.33	410	0.5
	Indicated	63	0.71	0.27	450	0.5
	Inferred	18	0.68	0.21	120	0.1
	Total	131	0.75	0.28	980	1.2
0.3% copper cut-off grade	Measured	70	0.69	0.28	480	0.6
	Indicated	93	0.59	0.23	555	0.7
	Inferred	29	0.55	0.19	155	0.2
	Total	192	0.62	0.24	1,190	1.5
0.2% copper cut-off grade	Measured	82	0.62	0.26	510	0.7
	Indicated	133	0.49	0.20	650	0.9
	Inferred	62	0.39	0.16	240	0.3
	Total	277	0.51	0.21	1,400	1.9

Table 4: Phu Kham Copper-Gold Ore Reserve

Ore Reserves		Tonnes (Mt)	Copper Grade (% Cu)	Gold Grade (g/t Au)	Copper Contained (000 t)	Gold Contained (M oz)
Commodity assumptions: Copper US\$1.35/lb Gold US\$450/oz	Proved	67	0.63	0.28	420	0.6
	Probable	77	0.51	0.23	390	0.6
	Total	144	0.56	0.25	810	1.2

³ As reported in accordance with the JORC Code in the announcement by the Company to the ASX on 3 April 2006

Furthermore, the ore reserve reflects a 44% rise in tonnes and more than a 20% increase in contained copper and gold when compared with the pit-optimised tonnes and grade estimated using the August 2005 mineral resource block model.

Metallurgical recoveries for copper and gold estimated in the FEP and employed for ore reserve estimation are 77% and 49% respectively.

As the Phu Kham copper-gold deposit is partly covered by the Phu Kham oxide gold cap mineralisation, oxide ore mining for the Phu Bia Gold Mine will, in part, represent a pre-strip of the underlying copper-gold deposit. This coupled with the favourable geometry of the primary deposit give rise to an extremely low strip ratio for Phu Kham Copper-Gold Project of less than 0.6:1.

Development

Early in January, the Board approved the commencement of initial pioneering works for Phu Kham. These activities include earthworks for the camp and process facility sites, together with the construction of a 7 kilometre link road from the Phu Kham site to a recently constructed new access road – funded by the Asian Development Bank – that connects to the main highway to Vietnam.

Negotiations with suppliers of long lead items were one of the key activities completed during

Table 5: Selected drill data from LCT oxide gold prospect

Hole No. (hole depth)	Interval (m)	Depth From (m)	Gold Grade (g/t)	Peak Gold Intervals
LRC050 (96m)	4	44	2.0	
LRC054 (102m)	42	50	0.9	16m at 1.2g/t fm 66m
LRC056 (72m)	28	28	1.0	14m at 1.2g/t fm 14m
LRC063 (96m)	36	36	1.3	14m at 2.6g/t fm 16m
LRC069 (96m)	10	10	2.0	
LRC070 (84m)	36	36	1.1	8m at 1.5g/t fm 28m
LRC075 (90m)	30	30	1.0	8m at 1.8g/t fm 20m

the quarter. By the end of March, tenders for the crusher and both mills had been issued.

Exploration, Laos

(Pan Australian 100%, GoL 10% option⁴)

Long Chieng Track (LCT)

Results from a 33-hole infill drill program undertaken at LCT (Figure 1) in the December 2005 quarter were received in January (Table 5). The aim of the program was to upgrade the mineral resource and define additional ore reserves. It was also designed to test for possible lateral and depth extensions to known oxide mineralisation and to investigate new mineralisation targets.

A final 19-hole in-fill program at LCT has been designed to enable a revised resource estimate to be completed. Reconnaissance work in close proximity to LCT shows potential for further mineralised zones; assay results are awaited.

Ban Houayxai

A 141-hole reverse circulation and diamond core drill program to test the oxide gold potential of the large Ban Houayxai mineralised system started in April. The program's focus is to both upgrade and extend the existing mineral resource and mineralised envelope.

Phu Kham Gold Cap Extension

A 130-hole reverse circulation drill program has been designed for the Phu Kham gold cap deposit, to investigate near surface ore grade oxide mineralisation encountered in copper-gold project drilling, which is laterally outside the current oxide gold mineral resource.

Green-field Exploration

The main focus during the quarter was to complete compilation work and develop geological models where drilling programs have been completed in 2005 at the Phu He Gold-Silver Prospect and the KTL Copper-Gold Deposit. Geochemical survey work and geological mapping work continued to identify and prioritise new targets.

⁴ Government of Laos 10% option, refer Page 6.

Community Affairs, Laos

The three local community infrastructure projects being funded by the Company for villages close to the Phu Bia Gold Mine and Phu Kham deposit were completed by mid-April 2006. A new water supply for the village of Ban Nam Mo has been developed through construction of a concrete dam, reservoir and gravity feed reticulation to the settlement. Construction of a new primary school and market place for the village of Ban Nam Ngone – where Pan Australian funded a new community centre and commercial centre in the December 2005 quarter – were also completed in April.

The Company continued to contribute to the development of essential regional services through the provision of health clinics. An electrical sub-station was also funded by the Company to allow the supply of mains electricity to the Moung Cha Hospital, located in the Provincial capital 30km east of the mine. The total committed cost of this direct assistance to the community in the 12 months to June 2006 is US\$300,000.

Corporate

Phu Bia Mining Limited Ownership

Pan Australian owns 100% of Phu Bia Mining Limited, the Lao-registered company that holds all of the Company's minerals interests in Laos.

The Government of Laos has indicated that it intends to exercise its option to acquire a 10% interest in Phu Bia Mining. However, the timing for the exercise of this option has not been finalised. Once this option is exercised Pan Australian will own a 90% interest in Phu Bia Mining and thereby 90% of the Phu Bia Gold Mine and the Phu Kham Copper-Gold Project.

Cash Position and Share Capital

At 31 March 2006, Pan Australian had cash and bullion of US\$1.9 million and debt of US\$7.5 million. US\$2.5 million of the corporate loan facility with ANZ Investment Bank remained un-drawn.

The issued capital of the Company at 5 April 2006 was made up as follows:

760,469,646	Ordinary fully paid shares
33,500,000	Unlisted options

Hedging

As part of its finance arrangements the Company has a modest gold hedge obligation between January and June 2006.

A maximum of 4,000oz gold will be hedged at any one time under this program, equivalent to less than 1% of gold ore reserves.

Pan Australian will either purchase put options or enter into zero-cost put-call option collars on a rolling one month basis for 50% of forecast production for each month to June 2006, with a floor price (put strike) set at a minimum of US\$450/oz. On the expiry date of each contract at the end of the calendar month new hedge positions for half the next month's forecast production will be established.

At the end of March 2006, Pan Australian had purchased put options (no price commitment) to provide downside price protection for a proportion of the anticipated production for the month of April, as follows:

	Put Option	Call Option
Hedged Oz	2,352	-
Strike US\$/oz	450	-
Expiry	26 April 06	-

Corporate Information

Directors

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

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Stock Exchange Listing

Australian Stock Exchange Code: PNA

Indexation

Pan Australian is a constituent of the S&P/ASX 300 Index and the benchmark S&P/ASX Small Resources Index.

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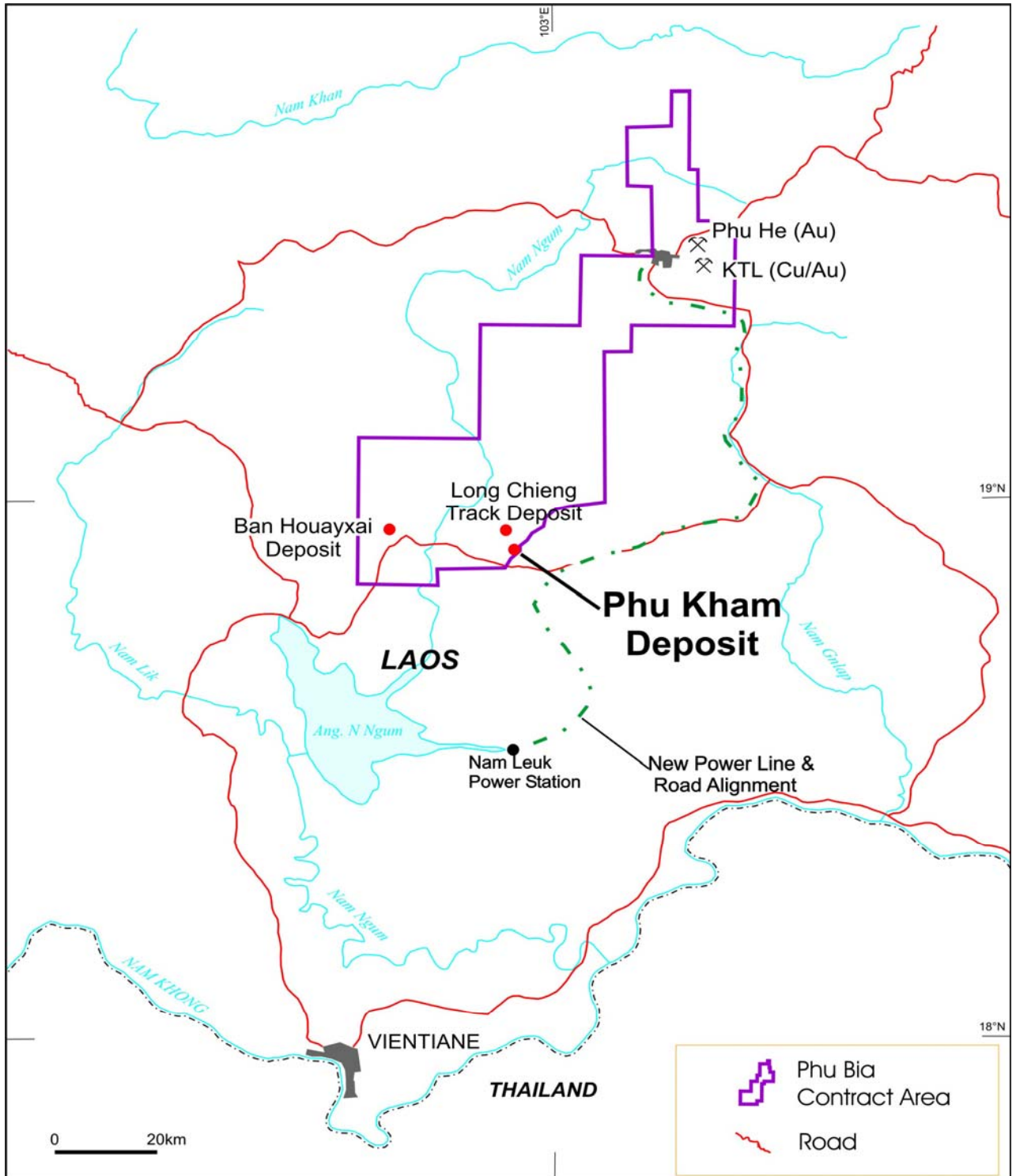
The information in this report that relates to Exploration Results is based on information compiled by Dr. Ralph Child, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Dr. Child is a full-time employee of Pan Australian.

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.

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 potential mineralisation and reserves, exploration results and future plans and objectives of Pan Australian Resources Ltd. 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.

Figure 1. Project location map and tenement area, Laos.



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 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (3 months) US\$'000
1.1 Receipts from product sales and related debtors	4,894	4,894
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(2,235) (237) (4,465) (1,066)	(2,235) (237) (4,465) (1,066)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	17
1.5 Interest and other costs of finance paid	(90)	(90)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(3,182)	(3,182)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	- - (357)	- - (357)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(357)	(357)
1.13 Total operating and investing cash flows (carried forward)	(3,539)	(3,539)

1.13	Total operating and investing cash flows (brought forward)	(3,539)	(3,539)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	379	379
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	3,500	3,500
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	3,879	3,879
	Net increase (decrease) in cash held	340	340
1.20	Cash at beginning of quarter/year to date	2,480	2,480
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,820	2,820

**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	97
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 US\$'000	Amount used US\$'000
3.1 Loan facilities	10,000	7,500
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	1,600
4.2 Development	5,700
Total	7,300

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	1,656	1,635
5.2 Deposits at call	1,164	845
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,820	2,480

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	760,469,646	760,469,646	NA	NA
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,000,000	6,000,000	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>	33,500,000	0	<i>Exercise price</i> See Attached	<i>Expiry date</i> See Attached
7.8 Issued during quarter	3,000,000	0	See Attached	See Attached
7.9 Exercised during quarter	6,000,000	0	See Attached	See Attached
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: 28 April 2006
(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 2006**

ISSUED OPTIONS AT 31 MARCH 2006

NUMBER ISSUED	EXERCISE PRICE CENTS	EXPIRY DATE
1,000,000	9.74	30/11/2006
12,000,000	17.00	01/07/2007
10,000,000	25.00	23/09/2006
500,000	27.00	02/02/2007
7,000,000	23.00	13/10/2008
1,000,000	23.00	15/03/2009
2,000,000	23.00	27/03/2009
33,500,000		