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AGM 2008 Chairman's Address

Ladies and gentlemen,

The past year has been a very successful one for Pan Australian Resources – and in anticipation of a resolution to be put to shareholders today, I will use as an abbreviation for the Company “PanAust”.

The performance of PanAust has also been hugely gratifying to me personally, especially as I will be stepping down from the Chairmanship and from the Board later this year. However, I am today submitting myself for re-election to continue as a Director to ensure an orderly transition of the Chairmanship.

Ladies and gentlemen, the past year has seen a doubling of share price at a time when the market place has not always been kind to aspiring miners; and we anticipate further share price re-rating as the cash flow from the Phu Kham copper and gold production starts building up.

Phu Kham comes on line at a time of historically high prices for copper, gold and silver; and given the very strong demand for copper in Asia and especially China, the operation should bring handsome profits for years to come.

At the 2007 meeting, I said that a year hence PanAust would be emerging as a major producer of copper and gold in Southeast Asia; and that is exactly what has happened. Two weeks ago I participated in the Official Opening of the Phu Kham Copper-Gold Mine, several months ahead of the original schedule and within budget. This is an impressive performance, given the chronic shortage of manpower and the ever extending delivery dates for equipment that are plaguing the industry worldwide.

The Phu Kham Copper-Gold Operation will ramp up to full production through 2008 – producing about 30,000 tonnes of copper, 27,000oz of gold and 300,000oz of silver over the balance of this calendar year. At full production in 2009, and using the current process plant configuration, Phu Kham will be processing about 12 million tonnes per annum and producing around 60,000 tonnes of copper, 60,000oz of gold and 600,000oz of silver a year. However, PanAust is already committed to expand throughput to 16 million tonnes of ore per annum by the start of 2010. This will lift annual production to around 75,000t of copper, 65,000oz of gold with output of silver maintained at 600,000oz.

But we do not believe that will be the end of the story either. We think there will be further expansion opportunities at Phu Kham and believe that 100,000 tonnes of copper per annum is a realistic goal.

We should not forget the valuable contribution that the Phu Kham Heap Leach Gold Operation continues to make with a forecast contribution of 30,000oz of gold this year reducing to 20,000oz in 2009 as heap leach ore reserves are depleted.

However, in addition to our plans for Phu Kham, PanAust is also pursuing a number of other exciting copper-gold and gold opportunities in both Laos and Thailand.

We are especially encouraged by the drilling results from the Ban Houayxai Gold-Silver project, 25km west of Phu Kham, and the Puthep Copper Project in northern Thailand. Managing Director, Gary Stafford will tell you more about these projects in his address at the close of this meeting.

This is all part of our 5-year strategy to double planned production to the equivalent of 120,000 tonnes of copper by 2012; and in pursuit of this, PanAust will spend US\$30 million on exploration and project evaluation this year – more than double our budget for last year.

The capital cost of the Phu Kham Copper-Gold Operation was US\$241 million, which involved a mix of equity and debt. This fund raising was completed two years ago. However, in December, PanAust secured a further US\$80 million as a subordinated debt facility with Goldman Sachs JBWere. This is being used to fund the expanded exploration and development program, together with the US\$40 million capital required for the first phase of the Phu Kham expansion.

Shareholders will be particularly interested in the likely repayment schedule for the capital cost of Phu Kham in view of the strong copper and gold prices. It is likely that the term debt of US\$185 million will be repaid by late 2009 – quite an achievement!

It is relevant to note that PanAust elected to leave all its copper production from Phu Kham unhedged as well as the great bulk of the gold production. This was a very good call.

Quite apart from the 10% interest that the Lao Government has taken up, the development of Phu Kham will have a major impact on the Lao economy; and it is already having a quite massive impact on the local communities.

In terms of the Lao economy, in 2009 – which will be the first full year of production at Phu Kham – we anticipate contributing at least \$500 million to Lao exports on the assumption of a copper price of \$3.50/lb and a gold price of \$800/oz. The total exports from Laos this year will be about US\$1.0 billion, meaning that Phu Kham production will deliver in the order of a 50% boost.

Out of a total of around 1,140 employees at Phu Kham, 90% are Lao; and of those about 36% come from the nearby communities. This has had a tremendous positive impact on what is one of the poorest regions of the country.

Last year, PanAust launched the Community Development Fund, with the goal of assisting the local Lao community in developing sustainable socio-economic livelihoods that will continue beyond the life of the mine. Our Lao subsidiary, Phu Bia Mining, is providing \$300,000 a year to the Development Fund. We like to believe that this is what being a good corporate citizen is all about!

While Laos lacks specialist mining skills, we have been very impressed by the level of enthusiasm in the workforce; and we are determined to support training, and to improve the

employment prospects of our Lao employees. Last year we commenced a Lao trades apprenticeship program with 30 trainees; 20 of these trainees are from local villages. This program has now increased to 47 trainees, and further increases are planned.

PanAust is an equal opportunity employer and 41 of our 161 mining equipment operators at Phu Kham are women, mostly from the local area. Many of these women had never driven even a motorcycle before, and are now driving 100-tonne dump trucks. To assist in the training program, the Company has purchased a state-of-the-art driving simulator to reduce the likelihood of mishaps – much the same as a flight simulator. This is proving very effective, and I am pleased to see that the rate of workplace accidents is steadily falling and is now under the Australian mining industry average.

In relation to professional development, we have facilitated a joint program involving the Vientiane College Engineering Department in Laos and Chiang Mai University Engineering department in Thailand to enhance the skills of new graduates – in preparation for employment in engineering and geological roles in our Lao subsidiary, Phu Bia Mining. Seven graduates from the Lao Polytechnic and two employees from Phu Kham have been enrolled in the initial intake.

Phu Bia Mining has also launched its first work experience program involving 14 Lao Polytechnic Mining Division students, and is providing those students with practical on the job experience at our mine and exploration sites.

Ladies and gentlemen, that almost brings to close what is likely to be my last address to shareholders in my capacity as Chairman. My three remaining tasks are to congratulate the performance of Management under the outstanding leadership of Gary Stafford; to thank my colleagues on the Board for their commitment and support over the years; and to thank our shareholders for their continued loyalty.

It gives me a huge buzz to be leaving PanAust in such good shape, and I have every confidence that it will continue to thrive in the years ahead.

Goodbye and good luck.

Bob Bryan
Chairman

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