ASX ANNOUNCEMENT
9 April 2008

PAN AUSTRALIAN RESOURCES LIMITED
ABN: 17 011 065 160

Phu Kham Copper-Gold Operation, Laos
2008 Ore Reserve Estimate

Annual production to expand to 75,000 tonnes copper, 65,000 ounces gold and 600,000 ounces silver following a 25% increase in copper metal

Pan Australian is pleased to announce the results of the 2008 Ore Reserve estimate for the Company's Phu Kham Copper-Gold Operation in Laos. As a result of a significant increase in estimated grade, production forecasts have been revised upwards to an annual average of 75,000 tonnes copper, 65,000 ounces gold and 600,000 ounces silver after the Operation is expanded in 2009 to a throughput of 16 million tonnes per annum. An increase in Ore Reserve tonnes ensures that mine life will be over 10 years at the expanded throughput rate and current step-out drilling has the objective of increasing still further the size of the Ore Reserve.

Managing Director, Gary Stafford, said Phu Kham has just got bigger and better. "The new Ore Reserve is another example of Pan Australian delivering for its shareholders. Commissioning of the initial 12 million tonnes per annum (Mtpa) plant at Phu Kham commenced ahead of the previously advised schedule, and construction will be completed within the capital budget of US$241 million." he said.

A summary of the key project fundamentals based on the latest data and incorporating expanded throughput rates of 16 million tonnes per year are presented below[1]:

Mineral Resource (0.30% copper cut-off)	**199Mt at 0.65% copper, 0.25g/t gold, 2.0 g/t silver**
Ore Reserve	**160Mt at 0.64% copper, 0.26g/t gold, 2.0g/t silver**
Strip Ratio	**1.0:1**
Plant Throughput	**16Mtpa**
Concentrate Specification (~ per annum)	**309,000dmt @ 25% copper, 7g/t gold and 65g/t silver**
Production post-expansion (~ per annum)	**75,000t copper, 65,000oz gold and 600,000oz silver**
Mine Life	**+10 yrs**
Mine Site Cash Operating Cost[2]	**US¢59/lb**
Total Cash Operating Cost[2]	**US¢91/lb**

Project Annual Cash Flow Sensitivity at 16Mtpa rates[3]	**Project (100% basis) Pre-Tax Operating Cash Flow Estimate**
Copper US$2.00/lb, Gold US$600/oz	**US$120M pa**
Copper US$3.00/lb, Gold US$700/oz	**US$240M pa**
Copper US$4.00/lb, Gold US$1,000/oz	**US$370M pa**

[1] Refer to 'Forward Looking Statements' on pages 5 and 6 of this announcement
[2] Stated net of by-product credits on a pay-metal basis: gold US$700/oz and silver US$14/oz
[3] Silver price assumption US$14/oz for all scenarios

Ore Reserve and Mineral Resource Estimates

The 2008 Ore Reserve estimate for the Phu Kham Copper-Gold Operation, Laos (Map 1) supersedes the March 2006 estimate which was developed as part of the Feasibility Study. The new Ore Reserve estimate (Table 1) identifies a 25% increase in copper metal (in-situ) as a result of a 14% jump in grade and an 11% rise in total ore tonnes. In-situ gold has risen by 10% over the previous estimate and in-situ silver, which is quoted for the first time, totals over 10 million ounces.

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

Commodity price assumptions: Copper US$2.00/lb Gold US$600/oz Silver US$12/oz	**Tonnes (Mt)**	**Copper Grade (%)**	**Gold Grade (g/t)**	**Silver Grade (g/t)**	**Copper In-Situ (000 t)**	**Gold In-Situ (Moz)**	**Silver In-Situ (Moz)**
Proved	116	0.64	0.26	2.0	750	0.98	7.5
Probable	44	0.62	0.24	2.1	270	0.34	2.9
Total	**160**	**0.64**	**0.26**	**2.0**	**1,020**	**1.32**	**10.4**

Mineral Resource tonnes at a 0.30% copper cut-off grade are estimated to have increased nearly 4% to just under 200 million tonnes (Table 2) compared with the previous estimate in 2006. Estimated average copper grade has increased by 5%. The confidence in the Mineral Resource estimate has improved markedly, with a 66% rise in Measured category tonnes.

Table 2: Phu Kham Copper-Gold Mineral Resources

0.30% copper cut-off grade	**Tonnes (Mt)**	**Copper Grade (%)**	**Gold Grade (g/t)**	**Silver Grade (g/t)**	**Copper In-Situ (000 t)**	**Gold In-Situ (Moz)**	**Silver In-Situ (Moz)**
Measured	116	0.68	0.27	2.0	788	1.0	7.5
Indicated	68	0.62	0.23	2.1	427	0.5	4.6
Inferred	15	0.57	0.18	1.8	85	0.1	0.9
Total	**199**	**0.65**	**0.25**	**2.0**	**1,299**	**1.6**	**13.0**

Mineral Resource conversion to Ore Reserve continues to be high with over 85% of Measured and Indicated category tonnes converting into Ore Reserve. Nearly 73% of the Ore Reserve is now in the Proved category, up from 47% in 2006.

Ore Reserve Tonnes and Grade

Subsequent to the 2006 Ore Reserve estimate, an infill drill programme that focused on the north mine area of the Phu Kham Copper-Gold Deposit was completed and a new geological model and grade data base developed.

Additional metallurgical testwork was undertaken in 2007, which led to the development of revised recovery algorithms for both copper and gold for the two main ore types: skarn and stockwork disseminated. As a consequence, the economic cut-off grade has been increased from approximately 0.25% copper to 0.30% copper at a copper price of US$2.00/lb. On that basis, copper metallurgical recovery is now estimated to average 77% and range between 73% and 82% annually over the mine life. Gold and silver metallurgical recoveries are predicted to average 54% and 63% respectively over the mine life.

Comparison of the 2008 Ore Reserve with that estimated from the 2006 Ore Reserve confirms that the 2007 infill drill programme added a significant quantity of ore tonnes at higher grade predominantly within the north mine area. This increase was partially offset by a loss of low grade ore tonnes beneath the new 0.30% copper economic cut-off grade as a result of the improved understanding of the metallurgical characteristics of the ore. A greater confidence in the continuity of silver mineralisation and grade distribution resulted in silver being incorporated for the first time into the 2008 Ore Reserve estimate.

Production Outlook

The increase in ore grade has had a positive impact on annual copper production forecasts. Estimation of the new Ore Reserve coupled with good progress in the commissioning of the Phu Kham process plant supports updated production guidance for the next two years.

A conservative ramp up schedule has been assumed for both throughput (six months) and metallurgical recovery (12 months) of the process plant, assuming that current commissioning trials will continue for the balance of April and with design production rates being attained after 12-months of operation.

On this basis, it is expected that the Phu Kham Copper-Gold Operation will produce 30,000 tonnes of copper, 27,000 ounces of gold and 300,000 ounces of silver (in concentrate) in 2008 from 7.5 million tonnes of ore. In 2009, annual production will rise to 60,000 tonnes of copper, 60,000 ounces of gold and 600,000 ounces of silver as the process plant achieves initial annual 2006 Feasibility Study nameplate capacity of 12 million tonnes of ore (refer to Figure 1).

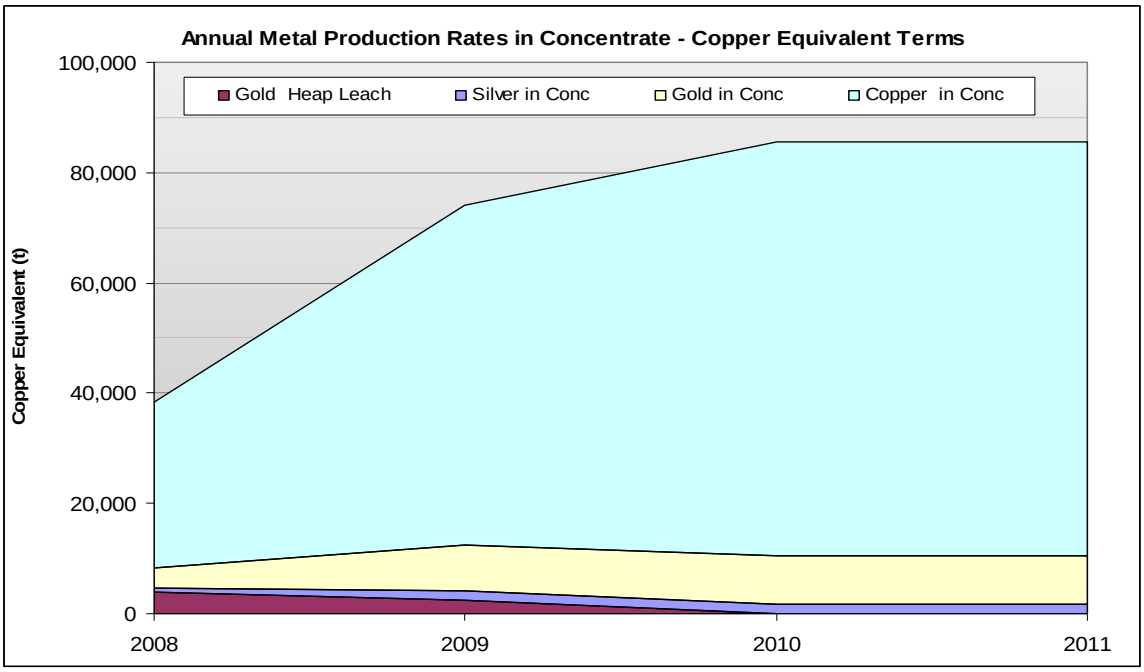
In addition, it is anticipated that the associated Phu Kham Heap Leach Operation will produce a further 30,000 ounces of gold in 2008 reducing to approximately 20,000 ounces of gold in 2009 as oxide gold reserves are depleted.

The expansion of the process plant to a nominal ore treatment capacity of 16 million tonnes per annum is scheduled to be implemented and commissioned in late 2009 coinciding with an expansion of the mining fleet, allowing annual output to rise to an average of over 75,000 tonnes of copper, 65,000 ounces of gold and 600,000 ounces of silver over the remainder of the mine life.

Waste tonnes have increased with the 2008 Ore Reserve estimate resulting in a revised strip ratio of 1.0:1. Although increased from the 0.6:1 ratio estimated in the 2006 Ore Reserve, the Phu Kham Operation remains one of the world's lowest strip ratio copper mines. As a consequence of the increased material movements associated with the new Ore Reserve, the mining fleet will be expanded by early 2009. The production guidance for 2008 and 2009 has taken this requirement into account through the retention of a slightly low cut-off grade than 0.30% copper until such time as the expansion of the mining fleet is implemented.

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

Figure 1: Annual metal in concentrate production in copper equivalent* terms



*Refer to formula at the end of this report

Operating Costs

The Phu Kham Copper-Gold Operation will continue to benefit from having a world low strip ratio and a reliable supply of low cost hydro-electric power will underpin long-term cost competitiveness.

Cash operating costs denominated in December 2007 dollars and net of precious metal credits (adopting conservative price assumptions^) are forecast to average US$0.91/lb over the life of mine, post ramp-up (Table 3). All production cost inputs have been revised to reflect prevailing pricing estimates.

Table 3: Phu Kham Copper-Gold Operating Cost Estimate

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

Excludes oxide heap leach production that will be accounted for as a by-product credit
^ US$700/oz gold, US$14/oz silver

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

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

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

A conservative stance continues to be taken with regards assessment of by-product credits from gold and silver contained in concentrate (as adopted in Table 3), when compared with prevailing market prices. At prices of US$900/oz for gold and US$18/oz for silver (less than today's spot prices), the precious metal credit increases to over US¢43/lb, which would result in an average cash operating cost of US¢82/lb.

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Competent Person Statements

The data in this report that relates to Mineral Resources is based on information evaluated by Mr. Richard Hague who is a Member of the Australian Institute of Geoscientists (MAIG) and a full-time employee of Pan Australian. Mr. Hague has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr. Hague consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.

The data in this report that relates to Ore Reserves is based on information evaluated by Mr. John Wyche who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and an employee of Australian Mine Design and Development Pty Limited. Mr. Wyche has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr. Wyche consents to the inclusion in the report of the Ore Reserves in the form and context in which they appear.

Forward-Looking Statements

This announcement includes certain "Forward-Looking Statements". 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.

The results and statements in this announcement supersede the results and statements previously announced to the ASX for the Feasibility Study on 6 April 2006 and the progress report on the Phu Kham Copper-Gold Mine Expansion dated 19 September 2007.

The range of potential outcomes and cash flows on page 1 of this report has been prepared by the Company on the basis of:

a) The findings of the Final Feasibility Study on the Phu Kham Copper-Gold Project for a 9Mtpa mining and processing scenario compiled by Ausenco Limited; the findings of an Addendum to the Final Feasibility Study for a 12Mtpa mining and processing scenario, which was supported by studies undertaken by external consultants; and, the Expansion Study undertaken by the Company for a 16Mtpa mining and processing scenario; and

b) The assumptions set out below that have been determined by the Company as being reasonable. Having regard to all the information currently available to the Company and general economic conditions:

- *The Company currently owns 90% of the Project through Phu Bia Mining Limited a company registered in Laos, which is party to a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. The Government of Laos has acquired a 10% interest in Phu Bia Mining, which it will fund through its share of future dividend payments. However, all operating and financial data is presented on a 100% ownership basis as outside equity interest accounting is anticipated.*
- *Commodity and currency rates described in the matrix. The Company has taken into account external reports by analysts in this regard.*
- *No material adverse change will occur to the regulatory regime in Laos during the life of the proposed Phu Kham Copper-Gold Operation.*

  The Company operates (through its subsidiary Phu Bia Mining Limited) under the MEPA that sets out the regulatory framework for the Company's operations in Laos. The Company has established excellent working relations with the Government of Laos and its relevant Ministers and officers who have expressed and delivered strong support for the Project, as well as compliance with the terms of the MEPA. The Government has been in power for more than 30 years and exhibits stability and a desire to foster and encourage foreign development.
- *All the production is sold in the year it is produced on the basis that full production will be achieved at the start of the June quarter 2009 following a ramp-up during the twelve preceding months in accordance with the indicative ramp-up schedule developed in the Final Feasibility Study.*
- *Depreciation is in accordance with the MEPA.*

Pan Australian advises that caution should be exercised in relying on these estimates of the potential financial contribution from the Operation. The information in the cash flow sensitivity table on page 1 of this report has been prepared by the Company and has not been subject to independent expert review. 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.

Copper Equivalent Formula

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

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

The price assumptions used for copper equivalent calculations throughout this report (unless otherwise stated) are:
Copper: US$4,409/tonne (US$2.00/lb)
Gold: US$600/oz
Silver: US$12.00/oz

Map 1: Location of Pan Australian's assets in Asia