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**Pan American Silver  
Fourth Quarter and Year-End 2007 Earnings  
February 21, 2008**

**Operator:** Good afternoon, ladies and gentlemen, and welcome to the Pan American Silver Fourth Quarter and Year-End 2007 Earnings conference call. At this time all participants are in a listen-only mode. Following today's presentation instructions will be given for the question-and-answer session. If anyone needs assistance anytime during the conference, please press the star, followed by the zero. As a reminder, this conference is being recorded Thursday, February 21st, 2008.

I would now like to turn the conference over to Mr. Geoff Burns, President and Chief Executive Officer. Please go ahead, sir,

**Geoff Burns:** Thank you, Operator. Good afternoon, and welcome to the Pan American Silver Fourth Quarter and 2007 Year-end Earnings Release conference call. Joining me today here in Vancouver are Steve Busby, Senior Vice President, Project Development; Andrew Pooler, Senior Vice President, Operations; Michael Steinmann, Senior Vice President, Exploration and Mine Geology; and Rob Doyle, our Chief Financial Officer.

This morning I'm going to start by making some comments on our overall performance and then touch briefly on each and every one of our mining operations. I've asked Steve Busby to update you on our Manantial Espejo and San Vicente development projects, and then Michael Steinmann will provide his views on our exploration program and our recently released reserves and resources update. Let's get started.

We delivered another solid quarter to close off last year and by all measures 2007 was the best year in the company's history. During the fourth quarter we posted a new company record for silver production at 5.1 million ounces which was up over 63% as compared to the fourth quarter of 2006. We generated quarterly cash flow from our operating activities of 27.3 million before non-cash working capital items. That's \$0.36 per share and up 23% relative to the same period a year ago. Our quarterly revenues reached 85.9 million, up 4% from 2006. The one shadow on our results in the fourth quarter was that our cost did climb to \$4.54 per ounce. Hmm... cost, there's certainly been a lot of discussion on that topic both industry wide and internally here at Pan American. I'm going to make some specific comments

on our cost a little later when I talk about our 2008 forecast, but for the moment I would like to say one thing: while our costs have gone up our margins have remained very, very healthy.

In the fourth quarter we realized an average silver price of \$14.21 per ounce. So our cash operating margin was \$9.70, while our costs in the year earlier period were much lower at \$2.42 per ounce, our realized price of silver was only \$12.58, so our cash margin was just over \$10. Our margins have shrunk a little less than 4% while at the same time our production has grown 63%, pretty favorable math I would contend. And at close to \$18 today, we are seeing our margins -- that our margins are absolutely expanding. Putting everything together, we recorded net income of 26.1 million or \$0.34 per share in the fourth quarter. And if it were not for a damn strike in the Peruvian Port of Callao in December, which limited our ability to ship and record in sales almost 4,000 tonnes of zinc concentrate, I believe we would have recorded our record net income. For the full year in 2007, we produced a new company record of 17.1 million ounces of silver, just above our forecast. Cash flow from our operating activities was a new record at 106 million, or \$1.39 per share, that was an increase of 54% relative to 2006. Annual sales topped 301 million, another record. Cash costs for the year, although higher, were a very respectful \$3.42 per ounce. And finally, net income for 2007 was 88.9 million or \$1.16 per share, an increase of 53% as compared to 2006's net income.

Record silver production, record cash flow, record revenue, and record earnings; another solid increase in our proven and probable reserves. I think it's fair to say that Pan American had its best year in the company's history and if silver prices stay where they are for 2008, which I for one believe they will, I am predicting 2008 will be even better.

Let's talk operations. Starting with our newest mine, Alamo Dorado in Mexico: After a slow start in early 2007, Alamo Dorado has come on like gangbusters. Throughput steadily improved and by the end of the year we were consistently milling and processing above 4500 tonnes per day, a little over 10% above feasibility estimates. In December alone, Alamo Dorado produced over 600,000 ounces of silver. While I'm not expecting us to be able to meet this total every month it does show what that mine is capable of doing. For the full year Alamo Dorado produced 3.8 million ounces of silver and over 13,000 ounces of gold at a cash cost of \$4.41 per ounce. Not a bad showing for a start-up year, I'd say. For 2008 we're forecasting 5.2 million ounces of silver and 16,000 ounces of gold at a cost of 4.19 per ounce. I'd like to think that Alamo Dorado is a model of what Pan American is all about. After the deposit was discovered by Corner Bay Silver we negotiated purchase. We designed the mine and we did the feasibility study. We financed the construction cost, we built it, we started it up and now it's delivering what we predicted it would. This is the third operation we have taken from soup to nuts and we've got two more on the boil. It is what defines Pan American in the silver sector. We are the silver mining company.

For La Colorada, our other Mexican operation, and one of those soup to nut jobs I'd just referred to, had another outstanding quarter and its best year on record. La Colorada was our largest silver producer in 2008 with four million ounces of production, up 13% from 2006. Cash cost was relatively steady year-over-year at \$6.90 per ounce. Both the oxide and sulfide recovery circuits at the mine continue to run well at a combined rate of close to 1100 tonnes per day and underground operations have kept pace with this expanded processing capacity. With the operation running smoothly, we shifted our attention to exploration and increasing La Colorada's mine life. We had some real success, but I'm going to let Michael touch on that shortly. In 2008 we are forecasting 3.9 million ounces of silver from La Colorada at \$7.50 per ounce.

Now, moving to Peru; at Morococha, silver production for the year was 2.9 million ounces, and cash costs continued to be the lowest in the company at negative \$2.16 per ounce. Morococha's costs continue to benefit from high by-product zinc production and good zinc prices. Morococha delivered a fine year in 2007 and we are forecasting it to produce 2.7 million ounces in 2008 at \$0.33 an ounce. The Huaron mine, one of the company's cornerstone assets, maintained its solid performance throughout the fourth quarter and for the full year in 2007, and has clearly become one of the most consistent producing mines.

Silver production at Huaron increased 4% in 2008 to 3.8 million ounces. Cash costs were very good at 2.78 per ounce for the year. We initiated a mine deepening program at Huaron in early 2007, which is an investment in the long term future of the operation. A significant portion of the highest grade reserves and resources are located below what is currently the lowest level of mine in the mine at the 250 level. We are currently ramping below the 250 level and are now working to deepen a pre-existing shaft to open up a completely new mining area. This project will take at least another full year to complete but will provide access to higher grade ore for years to come. This year, 2008, we believe Huaron will produce 3.7 million ounces of silver at a cost of \$5.12 per ounce.

Our Quiruvilca mine in Peru had a tough year in 2007. It fell short of our production forecast producing 1.6 million ounces of silver at a cost of \$2.43 an ounce. Don't misinterpret this comment. Quiruvilca still generated almost 16 million in mine operating earnings in 2007. It just didn't do as well as we thought it would. We have now completed the 400 level ramp development project and its access ramp is currently being commissioned and is expected to provide access to additional mining blocks with some higher silver and zinc grade material in 2008. Having said that, we are going to be conservative with our forecast for 2008 and are predicting 1.5 million ounces at \$5.40 an ounce.

We had some excellent exploration results in Peru this year and as much as I'm tempted to dive into them right now I don't want to steal any of Michael's thunder. Overall our Peruvian operations did very well in 2007 and remain the backbone of the company and should do equally well again this year. To round out our operations, I will make a couple of comments on San Vicente's production performance.

Silver production for the year from San Vicente was 619,000 ounces as we mined throughout the year at an extremely modest basis, toll processing at a third party mill at approximately 200-250,000 tonnes per day. Cash costs for the year were \$5.41 per ounce of silver produced. The future of San Vicente and our ability to extract real value in this high grade long life ore body lies in the expansion project we started in 2007, which Steve will comment on momentarily. We will continue mining and processing in 2008 while we expand and we are forecasting 700,000 ounces of silver from San Vicente this year. I've talked enough for the moment; I'm going to ask Steve to fill you in on our growth plans, specifically the construction and development of Manantial Espejo and San Vicente. Steve?

**Steve Busby:** Thank you, Geoff. Starting with our San Vicente project, I'm pleased to report this project is proceeding at a reasonable pace as we continue mobilizing the construction contractors to begin construction work following the typical wet summer season. This wet season has already started to taper off and should end in the next three to four weeks. We are particularly pleased with the safety performance of our approximate 350 employees and contractors working on the project who have now accumulated in excess of a half a million safe Manantial Espejo hours without lost time accident. The new access ramp for the trackless mining development is advancing ahead of schedule and is now nearly one kilometre complete on the 2.3 kilometres planned ramp development. Plant site excavations are completed and being prepared to begin the concrete placement. We estimate the project is now 30% complete and on track for mechanical completion by this year end. The project equipment is staged at various ports around the world and we now have favourable tax incentive authorizations and dry road conditions to begin shifting the equipment and materials to the site. Total project expenditures to the end of December 2007 were \$16 million and total commitments were \$24 million.

Under an agreement with the Bolivian state mining company, Comibol, we will begin mining and toll treating 100,000 metric tonnes of ore during 2008 while we complete the construction of the new 750 metric tonne per day flotation mill, initiate the trackless mining of the high grade Litoral vein accessed by the new ramp, install a new hoist on the existing shaft and upgrade much of the site infrastructure. The site infrastructure upgrades include: installing adequate power and water supply systems, upgrading the housing and camps and enhancing the local school and medical clinic. We now expect the project capital cost to be \$65

million, reflecting the need to upgrade the existing site infrastructure that was found to be inadequate to support our mine expansion planned construction design. This is an increase of about \$23 million over our feasibility study which we're not happy with, but it is reflective of what's happening in the industry and what we are experiencing as well. With that said, however, we are confident we can complete this project under this new estimate, particularly giving that we have completed the engineering in this project, we have secured all the equipment and have it staged for delivery and we have a well defined construction program that is well underway. We need to enhance the existing site infrastructure more than was initially anticipated in order to attract the qualified staff to this remote site. And to ensure this operation is sustainable over the life of the reserves and beyond. In spite of this capital escalation, economics remain sound at the current Pan American Silver Corp. reserve metal prices. The return of this project is estimated at 16% with a payback period of four years. At today's metal prices this return exceeds 25% and has a payback of less than three years.

When completed, San Vicente is projected to produce on average of approximately 2.8 million ounces of silver per year with the first five years of full production. We are working towards securing our power supply and development agreement. When completed we'll remove a couple of more remaining uncertainties we currently have with the project. We are not expecting significant problems with securing these agreements, but we'll feel much more comfortable once they're in hand given that they do require some level of political effort. I'm particularly pleased with the quality of staff we have put in place for this construction and mine development and I'm confident we'll be able to complete this project timely and reasonably within budget. The local community continues to be supportive of the project and we expect San Vicente will be a long lived asset in this important silver producing region.

Moving south to our Manantial project in Argentina, I'm very pleased to report that site development activities are proceeding safely, efficiently, and effectively. We have accumulated 1.3 million safe work hours without lost time accident and currently have 650 employee and construction contractors working on the project. We estimate the overall project was 58% completed at year-end 2007 and we are on track for a mid year 2008 mechanical completion after which we'll anticipate a four month startup to achieve full design production rates by year end and going into 2009.

Our significant project accomplishments to-date include completing over 2.5 kilometres of underground development advances on two vein structures; we've also mined over 2.6 million metric tonnes from two surface pits; we've stockpiled 132,000 tonnes of ore with grades of 165 gram per tonne of silver and 1.5 gram per tonne of gold, which contains approximately 20% more metal content than what we had estimated from this mine volume; we have cross-cut the two targeted veins in our underground developments, as anticipated; and are seeing some very encouraging ore grades where we extracted nearly 5,000 metric tonnes of development ore at grades in excess of 500 grams of silver and 6.4 grams of gold. Although very early in the game, we are indeed encouraged by what we are seeing with the ore grade and the reserve model reconciliation.

We have completed most of the site ancillaries in the community housing projects and it's allowing us to focus on completing the planned construction activities. Unfortunately, the government sponsored power line project has slipped behind schedule, and as such, we have committed to construction of a 10 megawatt diesel generation facility on-site that we anticipate could be needed for up to one year until this power line is completed. This power line will also offer us -- or this power plant, excuse me, will also offer us additional protection in the future from down times caused from power supply disruptions that may be experienced. The generators and switch gear have been purchased and we expect this facility to be operational in May. We are very excited with completing the construction of this project in 2008 safely and start producing silver and gold in these very favourable markets as we have recently done at Alamo Dorado.

We anticipate producing over 1.4 million ounces of silver and approximately 25,000 ounces of gold during 2008 as we get things started at a very favourable

less than a negative \$1 per ounce unit cash operating cost given the handsome gold by-product credit that we'll enjoy on this project. This operation will contribute four million ounces of silver and approximately 60,000 ounces of gold annually over its current estimated eight year mine line. Once we stabilize this operation we intend to reinitiate exploration efforts on the numerous untested vein structures that exist on the project. We expect this operation will have a long and profitable life becoming another cornerstone in Pan American Silver Corp.'s quality silver mine assets. You can imagine our anticipation of getting this project started given the current metal market conditions. This concludes my brief overview on the projects and I'll now turn it back over to Geoff.

**Geoff Burns:** Thanks, Steve. In addition to the earnings release we've put out this morning, we released our annual update to proven and probable reserves a couple of days ago. And I'm hoping you may have had the chance to browse through that release as well. Before turning the call over to Michael, I just want to say that in my opinion we had another outstanding year in 2007 on the exploration front. We start 2008 with 228 million ounces of silver in proven and probable reserves, having again more than replaced everything we mined in 2007 and added nicely to our reserve portfolio. Over the last two years we have discovered, upgraded or purchased from JV partners over 86 million ounces of silver before considering annual mine depletion. This represents significant organic value creation. In addition, Michael has launched a series of Greenfield exploration initiatives and we can only hope that there may be a major discovery hidden in one of them. Michael?

**Michael Steinmann:** Good morning. I'm sure most of you have seen our press release from February 20th, with the company wide reserve and resource statements. In addition to replacing 100% of the 20.8 million ounces of contained silver that were mined here in 2007 we added new proven and probable reserves of 14.5 million ounces, and increased measured and indicated silver resources by another 4.9 million ounces. In order to achieve similar exceptional results in 2008, our aggressive Green and Brownfield programs will continue during the entire year, drilling over 110,000 metres of diamond drilling. I'd like to give you a short overview of the exploration plans for 2008 and deepen on the results from 2007.

First, our Brownfield exploration programs: At Morococha we are drilling currently with eight to ten rigs on a program of 25,000 metres for this year for exploration and over 7,000 metres for infill drilling. The total cost for this program is approximately \$2 million. Besides the exploration for reserve replacement, the program will explore new targets on our large land holdings and expand our new high grade vein discoveries on the northwest of the Morococha mine. Since 2005, we added 30 million ounces of silver to the Morococha proven and probable reserves, a threefold increase since we purchased the mine. Morococha is a very large mine located in one of Peru's largest and prolific mineralized system. I'm very confident we will have good exploration results to report for years to come.

At Huaron, the program contains 25,000 metres of diamond drilling for 2008, using three to four rigs for a total of \$800,000. We will continue with the exploration of the wide and high-grade ore bodies and veins discovered in 2007 in the 250 level, which were responsible for an important part of the 12.4 million ounces reserve replacement and addition at Huaron. The last three years we added 24.5 million ounces to the proven and probable reserves at Huaron. The exploration program is advancing extremely well for us and with the current deepening of the mine, that Geoff mentioned, we will access the great drill results we had with underground development which not only intersects the high grade veins but also up to eight metre wide ore bodies.

At Quiruvilca, we will drill about 12,000 metres using three rigs for a total cost of \$700,000.

At La Colorada, we are currently drilling with three rigs and will add a fourth one in March to work on a program of 14,000 metres at a total cost of \$1.5 million. The main targets are the deep sulfides and the newly discovered ore body in the Recompensa mine. This is a very high grade gold-silver ore body located close to our current development.

Due to the exploration last year, Recompensa -- mostly Recompensa added about four million ounces to our measured and indicated resources, and we will upgrade a large part of these resources into the reserves during 2008. I will be very pleased to share these exciting results once the resource model and the metallurgical test work is finished on this project. In total, our Brownfield exploration program for 2007 contains over 78,000 metres of diamond drilling, with a total drill cost of \$5.5 million.

Now to our Greenfield exploration, our Greenfield programs are mainly focused on Mexico, Peru and Argentina, where we have several prospects in each country. We plan to spend in total of about \$7.8 million on these properties for exploration work and are constantly reviewing additional opportunities. We're also very active in staking new ground. For example in Peru and Mexico, where we staked in 2007 over 24,600 hectares and 1,100 hectares respectively, which will be part of our exploration program throughout the year. Drill programs for Greenfield project contain over 31,500 metres of diamond drilling. An important part of it will be executed on our optioned Ariana project in Central Peru, where the first ten drill hole intersected high grade silver-base metal mineralization in wide veins and breccias. As you see we are very active exploring around our mines as well as on Greenfield properties, running it constantly 23 to 25 drill rigs and will be releasing the results once the first phase of the program has been finished or resource models are available. It is challenging to replace and add reserves year after year on eight different properties, but I'm confident that in 2008 we will once again add to our reserve base. And I can tell you that I'm very pleased with the progress we have made on our Greenfield programs up to this date. Geoff?

**Geoff Burns:** Thanks, Michael. Looking ahead into 2008, we are forecasting 19.5 million ounces of silver production or another 14% growth. We are also forecasting higher cash costs of \$4.31 per ounce in 2008. I said earlier that I would make a couple of comments on our costs. Our actual cash expenditures to produce a tonne of ore have gone up. There are no two ways about it. Labour costs are higher, energy costs are higher, there are new government royalties in Peru and Bolivia, and there are the effects of strengthening currencies relative -- the effects of strengthening currencies relative to the US dollar are absolute. We are focused on finding ways to improve our mining productivity to fight these effects but the cost escalation has been rapid and is here to stay. Having said this, I believe the biggest effects of this cost inflation are now behind us. There was clearly a catch-up phase on the labor front, and energy costs, while higher, are starting to stabilize. So while higher costs are what we are living with, I don't see the same increases ahead of us as that we have just seen in 2006 and 2007. While repeating myself I think it is worthwhile to make the point again, given the current price of silver I expect our margins to expand nicely in 2008.

And what of the price of silver? I would be remiss if I didn't at least make a short comment on that. Silver prices increased throughout 2007, averaging 13.38 per ounce for the year, an increase of approximately 16% year-over-year. The supply and demand fundamentals remain solid, and perhaps most importantly, silver investment, like gold, has continued to increase. Silver investors through the silver ETF had purchased almost 160 million ounces of the world's most versatile metal last time I checked. These elements, combined with the weakness in the US dollar, clearly seem supportive of a positive outlook for future silver prices. Silver is trading at almost \$18 an ounce today and I believe \$20 silver will be seen in the coming months.

Record silver production, record earnings, record cash flow, reserve replacement and growth, 2007 was a good year for Pan American. And I want to thank the over 5400 employees for help making -- helping to make that happen. Everyone, from our Board of Directors to our operators in Mexico, Bolivia, Argentina, and Peru, my thanks. And to end, 2008 should be even better. Thank you, and I would ask the Operator to open the lines for questions.

**Operator:** Thank you, sir. Ladies and gentlemen, at this time we will begin the question-and-answer session. If you have a question, please press the star, followed by the one on your push button phone. If you'd like to decline from the polling process, press the star,

followed by the two. You will hear a three-tone prompt acknowledging your selection, and your questions will be polled in the order they are received. If you are using a speaker phone, we do ask that you lift the handset before pressing the numbers. One moment, please, for the first question.

Our first question comes from John Bridges with JP Morgan.  
Please go ahead.

**Ankush:** Good morning, Geoff, Rob. This is Ankush on behalf of John.

**Geoff Burns:** Good morning, Ankush.

**Ankush:** Hi. I have two questions. Firstly, congratulations on the strong results despite the limited concentrate shipments. Could you give us some colour on what percentage of the production was not shipped because of the dealers at Peru?

**Rob Doyle:** Sure, Ankush. Rob Doyle here. I'll have to give you those details after the call but from memory there was about 15% of 2007's production was in, was built up in inventory. We built up about 10,000 tonnes during the course of the year, starting the year at roughly around 3,000 tonnes of concentrate inventory and closing the year around 13.5, just over 10,000 tonnes of buildup and with massive production rates of round about 10,000 tonnes and that's about a 50% buildup.

**Ankush:** Okay. And should we expect this to remain like, you know, a constant level or do you expect then entry levels to go down next year with...

**Rob Doyle:** It's a very unpredictable part of our business because to a large extent the shipping schedules are out of our control.

**Ankush:** Okay.

**Rob Doyle:** And unfortunately it will continue to be somewhat lumpy and volatile, but we think that our current inventory levels are well above average. So hopefully 2008 we'll be able to report more shipments and production. But obviously it will come out over time, but it will continue to be volatile.

**Ankush:** Okay. And the second question is on Huaron. Since you've mentioned you're working to deepen the mine to get access to the higher grade ore, is this what is leading to slightly higher -- the increase in the cash costs for 2008?

**Geoff Burns:** No. Huaron, the biggest thing on the cash cost, Ankush, is the assumptions we made within our forecast for metal prices because Huaron does benefit from zinc, copper, and lead by-products and our forecast prices are quite a bit below what the current pricing levels are, particularly for lead and copper, the forecast is at \$2100 lead and lead today is trading almost at \$32-\$3300, and similar for copper. So that's the largest reason for actually forecasting higher cash costs at Huaron. I actually predict there that we'll have an absolute basis in terms of dollars spent, probably 7% kind of increase in our cash spent and the large per ounces is a function of our calculated by-product.

**Ankush:** Okay, that's very helpful. Thank you.

**Geoff Burns:** You're welcome.

**Operator:** Our next question comes from John Doody with Gold Stock Analysts. Please go ahead.

**John Doody:** Guys, congratulations on a great year. Sort of a philosophical question I guess. You are now operating mines in four countries in South America and they all

have different issues, you're dealing with them and dealing with them quite successfully and I'm wondering if you just had -- if you -- what country would you prefer to be in if everything else being equal? Was there one that you can say that really is more easier to operate in than any of the others? And then I have a tax question for Rob.

**Geoff Burns:** Okay, well I'm glad you're saving the tax question for Rob, John. Yeah, I think, John, there clearly is some preferential countries in where we operate. And in some respects, fortuitously, the two best districts for silver have historically been Peru and Mexico and they are clearly our preferential countries to operate in. Mexico and Peru are very favourable to mining, they have long histories of developing mines, of operating mines, of providing certainty of land tenure, providing certainty of adjudication of dispute, so while each has at different points in time have had minor, you know, tweaks and political uncertainty in general they are, in general we are very comfortable in operating in both those localities and...

**John Doody:** You're certainly doing a good job.

**Geoff Burns:** Thanks again, John.

**John Doody:** And for Rob, could you give us a rundown on the tax rates that you're using at San Vicente? What's the corporate tax rate? What's the, what are they calling it? The complementary royalties that you've got factored into the feasibility study?

**Rob Doyle:** Yes, sure, John. The corporate tax rate recently has been increased to 37.5% in Bolivia, that's what we're using in our models for the corporate tax rate. And then the ICM rate is 6% currently and there still is a little bit of uncertainty with respect to the way that works but currently we've modeled that as deductible against income tax.

**John Doody:** Okay, so you're expecting the royalties to get approved as a deduction against the corporate tax.

**Rob Doyle:** Yeah, which of course is worse than if it was accreditable.

**John Doody:** Right, okay. All right, great. Thank you very much.

**Geoff Burns:** Thanks, John.

**Operator:** If there are any additional questions at this time, please press the star, followed by the one. If you are using a speaker phone, we do ask that you lift your handset before pressing the numbers. Our next question comes from Ian Howat with National Bank Financial. Please go ahead.

**Ian Howat:** Yeah, good morning, guys. Can you give a rough break down of where the zinc's going to come from this year? Which mines are going to be the biggest producers and on a production basis?

**Geoff Burns:** Sure. I don't have the -- number one is going to be Morocochoa; number two will Huaron and number three will be Quiruvilca. I believe our overall production forecast is for just over 43,000 tonnes of zinc production.

**Ian Howat:** Yup.

**Geoff Burns:** I'm going to be -- actually I'll be a little more specific. Rob just threw the budget right in front of me here... So, close to 17,000 tonnes from Morocochoa; 14,500 tonnes from Huaron, and about 8,500 tonnes from Quiruvilca with a couple of tonnes coming from San Vicente and La Colorada.

**Ian Howat:** Okay. And the projected production of 19.5, that's on a production basis not the payable basis, correct?

**Geoff Burns:** That is correct.

**Ian Howat:** Okay. That's it for me, thank you.

**Geoff Burns:** Okay. Thanks, Ian.

**Operator:** And once again, I'd like to remind, if you have a question, please press the star, followed by the one at this time. If you are using a speaker phone, please lift your handset before pressing the numbers. Our next question comes from David Dennison, a Private Investor. Please go ahead.

**David Dennison:** Congratulations, guys. Thank you. Any talk of, or, in the future of a share dividend to shareholders?

**Geoff Burns:** Thanks, David, for your question. At this point I would like to see us complete our two projects that we have in front of us, which are Manantial and San Vicente; see the final capital investments. I'm hoping we see exactly what Steve described today. Those should be up and running next year. At that point in time I think our situation will be stable and we certainly are generating cash flow, and at that point we're going to be in a position to make a decision on exactly your question, David. My sense is if we do not have a reasonable opportunity to reinvest that cash flow in either an expansion of an existing facility, or an acquisition, or perhaps in the building of a brand new mine that Michael discovers that we will return some of that cash to the shareholders likely in the form of a dividend.

**David Dennison:** So those decisions will be made but nothing would likely happen until 2009.

**Geoff Burns:** I would say at earliest we're looking near the end of 2009, David.

**David Dennison:** Okay, thank you.

**Geoff Burns:** You're welcome.

**Operator:** Our next question comes from Alexander Emery with Bloomberg. Please go ahead.

**Alexander Emery:** Yes, good morning. Again, congratulations on your earnings. Just interested to see about getting back to your issue of costs which you've had a bit of a rise there. I was just wondering if you could maybe break down a little more in detail what have been the main issues? Where have you seen the biggest costs and whether that's energy or labour or maybe you could break it down? Thank you.

**Geoff Burns:** I don't have a break down in terms of the percentages within our \$4 odd cost per ounce. I can tell you that labour has been by far the largest increment. It represents about 35% of our overall cost base, maybe even closer to 40 in our Peruvian mines which are quite labour intensive. The second largest would be energy and energy related through transportation and not only the direct purchase of energy, but our transportation costs for our concentrates, et cetera have gone up. That, I'm off-hand, is about 10-13% of our cost base. Certainly the royalties, the voluntary contribution in Peru and the new mining royalties in Bolivia which are absolute off the top takes have added to that total, and the strengthening of the Peruvian Sole has probably added approximately 10% to our operating costs in Peru. And Alexander, if you need more specifics than that I would encourage you to give Rob a call on our number here after this call to get additional information.

**Alexander Emery:** Thank you.

**Operator:** And that does conclude our question-and-answer session. I'd like to turn the call back over to management for any concluding remarks they may have.

**Geoff Burns:** Thank you, Eric. Well thanks, everyone, for joining us here this morning for our year-end 2007 conference call. I look forward to catching up with everyone again in May when we have our first quarter results. As I said in my very closing comments, I'm looking forward to an even better 2008. Thank you very much.

**Operator:** Ladies and gentlemen, this does conclude the Pan American Silver fourth quarter and year-end 2007 earnings conference call. You may now disconnect and have a pleasant day.