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Pan American Silver Corp. Conference 1st Quarter 2008 Earnings May 14, 2008

Operator: Good morning. My name is Brandice and I will be your conference operator today. At this time we would like to welcome everyone to the Pan American Silver First Quarter 2008 Earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. If you would like to ask a question during that time, simply press star, then the number one on your telephone keypad. To withdraw your question, press the pound key. I would now like to turn the call over to Mr. Geoff Burns, President and Chief Executive Officer of Pan American Silver. Sir, please go ahead.

Geoff Burns: Thank you, operator. Good morning ladies and gentlemen and welcome to Pan American Silver First Quarter Earnings Release Conference Call. Joining me today here in Vancouver are: Steve Busby, our Chief Operating Officer; Michael Steinmann, Senior Vice President, Exploration and Mine Geology; Rob Doyle, our Chief Financial Officer; and Kettina Cordero, our Coordinator of Investor Relations.

You probably noticed that in addition to our earnings release that went out yesterday evening we also put out a release this morning that describes some changes within the ranks of our senior management. Andy Pooler, who has served as our Senior Vice President of Operations for the past five years, has resigned to pursue other opportunities. I'd like to thank Andy for all his contributions to Pan American during his tenure here. His handy work was instrumental in bringing us to where we are today and he will be missed.

However, as much as I hate to see Andy leave, his departure has provided us with the opportunity to recast our structure in a manner that is in keeping with our growth and evolution as a mining company. Consequently it is with great pleasure that I introduce Steve Busby this morning as our Chief Operating Officer. In this new role Steve will be responsible for all our project development programs, our mine operations, and related technical support groups in our company.

Taking over from Andy will be Andres Dasso, who will be our Senior Vice President of Operations. Andres has been with Pan American for over 13 years, all of which as our country manager in Peru overseeing our four mining operations in that country. To round out our operating and project development team, Mr. Joe Phillips will be leaving his role as country manager, Mexico, where he led the construction and development of our Alamo Dorado mine and the production improvements at La Colorada to assume the position of Senior Vice President, Project Development.

I am absolutely confident that Steve, Andres, and Joe in their new roles will continue to deliver on our production and growth plans. It is a true testament to the depth, knowledge, and experience within our company to be able to look within our own ranks and find the talent we need to lead Pan American to the next level.

Finally I would also like to mention that Mr. Wayne Vincent, our Corporate Controller, has been promoted to the position of Vice President. Wayne has been instrumental in developing our finance and accounting systems to keep pace with our growth over the last four years, and his promotion is well earned and in keeping with his overall responsibilities. We have an exceptionally talented team here at Pan American. It continues to be one of our core strengths and is why we continue to be able to deliver on our promises.

Speaking of delivery, let's talk about our first quarter. I'm going to make some remarks about our overall performance and then I'm going to ask Steve, Michael, and Rob to update you on our mining operations, our project development, our exploration programs, and our financial condition.

Let's get started. By all measures Q1 2008 was the best quarter in the company's history. Record sales, up 126%; a threefold increase in mine operating earnings; record cash flow from operating activities, up 230%; and record earnings of 30.2 million or \$0.38 per share. What a great start to 2008.

We produced 4.5 million ounces of silver in the first quarter, an increase of 36% as compared to the first quarter of last year, led by Alamo Dorado, which produced 1.42 million ounces in the first quarter. We realized production increases at all our key operations. Huaron in Peru produced 946,000 ounces of silver. Morococha in Peru produced 668,000 ounces of silver. And La Colorada in Mexico contributed just under 1 million ounces of silver. Rock solid performances across-the-board.

Our cash cost to produce silver was \$3.70 per ounce. This was up from the first quarter of last year when our cost of production was just below \$3 per ounce. But perhaps more importantly our first quarter cash costs were down significantly from the \$4.50 we recorded during the fourth quarter of last year and well below our full year forecast for 2008 or \$4.27. We are still seeing our cost pushed by energy prices, by increasing labor cost, and strengthening of local currencies relative to the US dollar. But, increased by-product production, particularly gold, improved efficiencies, and increased silver production are helping us combat these pressures.

On the project development front the construction and development of our newest mine, Manantial Espejo in Argentina, progressed extremely well, as did our expansion project at San Vicente in Bolivia. Our two main growth projects are right on track.

With that I'm going to turn things over to Steve, who I'm sure will have more comments about all our operations as well as updates on Manantial and San Vicente. Steve?

Steve Busby:

Thank you, Geoff. First off I'd like to thank Geoff for his confidence in promoting me to the Chief Operating Officer position he described. We are taking full advantage of this promotion to energize our organization through additional promotions internally, filling in the vacancies created within our strong management group. The timing is excellent. Our production is solid, our operating costs are opportunities, and our growth is certain. Couple all of this with today's strong metal markets and you have a recipe for enormous success.

Let me take a brief moment to provide you with some details of our current mine production and growth project advances. Overall, our operations produced pretty much as planned at 4.5 million ounces of silver for the quarter at better-than-expected consolidated unit cash operating costs of \$3.70 per ounce. The strong production was led by Alamo Dorado where things are simply rocking and rolling. Our unit cash operating costs at Alamo Dorado finished the quarter well below expectations at \$3.22 per ounce, driven primarily by the 5,000 ounces of gold by-product production.

At Alamo Dorado, our operators continue to gain comfort and confidence with the unique processing plant, and we are excited about the continued operations opportunities at this site as the year advances. I'm not sure I can find the right words to describe the excitement at Alamo. They're simply on a great roll.

Elsewhere in Mexico, La Colorada shined, producing nearly 1 million ounces of silver during the quarter, well above the 850,000 ounces produced during the first quarter of last year, driven primarily by the successful operation of our sulphide processing circuit which was commissioned last year. Unit cash operating cost for the quarter at La Colorada was \$6.48 per ounce, a

decrease of 4% from the first quarter of last year. We have commissioned a new power line at La Colorada during the quarter, which has reduced our power cost by nearly 70%. All in all we're very pleased with the operating team assembled in Mexico and we're confident that these strong quarterly results will continue.

Our Peruvian operations delivered solid quality production as well as just over 2 million ounces of silver produced and a cash cost of \$2.65 per ounce. This production was led by the Huaron Mine, which produced nearly 950,000 silver ounces. We are bullish on the long term prospects at Huaron, where we have a substantial mine deepening project underway that will access some high quality reserves and position us for sustained and possibly expanded production well into the future.

The Morococha mine produced nearly 670,000 ounces of silver during the quarter. Similar to Huaron, we're developing the Sierra Nevada ramp into an area at Morococha that will allow unimpeded production well into the future. Our Quiruvilca mine produced 350,000 ounces during the quarter, which is about 50,000 ounces less than we produced in the first quarter last year as we develop deeper into lower grade silver reserves.

We are keeping a close eye on the threat of a possible Peruvian national miners strike. We understand that the miner's union has agreed to defer a strike and are currently talking with the government. Meanwhile we have made some voluntary profit sharing distributions to several of our key contractors and are currently not expecting any disruption from the national miners' union and government dispute.

We have recently reestablished production at San Vicente in Bolivia. Toll treating ores at a small plant located about 50 kilometers away from the mine and this will continue throughout the rest of the year as we complete the construction of a new flotation concentrator located at the mine. The toll milling program began ramping up during late March, providing nearly 50,000 silver ounces produced. Our mine expansion, mill construction, and infrastructure and community upgrade projects are proceeding as planned. It is still relatively early in the project development but we are getting things off to a good and safe start having commenced the concrete pourers and equipment deliveries during the quarter.

It has been challenging to secure competent construction contractors, but we are fortunate that a couple of large projects are just finishing up and access to skilled construction contractors is improving. The new access ramp for the trackless mine development continues to advance ahead of schedule and we are now developing our first mining level. Our infrastructure projects are also advancing and we continue to enjoy excellent support from the local community despite all the noise you may hear and read about on the national political front. I believe we are blessed being so far removed from the capital La Paz, located far in the southern part of Bolivia, that has a very limited population.

Through the end of the quarter our project expenditures were \$28 million in total and total commitments are up to \$44 million inclusive of the expenditures. It is early in the process and many challenges lie ahead but so far we're on time and on budget.

Moving south to our Manantial Espejo project in Argentina; I'm very pleased to report the site development activities continue to proceed safely, efficiently, and effectively. We have now accumulated greater than 1.6 million safe work hours without a loss time accident and have nearly 800 employees and contractors working on the project. We estimate the overall project is approaching 85% completion at the end of April and we're only about three months away from completing the construction. We are faced with some very challenging bulk materials supply issues under a near super-saturated global demand from projects of all types being built all over the world. There is a very large global run on virtually every pipe, every fitting, electrical wire, and electrical materials that we need to finish our job. We have people out scouring the globe, sourcing these materials, and our success in securing these materials will determine exactly when the plant will complete the last 15% of construction.

The mine developments at Manantial Espejo are proceeding very well and we have now nearly 190,000 tons of ore stock-piled ahead of the plan in preparation for the start-up of the plant. Our operations group is well poised to keep the mill fed once the plant starts running. Albeit still relatively early in its life, it is with pleasure that I can report that our ore production is reconciling very well against our original reserve estimate.

With the one exception of the delayed government sponsored power line installation, we have essentially completed all infrastructure and ancillary facility construction both on site and in the local community. The power line installation will likely be completed about one year after

we're up and running. Therefore we'll be starting up using our nearly completed 10 megawatt diesel powered generation facility that's being constructed on site.

Anticipation is high and excitement levels are increasing as we near completion of construction of Pan American Silver's largest project ever. I couldn't be more pleased with my promotion to Pan American Silver's Chief Operating Officer, and the timing couldn't be any better given our highly qualified, energized management team, our solid production rate, our potential for some meaningful operating cost savings, and the exciting pending start-ups at our projects in Argentina and Bolivia.

This concludes my brief overview of our mine operations and project advances. I'll now turn it over to Michael Steinmann for the exploration update.

Michael Steinmann: Thank you, Steve. You all heard about the outstanding production results we had in Q1. Our on-site geology teams working everyday on improvements to our production and quality controls together with engineering departments. But, they're also responsible for the execution of our brownfield exploration programs, and I would like to give you a short overview of some of the outstanding results we had in Q1. Between our brownfield and greenfield exploration programs we executed a total of 24,400 meters of diamond drilling during the first quarter, pretty much on track for our plus 100,000 meter program for 2008. As you all know I am not able to report single drill hole intersect during this conference call but would like to update you on our most important exploration successes we had in Q1.

Our exploration program at Huaron returned excellent results in the first three months of the year. As you know we are working on the deepening of the mine from the 250 level down to the 180 level. Part of the deepening is the rehabilitation of shaft D, which is currently reaching the 250 level. We started an extensive drill program in 2007 below the 250 level around the shaft and were able to add over 700,000 tons of new reserves and resources from the extension of three major veins and one mantos-style ore body. Even more interesting is the fact that the silver grades of this additional reserves and resources are about 20% higher than the overall reserves of Huaron, confirming the tremendous potential of the Huaron deposit below the 250 level.

At Morococha we discovered the extension of a large vein system with Morro Solar being the most important structure so far drilled. The set of structures located at the northwest of the Morococha flotation plant returned outstanding silver and base metal grades, and were up to nine meter wide intersects. So far we explored only 400 meter strike lines of the total of 2.2 kilometer recognized at surface. One to two drill rigs will be working the entire zone for the rest of the year. I am confident that I will be able to report significant new resources towards the end of the year.

Two years ago we started an extensive exploration program on our large land holdings of over 12,000 hectares around Morococha. We covered so far about one third of the land with detailed geology and exploration. This program will continue for several years and I know that we will discover many more additional veins and ore bodies in this prolific district.

Let's move now to Mexico. As I mentioned during the last conference call we discovered along the Recompensa vein a very high grade gold-silver ore body in La Colorada, located close to the current development. It is a limestone replacement between two structures. Not big, but extremely high grade. Currently we have indicated resources of about 67,000 tons with 817 gram per ton silver and 10 gram per ton gold for a total of 1.76 million contained ounces of silver and about 21,500 contained ounces of gold. The ore body is up to 10 meters wide and we encountered many intersects with multi-kilogram silver grades and up to six ounces per ton of gold. Although small in tonnage this is a very exiting discovery for La Colorada. Once the mine plan and metallurgical test work is finalized I will update you with the reserve statement on this zone.

We also started drilling at Alamo Dorado with the initial idea to put in three holes defining the final pit hole to the north for the phase two pit. The holes returned better than expected results and the program was extended to six holes. As soon as we will receive the results of the final hole we will do a reserve estimation for this area and include it into the mine plan. Stay tuned for an exciting addition to our Alamo Dorado mine life.

Beside our mines, we are drilling three greenfield projects in Peru and three in Mexico and will add in both countries several additional projects for drilling, drill testing, as soon as we finish the geological mapping, geochemical sampling, and geophysics. I will keep you informed about the advances for each of those later on during the year.

Now to Rob for his financial review.

Rob Doyle: Thanks, Michael. The stellar operating performance as Steve described combined with changing silver prices translated into outstanding financial results for Pan American in Q1. Record sales of 108.8 million, record mine operating earnings of 48.4 million, record gross margin, which is mine operating earnings over sales, of 44%, record net income of 30.2 million, and record cash flow from operations before changes in working capital of \$45.4 million. Truly, an outstanding financial quarter for Pan American with all of our operations contributing in a meaningful way to our profitability. While our Peruvian operations continue to generate the majority of our earnings, about 55%, our Mexican operations contributed the balance and seriously rivaled Peru as our most profitable jurisdiction.

I'll just make a few comments about some specific line items on our consolidated statement of operations. Sales, cost of sales, and depreciation were all significantly higher than the first quarter of 2007, primarily reflecting the impact of Alamo Dorado. Alamo went into commercial production in the second quarter of 2007 and therefore was not included in our statement of operations in the first quarter of 2007. The higher sales, cost of sales, and depreciation were also reflective of the fact that our Peruvian operations were able to ship 48% more concentrates than was shipped in the comparable period of 2007. We shipped about 37,000 tons of concentrate during Q1 of 2008, which was about 3,000 tons more than we produced, thereby bringing down our concentrate inventory balance from 13,000 tons to about 10,000 tons at quarter end. Our doré inventory moved in the other direction, however, with us adding an additional 100,000 ounces to leave us with a little over a million ounces in doré inventory at quarter end.

When you look at our statement of operations you'll notice that we incurred a foreign exchange loss of \$2.2 million in the first quarter. This relates to accounts payable balances that were denominated in Mexican pesos and Peruvian soles, which when translated into US dollars at quarter end gave rise to an exchange loss as a consequence of the recent spend in those currencies. We did have a partial offset to this impact thanks to our currency hedge book, which yielded net gains of approximately \$1.6 million during the quarter.

Our income tax expense for the quarter was \$14.5 million, which was an effective tax rate of 32%. This effective tax rate is in line with our expectations given the tax rates prevailing in the jurisdictions in which we operate.

Moving to the balance sheet, which was strengthened further during the quarter by the increase of \$47.1 million in working capital. Most of that increase was reflected in the current assets portion of the balance sheet with cash and short-term investments increasing by \$28.9 million and accounts receivable increasing by 16.8 million during the quarter. Our improved liquidity is primarily a result of the exercise of warrants that were granted as part of the acquisition of Minera Corner Bay and the Alamo Dorado mine in 2003, and of course the cash generated by operations of \$19.5 million in the quarter. The increased accounts receivable balances were a result of higher metal prices and the timing of concentrate shipments from our Peruvian operation.

Expenditures in mineral property, plants, and equipment totaled \$43.5 million during the quarter with a further 4.9 million spent on refundable debt payments. The majority of those expenditures occurred at our projects with \$33 million spent at Manantial Espejo and \$6.3 million spent at San Vicente. We have no debt. Our working capital position increased to \$233.5 million. We're in excellent financial health and well funded to complete the current construction programs and finance our aggressive exploration and business development activity. With those comments I'll hand it back to you, Geoff.

Geoff Burns: Thanks, Rob. Before making some closing remarks I would be remiss if I didn't at least make a short comment on the silver market and silver price. I was in New York last week for the release of the 2008 World Silver Survey as prepared by Gold Fields Mineral Services. Here are the highlights from that release from my perspective.

Silver prices averaged \$13.37 per ounce in 2007, an increase of approximately 16% year-over-year with silver outperforming all other precious metals including gold, platinum, and palladium. The upward trend continued during the first quarter of 2008 when silver averaged \$17.59 an ounce. Silver's recent surge appears to be closely linked to the increased interest from investors as demonstrated by the launch of the silver exchange traded fund in 2006. The ETF now holds over 185 million ounces of physical silver. Simultaneously, industrial demand for silver saw six consecutive years of growth and now accounts for well more than 50% of total global fabrication demand.

Overall global demand grew 1% while at the same time global supply declined by 2%, led by significant decline in government sales. I think this is worth repeating. In spite of significant silver price increases global demand rose while global supply dropped. One would have expected just the reverse. My conclusion from this data is the fundamentals remain very positive. Add continuing pressure on the US dollar, and things seem to point towards strong silver prices for the foreseeable future.

When we released our fourth quarter and year end results in mid-February I said that 2007 was the best year in Pan American's history, but that 2008 should be even better. You've heard from Steve, from Michael, from Rob. From operations to project development, to financial performance, we have indeed had an excellent start to 2008.

While it's always a bit tenuous scoring your own report card, I'm pretty comfortable in saying we are delivering on the promises, on our promises and then some. If silver prices remain buoyant and with the full year forecast of 19.5 million ounces of silver for 2008, we should be breaking records over the balance of the year. It will be tough to match our Q1 results in Q2, but with Manantial Espejo start-up rapidly approaching, Q3 and Q4 are looking very good.

Thank you and I would ask the operator to open the lines for questions.

Operator: At this time I would like to remind everyone, if you would like to ask a question please press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of John Bridges.

John Bridges: Hi, Geoff, everybody.

Geoff Burns: Good morning, John.

John Bridges: Hi. San Vicente. I know any mine building project in current times is fraught with challenges. But when, when do you expect, when should we start to build in more full production from the new mill to begin with?

Geoff Burns: Our schedule, John, is for completion by year-end 2008. So essentially December of this year. We'll probably have a, I'm going to say what we'd consider a normal ramp-up period, which would run through January for four to five months. So I'd start building in expanded productions in January and getting to full production capacity by June of next year. That's what we're planning.

John Bridges: And the toll treatment run rate for the rest of this year is going to be --

Steve Busby: We're running about 300 tons per day through the toll treatment. So we're anticipating to process 100,000 tons in total over the next 12 months going into the first quarter of '09.

John Bridges: Okay, got it. What do you think of Bolivia as a location today?

Geoff Burns: John, Bolivia clearly has its challenges. It has, since Pan American has been there. I think Steve said it pretty well. We are fortunate in one respect. We have very, very solid support from the local community where we're operating. We are quite far removed from the capital of La Paz, where there is always political rhetoric being thrown about. So it remains challenging but I'm comfortable given our location and frankly our size that we're going to be able to develop San Vicente into a nice little asset for Pan American.

John Bridges: Okay. Can you remind me what your economic interest is going to be in this one now? It -- you bought a bigger place, I believe.

Geoff Burns: We did, John. We own 95% of the company that controls the asset. Having said that, we do have to share 30% of our after-capital recovery operating cash flows with COMIBOL, who is, I'm going to say, a not-so-silent-at-times joint venture partner.

John Bridges: Okay, and then just a little bit of bookkeeping. La Colorada, the copper that you're putting in there. Is that just a small part of the ore body that's going to generate copper or is this going to be ongoing?

Geoff Burns: You've taken me a bit aback there, John, in terms of copper production. We're certainly producing lead and zinc cons, small quantities out of our sulphide plant there.

John Bridges: I think you reported a copper flow -- concentrate this time.

Geoff Burns: That's an error. I just see it on our sheets there. That -- no, there's no copper coming out of La Colorada.

John Bridges: Okay. Thank you very much. Keep up the good work.

Geoff Burns: Thanks, John.

Operator: Again, if you would like to ask a question that's star one on your telephone keypad. Again, star one. Your next question comes from the line of Terence Ortslan.

Terence Ortslan: Thanks, Terry Ortslan. How are you guys?

Geoff Burns: Good, Terry. Yourself?

Terence Ortslan: Thank you very much. Just a wrap-up question on the smelter TCRCs for your mixed cons? Where do we stand on those terms, which ones have been concluded each month and what are the terms for the ones concluded and which ones are still up to discuss and negotiate? Thanks.

Rob Doyle: Terry, Rob Doyle here. I can give you a little bit of background, and certainly if you'd like to follow-up with me with more details after the call. We have several contracts for all three of the types of concentrate. We produce zinc, lead, and copper concentrates. Our TCs and our main concentrate is our zinc production of course, and we sold that concentrate forward about two years ago and they're four or five year contracts. So the terms that we have currently reflects the market at that time. So we have rather lower TCs of somewhere between \$100 and \$120 per ton. However, we also have a fairly low basis of between 1,100 and 1,400. So net net it's coming in at around about \$350 a ton when you take into account the escalators.

Terence Ortslan: Okay. That's on the zinc, right?

Rob Doyle: Correct.

Terence Ortslan: Okay.

Rob Doyle: Correct. And --

Terence Ortslan: Does it -- I'm sorry. They're all being concluded for the year?

Rob Doyle: Yes, those are -- those contracts are in effect through to the end of 2009.

Terence Ortslan: Okay.

Rob Doyle: Our lead TCs are roughly around about -- on average somewhere around \$140 to \$150 a ton. And copper is lower than that, probably averaging around \$120 a ton. I can certainly give you a more detailed breakdown if you'd like by contract.

Terence Ortslan: Okay. I'll talk to you later about that. But essentially they've all been done and we know it's another job for you all this year so no so surprises, right?

Rob Doyle: No. That's correct.

Terence Ortslan: Okay. Thank you, guys.

Geoff Burns: Thanks, Terry.

Operator: Again, if you would like to ask a question that's star one on your telephone keypad. You do have a question from the line of Barry Cooper.

Barry Cooper: Yes, good day, everyone. Given the, I guess the somewhat slow build to commercial production; I expected now at Manantial, what kind of commercial production should we anticipate for 2008 coming from there?

Geoff Burns: Barry, I think we're still on the forecast. We still believe we're going to hit our forecast, which I think is approximately 1.6 million ounces of silver and 20 -- or 1.4 million ounces of silver, thank you, and 28,000 ounces of gold. Right now we're probably five or six weeks behind where our forecast was in terms of completing the project. For me that's damn close, frankly, and under these circumstances. But the way we've built our stockpiles in front of the process plant, we're still pretty comfortable we're going to make that forecast.

Barry Cooper: Right, okay. And the delays that you've seen to this point, you don't anticipate them kind of building and maybe having that delay extend into two or three months?

Geoff Burns: I don't see two to three months, Barry, at this point in time. I mean, I think Steve said we are working very hard to procure the last essentially critical items which are largely piping and electrical, and I think we're having reasonable success while spending a huge effort to do so. So no, I'm -- we're five to six weeks passed the end of June. You know what; you can't immediately put a pin in an exact date on a construction complete. But I don't see a two to three month delay, no.

Barry Cooper: Right. There's a lot of moving parts on a big project, that's for sure. Okay, thanks a lot.

Geoff Burns: Thanks, Barry.

Operator: Your next question comes from the line of Haytham Hodaly.

Haytham Hodaly: Just a couple of quick questions. Just, can you give us, give me, pardon me, your guidance for your full year G&A in exploration at this point, expenses exploration?

Geoff Burns: Our G&A, if I recall, is somewhere around \$12 million for the year.

Haytham Hodaly: Yes, with or without stock based compensation?

Geoff Burns: That includes stock-based comp.

Haytham Hodaly: Okay.

Geoff Burns: And our exploration right around \$8 million of expensed exploration.

Haytham Hodaly: And total exploration is how much?

Geoff Burns: Total exploration is slightly north of \$13 million

Haytham Hodaly: So another five capitalized. And just with regards to sustaining -- or maybe just cap ex. What's your, what's your overall cap ex for the year?

Geoff Burns: Boy. Off -- I don't have that in my head with me, Haytham. Perhaps you could give a quick call to Rob after the call and he could give you those details.

Haytham Hodaly: Sure, I'll do that. Okay. Thank you.

Geoff Burns: Thanks, Haytham.

Operator: Your next question comes from the line of Karen Lazarovis.

Karen Lazarovis: Yes, hello? Can you hear me?

Geoff Burns: I can, Carol.

Karen Lazarovis: It's Karen Lezorovick. I wanted to ask if you had any thoughts on this new information from Japan about using silver as a replacement for catalytic converters and if that technology is something that could revolutionize the use of silver in the future?

Geoff Burns: A quick comment based on some information that was discussed at the GFMS silver release. The catalytic converters that are affected are only those for diesel engines. And typically the diesel engines in cars that -- or actually it's in primarily off-road and SUV type vehicles. So it's not a -- the initial assessment is there would be some positive impact but it's not the sort of complete change on the gas catalytic converters from platinum and palladium to silver. So it's a positive development but the use is going to be relatively minor.

Karen Lazarovis: I see. Thank you.

Geoff Burns: Thanks, Karen.

Operator: Your next question comes from the line of Alexander Emery.

Alexander Emery: Yes, good morning, Mr. Burns. I had a couple of questions. This may be just a confusion in names. But your Morococho mine, I wonder if there's going to be any effect on that and the fact of the Toromocho copper mine is going to try to relocate the town of Morococho. I don't know if this has a bearing on your operation or whether there may be any interruptions there. And the second thing I was just curious about, we've seen pretty much what seems to be a solution to the Peruvian national mining strike, which is going to take place. And apparently what the mining federation says is that they're trying to push for a 10% ceiling on profits from a current level 8%. So I was just wondering if you feel that may have any impact on your earnings from your four Peruvian mines. Thank you.

Geoff Burns: Thanks, Alexander. I'll take the second question first. Obviously if there's a change in the legislation that pushes the profit sharing from 8 to 10% that would have a drag on our earnings. At this stage I don't believe there's any legislation that has been formalized or finalized. There is simply discussion. The other discussions that have taken place, which really have no impact on us at this point, are to the effect of eliminating what is a cap on the amount of profit sharing that can be distributed to employees. That has potentially quite an impact on some of our larger mining brothers in the country, but on us it would have no impact.

The first question, certainly the development of Toromocho is going to have some impact on our operations at Morococho. It's a very large project. We are in direct -- the close vicinity to that project. But I'm very confident that our discussions with Peru Copper will lead to a neighborly sharing of the resources in the area and I don't see at this stage any significant production disruptions in our future at Morococho.

Alexander Emery: Thank you.

Operator: Your next question comes from the line of David Christie.

David Christie: Just quickly on your commodity and foreign currency contracts you have. Did you add to positions during the quarter other than the 500,000 ounces of silver you have secured for the stuff still in concentrate?

Rob Doyle: No, we didn't, David. We delivered or we settled some of the base metal contracts but we didn't add to any of those.

David Christie: Okay, and there's no new currency contracts either?

Rob Doyle: There are. We're constantly assessing the market and we have added fairly significantly to our Peruvian soles book. We're ahead about \$22 million worth of sol purchase forward.

David Christie: What's your, what's that cover as far as percentage wise for this year?

Rob Doyle: We're trying to get up to about a 70% coverage so about 70% of our needs for the balance of this year.

David Christie: Okay, thanks, Rob.

Operator: Again, if you would like to ask a question, that's star one your telephone keypad. Again, star one.

And there are no further questions at this time.

Geoff Burns: Thanks operator and thank you ladies and gentlemen for joining us this morning. I look forward very much to giving you our next update for our second quarter some time in probably early to mid August. Until then, thank you.

Operator: Ladies and gentlemen, thank you for your participation. This does conclude today's conference call. You may now disconnect.