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**Operator:** Good morning ladies and gentlemen, and thank you for standing by. Welcome to the Pan American Silver First Quarter 2009 Earnings conference call.

At this time all participants' lines have been placed in a listen-only mode. At the end of today's presentation you'll be given a chance to ask your questions, and instructions will be given at that time. If you would like assistance at any time, please press the star followed by the zero and a conference operator will assist you. As a reminder, today's conference call is being recorded, May 13<sup>th</sup> of 2009.

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

**Geoffrey Burns:** Thank you Operator. Good morning ladies and gentlemen, and welcome to Pan American's First Quarter Earnings Release conference call.

Joining me today here in Vancouver are Steve Busby, our Chief Operating Officer, Michael Steinmann, our Executive Vice President of Exploration, Rob Doyle, our Chief Financial Officer, and Kettina Cordero, our Coordinator of Investor Relations.

I'm going to get started by making some brief comments about our achievements during the first quarter of this year and some observations about the current environment and what changes we're seeing in our business since last we spoke.

During our last conference call I described a number of cost reduction and cost control initiatives that we introduced late last year to combat what was a precipitous fall in both base metal prices and the price of our primary product; silver. At the same time, I told you that I was very optimistic about the prospects for a rebound in the price of silver going forward.

**Geoffrey Burns:** While I am pleased to be able to report today, that based on our first quarter results, which we released last evening, that I can conclude that our initiatives have been successful in driving our costs of production down, and indeed the price of silver has continued to rebound from the lows it touched in late November last year. Today's silver is trading just below \$14 per ounce, which is more than 50% higher than the \$9.17 per ounce low it touched on November 21<sup>st</sup> of 2008, and up almost 29% since the start of this year. These two factors, combined with the start up of our Manantial Espejo silver and gold mine in Argentina, allowed us to again move back into the black.

Here are our headline performance metrics; in the first quarter, we produced 4.9 million ounces of silver and a company record 21,000 ounces of gold. Our cash costs declined 28% as compared to the fourth quarter of last year, to \$5.94 per ounce, some 5% below even our full year cash costs forecast.

We generated mine operating income of \$10.5 million, an improvement of over \$20 million as compared to the last quarter of last year. Cash flow from operating activities before changes in working capital was \$19 million, or \$0.23 per share, an impressive \$31 million more than in the fourth quarter of 2008. And we've generated a quarterly net income of \$6.6 million, or \$0.08 cents per share.

While focusing on retooling our operations, particularly in Peru where base metals are an important byproduct for us, we also completed the construction and inaugurated two major growth projects. After almost two years in construction, Manantial Espejo reached commercial production on January 1 of this year, and has delivered one of the smoothest startups I have experienced in my +25 years in the mining business.

Our major expansion of San Vicente was also completed in the first quarter, and while we are still in commissioning, we have already started to ship both zinc and silver copper concentrates from our Bolivian mine, where production levels are already nearing feasibility estimates.

It was clearly a turn-around quarter for Pan American. And I would now like to turn things over to Steve, Rob, and Michael, who I know will provide you with some additional detail and commentary on our operations, our development projects, our financial condition, and our exploration programs. Steve.

**Steven Busby:** Thank you, Geoff, and good morning, ladies and gentlemen. It is with pleasure to report our first quarter results today, because I believe they clearly highlight one of Pan American Silver's strengths, its people. As previously reported, Pan American Silver's management responded quickly and decisively to the rapid collapse of the metal prices in the fourth quarter of last year by developing meaningful initiatives to reduce costs and improve productivities.

In February, I reported that we were just starting to see the benefits of these initiatives. Today, I am pleased to report the successful results in our first quarter 2009 operating performance.

Before I share the specific production and cost details of each of our mines, I'd like to provide additional details that further highlight the successes from these initiatives. Our overall unit operating costs per ton at our Mexican and Peruvian mines have reduced 20%, from \$55.20 cents per ton in the fourth quarter of 2008, to \$44.28 a ton in the first quarter of 2009.

The majority, or 87% of these cost savings are due to employment reductions, reduced prices of consumables, lower energy costs, all enhanced by higher tonnages. Positive currency exchange rate movements contributed the remaining 13% to the overall cost reductions.

Additionally, we have reduced our capital expenditure at our Mexican and Peruvian mines by 66%, from \$14.5 million in the fourth quarter of 2008 to \$5 million in the first quarter of 2009, as we cut back longer term mine developments beyond two years, as well as focus our developments to eliminate the lower grade, marginal areas during these times of reduced base metal prices.

Overall, during the first quarter of 2009, our operations produced 4.88 million ounces of silver at a cash cost of \$5.94 per ounce, reflecting a 6% improvement in silver production, and a 28% improvement on cash operating costs compared to the fourth quarter of 2008. Our first quarter production was led once again by Alamo Dorado's 1.3 million ounces of silver in Mexico, at a cash cost of \$4.51 per ounce, which is a significant improvement over the \$6.18 per ounce cost in the fourth quarter of 2008.

As reduced operating costs and improved productivities from the management initiatives were complemented by encountering an unexpectedly high gold grade zone in the upper regions of our Phase II pit layback that generated nearly 4,900 ounces of gold production versus our forecast of around 2,400 ounces.

As expected, the silver grades at Alamo Dorado reduced to 105 grams per ton in the first quarter, as we advanced the layback of our Phase II pit. This reduced grade will be more or less consistent during the remainder of the year until we get back into the higher silver grades that exist in the lower regions of the pit.

Despite complying with the Mexican Federal Decree issued in early May calling for a temporary six day suspension of operations to help combat the influenza outbreak, we expect quarterly silver production rates at Alamo Dorado to maintain around the 1.2 to 1.4 million ounces for the remainder of this year, given our ability to manage grades and production through our stockpile strategies.

We are expecting cash operating costs to increase to nearly \$6 per ounce as we return to more expected gold production levels after mining through this unexpectedly gold-rich zone in the upper reaches of the Phase II pit layback.

The La Colorada mine in Mexico produced 801,000 ounces of silver in the first quarter of 2009, as expected, after reducing the mining grades from some of the lower grade marginal areas of the deposit. La Colorada produced at a cash cost of \$7.36 per ounce in the first quarter, which was 15% better than expectations due to positive impacts of our management incentives.

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**Steven Busby:** The La Colorada mine also complied with the Mexican Federal Decree, and we incurred a six day temporary operation suspension, however, we do not have the ability in La Colorada to make up the production that we lose like we do at Alamo Dorado, since we process directly what we mine at that operation. Therefore we are expecting roughly similar silver production rates in the second quarter, while slowly improving those rates during the remainder of the year. We expect cash costs for the remainder of the year to be similar to the first quarter results, assuming gold prices remain stable.

I'm very pleased to report that our Peruvian operations produced just over two million ounces of silver at a cash cost of \$8.17 per ounce in the first quarter, reflecting a significant 21% improvement over the \$10.33 per ounce cost experienced in the fourth quarter of 2008.

As we had previously reported, our Peruvian operations required the most significant retooling efforts after the collapse of the base metal prices, given the dependence these poly-metallic operations have on the by-product base metal productions. We made a number of difficult decisions in late 2008, including reducing our Peruvian work force by more than 700 individuals, aggressively pursuing cost savings with all our primary contractors and suppliers, cutting back on our long term mine advances to those needed for no more than the next two years, minimizing mining of lower grade marginal ores, and announcing our intention to begin preparations to place the Quiruvilca operation into care and maintenance.

The efforts to execute these decisions were intense during the last six months, as the general Peruvian population was not fully prepared to accept the impacts of the rapid global recession. While we have generally been successful at navigating through these necessary changes, it hasn't come without some disruptions, like the one we announced in early April, where we incurred an eight day strike at our Morococha operation as we worked through the realities of the metal price impacts with our workers at that operation. We believe we now have those issues resolved with all of our workers in Peru, and have everyone now focused on executing our operating plans for 2009.

I am pleased to also report that the Quiruvilca mine produced almost 350,000 ounces of silver for a cash cost of \$10.12 per ounce with absolutely zero capital spending, which is a huge improvement over Q4 2008 results, and it was realized in spite of our announcing the intention to prepare the mine for care and maintenance.

While preparing for care and maintenance we do expect to be able to continue to reduce operations for the next several months, and possibly into early 2010, provided the base metal prices remain at their current levels. We do expect to see a small impact for our second quarter Peruvian mine silver production as a result of the eight day strike at Morococha, and anticipate returning to first quarter production levels for the third and fourth quarters of this year.

I'm particularly pleased to report that our start up at Manantial Espejo in Argentina is proceeding very smoothly, producing over 700,000 ounces of silver in the first quarter of 2009 at an outstanding cash cost of \$1.12 per ounce, benefiting from both a smooth startup and better than expected gold production and prices.

We certainly have our challenges at Manantial, with the remoteness of the site and the severe weather conditions, but we are very pleased to see the excellent ramp up success during the very first quarter of starting the plant operations. We are advancing a number of projects designed to prepare us for the upcoming winter operations, and ensure we will continue to see outstanding results in the coming quarters.

Fortunately, the mine developments are well ahead, given the delayed plant startup that we incurred. And this is providing us access to higher grade ores, similar to what we had experienced at the Alamo Dorado startup a couple of years ago. Overall, the plant processed over 131,000 tons of ore in the first quarter, which is almost 75% of design capacity, and 5% ahead of our ramp up targets.

**Steven Busby:** The silver grade for the quarter was 212 grams per ton, right on target, and the gold grade was 3.8 grams per ton, higher than our expected 2.9 gram per ton target. Silver and gold recoveries are ramping up ahead of our projections, with gold recoveries already exceeding our life of mine targets of 94%, and silver recoveries at 86%, working our way towards our life of mine projections of greater than 90%.

We are working towards getting all of our Manantial Espejo operating groups well-trained and fully functional as we strive to achieve steady state production in the coming months. At this point we feel confident we'll be able to achieve our targets for both production and costs for 2009.

We were very pleased also to report the completion of construction and initiation of startup activities at our San Vicente project in Bolivia in late March within about eight weeks of our target, and within our last capital cost estimate of \$71.3 million. We produced a limited amount of floatation concentrates in late March, and we're now in full startup mode at the operation.

The development of our mechanized mining method on the new high grade Litoral vein is looking fabulous, and is already starting to provide some excellent grades to our plant during the startup operations.

This has indeed been a very eventful quarter for Pan American Silver, with intense focus on cost savings and productivity enhancements, successfully resolving an employee strike in Morococha, complying with the Mexican Federal Decree to combat the influenza outbreak, all the while successfully inaugurating not just one, but two new mines for the corporation.

In closing I would just like to say that I am very confident in our ability to achieve our 2009 production costs and forecasts. I'll now turn the call over to Rob Doyle for the financial update.

**Robert Doyle:** Thanks Steve, and good morning ladies and gentlemen.

Our financial results in Q1 2009 showed a vastly improved picture from our Q4 2008 results. Before we get into the details, I'd like to review some of the significant events that occurred during the quarter and had a material impact on our results or financial position.

In February, we closed a common share offering for proceeds of \$98 million net of underwriting fees and issue costs. The proceeds from the offering altered our liquidity and further strengthened our balance sheet. As Steve has discussed, our Manantial Espejo mine in Argentina enjoyed a very smooth startup, allowing us to declare commercial production on January 1, 2009. Manantial produced 729,000 ounces of silver, 13,500 ounces of gold, contributed about \$2 million of income to our bottom line, and was cash flow positive all in its first quarter of production.

As you heard from Steve, we also completed the construction of San Vicente during the quarter, which brings to an end the period of heavy capital expenditures, which has seen Pan American investing just over \$560 million in its development projects and operations since the beginning of 2005. With the construction of San Vicente behind us, and a liquid, debt free balance sheet we are financially very well positioned to respond to strategic growth opportunities.

**Robert Doyle:** Our financial results in Q1 2009 reflected the positive impact of the cost cutting initiatives taken in the third and fourth quarters of last year. On a per tonne basis, operating costs declined by 13% at the Peruvian operations, and by 34% at the Mexican operations compared to Q4 costs, largely due to our cost initiatives, the benefits of weak or low currencies and softer markets for energy, consumables and reagents.

We also enjoyed a nice recovery in silver prices, which bounced back by 23% on average from prices that prevailed in Q4 of 2008. The net result was that our operating margins in Peru and Mexico increased by almost three-fold from the last quarter of 2008. And then of course there was the positive impact of Manantial Espejo's contribution to silver and gold production, earnings and cash flow.

As a consequence of all of these factors, we saw much improved operating results in Q1 2009 compared to Q4 2008. Mine operating earnings were \$10.5 million, that's a \$20.4 million positive swing from the previous quarter. Net income was \$6.6 million, or \$0.08 per share, compared to a loss of \$0.41 per share.

Cash flow from operations before working capital movement was \$19 million, a positive swing of \$30.6 million from Q4 2008. When we compare our Q1 2009 results against the comparative period of 2008, the impact of sharply lower silver and base metal prices quickly becomes apparent. Although we produced and sold more of all of our products, other than lead, much lower metal prices caused a \$37.9 million decline in sales, which was the key difference between our results compared to a year ago. On average compared to Q1 2008, silver prices declined by 28% while zinc, lead, and copper prices fell between 52% and 60%.

Our statement of operations for Q1 2009 was reasonably straightforward and did not contain any material, atypical charges that we have seen in recent periods. We did close down the balance of our base metal hedge book early on in the quarter, while buying back our forward sales position and crystallizing a substantial gain. We expect to receive another \$8.1 million over the balance of 2009 as these contracts settle.

In April, subsequent to the quarter end, we made the decision to catch some of the recovery that we have seen in zinc prices by committing about 20% of the remainder of our 2009 payable production to an option structure, which guarantees us between \$1250 and \$1630 per tonne, for 5,000 tonnes.

Moving to the balance sheet, our working capital increased by \$104.2 million during the quarter, primarily due to the proceeds from our equity offering in February. We also increased our inventories and accounts receivable as a direct result of both Manantial Espejo and San Vicente ramping up operations.

From a cash flow perspective, we invested \$18.7 million in property, plant and equipment during the quarter. \$9.9 million of that amount was spent on completing the expansion at San Vicente, while \$3.5 million was spent closing our construction payables at Manantial Espejo and completing refinements to the plants and machinery at the mine.

In addition, we invested \$5.3 million on capital projects at our existing operations. These capital expenditures were funded from cash flow produced, generated by operations before working capital movements of \$19 million. We finished the quarter with a solid working capital position of \$199.3 million, at the current ratio of 3.7 to 1, and cash and short term investments of \$107.3 million.

**Robert Doyle:** Overall, an excellent turnaround quarter for Pan American, but it was not all transcending. One troubling situation that did not have a material impact on our Q1 results, but may have on our future results is the financial distress of Doe Run Peru, the owner of the La Oroya lead copper zinc smelter in Central Peru, and the largest purchaser of our high value copper silver concentrate that we produce at our Peruvian operations.

Doe Run Peru ran into financial difficulties in February, when their credit lines were withdrawn by their banks. That prevented them from purchasing concentrate from us and other mining companies, and effectively forced a substantial closure of the smelter. Pan American, like many other mining companies in Peru, there are two main impacts: first, we have delivered approximately \$7.5 million worth of concentrate to Doe Run Peru for which we have not yet been paid.

The second potential impact is on smelter terms related to future production, should the company have to find alternative markets for our copper-silver concentrates in Peru. There are a limited number of smelters in the world that can process our concentrates, and we could experience material deterioration in the terms that we are able to negotiate for those concentrates.

The Peruvian government, together with mining companies and concentrate smelters have shown a willingness to find a satisfactory solution to the Doe Run Peru financial problems, and the company remains optimistic of a full recovery of the amounts owed to it, and that normal operations will resume at the La Oroya smelter, but realistically it could take another two to three months to resolve.

With those comments I'll hand it over to Michael for an update on our exploration activities. Mike?

**Michael Steinmann:** Thank you Rob, and good morning everybody.

This is an exciting day for me as I will introduce you to our newest development project, and hopefully next mine; La Preciosa in Mexico. But first I would like to take a few minutes to talk about our ongoing brown and green field programs around our operations.

I'm sure you remember from the last conference call that our exploration efforts remain largely focused on our operations within a limited number of select, high potential projects in Mexico and Peru. The Corporate 2009 Exploration Program contains a total of 53,000 meters of diamond drilling at a cost of approximately \$4.8 million. During Q1 we drilled over 9,500 meters of this program.

Due to the cost savings initiatives we reduced our programs at Huaron and Morococha as we have a large reserve base in both of these mines. We focus our drilling on high grade targets close to existing infrastructure, like the Morro Solar area in Morococha. Infill drilling is still ongoing in the peripherals of this major vein system, which was discovered in 2008. Level 575 is already in production and levels 520 and 375 are currently under development.

No doubt that the best exploration results in the first quarter came from La Colorada. Deep drilling of the sulfide veins returned multi-kilogram of silver, and up to 20% combined lead-zinc, with intersect of range from one to nine meters wide, and are located up to 130 meters below the current mining levels.

Drilling will continue throughout the year to explore the remaining 600 meter strike line of this major NC2 vein and parallel structures. This will provide part of the production of the next coming years and extend the mine life of La Colorada

**Michael Steinmann:** I'm also excited that we started our exploration program at Manantial Espejo. As you heard from Steve, the mine is in full production. We have one underground rig, which is exploring vein expansions, but there was no surface drilling for nearly three years during the feasibility and construction phase. Surface geology has resumed, and a 7,000 meter drill program is planned for the second half of 2009.

We hold over 25,500 hectares of mining concessions in this prolific silver-gold district, and I have no doubt that our exploration will add meaningfully to the mine life of Manantial Espejo.

And now to our newest development project: On April 14<sup>th</sup> we announced the joint venture between Pan American Silver and Orko Silver, to jointly develop the La Preciosa property in Mexico. The mineral concessions at La Preciosa at the adjacent Santa Monica and San Juan prospects cover over 32,000 hectares located in the state of Durango. Orko has defined an indicated resource of 10.6 million tons containing 63 million ounces of silver and 94,000 ounces of gold; and an inferred resource of 12.1 million tons containing 72 million ounces of silver and 97,000 ounces of gold, as published in a technical report on March 31<sup>st</sup>, 2009.

Grades are 185 gram per ton for silver and approximately 0.26 gram per ton of gold. Over 150,000 meters of drilling at 100 meter-spaced holes has already taken place on the property. The most important structure discovered to date is the Martha vein, which has a thickness of two to 40 meters. Several other veins have been identified in all the underground workings, drilling, and as surface expression.

Outcrops have been mapped and sampled over a multi-kilometer distance, and many of them have yet to be drill-tested. Due to its large size the property will require a substantial amount of exploration and infill drilling in order to move the resource into the measured and indicated categories.

Beside the mentioned resource, the extensive property contains a large amount of new exploration targets. Some of them have been already sampled and trenched by Orko and will be drill tested during 2009. Over the next year, Pan American will spend a minimum of \$5 million for infill drilling, exploration, and metallurgical test work. \$2.5 million on this project will be spent to continue the exploration around the known resource.

In order to maintain its 55% interest, Pan American will then provide 100% of the funds necessary to complete the feasibility study, and to bring the property into production. The transition to Pan American as a new operator of La Preciosa is being finalized, and drilling should resume on the property towards the end of May.

We are very excited to explore and develop this large silver deposit with our new joint venture partner, Orko Silver, which will hopefully be our next mine and continue our steep production growth profile.

**Geoffrey Burns:** Thanks Michael.

Okay, you have now heard in detail where we were. Let's look at where Pan American is headed, and why I remain exceedingly optimistic about our prospects for the balance of 2009 and beyond.

**Geoffrey Burns:** We are maintaining our production forecast for 2009, and are planning to produce 21.5 million ounces of silver, ready to deliver our 14<sup>th</sup> consecutive year of growth. We are reducing our cash cost forecasts to six dollars per ounce based on the better than expected results we achieved in the first quarter. We should more than double, actually nearly triple our gold production this year, and like silver, are maintaining our 2009 forecasts for gold at 85,000 ounces.

We will continue our commissioning efforts at San Vicente, and still expect to declare commercial production at this expanded operation early in the third quarter of this year.

It is extremely rewarding, after having been involved with this asset since 1999, to finally be positioned to begin to harvest the benefits of the high grade Litoral vein. As Michael just described, with Manantial Espejo now moving towards steady-state operations, we are going to ratchet up our exploration efforts. This +25,000 hectares property has numerous vein outcrops and shallow targets, which have never been drill-tested. And I am exceedingly confident that there is another significant discovery still waiting to be unearthed at Manantial Espejo.

We will continue to prepare our highest cost operation, Quiruvilca for a period of care and maintenance. A tough decision given that Quiruvilca was Pan American's founding operation when it was first acquired back in 1995. It's been a wonderful mine for us, but it's time, and with its closure Pan American's cost of production will decline even further.

We can't wait to get going at La Preciosa. In our opinion it's a tremendous property. The land package is huge, as Michael just described at over 32,000 hectares. Our new joint venture partners, Orko Silver have already extensively drilled the property, defining a silver resource in excess of 135 million ounces. It's in Mexico, it's literally within an hour of our established infrastructure in Durango, and in terms of development it's almost at the exact same stage as Alamo Dorado was when we first got involved there. And the timing couldn't be better with our development group just becoming available to redeploy on this new project.

With no debt, almost \$200 million in working capital, our heaviest capital expenditures now behind us, and well-positioned to generate significant positive cash flows for the balance of this year, we are in exceedingly good shape to aggressively look for even more growth.

Before taking questions, I would like to take a moment to thank all our employees at Pan American. I have said on numerous occasions that our core strength is our ability to develop and operate mines in multi-jurisdictions. That strength is directly related to the depth of experience and the dedication of the people at Pan American. We have successfully emerged from a very difficult period where we had to make difficult decisions and then implement them immediately. Our people had to make some very real sacrifices, and on behalf of you, our shareholders, I would like to thank them for their efforts. They have clearly demonstrated that they are Pan American's core strength.

Lastly, the annual Silver Survey was released in New York this morning. Unfortunately due to my schedule I was unable to attend the event, and have not yet had a chance to review the latest information on the silver market that was prepared by Goldfields Mineral Research. However, I am confident that what we are likely to find is that investment demand continues to be the driving force behind the silver market and the current silver price. And given the prospects for the US dollar and the fact that I personally do not believe we have emerged from the financial mess that unfolded last year, I would expect this trend to continue for quite a while longer. Silver and gold should retain their status as a safe haven, and a value-retaining investment, as governments around the world continue to print more, and more, and more currency.

**Geoffrey Burns:** Thank you; and I would ask the Operator to now 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 would like to ask a question, please press the star followed by the one on your push button phone. If you would like to decline from the polling process please press the star followed by the two. We do ask that you please lift your handset before making your selection.

Once again ladies and gentlemen, if you would like to ask a question on today's presentation, please press the star followed by the one at this time. One moment please, for the first question. Our first question will come from the line of John Bridges with JP Morgan, please go ahead.

**John Bridges:** Hi, good morning everybody. Just wondered if you have any idea as to the, you know, the deterioration in the terms of the contracts if you don't get Doe Run going again?

**Robert Doyle:** Sure. John I can give you some indication. We have been active in the spot concentrate market over the last month or two so we do have a pretty good handle on what that might be and it does vary depending on the quality of the concentrate but, it's probably between \$300 and \$500 per tonne deterioration from the existing terms we have with Doe Run. That would be roughly, say 15% of the NSR value.

**John Bridges:** Okay. In your income statement you had an investment income, a line item there, what was that?

**Robert Doyle:** Investment income was really, primarily, just interest generated on our cash holding. There is also some other income related to a set amount we received on an insurance claim, at the Huaron mine of about \$700,000.

**John Bridges:** Okay so that's what makes it a little bit bigger. And then finally, was there any concentrate adjustment coming through this quarter? It didn't appear to be but just wonder if it's been lost in the numbers.

**Robert Doyle:** No, not material John.

**John Bridges:** Oh okay, okay many thanks guys, thanks a lot.

**Geoffrey Burns:** Thanks John.

**Operator:** Thank you. We'll move to our next question from the line of Steve Butler, with Canaccord Adams. Please go ahead.

**Steve Butler:** Good morning Geoff and everybody. Question for you, congratulations on Manantial it's a nice, it's a very nice wrap up on the commercial production there.

On the San Vicente, the wrap up there towards commercial production at the higher level, Geoff, or Steve, are we talking about tonnes per day about 700 to 750 tons per day? Is that the correct expansionary number, yes, at San Vicente?

**Steven Busby:** Yes Steve the design capacity is 750 tons per day. I will say that during April we have seen extensive days, four or five days in a row where we've achieved those tonnages already, so things are looking good there.

**Steve Butler:** Okay. And, Rob you mentioned \$300 to \$500 per tonne, potential on the spot base deterioration and on your copper silver concentrates, we don't have any sense of tons per year that you may produce from your Peruvian operations of that particular concentrate. Do you have that order of magnitude, tons per year or per quarter that you produce of that copper silver concentrate? Thanks.

**Robert Doyle:** Sure Steve. It's somewhere in the region of 18 to 20,000 weight metric tons per annum.

**Steve Butler:** Metric tons per annum, okay. And, you said as well, Rob I'm a bit surprised but you said there's no material, I mean I see you stated your realized silver price. You didn't, and you stated your decline in realized prices year-over-year but, in terms of realized zinc, lead, copper you were pretty much spot on or near the LME average, is that the idea?

**Robert Doyle:** Correct.

**Steve Butler:** Okay, thank you.

**Geoffrey Burns:** Thanks Steve.

**Operator:** Thank you. We'll move to the next question from the line of Haytham Hodaly with Salman Partners. Please go ahead.

**Haytham Hodaly:** Good morning, Geoff and everybody else, great quarter. A couple of quick questions, one just with regards to Quiruvilca. Wondering what's the latest estimate on the closure costs, and over what period of time?

**Steven Busby:** Right now we have the closure costs are part of our reclamation liability that we carry there. We're looking at the number right now.

**Robert Doyle:** The present value is just shy of \$20 million is what we have provided for on the balance sheet.

**Steven Busby:** And the majority of that cost is to continue to operate and wrap down the water treatment plant for the mine dewatering cleaning.

**Geoffrey Burns:** That's a, Haytham that's fairly long term expenditure. There wouldn't be a significant sort of one time cost coming through. The vast majority is, as which Steve suggested, we will have to continue to treat for acid water, and that cost is at the moment around \$1.2 to \$1.4 million a year, and that's going to continue for quite a period of time as we kind of close up, frankly close up a lot of the mine openings and cut down on the drainage of water coming out of the mine.

**Haytham Hodaly:** Geoff will that hit the actual income statement outside of reclamation improvements?

**Geoffrey Burns:** No and actually I think we're at this stage, Haytham we're fully accrued for that future expense. It will, you know, on an annual basis it will be a cash impact but it should not go through the income statement.

**Haytham Hodaly:** Okay so it'll just hit the statement of consolidated cash flows, fair enough. And you know what? The rest of my questions have been answered. Looks great gentlemen, thank you.

**Geoffrey Burns:** Okay thanks Haytham.

**Operator:** Thank you. We'll move to the next question from the line of Chris Lichtenheldt with UBS. Please go ahead.

**Chris Lichtenheldt:** Good morning. Two questions: First just a bit of a housekeeping question but you mentioned the lower cash cost guidance for the year. Does that include revised by-product metal price assumption?

**Robert Doyle:** No it doesn't Chris. That's, actual results from Q1, and then all budgeted results for the remaining three quarters at our original budget assumptions, assumed byproduct prices.

**Chris Lichtenheldt:** Okay, so \$725 gold I guess.

**Robert Doyle:** You're correct.

**Chris Lichtenheldt:** Okay, great thanks. Secondly, you mentioned the strategic alternatives and obviously you have a growing cash position and the access to the line of credit. Can you just talk a little bit about what you may be looking at this year in terms of, producing, non-producing type assets? And, the second part of that would be, would you consider looking at a silver-stream type agreement?

**Geoffrey Burns:** Okay Chris I'll take that question. I certainly would love to do another transaction similar to the arrangement we've just done with Orko Silver. I think that is clearly where we can bring the most value to the equation by using our strengths of being able to essentially bring a project from an exploration stage through pre-production and development feasibility and then ultimately construction. And there are, you know, there are a limited number of those types of opportunities but they're there, and we are looking at them very carefully. At the same time, there are a couple of already in production opportunities that I think would be very good strategic fits with Pan American, in terms of metals, in terms of location, and we're going to continue to forward our discussions on those.

In terms of silver-stream I don't see that as being our business. I think there is clearly a player in that game who has built a very interesting business model. It's not a model that I am particularly a big fan of. I think we provide some additional abilities versus being passive investors, as we just demonstrated over the last quarter. We can do some things to change our future, and change our fortunes and, that's what we do best. I don't see just, essentially spending money today to have someone deliver me future, or silver in the future, that's not a game we're interested in.

**Chris Lichtenheldt:** All right. Okay, great, makes sense. Thanks a lot.

**Geoffrey Burns:** Thanks Chris.

**Operator:** Thank you. We'll move to the next question from the line of David Christie with Scotia Capital. Please go ahead.

**David Christie:** Hi guys, just a quick question on DD&A. It looks like, you know, your cost per ounce on the non-cash side for, natural and some of the other assets was a little higher this quarter than it had been. Is that sort of a trend we'll see for the next little while?

**Robert Doyle:** It is David. It's likely going to be a continuous charge in and around that neighborhood because of the impact of commercial production declared at Manantial Espejo. We are taking a full depreciation charge on a per ton milled basis at Manantial.

**David Christie:** Yes. What do you sort of see it at for the whole company for a cost per ounce basis for the year?

- Robert Doyle:** From, from the, (Cross talking)
- David Christie:** Because it's a higher amount on that mine and probably the new San Vincente as you move forward.
- Robert Doyle:** It is higher. Just looking at the budget here, David I think, for the year we're looking at about a \$3.40 per ounce.
- David Christie:** Exactly, okay perfect. That's exactly what I have, I just wanted to make sure I was on the right track. Okay, perfect, thanks guys.
- Geoffrey Burns:** Thanks David.
- Operator:** Thank you sir. Ladies and gentlemen if there are additional questions at this time, please press the star followed by the one on your touch button phone. We do ask that if you are using speaker equipment that you please lift the handset before making your selection. One moment for our next question; our next question is a follow up question from the line of Steve Butler. Please go ahead.
- Steve Butler:** Okay, I may have missed it, Michael in your address but on the Orko Silver transaction La Preciosa, what is the plan of attack for expenditures there or infill drilling, is that the main focus or exploration? What is your focus for the next six to 12 months let's say.
- Michael Steinmann:** Yes Steve, as I described there's quite a large resource already available there that is, indicated in infill categories. There will be a large amount of infill drilling to move that ahead into measured resources and then push it into feasibility. But at the same time as I described there are lots, many exploration targets around this resource, maybe in the surrounding of a few kilometers reach could be part of the same land and same production. We're going to go ahead there with one or two rigs and explore these targets at the same time.
- Steve Butler:** Okay.
- Geoffrey Burns:** So total expenditure Steve about, we're planning \$5 million over the next 12 months as a minimum. Of that about half of that will go to, we'll call it the development aspect which is the infill drilling as Michael's described and metallurgy and land acquisition, etcetera, moving things forward. And the other half will go to, much more pure exploration to look at some of these other targets and see if they contain similar quantities of silver as have already been defined.
- Steve Butler:** Any synergies here at all? Geoff I'm not sure, spatially where it sits, vis a vis La Colorada or is it, you know, too far away?
- Geoffrey Burns:** No, actually there's some very, very good synergies on the administration side Steve. We haven't really looked at potential tax synergies, they may be available as well, but our base of operations in Mexico is Durango. That's where we have essentially our country office. And the property is by road, about an hour's drive outside of Durango. Yes, we are going to be able to use our current infrastructure in Mexico to manage this project.
- Steve Butler:** Okay. Thanks Geoff.
- Geoffrey Burns:** You're welcome.

**Operator:** Thank you sir. Ladies and gentlemen if there are additional questions at this time, please press the star followed by the one. If you're using speaker equipment you will need to lift the handset before making your selection. One moment please for the next question. Management, at this time we have no additional questions in the queue and I'll place the line back to you at this time for any closing remarks.

**Geoffrey Burns:** Thank you Operator and thank you ladies and gentlemen for joining us here this morning. It certainly was a, for me a very pleasing report on the heels of our last quarter, which was a very un-pleasing report. I very much look forward to what we have ahead and to talking to you again in about three month's time. Thank you.

**Operator:** Thank you management. Ladies and gentlemen, at this time we will conclude today's teleconference. We do thank you for your participation on today's conference call. You may now disconnect, and please have a pleasant afternoon.