

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS CONFERENCE CALL TRANSCRIPT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS RELATING TO THE COMPANY'S AND ITS OPERATIONS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS NEWS RELEASE, THE WORDS "ANTICIPATE", "BELIEVE", "ESTIMATE", "EXPECT", "INTEND", "TARGET", "PLAN", "FORECAST", "STRATEGIES", "GOALS", "OBJECTIVES", "BUDGET", "MAY", "SCHEDULE" AND OTHER SIMILAR WORDS AND EXPRESSIONS, IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: THE PRICE OF SILVER AND OTHER METALS; ANTICIPATED FUTURE OPERATING CASH FLOWS, GROWTH OPPORTUNITIES AND EARNINGS; THE SUFFICIENCY OF THE COMPANY'S CURRENT WORKING CAPITAL OR ITS ABILITY TO RAISE NECESSARY FUNDS; THE ACCURACY OF ESTIMATES OF FUTURE PRODUCTION AND FUTURE CASH AND TOTAL COSTS OF PRODUCTION AT ITS OPERATIONS; ESTIMATED PRODUCTION RATES FOR SILVER AND OTHER PAYABLE METALS PRODUCED BY THE COMPANY, TIMING OF PRODUCTION AND THE CASH AND TOTAL COSTS OF PRODUCTION AT EACH OF THE COMPANY'S PROPERTIES; THE AVAILABILITY AND EFFECT OF ANY COST CUTTING OR AUSTERITY MEASURES UNDERTAKEN BY THE COMPANY; THE ESTIMATED COST OF RAMP-UP OF SAN VICENTE; THE ESTIMATES OF EXPECTED OR ANTICIPATED ECONOMIC RETURNS FROM THE COMPANY'S MINING PROJECTS; FORECAST CAPITAL AND NON-OPERATING SPENDING; THE ABILITY OF THE COMPANY TO EARN ITS INTEREST IN THE LA PRECIOSA PROJECT AND THE EFFECTS OF OBTAINING SUCH INTEREST; FUTURE SALES OF THE METALS, CONCENTRATES OR OTHER PRODUCTS PRODUCED BY THE COMPANY; RECOVERY, IF ANY, OF AMOUNTS DUE FROM DOE RUN PERU; AND THE COMPANY'S PLANS AND EXPECTATIONS FOR ITS PROPERTIES AND OPERATIONS.

THESE STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, BOTH KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS NEWS RELEASE AND THE COMPANY HAS MADE ASSUMPTIONS BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS INCLUDE WITHOUT LIMITATION: FLUCTUATIONS IN SPOT AND FORWARD MARKETS FOR SILVER, GOLD, BASE METALS AND CERTAIN OTHER COMMODITIES (SUCH AS NATURAL GAS, FUEL OIL AND ELECTRICITY); FLUCTUATIONS IN CURRENCY MARKETS (SUCH AS THE PERUVIAN SOL, MEXICAN PESO, ARGENTINE PESO AND BOLIVIAN BOLIVIANO VERSUS THE U.S. DOLLAR); RISKS RELATED TO THE TECHNOLOGICAL AND OPERATIONAL NATURE OF THE COMPANY'S BUSINESS; CHANGES IN NATIONAL AND LOCAL GOVERNMENT, LEGISLATION, TAXATION, CONTROLS OR REGULATIONS AND POLITICAL OR ECONOMIC DEVELOPMENTS IN CANADA, THE UNITED STATES, MEXICO, PERU, ARGENTINA, BOLIVIA OR OTHER COUNTRIES WHERE THE COMPANY MAY CARRY ON BUSINESS IN THE FUTURE; RISKS AND HAZARDS ASSOCIATED WITH THE BUSINESS OF MINERAL EXPLORATION, DEVELOPMENT AND MINING (INCLUDING ENVIRONMENTAL HAZARDS, INDUSTRIAL ACCIDENTS, UNUSUAL OR UNEXPECTED GEOLOGICAL OR STRUCTURAL FORMATIONS, PRESSURES, CAVE-INS AND FLOODING); INADEQUATE INSURANCE, OR INABILITY TO OBTAIN INSURANCE, TO COVER THESE RISKS AND HAZARDS; EMPLOYEE RELATIONS; AVAILABILITY AND INCREASING COSTS ASSOCIATED WITH MINING INPUTS AND LABOR; THE SPECULATIVE NATURE OF MINERAL EXPLORATION AND DEVELOPMENT, INCLUDING THE RISKS OF OBTAINING NECESSARY LICENSES AND PERMITS; DIMINISHING QUANTITIES OR GRADES OF MINERAL RESERVES AS PROPERTIES ARE MINED; GLOBAL FINANCIAL CONDITIONS; BUSINESS OPPORTUNITIES THAT MAY BE PRESENTED TO, OR PURSUED BY, THE COMPANY; THE COMPANY'S ABILITY TO COMPLETE AND SUCCESSFULLY INTEGRATE ACQUISITIONS; CHALLENGES TO THE COMPANY'S TITLE TO PROPERTIES; THE ACTUAL RESULTS OF CURRENT EXPLORATION ACTIVITIES, CONCLUSIONS OF ECONOMIC EVALUATIONS, AND CHANGES IN PROJECT PARAMETERS TO DEAL WITH UNANTICIPATED ECONOMIC OR OTHER FACTORS; INCREASED COMPETITION IN THE MINING INDUSTRY FOR PROPERTIES, EQUIPMENT, QUALIFIED PERSONNEL, AND THEIR COSTS; AND THOSE FACTORS IDENTIFIED UNDER THE CAPTION "RISKS RELATED TO PAN AMERICAN'S BUSINESS" IN THE COMPANY'S MOST RECENT FORM 40F AND ANNUAL INFORMATION FORM FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES. INVESTORS ARE CAUTIONED AGAINST ATTRIBUTING UNDUE CERTAINTY OR RELIANCE ON FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE AS ANTICIPATED, ESTIMATED, DESCRIBED OR INTENDED. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE THESE FORWARD-LOOKING STATEMENTS OR INFORMATION TO REFLECT CHANGES IN ASSUMPTIONS OR CHANGES IN CIRCUMSTANCES OR ANY OTHER EVENTS AFFECTING SUCH STATEMENTS OR INFORMATION, OTHER THAN AS REQUIRED BY APPLICABLE LAW.

Operator: Good day, ladies and gentlemen. Thank you for standing by. Welcome to the Pan American Silver Second Quarter 2009 Earnings Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the conference, we'll be opened for questions. If you have a question, please press the star, followed by the one on your touchtone phone. Please press star, zero for Operator assistance at any time. For participants using speaker equipment, it may be necessary to pick up the handset before making your selection. This conference is being recorded today, Wednesday, the 12th of August, 2009.

I would now like to turn the conference over to our host, Mr. Geoff Burns, President and CEO. Please go ahead.

Geoff Burns: Thank you, Operator. Good morning, ladies and gentlemen, and welcome to Pan American Silver's second quarter news release conference call. Joining me today here in Vancouver are Steve Busby, our Chief Operating Officer; Michael Steinmann, our Executive Vice President of Exploration and Mine Geology; Rob Doyle, our Chief Financial Officer; and Kettina Cordero, our Coordinator of Investor Relations.

During our last conference call in mid May, I described the first quarter 2009 as being a turnaround quarter for Pan American Silver, as we successfully reduced our consolidated costs by 28% and moved back into the black on all financial metrics. On that call, I also openly expressed my optimism that our results would only get better over the balance of 2009, as our two newest mines, Manantial Espejo in Argentina and San Vicente in Bolivia, ramped up to full production capacities. It's indeed rewarding to have delivered on that optimism during the second quarter.

Geoff Burns: Here's our headlines. In the second quarter, we produced a new quarterly company record, 5.8 million ounces of silver, up 28% from the same period a year ago and up 19% as compared to our first quarter of this year. Our quarterly goal production also climbed by 20% from the first quarter to a quarterly company record of 25,000 ounces.

Gold is now clearly our most significant byproduct, accounting for 18% of our total revenues. Our consolidated cash cost remains stable at \$5.99 per ounce, just slightly below our full year forecast of \$6 per ounce. This is extremely gratifying, as we've been able to hang on to the massive cost decline we reported during the previous quarter.

We generated mine operating income of \$23.5 million, more than double of what we generated in Q1. Cash flow from operating activities was a very healthy \$32 million, or \$0.37 per share, also significantly improved from Q1. And our bottom line was solid, with quarterly adjusted net income of \$13.5 million, or \$0.16 per share; again, almost double the income we reported in the first quarter of this year.

It wasn't all smooth sailing in the second quarter, but then it rarely is. After 25-plus years in this business, I've come to learn that this is mining, and there's always something. As Steve will talk about in a moment, we had to deal with the swine flu outbreak in Mexico and their government's response thereto. We had a short-lived labour disruption in our Morococha Mine in Peru, followed by a mechanical issue with their primary ball mill of the same operation. And as Rob will discuss, we had to deal with hopefully, the temporary closure of Doe Run smelter in Peru, the primary purchaser of our high-value silver copper concentrates.

But I've also learned that when you have a diversified asset base and a top-notch operating development team, there's usually some good news that helps keep things on track. And we had more than our share of that this past quarter. Manantial Espejo is solidly outperforming our projections, thanks in large part to the fact that we're churning out more gold than we expected. San Vicente's ramp-up rivals Manantial in terms of timelines and performance, allowing us to declare commercial production in the first quarter of operation some three months ahead of schedule. Our Mexican operations have been spot on, with Alamo Dorado continuing to outperform our estimates and La Colorada meeting every challenge that you can imagine in an underground mine and still hitting right on forecast. When we tolled up all the pieces, we delivered some pretty happy second quarter results.

With that, I'd like to turn the call over to Steve, Rob, and Michael, who I know will provide you with some additional colour and commentary on our operations, development projects, financial condition, and exploration programs. Steve?

Steve Busby: Thank you, Geoff. After the last five years of intensive project development and mine construction work, it is a pleasure to report our record-breaking second quarter results to you today, which highlight our company's now proven talents in bringing dreams into reliable producing mines that generate a solid economic base locally, while providing returns to our trusting shareholders.

Let me start by jumping right into great news with our outstanding performance of Manantial Espejo in Argentina, where we produced just over 1 million ounces of the silver at a cash cost of negative \$0.93 per ounce, net of an excellent byproduct credit from nearly 18,500 ounces of gold production, which more than covered all of our operating cost just by itself.

Steve Busby: Our start up hasn't been without its own challenges, as we had lost one of our critical grinding mill motors during the quarter, which fortunately was replaced in early July without incurring the material impact to our 2009 forecasted production or cost. Despite this disruption, I believe the production and cost results speak for themselves. In particular, the plant processed over 144,000 tons of ore in the second quarter, which is almost 80% of the plant design capacity, in spite of the failed mill motor issue.

The silver feed grade for the quarter was 232 grams per ton, with 88.5% recovery, just shy of our expectations, whereas the Gold Mill feed grade was 3.8 grams per ton and 94.4% recovery, which is ahead of our expectations. We feel confident we'll be able to achieve our targets for both production and certainly for cost for 2009 at Manantial Espejo, given we have completed the necessary plant winterization projects in time to prevent any weather-related disruptions.

I'd like to give a special recognition to our Argentine workforce, who has recently been named the Argentine 2009 Mining Company of the Year by the *Primary Argentina Mining Press* and Argentina's Association for the Development of the Mining Industry. This is an award well received by the staff, who has put in long, hard hours getting the job done right and bringing this mine into production safely and efficiently.

Our Peruvian operations produced just over 1.9 million ounces of silver in the quarter, which was slightly ahead of our projections, given continued profitable production at the Quiruvilca mine at the current improved metal prices, offset by setbacks from the labour strike and grinding mill breakdown in Morococha, as well as the breakdown of a grinding mill at Huaron, which caused a four day disruption there.

Cash cost at our Peruvian operations were much higher than expected, at \$10 an ounce in the second quarter compared to our target of \$8 per ounce. The high costs were largely due to higher smelting costs caused by the Doe Run smelter shut down that Rob Doyle will discuss in more detail later.

Along with the impacts of the mill breakdowns at Morococha and Huaron and the fact that at Quiruvilca all costs, including expenditures and in the past would have been capitalized, are being expensed as we prepare that mine for care and maintenance. As reported last quarter, we expect to be able to continue reduced operations at Quiruvilca for the next several months and into early 2010, provided metal prices stay at their current levels, while we simultaneously prepare that operation for care and maintenance.

Overall, we anticipate producing slightly above 2 million ounces per quarter at our Peruvian operations for the second half of 2009 at approximately \$9.50 per ounce. This assumes that the Doe Run smelter remains closed and we are subject to higher offshore concentrate treatment terms. If Doe Run reopens sooner, our cost could decline as much as \$1.50 per ounce.

Our multi-year mine deepening project that we are on is nearing completion and has successfully dewatered the mine, the entire mine, 70 meters below the main drainage tunnel, which had originally been driven in the late 1940s and early 1950s. This mine deepening allows us access to all the historic high-grade vein structures that had been mined out above the drainage tunnel during the long successful history at the Huaron Mine, and we expect to start reaping benefits from this important investment, gradually beginning in the next few months and lasting for many more years to come.

We are also advancing a significant number of mine developments at Morococha which are intended to access some of our newly discovered reserves at the Morro Solar area, as well as reserves which will be mined for the next several years.

Steve Busby: I'd also like to make a special recognition to our Peruvian workforce, who has recently been awarded the prestigious 2008 Peruvian Company of the Year from the Peruvian Association of Civil Companies. We operate challenging underground narrow vein mines in Peru, and it is particularly gratifying to see our group recognized for all their outstanding efforts in safety, environmental cleanliness, proactive community interactions, and productivity.

Once again, our Alamo Dorado mine in Mexico led the company, producing more than 1.4 million ounces of silver at a cash cost of \$4.23 per ounce, helped by over 4,000 ounces of gold production versus our forecast of only 3,300 ounces, in addition to milling an average of over 4,600 tons per day, or 10% ahead of our target.

Even sooner than we had expected, Alamo Dorado has already successfully made up for the entire five day suspension of operation in May that was designed to combat the influenza outbreak. We expect Alamo Dorado silver production performance will continue with a slight increase in cash cost, as gold production levels were reduced somewhat as the Phase II open pit layback advances.

Alamo Dorado has lived up to all of our promises of becoming a solid, reliable, low-cost silver producer for the company with the extremely confident mining team we have developed there.

The La Colorada Mine in Mexico produced 835,000 ounces of silver in the quarter, surprisingly ahead of our expectations, despite incurring the five-day influenza suspension in May. La Colorada produced at a cash cost of \$7.23 per ounce, 12% below our expectations, due to tight controls on spending that was instituted in late 2008. We expect the production in cash cost performances we have had there for the first half of 2009 will be sustained through the second half. We have a very strong operating team at La Colorada, and we are all very excited about some of the future potential, which I'm sure Michael Steinmann will discuss further in a moment.

I have saved some of our best news for last. I'm very please to report outstanding success at the startup of our San Vicente project in Bolivia, where we have produced over 616,000 ounces of silver to the company's account at a cash cost of just over \$9 per ounce, declaring commercial production on April 1st. Ramp-up for production is proceeding well ahead of projection, and our cash cost are coming right in line with our projections of below \$7 per ounce as the ramp-up continues during the start of the third quarter.

Our new plant processed over 50,500 tons in the first startup quarter, at no feed grades of 445 gram per ton silver, 2.1% zinc, and 0.3% copper, which is nearly 75% of our designed throughput capacity and ahead of our silver grade expectations. Our silver recovery for the quarter was 90%, which is already well ahead of our life-of-mine average projection of 85%. I look forward to reporting to you in our next quarterly update, as it's looking like our production and costs are becoming a very nice story to tell at San Vicente.

We are advanced in some winterization projects and gaining confidence in the operation each day as the operators become familiar with the new plant and the expanded mine. We are confident in our ability to meet our production and cost guidance for San Vicente, given another smooth startup for the company after constructing a quality plant and an expanded mine.

Overall, Pan American Silver had a solid quarter, producing a record-breaking 5.8 million ounces of silver at a cash cost in line with our projection of just under \$6 per ounce. And the beauty of all of this is that we expect this level to continue or even expand slightly as our two new operations come into steady-state production in the second half of the year, allowing us to achieve our production and cost guidances.

I'll now turn the call over to Rob Doyle for the financial update.

Rob Doyle: Good morning, ladies and gentlemen. Our financial results in Q2 2009 clearly reflected much improved operating results, mine operating earnings of \$23.5 million for the quarter, an increase of 124% from Q1 mine operating earnings. Current operating results were driven by record quarterly sales of \$111.4 million, as record production of silver and gold translated into significant increases in the quantities of precious metals sold. These quantity increases resulted in 7% higher sales than the comparable quarter of 2008, despite 40-plus percent decline in realized base metal of prices and a 22% decline in realized total prices from a year ago.

The addition of high-margin tonnage from Manantial Espejo and San Vicente, combined with the continuation in the recovery of metal prices, resulted in a further expansion of our margin per ton in Q2. Our average margin per ton of ore milled has gone from about \$10 in Q4 2008 to \$28 in Q1 2009 to \$40 in Q2 2009. Our consolidated total number of tons milled has increased by 27% over that same period. Healthier margins and more tonnage; that is at the heart of our improving operating and financial results.

As Steve has discussed, our San Vicente Mine in Bolivia enjoyed an exceptional startup, allowing us to declare commercial production as of April 1, 2009. Just like the Manantial Espejo the quarter before, commercial production at San Vicente was achieved in the first quarter after the completion of construction activities. The mine produced over 600,000 ounces of silver and almost 700 tons of zinc for Pan American, contributed 1.7 million of income to our bottom line and positive operating cash flow, all in its first quarter production.

With San Vicente and Manantial Espejo now in full production, we are seeing higher cost of sales and depreciation charges. However, we continue to see good results from our cost-cutting efforts. On a per ton basis, our operating costs declined by 9% on average at our Mexican and Peruvian operations compared to Q2 2008, largely due to our cost initiatives and the benefits of weaker local currencies and softer markets for consumables and reagents. These cost reductions were achieved despite the various short-term mechanical and labour-related shutdowns we endured in both Mexico and Peru during the quarter.

Our Statement of Operations in Q2 2009 did contain several charges that are worth further discussion. The largest buyer of our copper concentrate and pyrite stockpile material in Peru, Doe Run Peru, which owns and operates the La Oroya smelter, again experiencing severe financial difficulty during the first quarter of 2009, and it was unable to draw on its credit facilities, (inaudible) a complete pleasure of the La Oroya smelter June 2009. About 10 days ago, Doe Run Peru was reported to have filed an application for bankruptcy protection under Peruvian laws. At the end of Q2 2009, Doe Run Peru owed us \$8.8 million. In recognition of these circumstances, the company has established a doubtful debt provision in Q2 for \$4.4 million, or 50% of the amounts receivable. And in addition, we classified the remaining receivable balance of \$4.4 million from current assets into long-term assets on our consolidated balance sheet. This reclassification reflects our expectation that the remaining receivable balance will not be recovered within the next 12 months. We recorded an additional charge of \$0.6 million in Q2, related to the negative present value impact of the expected delay in the recovery of the Doe Run receivable. Combined after-tax effect on earnings in Q2 of the charges related to our Doe Run Peru receivable is \$3.3 million, or \$0.04 per share. We have been able to sell our copper concentrates to other buyers since Doe Run Peru defaulted. However, the current market terms are significantly inferior to the terms in our concentrate contracts with Doe Run Peru.

Sales of the company's pyrite stockpile material have halted, as Doe Run Peru, was the only buyer of that material. The lack of pyrite stockpile sales, pretreatment charges, freight costs, penalties, and reduced payables related to our copper concentrate and were diverted from Doe Run in Q2, totaled approximately \$2.1 million; that's before tax effect and were a significant factor behind the higher cash cost recorded by the Peruvian operations during the quarter. Similar impacts are expected on our future results, for at least the period that the La Oroya smelter remains closed or until market conditions for the sale of copper concentrate improves.

Rob Doyle: Also included in net income in Q2 was a noncash foreign exchange loss of \$1.2 million on the revaluation of the company's cash and other working capital and future income tax balances, as we denominated in local currencies.

Moving on to the balance sheet, our working capital increased by \$16.8 million during the quarter, the combined result of increasing our cash and other current asset balances by \$6.8 million and reducing current liabilities by \$10 million. Decrease in current liabilities was primarily a result of a decline in the unrealized loss on our FX contracts, due to financial settlements and the effects of a weakening US dollar.

Accounts receivable were steady, as the write-down and reclassification of our Doe Run Peru receivable was offset by increases in other trade receivable at both Manantial Espejo and San Vicente ramp-up operations.

We finished the quarter with a solid working capital position of \$216.1 million—that's a current ratio of 4.4 to 1—and cash and short-term investments of \$112.4 million and no debt. That leaves us financially very well positioned to respond to strategic growth opportunities.

From a cash flow perspective, cash flow from operations, before working capital movement was \$32.5 million in the quarter, a jump of \$13.5 million from Q1. We invested \$19.7 million in property, plants, and equipment during the quarter; \$7.8 million of that amount was spent closing our construction payables and completing the expansion of San Vicente, while \$7.2 million was spent at Manantial Espejo, completing refinements to plant and machinery at the mine. In addition, we invested \$4.6 million on capital projects at our other operations.

With the construction of Manantial Espejo and San Vicente now complete, we are at the end of a period of heavy capital expenditures, which have seen Pan American investing approximately \$518 million in its development projects and operations beginning in 2005. As we saw in Q2 2009, I expect to see our cash balances continuing to build in the coming quarters, as our mines provide returns on those investments by generating positive cash flow.

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

Michael Steinmann: Thank you, Rob, and good morning, everybody. Q2 was a very active quarter for our exploration on both Greenfield and Brownfield projects. We drilled over 26,000 meters of diamond and RC drilling as part of our 53,000 meter annual drill budget. In addition, we executed over 4,200 meters of diamond drilling with our La Preciosa JV with Orko Silver in Mexico.

The JV was announced on April 14th for the large 32,000 hectare land package, including an indicated resource of 72 million ounces of silver on an inferred resource of 97 million ounces. Pan American will spend this year \$5.7 million for exploration, metallurgical studies, site improvements, and development. This budget includes over 30,000 meters drilling for diamond drilling for a cost of about \$3 million.

I'd like to have first a more detailed look at the Brownfield programs for each of our operations. Although we encountered very good results from all our Brownfield programs, La Colorada returned by far the highest grade intersects. Exploration has been very successful at La Colorada for several quarters now. You may recall the high gold/silver discovery from the last year - Manto Yuri. It's nearly single-handedly responsible for the overall higher gold grades in the current La Colorada production.

Michael Steinmann: This year, we started a the program to explore the depth extension of the major NC2 vein, which has returned many holes with multi kilogram silver intersections containing also a higher lead and zinc grades and, in some cases, substantial gold credits. Building on this zone will continue for the remainder of the year and should add an important resource for the future of La Colorada production.

Both Morococha and Huaron exploration focused during the first six months of this year on high-grade targets, and the results did not disappoint. The Morro Solar area at Morococha keeps returning high- grade silver results, and development of Morro Solar vein and parallel structures is well underway. I'm convinced that both of these mines will this year again more than replace the reserves mined during 2009.

I just returned from a trip to Bolivia and Argentina. As you heard from Steve, both mines, Manantial Espejo and San Vicente, are in full swing, and exploration programs have been started at both mines. Drilling for the Melissa vein expansion, one of the main structures of Manantial Espejo, discovered the continuation of this high-grade vein to the west and at depth. Surface exploration of San Vicente identified several neutral targets. Both sites will intensify drilling, with the start of the southern hemisphere spring in September.

San Vicente is more than an impressive ore body, especially the large and high-grade Litoral vein. Underground development is well advanced, and I had the chance to admire a nine meter wide vein with development on already two levels. Observing massive sulfide ore over such wide intersections containing in some cases up to 10 and 20 kilogram of silver per ton, together with high-grade base metal contents is a special treat for a geologist. San Vicente has many unexplored or poorly explored veins, and exploration programs will continue for years to come.

Our fastest-growing drill program is developing at the Pan American Silver Orko Silver joint venture La Preciosa project in Mexico. Drilling started on the 20th of June and is advancing very fast, with two large diamond rigs and the third to arrive this month. As mentioned, we executed a total of over 4,200 meters of drilling during Q2 and a total of over 7,400 meters to date. The program is focused on infill drilling of the existing resource, as well as our new exploration targets in the immediate surroundings. The current resource is based on a hundred meter-spaced holes, which we are currently infill drilling on a 50 meter grid. Surface geology, trenching, and sampling discovered additional exploration targets and geotechnical, as well as metallurgical, test work is underway.

I'm extremely excited about what we are finding on the main Martha structure at La Preciosa, and I can't wait to get the third rig going on some of the new exploration targets. This is a very large system with several important structures, and I anticipate publishing the first real results early this fall.

Back to you, Geoff.

Geoff Burns: Thanks, Michael. Okay, you have now heard in detail where we were. Let's take a moment and look at where Pan America is headed and why I remain optimistic as ever about our prospects for the balance of 2009 and beyond.

We are maintaining our production forecast for 2009 and are planning to produce 21.5 million ounces of silver, not including the production from our Quiruvilca mine, which is still moving towards care and maintenance. We are maintaining our cash cost forecast of \$6 per ounce for the year, which you may recall was already reduced from \$6.28 per ounce at the end of the first quarter, based on better-than-expected results we achieved. We should more than double, actually almost triple, our gold production this year, and like silver, are maintaining our 2009 production guidance for gold at 85,000 ounces. Although frankly, given the fact that we have already produced over 46,000 ounces of gold so far this year, I think we'll do a little better here.

Geoff Burns: We will continue with the ramp-up of San Vicente, and I trust you guys sensed from Michael as to how excited we are about what we are encountering now that we've started exposing and mining from Litoral vein. I think San Vicente is going to positively surprise even us over the balance of this year and beyond.

We are going to restart significant exploration efforts at Manantial and San Vicente, now that these operations are up and running. Some of the most prospective ground in all Pan America surrounds these two operations, and neither property has really been touched with a diamond drill for the past three to almost four years.

Now that we're organized, have our permits, and with drill rigs in place, we're going to push hard at La Preciosa. In our opinion, it's a tremendous property in a great location and at absolutely the right stage where we can create additional value by bringing this project forward. There's a defined silver resource in excess of a 135 million ounce of silver. It's in Mexico and literally within an hour of our established infrastructure in Durango, and our development group is now available and is being redeployed on this new project.

With no debt, over \$200 million in working capital, our heavy capital expenditures behind us, we are positioned to generate significant positive cash flow for the balance of this year. We are exceedingly well positioned to aggressively look for additional growth opportunities.

Before taking questions I would be remiss if I didn't personally and on behalf of our Board of Directors, publicly congratulate our operating teams in both Argentina and Peru. Our Peruvian subsidiary, Pan American Silver Peru S.A.C. was selected, as Steve mentioned, the 2008 Peruvian Company of the Year. While in Argentina, our operating entity, Minera Triton Argentina S.A., was named 2009 Mining Company of the Year. Well done, folks. These separate acknowledgements are clearly a testament to the dedication of our South American operating teams and proof that being good miners goes hand-in-hand with being responsible corporate citizens, working closely with the countries and the communities that host our operations. This is a core value at Pan American, wherever we operate.

With that, I would now like to ask Luke to open the line for questions.

Operator: Thank you. We will now begin the question-and-answer session. As a reminder, if you have a question, please press the star, followed by the one on your touchtone phone. If you would like to withdraw your question, press the star, followed by the two. If you are using speaker equipment, you will need to lift the handset before making your selection.

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

John Bridges: Good morning, Geoff, everybody. Just wondered if you could give us a little bit more clarification on how you're handling Quiruvilca. You sort of mentioned it in your prepared remarks, but just wondered whether the—whether everything was being expensed in the income statement at the moment.

Geoff Burns: Hi, John. Indeed, every dollar that we're spending at Quiruvilca is going through and into our cash cost. We're not deferring anything. So there certainly are some mine developments. We're still doing limited mine development and other things that would normally have been capital that are now coming through as direct operating costs. So essentially, the \$10, a little over \$10 we reported in the second quarter is the fully-loaded cash cost.

Geoff Burns: And in terms of plans, we're still—as Steve mentioned, we're still preparing Quiruvilca for care and maintenance. At this price level, with \$14 prices and \$10 cash cost, it may well keep going longer than we probably initially anticipated at the start of this year, because it is still making both \$4 an ounce of production. So it may go further into 2010, but the longer-term plan is still care and maintenance for Quiruvilca.

John Bridges: Okay. And then in your latest presentation, you've got that remarkable chart of trebling your productions since 2002. Just wondered whether the explorations that you've been talking about is enough to show any growth next year, or will you just deliver a (unintelligible) state absent deals?

Geoff Burns: I think, John, that we can look forward to some additional growth next year as we see a full year's production coming at San Vicente and a relatively steady state from our other operations. We are looking very carefully at the discoveries we've made at our own projects to see where there are opportunities for internally-generated growth. Probably the most prospective is at our Huaron operation, which is our largest proven and probable reserve, where we could look at internally increasing capacity, although it's a little bit premature to talk much more than in those general terms on that. Then beyond that, yes, we are going to have to push along with La Preciosa, which we're very excited about. The more we get into it, the more we're liking it; and yes, followed by acquisition activity to keep that growth profile going in 2011 and beyond.

John Bridges: Any parts of the world you particularly like?

Geoff Burns: Well, in—simple, we are going to continue to focus in the areas where we are. There are opportunities in Mexico, I think there are some opportunities in Argentina, and certainly Peru still has some significant poly-metallic systems that would fit into our portfolio.

John Bridges: Okay, keep up the good work, guys. Well done.

Geoff Burns: Thank you.

Operator: Thank you. Your next question comes from the line of Haytham Hodaly with Salman Partners.

Haytham Hodaly: Fine, gentlemen. Hi.

Geoff Burns: Good, Haytham; yourself?

Haytham Hodaly: Good, (inaudible). Congratulations on getting development projects ramped up nicely. A couple of questions, just for in terms of forecast production guidance of 21-plus million ounces, can you just give us just a rough breakdown? Is there anything unusual that's changed from last quarter, or is everything still in line?

Geoff Burns: Actually, pretty much everything is still in line. I mean we've had a little—you know a few pluses and minuses with respect to Peruvian operations and doing a little better in Mexico. And Steve just said Manantial is—we're expecting it to be pretty much bang on target for the year. So, I don't think the pluses or minuses are worth going into, Haytham. We're pretty much right where we thought we would be.

Haytham Hodaly: Perfect. What about cap ex? What's your forecast cap ex you have for the second half of the year?

Steve Busby: Just give us one second. It's about \$19 million, just under \$20 million.

Haytham Hodaly: Can you give a breakdown of that roughly?

Steve Busby: The biggest part of that is part of this power line development at Manantial Espejo. We have about \$5.7 million set aside to joint venture with the government on a power line. That's still in the air, we may not spend that. The other big components are at Huaron and Morococha, where we're spending about \$3 million each for the rest of the year.

Haytham Hodaly: That 5.7, that was in the 19 to 20, correct?

Steve Busby: That's correct.

Haytham Hodaly: Okay. And maybe one last question, just from a housekeeping perspective. The effective tax rate for this last quarter seemed a lot lower than the one before, I believe, somewhere in the low 20s. What are you forecasting for effective tax rate for the full year?

Rob Doyle: Haytham, it should come in right around 30%. That's the sort of weighted average of our tax rate that we operate under; you know, subject to any unusual items, it should converge somewhere around 30%.

Haytham Hodaly: And what proportion that roughly would be deferred? Roughly, a third I'm guessing.

Rob Doyle: That's right.

Haytham Hodaly: Perfect. Thank you.

Operator: Thank you. And once again, ladies and gentlemen, if you would like to ask a question, please press the star, followed by the one at this time.

Our next question comes from the line of Chris Lichtenheldt with UBS.
Please go ahead.

Chris Lichtenheldt: Good morning, thanks. Just a couple of questions: Actually, just quickly first on, you just mentioned that you may spend \$5.7 million at Manantial, but you may not. If you do spend that, should there be a distinct positive impact on cash out there?

Steve Busby: Absolutely, yes. That investment, which would bring in a power line, it would probably be a 12 to 18 month period to construct the power line. We expect the cost savings with that power line to be on the neighborhood of \$8 million per year of cost savings against our diesel fuel power generation today. So a substantial reduction in cash costs there.

Chris Lichtenheldt: Okay. Great, thanks. Secondly on La Preciosa, I know that you said within 36 months you may be preparing a feasibility, but you mentioned you're really pushing on that, given the attractiveness. Is there a possibility—will it take all the three years or could that be done earlier based on your aggressiveness?

Geoff Burns: I'll take that one Chris, provided my partners at Orko aren't listening too closely. You know we are—yes, there is a distinct possibility. I don't want to be too aggressive and give you an earlier timeline. We typically are conservative in our projections and conservative in our timelines, but I think there is a reasonable probability that we could get things done faster, depending on the work that Michael's doing on the exploration side, the work that Steve and his team are doing on the metallurgical side of things, and frankly, the work Joe Phillips is leading on permitting and organizational structure and water and land acquisition. So we're pushing on all those things very strongly, and I would venture to say I'd like to get them done as soon as we can.

Chris Lichtenheldt: Right. Okay. And so you may spend more than the \$5 million minimum the first year. Is that safe to say?

Geoff Burns: Well, I think we're—our budget this year is, as Michael said, is actually 5.7 to the end of December. So I mean we really didn't get going on the ground until May, frankly, kind of mid-May. So yes, we're going to push pretty hard and easily cover that number, and we're just going to keep ramping forward as the result comes through.

Chris Lichtenheldt: Great, okay. Just another quick question on the Huaron, I noticed grades are down about 10% from the first quarter. Is that sort of the level we should expect for the next several quarters going forward, or is that transient?

Steve Busby: No, we're—Chris, we're expecting that grade to come back. What happened there is we have a longhole stope in a fairly high-grade area that we had poor ground conditions and we lost that stope. And it's forced us to go elsewhere that we don't have the grade. We're now recovering that stope, and we expect to get back into the grades, probably the latter part of third quarter and certainly into the fourth quarter.

Chris Lichtenheldt: Okay, great. That's it for me. Thanks a lot.

Operator: Thank you. Our next question comes from Shey Ylonen with TD Newcrest. Please go ahead.

Shey Ylonen: Yes, I just wanted to confirm the La Preciosa budget for \$5.7 million. Is that part of your \$19 million cap ex budget?

Geoff Burns: No, it isn't. It's not included in that, Shey.

Shey Ylonen: Okay, that's just being expensed?

Geoff Burns: Yes, it will be. That will be expensed.

Shey Ylonen: Okay, thanks very much.

Geoff Burns: You're welcome.

Operator: Thank you. And once again, ladies and gentlemen, if you would like to ask a question, please press the star, followed by the one at this time. One moment, please.

And our next question is a follow-up question from the line of Chris Lichtenheldt with UBS. Please go ahead.

Chris Lichtenheldt: Thanks. I thought of another one I wanted to ask you. You mentioned there's a total, obviously, a \$4 margin or so at Quiruvilca. If prices stayed up here, sort of indefinitely, \$13 to \$15 silver and better base metal prices, I mean you said early 2010 potentially, but how long—do you know—do you have a sense of how many quarters exactly you could run it?

Geoff Burns: The great debate, Chris. Yes, there is certainly material that could take us easily to the end of 2010 at these price levels. After that, there really is a major decision point, even at—you know, assuming our cash costs stay where they are and silver stays at \$14, because there are couple of capital expenditures that then we would have to look very carefully at with respect to tailings, management in particular. So I mean the easy answer today is we're going to keep running it as long as it makes money, and that could be until the end of 2010. And you'll have to ask me again as next year develops how our plans modify or change.

Chris Lichtenheldt: Okay, fair enough. I will do that. Thank you.

Geoff Burns: Okay, thanks, Chris. Take care.

Operator: Thank you. Our next question comes—is a follow-up question from the line of Haytham Hodaly of Salman Partners. Please go ahead.

Haytham Hodaly: Thanks, Operator. Just a quick question on the income statement, the net gains on commodity and foreign currency contracts. That was the closeout of the zinc and lead hedges? Was that what that was?

Rob Doyle: Actually, no, because that gain was crystallized in the fourth quarter and the first quarter, respectively, so that gain really because of the weakening of the US dollar against Mexican Peso and Peruvian Sol. So, again, it's almost all attributable to our ex-contracts.

Haytham Hodaly: No, when you actually made that announcement that \$7.6 million was, for example, from the zinc hedge, you said that a portion will be settled monthly until December 2009. Did that change?

Rob Doyle: That's—all of those contracts are settling as scheduled, but the P&L effect of that—of those contracts was crystallized in the first quarter, and there's no more income statement effect.

Haytham Hodaly: Oh, I see. Okay. Okay, fair enough. Thank you.

Rob Doyle: Okay.

Operator: Thank you. And there are no further questions in the queue. Management, I'd like to hand the conference back to you for any closing remarks.

Geoff Burns: All right, thanks, Lou. Ladies and gentlemen, thank you for joining us again this morning for our second quarter conference call. I again am very optimistic about how we're going to continue to perform over the balance of 2009. And I very much look forward to talking to you in November to discuss our third quarter results. Thank you.

Operator: Ladies and gentlemen, this concludes the Pan American Silver's Second Quarter 2009 Earnings Conference Call. This conference will be available for replay on the company's website at www.panamericansilver.com. Thank you for your participation. You may now disconnect.