



**Pan American**  
S I L V E R C O R P .

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS 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 AND ITS OPERATIONS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS TRANSCRIPT THE WORDS, "BELIEVES", "EXPECTS", "INTENDS", "PLANS", "FORECAST", "OBJECTIVE", "OUTLOOK", "POSITIONING", "POTENTIAL", "ANTICIPATED", "BUDGET", AND OTHER SIMILAR WORDS AND EXPRESSIONS, IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: FUTURE PRODUCTION OF SILVER, GOLD AND OTHER METALS; FUTURE CASH COSTS PER OUNCE OF SILVER; THE PRICE OF SILVER AND OTHER METALS; THE ABILITY OF THE COMPANY TO SUCCESSFULLY INTEGRATE AQUILINE RESOURCES INC. AND THE EFFECT OF THE ACQUISITION ON THE COMPANY; THE EFFECTS OF LAWS, REGULATIONS AND GOVERNMENT POLICIES AFFECTING PAN AMERICAN'S OPERATIONS OR POTENTIAL FUTURE OPERATIONS, INCLUDING BY NOT LIMITED TO, LAWS IN THE PROVINCE OF CHUBUT, ARGENTINA, WHICH, CURRENTLY HAVE SIGNIFICANT RESTRICTIONS ON MINING; FUTURE SUCCESSFUL DEVELOPMENT OF THE NAVIDAD PROJECT, THE LA PRECIOSA PROJECT, AND OTHER DEVELOPMENT PROJECTS OF THE COMPANY; THE SUFFICIENCY OF THE COMPANY'S CURRENT WORKING CAPITAL, ANTICIPATED OPERATING CASH FLOW OR ITS ABILITY TO RAISE NECESSARY FUNDS; THE ACCURACY OF MINERAL RESERVE AND RESOURCE ESTIMATES; 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 ESTIMATED COST OF AND AVAILABILITY OF FUNDING NECESSARY FOR SUSTAINING CAPITAL; ONGOING OR FUTURE DEVELOPMENT PLANS AND CAPITAL REPLACEMENT, IMPROVEMENT OR REMEDIATION PROGRAMS; THE ESTIMATES OF EXPECTED OR ANTICIPATED ECONOMIC RETURNS FROM THE COMPANY'S MINING PROJECTS, AS REFLECTED IN FEASIBILITY STUDIES OR OTHER REPORTS PREPARED IN RELATION TO DEVELOPMENT OF PROJECTS; ESTIMATED EXPLORATION EXPENDITURES TO BE INCURRED ON THE COMPANY'S VARIOUS PROPERTIES; FORECAST CAPITAL AND NON-OPERATING SPENDING; FUTURE SALES OF THE METALS, CONCENTRATES OR OTHER PRODUCTS PRODUCED BY THE COMPANY; 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 TRANSCRIPT AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES 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); RISKS RELATING TO THE CREDIT WORTHINESS OR FINANCIAL CONDITION OF SUPPLIERS, REFINERS AND OTHER PARTIES WITH WHOM THE COMPANY DOES BUSINESS; INADEQUATE INSURANCE, OR INABILITY TO OBTAIN INSURANCE, TO COVER THESE RISKS AND HAZARDS; EMPLOYEE RELATIONS; RELATIONSHIPS WITH AND CLAIMS BY LOCAL COMMUNITIES AND INDIGENOUS POPULATIONS; AVAILABILITY AND INCREASING COSTS ASSOCIATED WITH MINING INPUTS AND LABOUR; THE SPECULATIVE NATURE OF MINERAL EXPLORATION AND DEVELOPMENT, INCLUDING THE RISKS OF OBTAINING NECESSARY LICENSES AND PERMITS AND THE PRESENCE OF LAWS AND REGULATIONS THAT MAY IMPOSE RESTRICTIONS ON MINING, INCLUDING THOSE CURRENTLY IN THE PROVINCE OF CHUBUT, ARGENTINA; DIMINISHING QUANTITIES OR GRADES OF MINERAL RESERVES AS PROPERTIES ARE MINED; GLOBAL FINANCIAL CONDITIONS; THE COMPANY'S ABILITY TO COMPLETE AND SUCCESSFULLY INTEGRATE ACQUISITIONS AND TO MITIGATE OTHER BUSINESS COMBINATION RISKS; CHALLENGES TO, OR DIFFICULTY IN MAINTAINING, THE COMPANY'S TITLE TO PROPERTIES AND CONTINUED OWNERSHIP THEREOF; 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 40-F 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:** At this time I would like to turn the conference over to Mrs. Kettina Cordero, Coordinator Investor Relations. Please go ahead, Mrs. Cordero.

**KETTINA CORDERO:** Thank you, operator, and good morning, ladies and gentlemen. Joining me here today are Geoff Burns, our President and CEO; Steve Busby, our Chief Operating Officer; Michael Steinmann, our Executive Vice President of Geology and Exploration; and Rob Doyle, our Chief Financial Officer.

I would like to start today's conference by reminding our listeners that this call may not be reproduced or retransmitted without our consent.

I also point out that certain of these statements and information in this call will constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. All statements, other than statements of historical fact, are forward-looking statements.

These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates, but 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 than those expressed or implied by such forward-looking statements and the Company has made assumptions and estimates based on or related to many of these factors.

We encourage investors to refer to the cautionary language included in our most recent news release dated February 15, 2010, as well as those factors identified under the caption "Risks related to Pan American's business" in the Company's most recent Form 40-F and AIF.

Investors are cautioned against attributing undue certainty or reliance on forward-looking statements and the Company does not intend or assume any obligation to update these forward-looking statements or information other than as required by law.

With that I will turn the call to Geoff Burns, President and CEO.

**GEOFF BURNS:** Thank you, Kettina, and good morning and welcome, ladies and gentlemen, to Pan American's 2009 Fourth Quarter and Year End Earnings Conference Call.

On our last call in November of last year I concluded by saying that "I was as optimistic as I had never been about the prospects for Pan American for the balance of 2009 and beyond." It is extremely gratifying to be here with you this morning to talk about our fourth quarter 2009 and full-year's performance and to know that we have delivered on that optimism.

Pan American had an outstanding fourth quarter which helped propel us to the best year in the Company's history, as indicated by all our key production and financial metrics. Here is a quick overview of how 2009 ended.

We produced a company record 23 million ounces of silver buoyed by production from our newest mines, Manantial Espejo in Argentina and San Vicente in Bolivia, our 14th consecutive year of silver production growth. We produced a Company record 100,000 ounces of gold. Our consolidated cash costs declined to \$5.53 per ounce of silver, well below our previous guidance of just over \$6 per ounce.

We generated record mine operating earnings of \$126 million. Our cash flow from operating activities before non-cash working capital adjustments, was a Company record, \$151.7 million or \$1.73 per share. Our metal sales increased to a Company record \$455 million. We recorded full-year net income of \$62 million or \$0.71 per share, also a Company record.

Lastly, on the strength of continued successful exploration drilling and with the completed acquisition of Aquiline Resources and its Navidad silver project our proven and probable reserves plus measured and indicated resources climbed to close to 1 billion ounces of silver.

2009 was truly an exceptional year for Pan American Silver; Company records for silver and gold production; Company records for earnings and cash flow. Two new mines smoothly commissioned and in commercial production and the biggest acquisition in the Company's history which added the largest, undeveloped primary silver deposit in the world to our portfolio.

As good as 2009 was the real question is always what's next? Before I get to that I would like to turn the call over to Steve, Michael, and Rob who will undoubtedly provide you more detail on the year and fourth quarter we just completed from an operations, exploration, and financial perspective. Steve?

**STEVE BUSBY:** Thank you, Geoff, and good morning, ladies and gentlemen. I am very pleased to provide you with a discussion of our excellent operations and project accomplishments for both the fourth quarter and the entire year of 2009 as it has been Pan American Silver's best year yet using virtually any measure. I will also include details of our 2010 production and cost guidance for each property as part of my commentary.

Starting off in Argentina; we had another incredibly solid steady-state operating quarter at Manantial Espejo where we again produced just over 1 million ounces of silver for the third consecutive quarter, which is a world-class achievement given that we are now just celebrating our very first anniversary of production. Manantial also produced 19,533 ounces of gold, which is also very consistent to the average gold production over the previous two quarters before.

The cash cost net of byproduct gold for the fourth quarter was \$0.11 per ounce and is better than our guidance of \$2.25 per ounce thanks to the better than planned gold production and price. For the entire

year Manantial Espejo produced just less than 3.8 million ounces of silver and nearly 72,000 ounces of gold at a cash cost of negative \$0.84 per ounce with the byproduct gold credit.

The silver production fell 12% short of our original 4.3 ounce guidance, whereas the gold production exceeded the original 63,700-ounces guidance by 13%, almost entirely due to realizing better than expected gold and less than expected silver grades than predicted by our mineral model.

Overall, operating cost spending was pretty much in line with our expectations. However, the higher than expected gold production and price led to significant improvements over our original annual cash cost guidance of \$2.25 per ounce.

For 2010 we are forecasting improvements in silver production to 4.6 million ounces offset by lower gold production to 62,600 ounces based on a full year of steady-state mine production using our latest estimate from a revised mineral distribution model. We are not expecting significant changes to our unit operating cost per ton of ore process and therefore, predict a cash cost of \$3.26 per ounce of silver given the reduced gold production.

Our Peruvian operations produced 1.9 million ounces of silver in the fourth quarter at a cash cost of \$6.75 per ounce, which is slightly below our previous production forecast of 2 million ounces, but at a lower than our forecasted cash costs of around \$8 per ounce.

As I mentioned last quarter, we are continuing to ramp up production from our mine-deepening projects that we are on, slower than had originally been projected given some of the challenging ground conditions we have encountered there. For the year of 2009 Huaron produced just under 3.6 million ounces of silver at a cash cost of \$9.96 per ounce, which was below our original guidance of 4.2 million ounces of silver at a cash cost of \$8.14 per ounce. We are still forecasting the ramp up of higher-grade production from our 180 level deepening project to a steady-state 9,000 tons of ore per month or about 15% of our overall production some time by the third quarter of 2010.

Therefore, we are forecasting Huaron's production to slowly increase from the 800,000 ounces produced in the fourth quarter at a cash cost of \$10.77 per ounce to around the mid-900,000 ounces at a cash cost of the mid-\$8 an ounce by the third quarter of 2010 once the full production rate of the high-grade ore from the 180 level is realized. This will yield a production forecast of 3.7 million ounces of silver at a cash cost of \$8.72 per ounce for the full year in 2010 at the Huaron mine.

Elsewhere in Peru, we are very pleased with the solid performances at both Quiruvilca and Morococha where we produced 361,000 ounces of silver at Quiruvilca and 741,000 ounces at Morococha during the fourth quarter at cash cost of \$7.69 per ounce at Quiruvilca and \$5.33 per an ounce at Morococha.

For the year of 2009 Quiruvilca did not close as we had forecasted and actually produced 1.4 million ounces of silver at a cash cost of \$8.64 an ounce generating a healthy profit for the Company at the

realized metal prices. Morococha produced slightly better than forecasted 2.7 million ounces of silver at a cash cost of \$5.86 per ounce, which was less than the \$7.82 per-ounce guidance we gave for 2009 given the better than expected byproduct credit pricing.

We are forecasting continued, solid performances from both these operations throughout 2010 with Quiruvilca producing 1.4 million ounces of silver at a cash cost of \$6.95 per ounce while continuing to absorb all previously capitalized expenses into operating costs given its short life expectancy. We further forecast Morococha to produce 2.7 million ounces of silver at a cash cost of \$4.13 per ounce during 2010 continuing its solid production blend of silver with base metals.

We are also forecasting a restart of the Doe Run La Oroya smelter in Peru sometime before the end of the second quarter, and therefore, forecasting 200,000 ounces of silver production from our pyrite stockpiles at a cash cost of \$4.05 for the year of 2010.

Our mines in Mexico ended an outstanding year with Alamo Dorado producing just under 1.1 million ounces of silver at a cash cost of \$5.07 per ounce for the quarter with the lower grades from the Phase II pit layback being processed as we had predicted. For 2010 Alamo Dorado -- or sorry, for 2009 Alamo Dorado exceeded our original expectations producing 5.3 million ounces of silver at a cash cost of \$4.51 per ounce versus our original guidance of 4.8 million ounces at a cost of \$6.32 per ounce.

La Colorada also had a very solid fourth quarter producing 946,000 ounces of silver at a cash cost of \$7.66 per ounce, exceeding our original full-year expectation by producing just under 3.5 million ounces of silver at a cash cost of \$7.55 per ounce compared to our original guidance of 3.35 million ounces at a cost of \$8.01 per ounce.

For 2010 we are forecasting Alamo Dorado to produce 4.2 million ounces of silver at a cost of \$6.87 per ounce due to lower average silver feed grade of 90 gram per ton and gold grade of 0.29 grams per ton as we continue to strip our Phase II layback.

At La Colorada we are forecasting 3.6 million ounces of silver production at a cash cost of \$8.73 per ounce with our silver grades falling from the 414 gram average in 2009 to the 370 gram predicted for 2010 in addition to expecting a power rate hike by the national utility company perhaps early in the new year.

It is indeed a pleasure to report a pleasant surprise from our Bolivian San Vicente mine who has the honor of being Pan American Silver's largest producing mine for the fourth quarter of 2009 achieving just under 1.1 million ounces of silver at a cash cost of \$6.56 per ounce. San Vicente has set a new standard for Pan American Silver startups exceeding all of our expectations and producing 2.6 million ounces of silver at a cash cost of \$7.07 an ounce for the entire year compared to our original guidance of 1.9 million ounces at a cost of \$6.98 an ounce.

San Vicente exemplifies our proven abilities to build and operate quality mines which we are already being deployed at our new, exciting projects. We expect a solid 2010 for San Vicente forecasting 3 million ounces of silver production at a cash cost of \$7.01 per ounce as we processed more tons of near reserve-grade ores than we enjoyed during the 2009 start up when we had access to significant quantities of higher grade ore following the delay in the mill start-up.

As mentioned, our mine development teams are happily deployed at our future prospects with teams in place and working at the La Preciosa joint venture project in Mexico, the Pico Machay project in Peru, and of course the very exciting Navidad project in Argentina. We are enhancing the organization to attack these projects and advance them rapidly. We are busy organizing the significant scoping work that we'll be undertaking on these new projects during the year of 2010.

Overall, Pan American Silver had another solid quarter producing 6 million ounces of silver at a cash cost of \$5.38 per ounce, thanks again to the outstanding performances of our operating teams who are highly motivated and focused on quality for Pan American Silver's operations and projects. I am extremely pleased to report that our 2009 consolidated production was 23 million ounces at a cash cost of \$5.53 per ounce, exceeding our original production guidance.

For clarity, I would like to reiterate our 2010 production by mine as follows; for Manantial Espejo for 2010 we expect to produce 4.6 million ounces of silver; Quiruvilca we expect 1.4 million ounces; at Huaron we expect 3.7 million ounces; Morococha we expect 2.7 million with the pyrite stockpiles contributing 200,000; Alamo Dorado we are anticipating 4.2 million ounces of production; with La Colorada we're expecting 3.6 million; and San Vicente at 3.0 million ounces.

That gives us a total production forecast for 2010 of 23.4 million ounces of silver and we're expecting a consolidated cash cost of \$6.40 per ounce. Overall, sustaining capital for operations will be \$44 million, which is significantly less now that we don't have the large construction projects in development.

With this I'll now turn it over to Michael Steinmann for the exploration update.

**MICHAEL STEINMANN:** Thank you very much. Good morning. 2009 was one of our most successful exploration years ever. We have been very active in our brownfield programs and advanced several new projects. We finalized nearly 99,000 meters of diamond drilling successfully adding 36.8 million contained ounces of proven and probable silver reserves to our operating mines.

As I anticipated during earlier conference calls, the new reserve additions were more than sufficient to replace the 26.6 million contained silver ounces mined during the year. Including the 2009 production our proven and probable silver reserves increased approximately 5% to 234 million ounces as of December 31, 2009.

Looking at our resources, the additions are even more impressive due to the acquisition of Aquiline Resources last year. The Company's aggregated, measured, and indicated silver resources increased to 711 million ounces, up from the 82 million ounces we carried at the end of 2008 but inferred silver resources more than doubled to 229 million ounces.

I would point out that these resource numbers do not yet include our 55% interest in the La Preciosa joint venture project which has a resource published by Orko Silver of 135 million ounces.

During each quarterly conference call in 2009 I updated you on the results and advances of our green and brownfield exploration programs. These efforts and results are reflected in the 2009 Reserve & Resource Statements which we finalized as of December 31, 2009. Details for each operation have been published in our press release on February 11, 2010 and are available on our corporate website.

No doubt that the most important reserve increase came from La Colorada. You may have seen the exceptional exploration results we published in January from the vertical expansion of the NC2 vein, the primary source of sulfide ore at the mine. Average true width into sections of 4.5 meters with a maximum of over 12 meters carrying, in many holes, multi-kilograms of silver and high base metal grades resulted in a reserve increase of 67% to 30.4 million ounces at La Colorada.

This reserve addition will extend the mine life by at least three years. Drilling will continue at La Colorada during 2010 with a program of over 12,000 meters and I am confident that we will see similar results from the remaining undrilled areas of the NC2 and NC3 veins.

2009 was also a successful year for our proven operations, where we once again more than replaced the reserves mined. Proven reserves at Morococha increased by 8% to 38 million ounces at year-end. Exploration activities at Huaron yielded an increase of 4% or 6.7 million ounces of silver net of the 4.5 million ounces mined during the year. Huaron continues to have the largest proven and probable silver reserves in the Company's portfolio with more than 64 million ounces.

I could not be more pleased about our brownfield exploration results; adding corporate-wide 36.8 million ounces of proven and probable silver is a huge accomplishment. As you know, several of our mines are open pit operations where reserve addition opportunities are more limited. Replacing our large, annual production and increasing our proven and probable reserves by 5% is a clear statement for the solid geological work done at each site.

I would like to mention that these results do not include any significant exploration at San Vicente and Manantial Espejo as programs there started later in the year with the Southern Hemisphere spring. For 2010 Manantial Espejo and San Vicente we have a combined exploration budget of \$2.9 million including about 24,000 meters of diamond drilling. We will follow up on some very high-grade expansions of Maria, Sol, Viterol veins we have discovered last year.

Adding value to brownfield exploration is one of our core strengths and we proved it again in 2009 with a solid reserve increase. Our measured and indicated resources were transformed during 2009 with the acquisition of Aquiline Resources. As mentioned, our total measured and indicated silver resources increased to 711 million ounces. Together, our proven and probable reserves, and measured and indicated resources have decreased to almost 1 billion ounces of silver, one of the largest resource books in the silver sector.

Brownfield exploration activities during 2010 will focus again on reserve replacement at our operations where we expect to invest approximately \$8.2 million including 89,000 meters of diamond drilling. However, our main focus will be on resource conversion and new discoveries at both Navidad and La Preciosa. Consequently, we have stepped up our greenfield exploration budget to a record of \$15.4 million including over 94,000 meters of diamond drilling planned for 2010.

With Navidad, La Preciosa, Pico Machay, Ariana, and an advanced exploration project in Peru and the brownfield programs around each of our operations we have an exciting and very busy exploration year ahead of us. I am looking forward to reporting on the advances and results during the quarterly conference calls.

I will like to pass now on to Rob for the financial review.

**ROB DOYLE:** Thanks, Mike. Good morning, ladies and gentlemen. What a difference a year makes. Our strong financial results in Q4 reflected the combination of a growing production base, a healthy price environment for the metals that we produce, and a clean balance sheet which all translated into record sales and cash flow, solid earnings, and higher dividend for our shareholders.

Net income for the fourth quarter was \$27.8 million, which equates to \$0.31 per share, compared to a loss from a year ago of \$0.41 and an increase in earnings of 60% from Q3. We reported record sales of \$154.4 million which was a staggering 254% increase from a year ago on the back of higher quantities of metals sold and much higher prices.

Q4 sales were 30% higher than Q3 sales. Our mine operating earnings were a record \$57.3 million compared to a mine operating loss from a year ago of \$9.9 million and an increase of 65% from Q3. Cash flow generated from operations, before working capital movements, was \$52.5 million, an improvement from one year ago of \$64 million and 21% higher than Q3.

With cash flow from operations at record levels and capital expenditures significantly reduced to \$5.3 million for the quarter we banked \$41.5 million in cash and short-term investments during the quarter. The record operating cash flow propelled the Company's working capital position to a record \$273.2 million at December 31, 2009.

With these excellent results in the fourth quarter it is not surprising that we set some new financial records for the full year as well. Pan American's annual sales in 2009 were a record \$454.8 million, an increase of 34% over 2008 sales. Operating cash flow before changes in non-cash working capital was \$151.6 million in 2009. That's a \$51.7 million improvement on a comparable cash flow from 2008.

Lastly, mine operating earnings in 2009 jumped to a record \$126 million, an increase of 35% over the prior year.

In just about every financial metric 2009 was our best year ever at Pan American. Certainly the improvement in metal price environment that we saw in 2009 helped to drive the Company's financial performance and far exceeded our forecasts. However, we were able to deliver on our operational targets which put us in the best position possible to benefit from the resurgence in metal prices.

The addition of high-margin production from the Manantial Espejo and San Vicente mines has transformed the overall quality of Pan American's portfolio of mines. The best illustration of this is our margin per ton of ore milled; our average margin has gone from about \$10 in Q4 2008 to about \$60 in Q4 2009. Our consolidated total number of ton milled has increased by 40% over that same period. Our results reflect the benefit of increased throughput, of higher-margin ore combined with an improving price environment for the metals we produce.

I would like to make a few comments related to our statement of operations for Q4 2009. Aside from favorable metal prices, the massive increase in sales in Q4 compared to any quarter before, was partially due to the fact that we did draw down on our zinc concentrate and precious metal dore inventory for sales of approximately \$10.2 million from the sale of production over and above what was produced in Q4.

Understanding this inventory clear out in Q4, for the full year we still ended up building our overall inventory balances as we increased our dore inventory position by almost 600,000 ounces of silver and 7,700 ounces of gold partially offset by a reduction of approximately 5,000 tons of concentrate inventory. This was the main reason behind the \$20.8 million increase in our inventory accounts on our balance sheet over last year.

Included in net income for Q4 2009 was a non-cash, fair-value charge of \$2.1 million in recognition of a delay we have experienced in the recovery of refundable debt in Argentina and our expectation that collection may continue to be delayed for an 18-month period. We also recorded \$2.3 million donation charge for a contribution that the Company made to the construction of a new Earth Science building on the University of British Columbia campus. Excluding these two items, our adjusted earnings for the quarter would have been \$32.2 million or \$0.36 per share.

Our effective tax rate for the fourth quarter was about 36%, which was higher than what we would have expected, primarily due to some non-deductible expenditure and a change in tax rates in Mexico. For the full year the effective tax rate was more in line with our expectations, at a little over 30%.

Moving to the balance sheet, our working capital continued to strengthen during the quarter increasing by \$15.5 million. Most of the increase in working capital is reflected in higher cash and short-term investment balances which rose by \$43.6 million in the fourth quarter. You may have noticed that our accounts payable balance increased by about \$30 million from the end of Q3 with most of that increase the direct consequence of the accruals related to the Aquiline transaction, many of which have been settled early on in 2010.

We finished the quarter with a working capital position of \$273.2 million and cash and short-term investments of \$193.1 million and no debt. We still maintain the doubtful debt provision of \$4.4 million that we established in the second quarter, related to our accounts receivable balance from Doe Run Peru, and have made no adjustments to that provision in the fourth quarter.

The Company has been able to sell copper concentrate to other buyers during Q4 2009. However, the terms of such sales were significantly inferior to the terms of the Company's concentrate contracts with Doe Run Peru by approximately \$2.2 million before tax effects. This added approximately \$1.30 per ounce to the cash costs in our Peruvian mine in the fourth quarter. Similar impacts are expected on future results of the Company for at least the period that the La Oroya smelter remains closed.

There were several large movements in the long-term portion of our balance sheet in the fourth quarter related to the accounting of the Aquiline transaction. For the 93% ownership interest that we acquired in Aquiline before December 31, 2009, we calculated the fair value for the consideration paid as \$543.6 million. That consideration was allocated to the assets and liabilities acquired, the two main items being mineral property plant and equipment, which was valued at \$811.6 million, and a future income tax liability of \$255.7 million.

As is the convention with purchase accounting, the future income tax liability arose as a result of the difference between the tax basis and the book values of the acquired assets and liabilities. I would like to draw your attention to the fact that this liability, which is deemed to be mostly denominated in Argentine pesos, is likely to introduce significant non-cash volatility into our future earnings as we are required to mark-to-market this liability with an offsetting entry in a foreign exchange gain or loss account.

From a cash flow perspective, Q4 was exceptionally pleasing; cash flow from operations before working capital movements was a record \$52.5 million or \$0.59 per share, a jump of \$9.2 million from Q3 2009. Our capital expenditures for the fourth quarter on property plant and equipment were \$5.3 million, with an additional \$3.3 million capitalized as part of the Aquiline transaction.

The net result, Pan American increased its cash balance by \$35.2 million during the quarter and invested an additional \$6.3 million in our short-term investment portfolio. We expect to see cash balances continuing to build in the coming quarters as all our mines continue to generate positive cash flow.

With that, I'll hand it back to Geoff for some closing comments.

**GEOFF BURNS:** Thanks, Rob. Before I dive into our plans for 2010 and beyond, I would like to mention another historic event for Pan American. I'm assuming that most of you have seen our – the other release that we sent out yesterday morning. Your Board of Directors approved a semiannual dividend policy, and as a consequence, we declared the first dividend in the Company's history.

While modest, at \$0.025 per common share, I hope this will be the start of the same trend we have set with our production growth. The Board will determine specific dates and the amounts of future dividends on an ongoing basis, but the policy has been established and our first dividend will be paid on or around March 12th of this year.

Pan American has matured to a point where we feel that we can comfortably begin returning cash to our shareholders, rewarding them for their continued support on an ongoing basis without compromising our future growth.

Now to the future. As you have heard from Steve, in 2010 we are planning to produce 23.4 million ounces of silver, a modest increase from the 23 million we produced last year. We will see full year of add capacity silver production from both Manantial Espejo and San Vicente, which will more than offset the expected production decline from Alamo Dorado.

Our gold production is likely to decline to approximately 85,000 ounces due to lower gold grades at Manantial Espejo. However, we are forecasting increased production of zinc, lead and copper in 2010, as San Vicente's base metals production is added to that from our Peruvian operations.

We are forecasting higher cash costs of \$6.40 per ounce in 2010. Strengthening local currencies, increased wages, and energy costs, and slightly lower byproduct credits are expected to increase our costs in the coming year. Having said this, with silver trading above \$15 per ounce today our cash margins are still going to be extremely healthy.

Turning to growth, we clearly have refilled our development pipeline in 2009. In April we signed a joint venture agreement with Orko Silver to advance the La Preciosa project in Mexico. As the operator of this development project we intend to spend approximately \$9 million to complete a program of exploration and delineation drilling, metallurgical testing, and engineering culminating in the completion of a feasibility study for La Preciosa by the end of this year.

In January of this year we completed the acquisition of 100% of Aquiline and now have 100% control of the world-class Navidad silver project in Argentina. Our 2010 plans call for the investment of approximately \$16.5 million in continued exploration and project development at Navidad to advance to a full feasibility report either late in 2010 or early in 2011.

It is also our intention to complete a pre-feasibility, or scoping study, for Navidad closer to the middle of this year. I look forward to sharing the results of this work with you so that you can see for yourselves why I am so excited to be the new owner of Navidad.

As you know, the Province of Chubut currently has a ban on open pit mining. I can tell you that we have already started working with the government to address this issue and we intend to continue to work with provincial authorities, and all stakeholders, to demonstrate that we can develop this extraordinary asset in an environmentally and socially responsible way for the benefit of everyone involved.

What I think is important to understand is that while the law in Chubut contains language banning open cut mining throughout the Province, it also contains language that already allows for the designation of zones where open pit mining will be welcomed. It continues to be our firm expectation that the Province will make use of this provision and designate the area around Navidad as one of those zones where open cut mining will be allowed. Obviously we are watching these developments closely and hope to be able to share some good news with you on this front sometime in the middle of this year.

With these two projects in our hands I am confident we will deliver explosive growth going into 2012 and 2013. We have ample financial resources, as Rob just mentioned, with \$193 million in cash plus significant cash flow generating capacity. Coupled with the technical horsepower, I have no doubt that we are exquisitely positioned to double our production by 2013.

We have never been positioned to continue to grow our -- we have never been positioned so well to continue to grow our business.

I am going to conclude my remarks today the same way I did in November of last year. There are many to be concrete reasons to be excited about Pan American's prospects and I continue to be as optimistic as I have ever been about your company and its future.

With that I would now ask the operator to open the lines for questions.

**OPERATOR:** Thank you. The first question is from John Bridges with JPMorgan. Please go ahead.

**ANKUSH AGARWAL:** Hi Geoff, this is Ankush Agarwal on behalf of John Bridges. My first question is on the pyrite stockpiles. If I remember correctly the logic behind the suspension was that there was no alternative to the Doe Run smelter and now we see you are forecasting some production in 2010. So does that mean you are expecting Doe Run to come back or have you found an alternative?

**GEOFF BURNS:** No, we are expecting the Doe Run smelter to reopen this year, probably some time or hopefully sometime in the second quarter. So as a consequence of that we are anticipating resuming shipments of the pyrites to the smelter and no, we do not have an alternate purchaser.

**ANKUSH AGARWAL:** Okay. So could you elaborate a little bit on the progress you are seeing there?

**GEOFF BURNS:** I think they certainly have reached some agreements with the government, that has been previously announced. They've been working not only with their union but the creditors, of which we are one, in order to formulate a concrete plan that will allow them to be financed and to reopen.

That work is ongoing and we are participating to a certain degree in that. As I said we believe there is a very good possibility or probability, pardon me, that they will reopen in the second quarter of this year.

**ANKUSH AGARWAL:** Okay, great. And just a follow up, could you please elaborate a little bit more on the thought process behind the dividend policy?

**GEOFF BURNS:** I think it's very straightforward, Ankush. As we've outlined, we are starting to be in a position where we're comfortable to start returning dividends or cash to our shareholders. We're generating very significant cash today and we see that continuing going forward and feel comfortable that we can do that and reward our shareholders without at all compromising our future ability to grow the Company.

**ANKUSH AGARWAL:** Okay, thanks a lot. Good luck with the progress at Navidad.

**GEOFF BURNS:** Thanks Ankush.

**OPERATOR:** The next question is from Haytham Hodaly of Salman Partners. Please go ahead.

**HAYTHAM HODALY:** Good morning Geoff, good morning everyone.

**GEOFF BURNS:** Good morning Haytham.

**HAYTHAM HODALY:** Just a few quick questions. Just with regards to Quiruvilca, it continues to surprise -- you write in your comments, or somebody's comments had indicated that it was originally expected to close towards the latter part of last year; this year we're looking for another 1.4 million ounces.

What's allowing you to keep -- outside of the silver price obviously being where it's at, what's allowing you to keep that open and how long do you think you can keep going for?

**STEVE BUSBY:** Hi, Haytham. Steve Busby here. The big driver there are the base metal prices, the zinc pricing primarily. At the end of 2008 if you remember zinc prices fell to \$0.53 a pound type of numbers. At \$0.53 a pound Quiruvilca is not a positive cash generator I will say that. But at today's prices, which are plus \$0.90, it's generating a healthy profit for us.

**HAYTHAM HODALY:** Okay. So let's say if prices of zinc stay where they're at right now, how long do you think you can keep that swing going for?

**STEVE BUSBY:** Well, if we -- one of the big drivers is how much development and exploration work we do ahead of us. We think it's a typical underground mine, it's been operating eight years. There's definitely resources out there that should we choose we can test and develop and probably continue this for some time.

With what we know today, in terms of reserves and resources, I think we've got a solid two years ahead of us and it could go on beyond that depending on expiration success.

**HAYTHAM HODALY:** So is the plan at this point to consider your outlook for zinc and determine whether to start spending money on it again?

**STEVE BUSBY:** Correct.

**HAYTHAM HODALY:** Okay, perfect. Maybe just to clarify on the gold grades, I know you mentioned that at 0.29 grams per ton was the gold grade at Alamo Dorado. Do you recall what your Manantial Espejo gold grade is expected to be?

**STEVE BUSBY:** We're forecasting 2.86 for Manantial Espejo in 2010.

**HAYTHAM HODALY:** Okay. What's the silver grade associated with that?

**STEVE BUSBY:** 225

**HAYTHAM HODALY:** 225. Okay. And then with regards to exploration, you indicated that \$15.4 million would be spent. How much of that do you think will actually be expensed this year? How much will hit the income statement, in other words?

**GEOFF BURNS:** Haytham, we don't have the exact breakdown on that number offhand. Rob can get back to you with that.

**HAYTHAM HODALY:** If you could, that would be great. Just one more question then with regards to CapEx, CapEx of \$43.6 million; you broke down \$16.5 million for Navidad and \$9 million at La Preciosa. What are some of the other large components?

**GEOFF BURNS:** Actually, the Navidad and La Preciosa the majority of that will be expensed in 2010 because we are largely -- well, we're pre-feasibility on both of those assets so we are going to expense the vast majority of that.

The capital expenditures are I am going to say relatively dispersed throughout our other operating assets.

The biggest thing is if you recall last year we did cut back on our capital programs. Typically we run somewhere around \$1.00 to \$1.50 per ounce on average overall our assets, Haytham, on a capital replacement sustaining basis. This year we have a little bit of catch-up to do relating to tailing, dams, expansions in Peru and in Mexico as well as we still have the infamous power line project at Manantial Espejo that we set money aside for which would be a pretty significant expenditure if we can come to some agreements with the government to actually get that project moving.

**HAYTHAM HODALY:** So that would be outside of the \$43.6 million, correct?

**GEOFF BURNS:** That would be included.

**HAYTHAM HODALY:** That would be? Okay, fair enough. Last question, G&A excluding stock-based compensation, just a forecast for 2010? I think there's about \$2.5 million this year in total so that would put you somewhere around \$10 million. Is that still a reasonable?

**GEOFF BURNS:** Our G&A last year was just a little over \$12 million. That did include kind of the one-time donation to the University of British Columbia as was mentioned. So the SG&A being slightly above where we were last year, somewhere around \$11 million for 2010; I can't give you the break down exclusive of stock-based comp at the moment.

**HAYTHAM HODALY:** Does that \$11 million incorporate stock-based comp?

**GEOFF BURNS:** It does indeed.

**HAYTHAM HODALY:** It does. Okay, perfect. Thank you.

**OPERATOR:** The next question is from Steven Butler of Canaccord Adams. Please go ahead sir.

**STEVE BUTLER:** Good morning, guys. Question for you maybe to clarify, maybe Rob when you send around an e-mail perhaps to all the analysts or interested parties maybe to clarify sustaining capital exclusive, I guess of the -- if I am adding the numbers up is it \$15.4 million for exploration plus \$9 million for La Preciosa plus \$16.5 million for Navidad? Is that the grand total of potential expense exploration? It seems like obviously a big number but recognize the accounting treatment.

**GEOFF BURNS:** The exploration dollars, the \$15.4 million, is actually included within the expenditures that were summarized for La Preciosa and Navidad, so a portion of the \$16.5 million at Navidad and a portion of the \$9 million at La Preciosa is for exploration. And Michael was just outlining sort of the total exploration on that greenfield programs.

But I think Rob can provide a bit of clarity to the actual breakdown to yourself and any of the other analysts who are interested.

**STEVE BUTLER:** Right. Okay. Thanks, Jeff. As it relates to La Preciosa you talked in a press release about a feasibility study by late 2010 or early 2011. Is there anything before that, Geoff, in terms of potentially or a preliminary economic assessment study or a scoping level on La Preciosa?

**GEOFF BURNS:** Yes, were going to be -- Steve, I don't want to tie myself too tightly but, yes, we are looking to do a scoping study probably near the middle of this year. At that point we would have to carefully assess whether we should do a, as you call, a PEA and a fileable report that we can disclose to the investment community and our shareholders.

**STEVE BUTLER:** Is there a resource update pending on La Preciosa? I know with the last date of resource was February 2009 but maybe in the hands still of Orko is it?

**GEOFF BURNS:** Yes, I mean we are now running the drilling programs and we are collecting the data and we are working the resource model. Again, we wouldn't put anything out without a PEA in our hands in terms of a resource update. So again I would look towards the middle of the year to get both of those bits of information.

**STEVE BUTLER:** Okay. Rob, just to clarify could you give us the after-tax amount of your adjusted earnings, those two items again? Thanks.

**ROB DOYLE:** Yes, actually those two items wouldn't be tax effective so you could just add them to earnings or adjusted earnings of \$32.2 million or \$0.36 for the quarter.

**STEVE BUTLER:** \$32.2 million. So what was the -- the one item right on the release, so what was the second item again? A donation to UBC?

**ROB DOYLE:** Correct, for the Earth Science building, that was a \$2.3 million donation.

**STEVE BUTLER:** \$2.3 million. Okay, thanks very much, guys.

**OPERATOR:** Your next question comes from Shey Ylonen with TD Newcrest. Please go ahead sir.

**SHEY YLONEN:** Thanks. Just, if you could detail a little bit more as to why cash costs at Manantial Espejo are going up considerably in 2010 or least you are forecasting them to?

**STEVE BUSBY:** The real driver of there is the lower gold production. Where this year we had gold production -- just get the figures real quick here. Gold production this year we ended up 71,200 -- 71,900 ounces, next year we are only projecting 62,400 ounces.

Were actually showing in the budget a slight reduction in our unit cash cost per ton milled. But because of that lower gold production we don't get the big divisor on the gold credit.

**SHEY YLONEN:** Okay, I see. I know you mentioned in the release changes in royalty rates. Can you provide any specifics as to what operations those are applicable to?

**STEVE BUSBY:** I think it's referring to the slight change in the provincial royalty in Manantial Espejo. Originally, at the start of 2009 we were subject to a 1.8% basic royalty there. Now it's been increased to 3% because of the economic conditions of the province in Santa Cruz in Argentina, which is the maximum that the provincial royalty can increase too.

**SHEY YLONEN:** Okay, I see. Are you able to just verify how much silver was actually sold in the quarter as opposed to being produced?

**GEOFF BURNS:** We can get back to -- Rob will get back to you with that number.

**SHEY YLONEN:** Okay. Thanks very much though. Thanks, guys.

**OPERATOR:** Your next question comes from Mike Jalonen with Bank of Montreal – Bank of America. Please go ahead.

**MIKE JALONEN:** Bank of Montreal? I don't think David Haughton would be too happy.

**GEOFF BURNS:** No Michael.

**MIKE JALONEN:** But at least I would get invited to the BMO conference, Geoff.

Just calling -- I guess I was intrigued by your comment, Geoff, "Explosive growth for 2012 and 2013". Just wondering what has to happen between now and I guess December 31, 2011, for this to occur. I assume you mean explosive growth in silver outputs.

**GEOFF BURNS:** I do indeed, Michael. I mean, I think -- obviously the two things that are sitting there are the development and construction decisions ahead for both La Preciosa and Navidad. Assuming positive feasibility reports on both by late this year, very early next year and then moving into construction mode, I could see very conceivably La Preciosa in a position to start producing in maybe

third quarter of 2012 followed by Navidad very early in 2013. You put those two things together with where we are today and I stand by my comment of “Explosive growth.” Obviously, there is a lot of things that have to line up for all those things to happen.

We’re certainly going to work very hard on the items in that list that we control, which is the engineering, the metallurgical work, the resource delineation drilling, etc. But we are still constrained as we go forward by what prices will be at the moment in time we are making our decisions and what the investment returns look like at those points in time.

**MIKE JALONEN:** Okay. Well, thank you.

**OPERATOR:** Next question comes from Chris Lichtenheldt with UBS. Please go ahead sir.

**CHRIS LICHTENHELDT:** Just a quick question on the guidance. The cash flows guidance that you have given for 2010, do those also assume that by the second half of this year La Oroya will be back up?

**GEOFF BURNS:** No, they do not, or they -- pardon me, sorry, yes, pardon me, incorrect. Yes, they do.

**CHRIS LICHTENHELDT:** Okay, they do. So worst case scenario if that persisted through the third quarter we would add about \$1.30 still to those Peruvian operations, would that be fair?

**ROB DOYLE:** That’s fair. Although in our budget we did assume that when La Oroya does get up and running that we won't go back to the original Doe Run through contract terms that we have. So we assumed that kind of a blended term for our concentrates in the second half of 2010. So I would say somewhere roughly in the middle of that number so certainly an extra \$0.70 or so.

**CHRIS LICHTENHELDT:** Okay, thanks. And I would also be interested in all that exploration breakdown if you do send it

**ROB DOYLE:** Absolutely.

**CHRIS LICHTENHELDT:** That’s it, thanks a lot.

**OPERATOR:** As a reminder, anyone who wishes to ask a question may press star and one. Next question is from David Christie of Scotia Capital. Please go ahead.

**DAVID CHRISTIE:** Morning, guys. I would also like to hear that exploration rundown so if Rob, you could e-mail that to me as well.

Just on Manantial Espejo, I was wondering if you could give me sort of the grade profile for the next couple of years, what is going to happen there as far as gold and silver?

**STEVE BUSBY:** We're kind of expecting the grades that I reported for 2010 to be sustained over the next several years, three, four, or five years.

**DAVID CHRISTIE:** Okay. So production should stay sort of flat where it was for 2010 then the next few years?

**STEVE BUSBY:** Correct, correct.

**DAVID CHRISTIE:** Okay. That's good. That's all I wanted, thank you.

**GEOFF BURNS:** Thanks David.

**OPERATOR:** Your next question comes from Andrew Kaip of BMO Capital Markets. Please go ahead.

**ANDREW KAIP:** Hi, Geoff.

**GEOFF BURNS:** Good morning Andrew.

**ANDREW KAIP:** Good morning, look – I've – we've just got -- can you provide some additional clarification on Huaron and increasing production and what the combination of factors are that are causing that?

**STEVE BUSBY:** This is Steve Busby again. At Huaron we have been working on basically a four-year project to deepen the mine below the main drainage tunnel. We have a significant drainage tunnel at the 250 level, the 250 meters below surface -- or 250 meters above 4,000 meters. I'll say, that's been draining the mine for quite a number of years, 50-plus years.

We have started, four years ago, going beneath that drainage tunnel to develop our next level down which is the 180 meter level. In order to do that we had to install some pretty significant pumping to pump the water that drains down into that level back up to the 250 meter and out through the drainage tunnel. Plus we have to add a lot more ventilation and ramp access. We also extended a shaft or reactivated a shaft in the area to allow production.

The complexities of that project are pretty severe given that kind of water flow, a half a cubic meter per second type of water flows we are dealing with there. The project turned out to be a -- it's turning out to be a 4.5-year type of project where we expected it originally to be something closer to three years. Because of that our high-grade deposits, our high-grade reserves all occur beneath the 250 meter level. We're having to mine lower grades than we had desired in the time we are waiting to get that level opened up.

We now have the infrastructure in place. We are now focused on developing the ore deposits beneath that 250 meter. It just takes time to complete all the underground advances and stoke preparation works. We are expecting as I said in the third quarter that we will be slowly ramping up from about 2,000 tons a month coming off the 180 meters today to the 9,000 tons a month that we expect in the third quarter which will be significantly higher grade.

**ANDREW KAIP:** Okay. Can you give us a sense of what the grade is going to be from the deeper part of the mine?

**STEVE BUSBY:** We expect that the 180 meters will be above the 200 gram silver -- 210 gram, even as high as 220 gram -- where when we are above the 250 meters we are seeing grades drop down below the 180 gram type figure in rough numbers.

**ANDREW KAIP:** Okay, great. And then I had one other question was what were the cost implications of the power rate hike at La Colorada?

**STEVE BUSBY:** La Colorada right now, when you look back to 2008, we had seen power rates increase to close to \$0.12 per kilowatt hour. Then in 2009 after the economic crises the government did put a program in place and reduced the power cost. We have been enjoying somewhere around \$0.055, something less than \$0.06 a kilowatt hour.

We are anticipating that they are going to raise the rates somewhere between that \$0.06 and \$0.12, and we have budgeted sort of \$0.10 a kilowatt hour. The impact to us is somewhere in the neighborhood of a couple hundred thousand dollars per month more cost.

**ANDREW KAIP:** Okay, great. That is it. Thank you very much.

**OPERATOR:** This concludes the time we have for questions. I will now turn the call back to Mr. Burns.

**GEOFF BURNS:** Thank you, operator, and thank you, ladies and gentlemen, for joining us here this morning. I am very much looking forward to our first-quarter conference call which will probably be some time in the middle of May and being able to give you an update on our progress at that point in time as well as celebrate with every one Canada's gold medal men's hockey final victory. With that I would like to conclude the call.

**OPERATOR:** Ladies and gentlemen, this concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.