

**Pan American Silver Corporation  
First Quarter 2007 Earnings Call  
May 1, 2007**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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**Operator:** Good morning. My name is Janine and I will be your conference operator today. At this time I would like to welcome everyone to the Pan American Silver Corporation First Quarter 2007 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. If you would like to ask a question during this time, please press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

It is now my pleasure to turn the floor over to your host Geoff Burns, President and CEO. Sir, you may begin your conference.

**Geoff Burns:** Thank you operator. Good morning ladies and gentlemen and welcome to Pan American Silver's First Quarter 2007 Earnings Release Conference Call.

Joining me today here in Vancouver are Andy Pooler, our Senior VP, Operations; Steve Busby, our Senior VP, Project Development; Rob Doyle, Chief Financial Officer; Michael Steinmann, our Senior VP

Exploration and Mine Geology; and Alexis Stewart, our Director of Investor Relations.

Over the next 20 minutes or so, we are going to try and update you on the company's activities over the past several months, touching on our silver and base metal production, our construction activities in Argentina, our exploration activities throughout Mexico and South America and also comment on our financial performance.

We produced 3.34 million ounces of silver in the first quarter of 2007, marginally higher than in Q1 2006 at a consolidated cash cost of \$2.98 per ounce. Excluding the higher cost production from Alamo Dorado, which we are still commissioning during the first quarter, our cash costs were \$2.29 per ounce of silver. This is 7% lower than in the first quarter of 2006 when our cash costs were \$2.47 per ounce.

In addition to silver, we also produced 9,600 tonnes of zinc, 3,700 tonnes of lead and 1,300 tonnes of copper. All comparable to the levels we achieved in the same period a year ago.

Net income for Q1 2007 was \$20.4 million which was far higher than the loss of \$2.8 million we recorded in the comparable period last year. However, in the first quarter of this year we received an additional \$10.25 million in cash from the 2004 sale of our interest in the Dukat mine in Russia and recorded a gain on this sale. Excluding this gain, our financial results for Q1 were not as strong as we would have expected. There are three fundamental reasons for this result.

Firstly, we produced 33,400 tonnes of concentrate from our mines in Peru during the first quarter of this year. We only shipped, and therefore only recognized sales on, 74% or 24,900 tonnes of this production. Much of the material that remained unsold at the end of the quarter was comprised of our high value silver-lead concentrates. On a net after-tax income basis, the unsold concentrates would have added approximately \$5 million to our bottom line in the first quarter.

It would be nice to ship all the concentrate we produce in any given quarter, however, this is fundamentally not how our concentrate shipment process works. There will be quarters where we ship more concentrate than we produce and there will be quarters like the current quarter where we ship less than we produce. The bad news is the lack of shipments in Q1 2007 clearly had a negative impact on our short-term financial results. The good news is those same concentrates will be sold in Q2 and Q3 of this year and will have an offsetting positive impact on those quarters' financial performance.

Secondly, we absorbed a \$5 million zinc pricing adjustment for zinc production that had been produced and sold at December 31<sup>st</sup> of last year but where the final pricing had not yet been established. The zinc metal that is contained in concentrates we sell is typically priced at a date that is three months after the date we ship the material. At the end of last year, we had a significant quantity of zinc metal and concentrate where the final pricing had not been established.

As accounting convention would dictate, we estimated the price we would receive for the zinc production based on the December 31, 2006 closing zinc price, which was well above \$4,000 per tonne. As I'm sure most of you are aware, the zinc price declined significantly during Q1, particularly in January, and as a consequence, the final prices we will receive on much of this material declined as well. And that result was during the first quarter, we absorbed a negative pricing adjustment of approximately \$5 million against gross sales.

Clearly, this impacted our bottom line, however, zinc prices appeared to have rebounded from some of the lows we saw in January and have stabilized at very favorable levels and I'm hopeful that we won't have to adjust our sales again in a similar fashion.

Thirdly, and finally, our commissioning efforts at Alamo Dorado have taken longer than we planned. I will update you as to our progress at our newest silver mine in more detail in a moment. Suffice to say, we plan for a quicker ramp up at Alamo Dorado and it didn't happen. From a financial perspective, Alamo Dorado did not achieve commercial production in the first quarter of 2007 and did not contribute as we had previously anticipated to our bottom line.

That's the snapshot of our financial performance in Q1. With the exception of the slow start up at Alamo Dorado, our operations delivered solid performance in the first quarter. However, as I've just described, our financial performance did not fully reflect these results.

My expectations going forward are simple. I am confident we will see significant improvement in our financial results over the balance of the year at these same silver and zinc price levels. We will ultimately sell all the concentrates we have produced. The zinc price adjustment is behind us and the Alamo Dorado mine will achieve commercial production status from an accounting point of view during the second quarter of this year.

Now, for a tour around each of our operations. Let's start in Mexico with Alamo Dorado and the commissioning efforts at our newest silver mine. Alamo Dorado produced just over 260,000 ounces of silver in the

first quarter at a cash cost in excess of \$10 per ounce. This was well below our forecasted production of approximately 800,000 ounces.

Why? Two things really slowed up our start up at Alamo. The first was our tailings filters. The filters separate the pregnant solution which contains the dissolved silver from the solid material which goes through to tailings from the refinery. The filters are covered with a cloth lining which holds the solids while the silver bearing solutions filter through to the refinery where the silver is ultimately recovered. Much the same as the paper coffee filter we put in our automatic drip coffeemakers everyday, which lets the coffee through but keeps the coffee grounds out of the machine. Simply put, we received a batch of sub standard filter cloths from our suppliers which simply didn't do the job they are supposed to do. They stretched, they deformed and we fought them on a daily, if not hourly, basis; but we are still ending up with coffee grounds in our coffee. We have obtained quality cloths and I'm happy to report that this problem is behind us.

The second issue we have faced, which can only be described as somewhat of an irony is that we actually have more silver and solution reporting to the refinery than we have been able to consistently plate and extract. This is more of a learning curve training issue than it is a mechanical problem. We need to get better and quicker at harvesting silver in our refinery that has already been dissolved in solution.

Okay. So, those are the reasons we were not able to turn the key at Alamo Dorado and achieve the performance we have planned to achieve. So, the real question is where are we now and what can we expect going forward?

I'm extremely happy to be able to tell you that over the past two weeks we have achieved in excess of 4,200 tonnes per day through our filters. As a reminder, the feasibility capacity for the plant is only 4,000 tonnes per day and we have recovered close to 11,000 ounces of silver per day during that same period. That's still about 1,500 ounces short of our feasibility estimate but we are getting very close.

For the month of April, we produced close to 250,000 ounces of silver at Alamo and are forecasting almost 300,000 ounces in May. From there, we should see steadily improving results over the next three to four months as we move towards our design parameters.

I would be remiss if I didn't mention a couple of other things which are always identified as risks to any start up operation. Our ore reserves are performing as predicted and with the exception of the two items I just noted, our metallurgical testing is being confirmed by our plant operation. At the moment, our processing circuit is literally loaded with dissolved silver.

As a result of this slower than planned start up, we feel compelled to revise our production forecast for 2007 for Alamo. While there's a decent chance we'll recover from much of the shortfall we have seen in the first quarter, out of an abundance of caution, we are decreasing our forecast in production from Alamo for 2007 to 3.6 million ounces of silver. This is 650,000 ounces lower than our previous guidance of 4.25 million ounces. Average cash costs for the year should approach levels we previously advised, close to \$3.50 per ounce.

Sticking with our Mexican operations, we are very pleased with the first quarter performance at our La Colorada mine. Our purest silver mine produced 854,745 ounces of silver in the first quarter, an increase of almost 7% as compared to 2006. Cash costs were higher at \$6.78 per ounce reflecting increased costs associated with the start up of our sulfide circuit. The La Colorada mine processed record tonnes in the first quarter of 2007 and our sulfide circuit has ramped up nicely processing between 250 and 270 tonnes per day to augment our oxide circuit which has been running at nearly 575 tonnes per day for the year.

In April, La Colorada achieved a one month silver production record of over 340,000 ounces. The mine is truly on a production role. We received a number of pieces of underground mining equipment we ordered last year and our mining rates have increased as have the silver grades of both the oxide and sulfide ore we are currently feeding to our recovery circuits.

After a tough year in 2006, La Colorada is right on track to produce 3.8 million ounces of silver in 2007.

Moving to Peru, our Morococha mine produced close to 639,000 ounces of silver at a cash cost of negative \$4.20 per ounce in the first quarter of this year. Our lowest cost producer continues to benefit from a zinc byproduct production coupled with continued strong zinc prices. As planned, silver production was lower than a year ago as a result of mining in areas where silver and lead ore grades are lower.

Having said this, silver production was higher than we forecasted for the first quarter and we are confident that we'll achieve our forecasted Morococha for the entire year of 2.67 million ounces.

We have continued to increase our mill capacity at Morococha and have also made some adjustments to the circuit, which we hope will ultimately increase our silver and zinc recoveries. The mill was processing consistently over 56,000 tonnes per month throughout the first quarter, some 30% higher than when we acquired this operation in mid 2004. Morococha had a good quarter and is on pace for a very good year.

The Huaron mine, our largest silver producer, maintained its late 2006 production levels and produced 927,100 ounces of silver in the first quarter at significantly lower cash costs. Cash costs in the current quarter were \$1.99 per ounce of silver produced, which was 46% lower than the cash costs a year ago. Offsetting a planned decline in silver head grades was an increase in throughput. The milling circuit at Huaron processed consistently at 62,000 tonnes per month. This is 11% higher than the year earlier period. Our mine deepening project continued on track and is scheduled for completion in May 2008.

This is a key project for Huaron's future, as it will provide long-term access to some of the highest grade ore blocks in the mine's reserves. Like Morococha and La Colorada, Huaron recorded a solid first quarter production and we are confident that we'll achieve our full year target of 3.8 million ounces in 2007.

At Quiruvilca, production was lower for the first quarter as expected, because we are mining in lower grade areas of the mine while we complete our 400 level ramp development project. Silver production for the quarter was 404,000 ounces at a cash cost of \$2.33 per ounce. Silver and zinc grades are likely to stay at these same levels for the second quarter, but we are anticipating significant improvement in the third quarter and for the balance of the year, as ore will start to be mined from the higher grade zones below the 400 level.

Overall, we were a little behind our forecast in the first quarter at Quiruvilca but should make up our annual call by the end of the year.

In Bolivia, our San Vicente mine put in a solid first quarter. Our share of the mine's production jumped almost 50% to 136,500 ounces of silver at a cash cost of \$3.16 per ounce. Production from this high grade silver zinc ore body continued on a modest basis as we mine and toll process at about 250 tonnes per day.

The real future of San Vicente is in expanding the mining and milling capacity. As I have mentioned before, we have completed the feasibility study on just such an expansion and a construction decision is imminent. Please watch this space. There's real growth potential for Pan American and San Vicente. Growth, which up to this point has never been included in our long-term forecast for the company.

Now to Argentina and our Manantial Espejo project. Construction at Manantial Espejo, which will be our eighth mine, is in full swing. To the end of March, project expenditures were \$32.4 million and we estimate that we are 25% complete with our construction and mine development. We

have taken delivery on a majority of our underground and surface mining equipment, we have advanced the underground ramps to the Melissa and Maria veins, a total of 500 meters out of the 4,000 meters, which will be completed prior to starting up our plant.

We have commenced pre-stripping of the Karina Union open pit and are using the waste material to help construct our tailings dam facility. We are pouring the concrete foundations for our maintenance shop, our processing facility and our crushing plant. Infrastructure development is well advanced with the establishment of permanent housing in the town of Gobernador Gregores and at the site. We are on schedule for an April 2008 completion with commissioning to start immediately thereafter.

We continue to receive exceptional support from all levels of government in Argentina – Federal, Provincial and Municipal – who have truly become our partners in this project.

While construction is progressing well, we have seen a significant increase in our estimate of the capital costs to complete this project. As we've previously announced, our estimate of the capital costs of the project has increased to \$170 million, which includes \$21 million of refundable value added tax. This is a disappointing development but our estimated cost to complete Manantial Espejo has been subjected to many of the unavoidable cost escalations that have been seen throughout the industry. Labor costs have increased, concrete and construction material costs have increased, EPCM costs have increased to name a few of the most significant drivers.

To be conservative, we have included in our late assessment an allowance for further cost escalation over the balance of the project construction timeframe. Clearly, we were hoping to duplicate some of the success we had at Alamo Dorado in mitigating these same cost escalation factors, but those opportunities are just not available to us at Manantial and we've had to be realistic about what it's going to cost us to complete this project.

Manantial Espejo will be one of our largest and lowest cost producers when we fire up the plant next year. The mine should average 4.2 million ounces of silver a year with a significant gold kicker we will recover. As a byproduct credit, our cash costs should be well below \$1 per ounce.

That's the tour around our operations and construction projects. We continue to be very active on the exploration side and I would ask Michael Steinmann, our Senior VP Exploration to share with you some of what he and his group are currently working on.

**Michael Steinmann:** Good morning. I'm sure most of you have seen our press release from February 16th with the company wide reserve and resource

estimates. We published a 20% increase of our proven and probable reserves, adding 35.4 million ounces of silver compared to the year before. In order to achieve similar results in 2007, an aggressive exploration program at our operations and greenfields projects has been started in January.

I would like to give you a short overview of the exploration plans for this year. First, our brownfield exploration programs. At Morococha, we are drilling with eight to ten rigs on a program of 40,000 meters for exploration and over 7,000 meters for in-fill drilling. The total cost for this program will be approximately \$2.8 million.

At Huaron, the program is 28,000 meters using three to four rigs for a total of about \$1.3 million.

At Quiruvilca, we are drilling for the year about 20,000 meters using three rigs for a total cost of about \$1 million.

At La Colorada, we are currently drilling with three rigs on a program of 13,000 meters for a total cost of about \$1.5 million.

In total, our brownfields exploration program for 2007 is about \$6.5 million, which will be spent on over 100,000 meters of time and drilling alone.

Our greenfield exploration programs are mainly focused on Mexico, Peru, Ecuador and Argentina where we have several prospects in each country. We plan to spend a total of \$2.5 million on these properties for exploration work and are constantly reviewing opportunities in these countries. We're also very active in staking new ground. For example in Peru, we staked in the first quarter 13,500 hectares of exploration properties which will be part of our exploration program throughout the year.

As you see, we are very active exploring around our mines as well as on greenfield properties and will be releasing the results once the first stage of the program has been finished, around the middle of this year. It's going to be challenging to duplicate the kind of reserve increases we enjoyed last year but I'm confident that in 2007, we will once again add to our reserve base and I can tell you that I'm very pleased with the progress we have made in our greenfield programs to this date.

**Geoff Burns:** Thank you Michael. I'd like to touch on a couple of other items before we open up the lines for questions.

We held our annual general meeting yesterday and Mr. John Wright who has been a director of the company since its inception at

Pan American Silver in 1994 did not stand for re-election. I would personally like to thank Mr. Wright for his years of dedicated service both on the board and as a key member of management for many years prior to my joining the company. John was one of the co-founders of Pan American, along with Ross Beaty, our Chairman, and was truly instrumental in the evolution of the company. I will miss his guidance but wish him the best in all of his future endeavors.

As for the silver market, in spite of the last couple of days which has yet again proven that the silver price can be extremely volatile, the basic drivers of the silver price continue to be bullish. The U.S. dollar continues to show weakness, the silver ETF has continued to grow, reaching almost 121 million ounces at the end of March and fundamental industrial demand has remained strong with growth in China and India unabated. Together, these factors make a good case for continued strong silver prices.

In summary, with the exception of our start up at Alamo Dorado, we had a good solid production quarter. However, for the reasons I have described, we didn't achieve the financial performance we were hoping for. However, I am extremely optimistic about the balance of 2007. Alamo Dorado is now ramping up nicely and will deliver to its advertising.

We will sell in the second and third quarters the unsold concentrate we produced in the first quarter. Our La Colorado mine reached record production levels in April and there is no reason to believe that the production trends we have established in the first four months of this year will not continue. Morococha and Huaron are right on track for excellent years. Put this all together and 2007 should be the best year ever for Pan American and we are on path to produce 25 million ounces of silver in 2009.

This is mining. We have the team, we have the assets and one quarter does not a year make.

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

**Operator:** At this time, if you would like to ask a question, please press star then the number one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Our first question comes from John Bridges of JP Morgan.

**Male Speaker:** Hi, this is Ankush on behalf of John. You reported copper production at the La Colorado mine which is presumably coming from the new sulfide circuit? Could you give us, could you please give us some more

details on the copper grades in the sulfides of both the reserve grade and what you're doing currently?

**Andy Pooler:** We do not commercially produce copper at La Colorada. We have just recently commissioned a sulfite circuit and we have a lead concentrate and a zinc concentrate as well as gold and silver, but we do not produce a commercial copper product at La Colorada.

**Male Speaker:** I see copper metal about 857 tonnes.

**Geoff Burns:** I'm sorry to interrupt. I thank you for pointing that out. I'm afraid that's an error in our statement. That refers to the gold production for the quarter. It has been mis-labeled as copper tonnes. There is no copper production coming out of La Colorada.

**Male Speaker:** So, that is gold, is that 857,000 ounces or no?

**Geoff Burns:** 857 ounces.

**Male Speaker:** 857, okay.

**Andy Pooler:** Yes, 857 ounces of gold produced for the year which is actually 46% above our budget.

**Male Speaker:** Okay, that's fine. I was just wondering where all that copper came from.

**Male Speaker:** Good question.

**Male Speaker:** Okay. Well, thanks a lot.

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

**Operator:** Thank you. Our next question comes from Howard Flinker with Flinker and Company.

**Howard Flinker:** I have a few questions about taxes. Is that VAT in Argentina new?

**Geoff Burns:** No it's not Howard. That's been there for quite a while.

**Howard Flinker:** Did I understand that you described it as something that was unexpected or did I misunderstand?

**Geoff Burns:** No, the tax – the VAT taxes were not unexpected. They are fully refundable but we've included them in our capital estimate, because you have to pay them up front and then you get them back when you start into production.

**Howard Flinker:** Did you not include them before?

**Geoff Burns:** They were included before as well.

**Howard Flinker:** Oh, they were? And, did Peruvian taxes go up? Is there a new Peruvian tax? Did Garcia say, geeze, I need a new house or something like that?

**Michael Steinmann:** No, there has been no change to Peruvian tax rates.

**Howard Flinker:** Oh, and finally, please explain that accounting phenomenon where you shifted, what is it, \$4.5 million of costs in the fourth quarter to the first quarter? Whether it was delayed for some reason? I don't understand that.

**Geoff Burns:** Okay Howard. If you're referring to our zinc pricing adjustment, at the end of last year...

**Howard Flinker:** Right.

**Geoff Burns:** We had sold our zinc on an accounting basis, but the final pricing on that material from our customers is not set for up to three months into the future.

**Howard Flinker:** How so?

**Geoff Burns:** That's just a function of how our concentrate sales contracts work. Standard in the industry.

**Howard Flinker:** So, up to three months in the future, now, the price can go either way?

**Geoff Burns:** Can go either way, that's correct.

**Howard Flinker:** And, who gets the benefit if it goes up and who gets the benefit if it goes down?

**Geoff Burns:** If it goes up, we get the benefit. If it goes up, if it goes down, essentially we get less value for that material.

**Howard Flinker:** Oh, I see. So, that's also fixed? That's not some choice of the smelter?

**Geoff Burns:** No, that's not – the smelter determines that, the period of pricing, but up or down goes to either parties.

**Howard Flinker:** And, I forget where zinc was at the end of the year. Clearly, if I can infer properly.

**Geoff Burns:** It was well above \$4,000 per tonne Howard.

**Howard Flinker:** Oh, I see. And now, it's what, \$3,200 or something like that.

**Rob Doyle:** \$3,600 on a three month basis.

**Howard Flinker:** Okay, okay thanks. Those are my only questions.

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

**Operator:** Thank you. Once again, if you would like to ask a question, please press star then the number one on your telephone keypad.

Our next question comes from Haytham Hodaly with Salman Partners.

**Haytham Hodaly:** Good morning gentlemen.

**Geoff Burns:** Good morning Haytham.

**Haytham Hodaly:** Just a couple of quick questions, housekeeping issues. Can you just give me your forecast for G&A this year, for the full year? And maybe for your exploration budget that would be expensed et cetera?

**Geoff Burns:** G&A, I think our G&A in the first quarter was just about \$2 million. And essentially for G&A, you can just take that and multiply it by four Haytham and you're going to get a pretty decent estimate for the year.

**Haytham Hodaly:** And what about your stock based compensation expenses and all of that? Is that built in there?

**Geoff Burns:** Built in there, yes. Yes it is, and in terms of our exploration budget that will be expensed, some of that exploration is capitalized. We're looking at close to \$7 to \$8 million for 2007.

**Haytham Hodaly:** Eight, nine. Is there any plans to put any hedging in place for the zinc?

**Geoff Burns:** That was a long heavily debated topic at our board meeting yesterday. What I can tell you is that as of today, we do not have any mandate for putting any zinc hedging in place but we are going to watch the market very closely. Certainly we're cognizant of some of the comments in your newsletter Haytham as well as some of the other people who follow the price that suggest that while they're strong at the moment, there is some potential for degradation in the price. And so, we don't have anything today but I'm not going to preclude us from moving into that market over the next several months.

**Haytham Hodaly:** Okay, perfect. One last question, I guess, just on the Dukat proceeds. Initially it was \$20 million I think you said incentive in this quarter, is you have another \$0 million, is that correct? Is this last year sorry?

**Geoff Burns:** yes we did.

**Haytham Hodaly:** I guess it's – that additional \$10 million which showed up in the first quarter numbers, how would you expect, assuming silver price stays above \$10, how would you expect that to play out for the next 12 months? Similar number?

**Geoff Burns:** Actually no. The reason for the additional payment was that part of the structure of our deal with Polymetal was if they ever IPO'd the company, which they did near the end of last year, they would have to pay us in advance half of the outstanding amount they owed us. So, they did IPO the company and as a result of that, they were dictated to pay us the \$10.5 million.

If the price of silver stays where it is right now, there's about another \$2.5 million that we can expect to receive from Polymetal at the end of this year and then that would complete that deal.

**Haytham Hodaly:** So, there's \$2.5 million left in Q4 of '07 and then you're done? There should be no more surprises after that?

**Geoff Burns:** There should be no more surprises after that. Although, in this sense, this was a pretty nice surprise.

**Haytham Hodaly:** No, no, definitely. Okay perfect. Thank you Geoff.

**Operator:** Thank you. Our next question comes from Daniel Altman with Zweig.

**Daniel Altman:** Hi, good morning. Can you just share with us the revenue breakdown by product in the first quarter?

**Geoff Burns:** Daniel, that's a fairly detailed question in terms of dollars and percentages. If I could ask you to give us a call back here at Pan Am and talk to Rob Doyle. He'd be happy to share that with you. We just don't have that handy right at the moment.

**Daniel Altman:** Okay, thanks.

**Operator:** Thank you. Our next question comes from Frederick Brimberg with Avatar Associates.

**Frederick Brimberg:** Good morning. Macro questions please. Can you update us on the strikes in Peru? I understand they are not affecting your mine directly but maybe you can just bring us up to date with the overall situation down there?

**Geoff Burns:** Sure Frederick. Actually, that's an excellent question. It's something I should have touched on in my comments.

Yes, there has been a call, as I think it is well reported in the press, a call for a general mining strike by the unionized workers in Peru and the issue du jour really involves contracting out some of the – I'm going to say some of the work at various of the mines where companies have their own employees but then also carry on mining using contract employees, and the issue really revolves around the profit sharing. As a full-time employee of a particular operation, you're entitled to an 8% share, obviously prorated over a number of workers, of the profits of any given operation. If you're a contract worker, you do not participate in that profit sharing. So, that's the issue.

At our operations at Quiruvilca, we're almost 100% company only employees. At Morococha, we have a fair number of contractors but we have been systematically, over the last two years adding them to our payroll, to bring them on our payroll. Similarly at Huaron.

As is stand right now, as you noted, all of our operations are still going full tilt. We have not been affected by the general strike. In fact, we've settled our labor contract with Quiruvilca, with the Quiruvilca Union earlier this year and they actually wrote a letter to the, essentially the country union, telling them that they did not want to participate in any job action whatsoever. So at this point in time, we have been very fortunate in not having any disruption to our operations from that general strike.

How it will play out at the other mines and throughout the country is a little more difficult to call. Certainly the Federal government has called the strike illegal and it's busy trying to mandate the workers back to the job. Today is a holiday in Peru, so I suspect a number of those workers will – you can call it a strike or a holiday. I'm not sure which it really qualifies as for

today, but the long – my long-term expectation would be to see most of those workers back on the job throughout the country, and I'm hopeful that we've been blessed without any disruptions and we'll continue on that path.

**Frederick Brimberg:** Second question. I've talked to Rob about this in the past but I'd just like a reminder. In Argentina, that government has had a history of not upholding the contracts with foreigners. I understand the President is very friendly to the company. Could you update me or update all of us on why you feel confident in long-term investments in that country given its history of foreigners?

**Geoff Burns:** I guess, you know, sometimes you're good and sometimes you're a bit lucky when it comes to politics. In our particular case, we're located, our operation is located in the province of Santa Cruz. Hester Kirshner is from that particular province. He is the President of the country and as are a number of his senior cabinet members and they have been very proactive along with the Provincial government in fostering mine or a development of all sorts including mine development.

There are clear indications that their long-term political future will see them back in the province when they are done at the Federal level and we are already aware of steps that are being taken internally through the province to provide, quote unquote, space for their return.

So, in the general concepts, some of your comments or general concept of the country, some of your comments may be applicable. We are fortunate to be located in an area that is clearly favored by the political wings in Argentina.

**Frederick Brimberg:** Is it possible though, if there was a change in the leadership, a President who is not from that province, then it might be a problem?

**Geoff Burns:** I mean, Frederick, we can only speculate on where the politic is going five or six years from now. It's possible they can have another President come in who's even more in favor of that particular province.

**Frederick Brimberg:** Wow.

**Geoff Burns:** But, that's a tough speculation to make. I can tell you right now, Municipal level at the town of Gobernador Gregores Provincial level and at the Federal level, we have very very strong support and we're hopeful it will last.

**Frederick Brimberg:** Okay. And moving onto Bolivia. I noticed in the release that construction – you await a positive construction decision regarding the expansion for San Vicente is pending. Can you just help us understand your

confidence, given Mr. Morales', you know, background? You know, why have confidence making a long-term commitment to that country?

**Geoff Burns:** I think in the case of San Vicente, there's about three things. The first one is, it's going to be the magnitude of our commitment and the magnitude of what is going to end up, if we have a positive construction decision, the magnitude of our investment.

I can say, on a materiality level, without getting into the specifics which I can't do before we make a formal announcement, that any magnitude of investment is going to be very small relative to what we're investing in Argentina or what we just invested in Mexico for some very very positive production results.

So, it's a magnitude issue number one. Magnitude versus potential returns is the number one issue. Number two is, there has been an incredible amount of rhetoric picked up in the press from Mr. Morales. The reality is, for the vast majority of the mining industry, ourselves included, with the exception of perhaps one specific company, there has been no change whatsoever to the way we do business, the way we're being taxed, the way we're operating, the way we pay our unions since Evo has taken office. That's zero change. Nothing has changed.

I'm not saying that's an absolute for sure going forward but that's certainly the result of a lot of talk and not much action.

I guess the last thing is, Bolivia is indeed a very poor country. They do need foreign investment in the mining industry. They just need it. It's one of their primary economic drivers in the country. They don't have the wherewithal or the resources to develop many of the natural resources themselves, particularly in mining and again, despite the rhetoric, underneath that rhetoric in dealing with most of the cabinet ministers who report to Mr. Morales, the message has been very clear. We need your investments, we want your investments, we'd like you to continue operating in our country.

So, for those sort of three reasons, that gives me – it is not by no means a certainty, but that does give me comfort, that an investment in Bolivia is not out of the question.

**Frederick Brimberg:** Thank you. What was the original guidance for silver production this year? I know it was dropped to 17 million but I don't remember from what.

**Geoff Burns:** The original guidance was 17.6 million.

**Frederick Brimberg:** Okay great. And, all the differentials is because of the commissioning problems in Mexico rather than the inventory problems in Peru? Is that fair?

**Geoff Burns:** That's absolutely correct.

**Frederick Brimberg:** All right. So, you'll make all that up. Okay great. Gentlemen, thank you very much for your time and patience this morning.

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

**Operator:** Thank you. Once again, if you would like to ask a question, please press star then the number one on your telephone keypad.

Our next question comes from Richard Gray with Blackmont Capital.

**Richard Gray:** Hi Geoff. I guess just a little further on to the previous question. Has the events down in South America, how does that change your acquisition strategy? Are you still looking at things down in Peru, in Bolivia, in Argentina? Are you kind of looking at more opportunities in Mexico for example?

**Geoff Burns:** No Richard. We're still very actively looking in the South American countries. I mean, on an absolute basis, would I say we would favor Peru over Bolivia, yes. Does that preclude us from doing something in Bolivia? No.

**Richard Gray:** Okay. Fair enough. Thanks.

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

**Operator:** Thank you. At this time, there appears to be no further questions. I'll turn the floor back over to Geoff Burns for any closing remarks.

**Geoff Burns:** Thank you operator and thanks everyone for joining us here this morning to talk about our first quarter. I look forward to talking to you again in a few months time about how we do in the second quarter, and as I said, I am confident that our financial performance will more closely reflect our operating performance. Good day.

**Operator:** Thank you. This does conclude today's Pan American Silver Corporation Conference Call. You may now disconnect.