

**Pan American Silver Corporation
Fourth Quarter 2006 Earnings Conference Call
February 22, 2007**

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Operator: Good afternoon. My name is Elsa and I will be your conference operator today. At this time, I would like to welcome everyone to the Pan American Silver Corp's. Fourth Quarter 2006 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 pose 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, Mr. Ross Beaty, Chairman. Sir, you may begin your conference.

Ross Beaty: Thank you very much Operator, and good day ladies and gentlemen. Welcome to Pan American's Q4 and Annual Results conference call. I am currently away from Vancouver at a hotel room at an investment conference, but I'm joined telephonically by Geoff Burns, our President and CEO, in our Vancouver office; our Senior Vice-President of Operations, Andy Pooler; on Operations, Steve Busby; our Senior Vice President of Project Development,

Michael Steinmann; our Senior Vice President of Geology; Rob Doyle, our CFO, and Alexis Stewart our Director of Investor Relations.

Well, of course you've all seen that we had a blowout fourth quarter; a record year. It's a great time to be a large silver producer and, by the way, a very good time to be a large producer of by-product metals such as zinc, lead, and copper.

We had record silver production, record earnings, record cash flow, record low cash costs, and we are in the middle of record production growth with our silver production set to double over the next couple of years to over 25 million ounces. Our silver reserves grew by over 20% as well in 2006 even after fully replacing the silver ounces we mined in the year.

Our share price is just off an all time high and yet we are cheaper today than we have ever been when our share price compared to our net asset value at current metal prices.

Today, I'm going to turn the call over now to Geoff Burns who will review our financial and operating picture. I'll then go over some exploration highlights and review the silver markets as well as some of the board changes we announced today and then we'll open the call to questions.

Geoff, over to you.

Geoff Burns: Thanks, Ross. Let's get right into our financial performance for both the fourth quarter of 2006 and for the full year. As Ross mentioned, by all financial measures both fourth quarter and full year results were outstanding for Pan American. There's no question that we and our shareholders are continuing to benefit from buoyant metal prices, but our financial achievements would not have been possible had we not continued to grow both our silver and by-product base metal production. If metal prices remain at these levels, I fully expect to deliver financial records going forward as our newest producing mine, Alamo Dorado ramps up its production.

Looking at the fourth quarter first, revenue more than doubled to \$83.6 million as a result of higher metal prices and increased sales of concentrate as compared to the fourth quarter of 2005. Mine operating earnings which represent mine revenues plus direct operating costs and depreciation charges, were \$35 million in the quarter, the highest in the company's history.

With increased profitability came significant increases in taxes and employee profit sharing in Peru. As well, we have significantly increased our exploration expenditures which provided some handsome returns during 2006.

Overall, our net income increased sharply to \$29.6 million or \$0.39 per share for the quarter. It is worth noting that we did recognize an \$8 million gain during the fourth quarter on the sale of our interest in the Dukat mine in 2004. A superior quarterly financial performance.

For the full year, revenue more than doubled to \$255 million. Mine operating earnings increased five-fold to \$113 million and we generated a healthy \$65.9 million in cash flow from our operating activities.

Costs have increased and, as I've just mentioned, so have taxes and employee profit participation. But bottom line, Pan American made \$58.2 million in net income in 2006; \$0.79 per share.

We continued to invest heavily in our development properties during the year spending a little more than \$96 million on capital programs. The vast majority was split between completing the construction of Alamo Dorado Mine in Mexico and starting construction of the Manantial Espejo in Argentina.

At the end of the year, we had almost \$172 million in cash and short-term investments and working capital had climbed to \$204.6 million. And, I almost forgot, we're debt free. We are in superior financial condition and are well funded to complete the construction of Manantial Espejo and the expansion of Morococha and San Vicente.

Enough about our finances. Let's take a brief tour around each of our operations and development projects. I would like to start by making a couple of general observations about our operating performance for the full year. While it's hard not to be buoyed by our financial performance in 2006, and by the fact that we completed construction of our Alamo Dorado mine this past November, virtually on feasibility budget, we did not do as well as we could have.

Our silver production was up 4% on the year to a record 13 million ounces, by-product zinc production was up 5% to almost 40,000 tonnes, copper was up 15% to 4,500 tonnes and our cash costs declined 57% to \$1.89 for every ounce of silver we produced. But we did fall a little short of the 14 million ounce target that we set for ourselves at the start of 2006. It wouldn't be mining if there weren't challenges, and we've had a couple.

While we were basically right on our projections for all of our Peruvian mines, we fell short at La Colorada due to a delay in the start up of production from our sulfide circuit. As well, the start up of Alamo Dorado lagged perhaps what was an aggressive expectation.

Challenges are made to be overcome and I'm happy to report that we've started pouring silver at Alamo Dorado in January and the mine is now ramping up nicely, and at La Colorada, the sulfide circuit has now reached its design capacity.

Now for some quick highlights from each of our operations. Starting in Peru; our Morococha Mine continued as the company's most profitable mine during 2006, recording net income of \$24 million. Morococha produced 721,000 ounces of silver in the fourth quarter. Cash costs were negative \$4.09 per ounce, reflecting high based metal by-product credits, particularly from zinc. Our silver production for the full year was 2.9 million ounces and cash costs were negative \$3.71.

As we expected, both silver and zinc grades declined modestly in 2006, however we more than made up for these decreases with increased throughput and better metal recoveries.

In our second quarter call, I mentioned that we had completed some improvements to our milling circuit which we believe would allow us to increase our throughput. This has happened and we averaged over 51,000 tonnes per month through the mill in the fourth quarter. More than 20% higher than we had achieved from that operation when we acquired it in 2004. We are confident that we will continue this trend and are planning for almost 54,000 tonnes per month through 2007.

We have several major projects on the go at Morococha at the moment. We have continued to extend our Sierra Nevada ramp which will become our primary ore extraction haulage way and the primary access to the Manto Italia and Freeburg ore bodies that we discovered last year.

We are rehabilitating the volcano tunnel and driving an incline shaft, both of which access the Buenaventura and Galera ore blocks; the highest grade ore in the mine. These major underground projects are critical steps aimed toward achieving a single goal, to double our throughput at Morococha over the next two and a half years.

At Huaron, we produced 891,000 ounces of silver in the fourth quarter at a cost of \$2.15 per ounce. For the year, Huaron produced 3.7 million ounces at a cost of \$2.41 per ounce. Production at Huaron rebounded from a slow first quarter and, by the end of the year, we were processing in excess of 60,000 tonnes per month, almost 8% more than a year earlier.

Similar to Morococha, we are working on a couple of very important projects. Some are targeting productivity increases or cost reductions but by far the most important of these projects is the mine deepening

program that we kicked off early in 2006. This program, which will take at least another 12 months to complete, will allow us to access new higher grade and wider ore zones that have never previously been mined and should set the operation up for continued solid performance for years to come.

At Quiruvilca, the mine continued to be a reliable low cost silver producer. Silver production in the fourth quarter was 424,000 ounces bringing last year's total production to 2.1 million ounces. Cash costs for the year declined significantly to negative \$0.04 per ounce which is over \$4.00 less per ounce than in 2005. It was a solid production year for Quiruvilca and there is no reason that this performance should not continue going forward. Although I am expecting silver grades to drop a little, at the same time, I'm expecting a corresponding increase in the zinc grade. Simply a function of where we're mining at Quiruvilca.

Moving to Mexico; the La Colorada mine increased its silver production again both in the fourth quarter and for the year as compared to the same periods in 2005. However, we were slower than we hoped in bringing our sulfide circuit back on line and while silver production increased 13% to 3.4 million ounces during 2006, at our purest silver mine, we fell almost 400,000 ounces short of our goal. The oxide circuit, which going forward will produce almost 70% of the silver from the mine, performed extremely well all year and it is expected to continue on that trend in the first part of 2007. However, we started up the sulfide plant a couple of months behind schedule in June of last year and only recently managed to ramp it up to its 250 tonne per day capacity.

This bodes extremely well for 2007 as production should reach almost 3.8 million ounces of silver at La Colorada and cash costs should drop significantly from those we saw in the fourth quarter of this year.

At San Vicente in Bolivia, our share of silver production in 2006 was a modest 256,000 ounces at a cost of \$3.49 per ounce. You might recall that we restarted a limited mining and processing program at San Vicente in July of last year; small tonnages but highly profitable.

We have completed a feasibility study on significantly expanding production from what is arguably the highest grade, most valuable per tonne ore body that's in our portfolio but we haven't made a production decision due to the politics in Bolivia. The government has proposed higher taxes and we are waiting to see where things settle before we decide to proceed with the expansion.

As I previously mentioned, we completed construction of Alamo Dorado in Mexico this past November. While I'm extremely proud of our ability to build this mine, virtually on budget and on schedule, I am even more proud of the fact that we managed to accomplish this without registering a single

lost-time accident. Over two million man hours of construction, open pit mining and not one LTA. It's a tremendous achievement.

The commissioning has been slower than we planned due to a couple of plant mechanical issues which we appear to have overcome, and we began pouring silver in January. The ore reserve is performing as expected. The metallurgy is performing as expected and we are planning on producing 4.3 million ounces of silver at Alamo Dorado this year at a cost of \$3.27 per ounce.

In Argentina, construction of Manantial Espejo is really picking up speed. Both the Maria and Melissa vein underground portal excavations were completed and advances on both ramps are well under way. Topsoil stripping activity commenced for the Karina Union surface mine and mobile surface equipment will continue to arrive on the site throughout the first quarter.

Total product expenditures to the end of the fourth quarter of 2006 were \$22.4 million and total purchase commitment for mining equipment and engineering and construction management-related contract work were \$41.7 million. Construction of this newest mine is expected to be complete in April of 2008 with commissioning to commence thereafter.

We continue to be well received in Argentina, locally, provincially, and federally and are thankful of the support we are receiving. Annual production from Manantial Espejo is expected to be 4.3 million ounces of silver and 62,000 ounces of gold.

Here's how I see our production unfolding in 2007. We plan to produce 17.6 million ounces of silver, up 35% from 2006. Estimated cash costs are just over \$3.00 per ounce using some pretty conservative base metal by-product credit prices. We didn't quite make our ops forecast last year but I can assure you we are going to make them in 2007.

Ross, back to you.

Ross Beaty: Thank you very much, Geoff. That was a nice wrap. Well, I'm going to get a few comments now about some of our growth plans and some of our exploration projects.

Last week we announced a 20% increase in our silver reserves and more modest increases in our silver resources. We actually increased silver reserves at each one of our operations and major development projects, even after accounting for the 16 million ounces we mined in 2006. 16 million ounces is what we mined, 13 million ounces is what we sold because of losses during the milling process and selling process.

I want to specifically highlight four of our operations where we had exceptional exploration results during the year. Firstly at Huaron; our reserves increased at Huaron by 2 million tonnes or 6.6 million ounces to 8.7 million tonnes containing 51 million ounces of silver. More importantly, we began drilling the deeper extensions to known veins and had virtually 100% success in proving our reserves where we drilled below current reserve levels. There are literally dozens of silver veins at Huaron and I can confidently predict we will be mining at Huaron for decades to come.

At Quiruvilca, which has been in continuous production since 1926, or 81 years, we discovered important extensions to two vein systems with especially high gold and zinc grades as well as silver grades. Quiruvilca veins also extend very deeply and we expect continuing success in our 2007 drill programs there.

At Morococha, our best and most profitable mine, reserves increased 30% in 2007 and have now increased five-fold since we acquired the mine in 2004. Reserves and resources now exceed 120 million ounces and we are confident again that we will see further increases in 2007 after we complete the planned 40,000 meter program already in progress.

Finally, I'm very pleased with our exploration success in 2006 at our La Colorada Mine in Mexico where we discovered the new Amolillo vein and added 7.6 million new ounces. 2007 will see an aggressive deep drilling program at La Colorada to test the potential for large deep, bulk tonnage ore bodies similar to the Sabinas and San Martin mines to the north of our mine which are Mexico's largest underground mines and are in an almost identical geological environment as La Colorada.

I am very excited about this program. We're testing this prospective area now for the first time since we had some extremely interesting drill holes in 1998 with some deep drilling we did then and we're going back into the area now that we have better access from underground to drill into those areas. So, I'm really looking forward to a very exciting year ahead at La Colorada.

I'm very optimistic that we're going to continue to see material silver reserve increases in 2007. Our new reserve ounces at our mines and projects cost about \$0.18 per ounce to discover, yet they can now be immediately mined at sites where all the infrastructure is in place and capital costs are sunk. This is one thing that distinguishes Pan American Silver from exploration companies and silver stream companies.

Another distinguishing feature of Pan American is our very low cash costs to produce our silver, much helped by our large by-product metal production and the current high prices for silver, zinc, and copper.

While silver is always our prime focus, we certainly are enjoying our growing by-product metal production and as we fully develop our new Alamo Dorado Mine and Manantial Espejo mines, we will see our gold production increase from 3,000 ounces or so in 2006 to over 73,000 ounces by 2009.

We have also embarked on an aggressive plan to discover new silver deposits through generative exploration and have greenfields exploration programs now in progress in Mexico, Peru, Argentina and Ecuador. Although we've made one acquisition in 2006, buying the other half of Manantial Espejo in April, we think equity investors are fully valuing or even more than fully valuing exploration stocks and that's making them hard candidates for acquisition.

I expect we will have success in our 2007 generative exploration program and I look forward to reporting on this as the year unfolds. Pan American has an excellent plate of current projects to expand our silver production and we are hard at work looking for a new generation of silver mines to build after 2009.

We also announced today some board changes. My former partner John Wright, who retired as Chief Operating Officer of Pan American in 2003, and who remained on our board until now, will be retiring from the board and we'd like to thank John for his services to the company and wish him well in a quieter life ahead. John will be replaced by Robert Pirooz who first joined us in 1998 and is currently General Counsel and Secretary. Robert is a very smart business lawyer and great member of our senior management team.

I will also be stepping back a little, moving from Executive to non-Executive Chairman. I have been with Pan American, of course, since we founded the company in 1994 as just a mere idea. It is important to have a dynamic management which evolves with the company's growth. I'm not planning to go anywhere; I'm planning to stay and help the company to the extent I can. I'm not selling my stock and I will remain closely involved with the company's affairs as Chairman. I just won't be as active on a day-to-day basis.

We have a tremendous, skilled, deeply qualified team, fully capable of driving our growth in the future and I really look forward to watching this.

Silver had a great year in 2006, rising 42% to over \$12.50 an ounce and averaging \$11.59 an ounce. It out performed gold by 23% in the year but under performed most base metals like copper, nickel, and zinc.

So what are silver's prospects for 2007? Silver has started the year well, rising now to over \$14 an ounce. Silver, of course, is both an industrial and a precious metal. As an industrial metal it has the widest uses of all metals. Some sectors, like photography, are showing secular decline in silver use. Other industrial sectors are showing greatly increased uses of silver almost regardless of the silver price, such as new applications in flat screen TVs, 48-volt car batteries, solders, super conductors, and biocites, to name a few. And silver's use in the electronics and electrical sector is increasing at double digit rates but it is silver's use as a precious metal that's really the main factor driving this increased demand in 2006 and hence, it's price.

Investment demand really took off last year mostly due to the introduction in April of the silver ETF, which by the end of December had attracted investor demand for 120 million ounces. It's easy way for investors to buy physical silver and has attracted large pools of capital into silver, and in the face of depleted silver inventories, which have been drawn down after 15 years of silver demand exceeding mine and scrap supply. It's no surprise to me that the silver price went up. Silver's volatility has also attracted hedge funds to invest in the metal and silver's inverse correlation to the US dollar has attracted buyers who believe the US dollar will continue to weaken. I believe, therefore, that 2007 will continue as a good year for silver.

There's very little that's likely to change that was responsible for silver's strong price movement last year. Demand should stay strong in both industrial and investment sectors. Mine supply will increase this year to some degree as some new mines are brought on stream, not just Pan American's but there are other operations that are going to increase their production. But this new supply is needed to fill the increased demand and prevent runaway prices that are simply not good for healthy markets.

I see the US dollar weakening further, preventing continuing support for silver and gold prices. Asian demand should remain strong for all commodities, including silver. I think jewelry and silver demand in India will also recover as consumers come to accept the new price regime. And I see continued interest in commodity funds to invest in silver for the long-term.

Silver is a wonderful metal with a great future and Pan American is a world leading silver stock and we also have a great future.

And on that I'm going to have a glass of water and open the call to questions.

Operator: Thank you. The floor is now open for questions. If you do have a question, please press star, one on your telephone keypad at this time. If at any point your question has been answered you may remove yourself from the queue by pressing the pound key. Once again, that is star followed by one on your telephone keypad for any questions at this time.

Our first question is coming from Ian Howat with National Bank Financing. Please go ahead.

Ian Howat: Hey, good afternoon Geoff and the rest of the team. Just on your comments about doubling capacity at Morocochoa; can you give us some more details about that project?

Geoff Burns: Sure can, Ian. The key is that Morocochoa, being an underground mine, is expanding our capacity to extract the ore and the two major projects we have going on right now are the Sierra Nevada ramp as well as the inclined ramp and shaft system at the Galera and Buenaventura zones. It's going to take us about approximately two years to get the proper amount of development done where we can see a sustainable extraction rate of roughly 80 to 85,000 tonnes per month. The surface is the easy part, expanding the mill, that's actually the easy part. The tough part is going to be putting in the development and underground infrastructure, power, water, conveyor systems to ramp up that production there.

Ian Howat: Okay. So, on an annual basis what type of total tonnage are you talking about going through and what kind of capital are we talking for this project?

Geoff Burns: We started this when we were at about 42 to 43,000 tons, Ian, and we've already got part way there with just the work we've done over the last year and a half; we're already up to 55,000 tonnes. A full-on target is 85,000 tons, that's where I'd like to see us get to.

Ian Howat: Per day?

Male Speaker: Per month.

Geoff Burns: In terms of, excuse me; that's per month.

Ian Howat: Per month, okay.

Geoff Burns: Yeah, that's per month. Thank you, gentlemen. And in terms of overall capital, I don't want to put my finger on that number because we haven't completed yet, the engineering on the surface installations.

Ian Howat: Okay. And the current surface capacity is?

Geoff Burns: Right now it's at 55,000.

Ian Howat: Okay. Thanks a lot, Geoff.

Geoff Burns: No problem. Hello?

Operator: This line is live; please proceed.

Geoff Burns: Operator, we can't hear the line.

Operator: We'll go on with the following question coming from Terence Ortslan with TSO Associates. Please go ahead.

Terence Ortslan: Thanks, it wasn't me by the way. Ross, just come back to the broad industry parameters; the world is changing, frontiers are opening up. You guys have done a great job with the assets that you accumulated in developing on all fronts, and things are really coming together. Where else can we look at whereby, we're missing the market in terms of, or the market, or the opportunities that you want to take the company into, in terms of silver or something else? Geographically or deposit styles?

Ross Beaty: Okay, I can cover that one I think, Geoff. Terry, as you know, Pan American has always had a single focus; to be the number one play for investors on an equity to get leverage to silver. So, our focus has always been the biggest reserves, the biggest production base, the lowest cost production, the best assets, but constantly, constantly, silver, silver, silver. The fact is, we hold mines. There's almost no silver mine in the world that's pure silver so there's always by-products that come with one property or another and we have the full mix. We have lead, zinc, copper and gold. But, we're always focused and looking for primary silver deposits, over half of the revenues in the mine being silver. And it's very difficult to do that because silver is a by-product metal. Most silver actually comes from primary gold mines, zinc mines, copper mines and so on, not from primary silver mines. There's very, very, very few mines in the world are silver mines. So the opportunities for growth through acquisition and even through discovery are quite limited and it's always been our constraining factor not on growth relative to say gold companies or copper companies, where there are multiples of mines compared to silver mines.

We are looking in the countries which are the biggest silver producers in the world. We have very active programs, looking for new deposits and expansions of our existing land holdings and development of our existing land holdings in those countries being Mexico and Peru, the number one and number two silver producers globally. You go when you're looking for silver to where you know it already is. We're also working in Argentina actively. We're working in some new areas like Ecuador, which is not well developed as a silver country but there are some interesting properties there and we're going to continue to look in other places where we think the geology is right.

You know, Africa's not a silver continent. Asia, by and large, with the exception of one or two properties is not a silver continent; it

just doesn't have the right geology. So, we're luckily very much focused in North and South America, where 80% of the world's silver comes from and where our operations infrastructure is, our exploration infrastructure is. When we find something we have, we have all of the necessary people and understanding of the countries' reality to go forward to develop the new assets.

I hope I answered the question.

Terence Ortslan: You avoided Australia; Cannington being the largest, one of the largest silver producer.

Ross Beaty: Well Cannington is basically a lead mine with a silver by-product. Apart from Cannington, I'll show you how there are very limited prospects for primary silver deposits, there's maybe one other deposit, maybe two in the whole country. But of course, there's a lot more juniors now looking for silver because investors want more plays; they've been rewarding to those silver plays that exist and there's a lot more juniors looking for silver. Metal prices are up and silver mines are more profitable and out of the number of junior companies looking for silver, there actually have been some very interesting discoveries.

The problem is, today investors are rewarding those discoveries with very high share prices and they're not discounting them for the risks that exist in the real world, be it political risk where they're working, or social risk or reserve risk. They're assuming that the ounces are there, that are said to be there. They're assuming that they can be recovered. They're assuming that they can be recovered profitably. And in fact, in the real mining world, it's a very risky business as you well know. And so, when we're looking at an acquisition of a company that has found something, we do it on the classical net present value basis, which is heavily risk adjusted. And you know, there's a big gap between our own net present values in large case, for most of these projects and, in fact, what they're trading for; the market capitalization of the companies.

So, that's where we've been fighting a little bit with opportunities to acquire and get into the M&A business. We were there back in 2002, 2003. We acquired Corner Bay Silver for the Alamo Dorado property but it's very difficult today. So, we tend to be looking much more at growth on our existing land packages where it's so cheap. This is the real low hanging fruit, as well as generative work. Again, we have such a good property portfolio and our pipeline is so deep right now with existing projects to develop, we don't have to really worry about our production growth for the next few years by acquiring it. What we're looking for now are mines that we can start building in 2010, 2011.

Terence Ortslan: Could I ask you one last question, I've asked the management, so have you sit down and calculated your per ounce discovery costs of, and in the sense of also maybe the acquisition parameter within it?

What was your - just putting these things together, it seems to me that you're right. The market is putting a huge premium to the new discoveries or new potential discovery prospects and taken away the valuation analysis from the producers.

Ross Beaty: Most definitely. I'll give you the best example; 2006 the new ounces we added, and these were not resource ounces, these were reserve ounces, these were at our mines and our advanced projects we're building mines on; \$0.18 an ounce is what those ounces cost us to bring into reserves; \$0.18 an ounce. Compare that to, in some cases, acquisition of some silver companies, which we would have to pay \$10.00 an ounce to acquire their ounces because that's where they're being valued at by the market. So, there's a heck of a gap there between buying ounces for \$10.00 per ounce and discovering them for \$0.18 an ounce. Amen.

Terence Ortslan: Would that be a good number to use? Maybe from inception it would be, but the last few years? Can you round up and say your discovery cost has been in the neighborhood of less than \$0.50 an ounce?

Ross Beaty: Michael, would you have an, I can't say that off the top of my head, maybe Michael, does that number sound reasonable to you?

Michael Steinmann: Yeah, it sounds very reasonable to me, yes.

Ross Beaty: There you have it.

Terence Ortslan: Okay, thanks guys.

Ross Beaty: Thanks, Terry.

Operator: Thank you. Our next question is coming from Steven Butler with Canaccord Adams. Please go ahead.

Steven Butler: Oh, good afternoon ladies and gentlemen. Question for you on the, just to clarify the situation on the gain on sale of Dukat and to clarify that indeed you are totally out of Dukat or is there any residual economic draw on that thing?

Ross Beaty: Rob?

Rob Doyle: We've pulled our interest in Dukat in 2004, however, pursuant to terms of that sale there are installments of another \$12 million that may be payable depending on future silver prices. So, there is potential to recognize another \$12 million on the gain of that sale.

Steven Butler: Okay. And why did the gain happen to be booked at this particular point guys?

Rob Doyle: It's pursuant to the contract terms; the \$8 million is triggered by the average price that prevailed during 2006 so that \$8 million is payable in December of 2007, based on the average price of 2006.

Steven Butler: Oh okay; right, right.

Ross Beaty: And the '05, Steve the '05 price was much, much lower so the payment then was \$2 million and that was paid to us in December 2006.

Steven Butler: Okay. And I know we spoke awhile ago with you on trying to pull our hair out on TCRCs. I know you don't always give us all the numbers we must like, but TCRCs guys, I know that one of the limitations I think in some of your numbers and throughout part of '06, was that in particular maybe it was the price participation that was nipping you in the butt a little bit, but is, are TCRCs swinging in your favor a little bit in 2007 versus '06, including more favorable price participation or not?

Ross Beaty: Rob?

Rob Doyle: Yeah, it's safe to say that, as we move forward, our contracts are more, are more recently negotiated and therefore, particularly the escalator that you referred to is more favorable and the basis is set at a higher threshold. So as TCs and RCs align, vary depending on when you negotiate the contract but certainly the escalators shouldn't be hurting us as much as they did in 2006.

Steven Butler: We should see a bit more volatility in your - I suppose on the upside, hopefully on the same price as this year.

Ross Beaty: We should see some volatility but it's also fair to remind people that we took a tremendous hit in 2006 for what turned out to be a bad decision to hedge our zinc in 2005. We took; I think it was an \$18 million hit on our income statement and of course our cash flow. Because of that, that we have now of course completely, we have no more hedges in our zinc site. Everything else being equal, we'll have that come into income in 2007.

Steve Butler: Okay. And last question guys. What would it take I suppose, obviously a bit more clarity on the situation? And in Bolivia, are things progressing from your dealings down there with the government or maybe just give us a bit more of an update than there is in the release.

Ross Beaty: Well, it's a situation that's in some flux. Bolivia's not, not terribly, I've got to be polite here; things are in flux in Bolivia right now. The government has proposed a new, what they call Complementary Mining Tax which would be absolutely fine with us if it were deductible from income tax. The way they propose it, it is not deductible from income tax. We think that is very regressive. It is going to be very, very punitive to many; pretty well everybody who produces minerals in the country. The cooperativos in Bolivia are big - thousands and thousands of local miners took to the streets to protest this law last week. The result of that was that the government has kind of withdrawn the bill and they're thinking about it now. They are not sure to whom they're going to apply to, if anybody. But as I said, we have no objection to the new tax, except that we like to see it deductible from income tax and to the extent it is, then I think that's going to be just fine with us; we'll launch the project aggressively.

Steve Butler: Okay. Thanks very much, Ross.

Operator: Thank you. Our next question is coming from Mike Jalolen with Merrill Lynch. Please go ahead.

Mike Jalolen: Hi guys, I guess Steve jumped my question there. That's all right on Bolivia. I guess maybe just continue on, when would you get some clarification from Bolivia do you think? He's mentioned the pull back last week the government did in the face of protest from the local miners. Is there like any sort of timeline in your mind when he'll come back with something for the mining industry?

Ross Beaty: You know that's hard to say, Mike. It's a pretty, pretty volatile place and it has been for years. We don't really see that changing too much. As far as the mining industry is concerned, as it is this new tax law will affect everybody negatively and it's really a very regressive step from the standpoint of attracting foreign investment and giving them decent returns and so on. And being actually competitive with Peru and Chile and Argentina and all the countries around them, which have such strong, dynamic, wealth-creating mining industries. And so, if that message is understood by Bolivia they, you know, they'll come to the, I think come to their senses.

Pan American really has a very minor impact right now, well certainly now, it has virtually no impact whether or not they add these new taxes but you know we'd like to see that project go ahead. But even then San Vicente is a, I know it will be one of eight of our mines, not particularly more profitable than any of the others even though it's a nice deposit and we'd like to get it going. The operations that are far more affected are Apex's San Cristobal Mine, Coeur d'Alene, San Bartholome Mine, Glencore's big zinc mines in the country, you know, there's a lot of other big companies that are, that will be materially affected if that tax proceeds. So, they are lobbying hard; we are lobbying hard; the local miners are lobbying hard. It's just, it's just not a very, it's

not a very smart proposal, we think, and hopefully the government will come to its senses and understand that.

Mike Jalolen: Okay. Thank you.

Operator: Thank you. Our next question is coming from John Bridges with JP Morgan. Please go ahead.

John Bridges: Hi Ross; just wondered what would trigger the balance of this new Dukat payment, the other \$12 million?

Ross Beaty: Well, it's the same as triggered the \$8 million payment; it's all, the formula that we sold the interest we sold our 20% stake in Dukat for \$43 million, \$20 came up front, \$23 is coming, over time based simply on silver price. Silver prices were above a certain threshold line; the scaled payment if silver prices average "x", payment is "x", and if they average "y", the payment is "y". So, I forget the exact numbers, but the balance of \$12 million I think if silver prices averaged current price, we're going to see that all in 2007.

John Bridges: So, it comes through in December 2007?

Ross Beaty: The \$8 million that we booked in 2006 accounts will come through in December and based on the prices in 2006, we will then book another number for payment in 2008.

John Bridges: So, it comes through in, oh so this is, this is for calendar 2006; eight million? I'm sorry.

Ross Beaty: That was for calendar 2006, payable in December 2007.

John Bridges: Okay. And then, you're holding on to your shares, and I just wondered, play the devil's advocate here, how would you as a major shareholder at some stage when you do feel silver has reached it's peak, take some profits? Would you have some sort of diversification program or how would that work?

Ross Beaty: Well, if I ever decided to sell my shares I'd simply sell them. And you know you make a call at any point in time about whether things have peaked or not. I'm a long-term holder. I've sold very, very few of the shares that I started the company with in 1994. I'm a long term holder; I would like to think that Pan American will outlive me and that I'll be able to pass on those shares to my kids. So, that's kind of where I look at things.

John Bridges: Okay, thanks for that and congratulations for your company.

Ross Beaty: Thank you very much, John.

Operator: Thank you. There appears to be no further questions at this time. I'll turn the floor back over to you for any further closing remarks.

Ross Beaty: Okay. Geoff any comments?

Geoff Burns: I think we've covered the waterfront today, Ross.

Ross Beaty: Okay, very good then. Well, I'll thank all who listened to the call and wish you a good day.

Operator: Thank you. That does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.