



CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

THIS CONFERENCE CALL TRANSCRIPT CONTAINS "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN AND US SECURITIES LEGISLATION. STATEMENTS CONTAINING FORWARD-LOOKING INFORMATION EXPRESS, AS AT THE DATE OF THE CONFERENCE CALL, THE COMPANY'S PLANS, ESTIMATES, FORECASTS, PROJECTIONS, EXPECTATIONS, OR BELIEFS AS TO FUTURE EVENTS OR RESULTS AND THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION TO, UPDATE SUCH STATEMENTS CONTAINING THE FORWARD-LOOKING INFORMATION. GENERALLY, FORWARD-LOOKING INFORMATION CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "PLANS", "PROJECTS" OR "PROJECTED", "EXPECTS" OR "DOES NOT EXPECT", "IS EXPECTED", "ESTIMATES", "FORECASTS", "SCHEDULED", "INTENDS", "ANTICIPATES" OR "DOES NOT ANTICIPATE", OR "BELIEVES", OR VARIATIONS OF SUCH WORDS AND PHRASES, OR STATEMENTS THAT CERTAIN ACTIONS, EVENTS OR RESULTS "MAY", "CAN", "COULD", "WOULD", "MIGHT" OR "WILL BE TAKEN", "OCCUR" OR "BE ACHIEVED". STATEMENTS CONTAINING FORWARD-LOOKING INFORMATION INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS WITH RESPECT TO TIMING AND BUDGET OF CONSTRUCTION ACTIVITIES AT ALAMO DORADO AND MANANTIAL ESPEJO, THE EXPECTED RESULTS FROM EXPLORATION ACTIVITIES, THE ECONOMIC VIABILITY OF THE DEVELOPMENT OF NEWLY DISCOVERED ORE BODIES, THE ESTIMATION OF FUTURE PRODUCTION LEVELS, EXPECTATIONS REGARDING MINE PRODUCTION COSTS, THE REQUIREMENTS FOR ADDITIONAL CAPITAL, THE RESULTS OF DRILLING, AND PAN AMERICAN SILVER'S COMMITMENT TO, AND PLANS FOR DEVELOPING, NEWLY DISCOVERED AND EXISTING MINERALIZED STRUCTURES.

STATEMENTS CONTAINING FORWARD-LOOKING INFORMATION INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, LEVEL OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS OF PAN AMERICAN SILVER AND ITS OPERATIONS TO BE MATERIALLY DIFFERENT FROM THOSE EXPRESSED OR IMPLIED BY SUCH STATEMENTS. SUCH FACTORS INCLUDE, AMONG OTHERS, RISKS RELATED TO TECHNOLOGICAL AND OPERATIONAL NATURE OF THE COMPANY'S BUSINESS, CHANGES IN THE POLITICAL OR ECONOMIC ENVIRONMENT, THE ACTUAL RESULTS OF CURRENT EXPLORATION ACTIVITIES, CONCLUSIONS OF ECONOMIC EVALUATIONS, CHANGES IN PROJECT PARAMETERS TO DEAL WITH UNANTICIPATED ECONOMIC FACTORS, FUTURE PRICES OF SILVER, GOLD AND OTHER BASE METALS, AS WELL AS THOSE FACTORS DESCRIBED IN THE SECTIONS RELATING TO RISK FACTORS OF PAN AMERICAN SILVER'S BUSINESS FILED IN THE COMPANY'S FORM 40-F, ANNUAL INFORMATION FORM AND OTHER REQUIRED SECURITIES FILINGS ON SEDAR. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN FORWARD-LOOKING STATEMENTS, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS TO BE MATERIALLY DIFFERENT FROM THOSE ANTICIPATED, DESCRIBED, ESTIMATED, ASSESSED OR INTENDED. THERE CAN BE NO ASSURANCE THAT ANY STATEMENTS CONTAINING FORWARD-LOOKING INFORMATION WILL PROVE TO BE ACCURATE AS ACTUAL RESULTS AND FUTURE EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN SUCH STATEMENTS. ACCORDINGLY, READERS SHOULD NOT PLACE UNDUE RELIANCE ON STATEMENTS CONTAINING FORWARD-LOOKING INFORMATION.

Third Quarter 2006 Earnings November 3, 2006

Operator: Good morning, ladies and gentlemen, my name is Pam and I will be your conference operator today. At this time I would like to welcome everyone to the Pan American Silver Corporation Third 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. Good morning, ladies and gentlemen, welcome to Pan American Silver's Third Quarter conference call. I first want to say sorry for fouling up the time a little bit. We changed it last night to this morning, we originally planned to do it on Monday morning, but we thought it was better to give some color to the news release more quickly than three days later.

The reason we originally thought we would delay it is because I'm actually speaking today from the beautiful, historic silver mining town of Alamos in Mexico, where yesterday our full Board of Directors met here in person to review our quarterly results, projects, operations and plans. And, right after this call ends, our board, and all our senior managers, will head out to the Alamo Dorado mine – our newest silver mine – to participate in its official inauguration. Along with the board and our senior management team, we will congratulate the whole six hundred person strong Alamo Dorado construction team for their amazing success at bringing the Alamo Dorado mine into production on time, and on budget. I'll talk more about this later. Because we have the inauguration happening today, we had a board meeting last night, we decided we'd put this call together today, instead of delaying it until Monday.

Around the table with me today, are Geoff Burns, Pan American Silver's CEO; Andy Pooler, our Senior VP, Operations; Michael Steinmann, Senior VP Explorations; Rob Doyle our Chief Financial Officer; Alexis Stewart, Director of Investor Relations; and Joe Phillips, the President of our Mexican Operations to whom we owe so much regarding Alamo Dorado's great record.

As well, there are seven mine analysts here who we invited for the Alamo Dorado opening, and then tomorrow we're all going to go for a tour of our other

Mexican mine, the La Colorada Mine. I'm very honored and pleased that all these analysts have come here and we hope to have a pretty nice couple of days with them.

I'm not going to regurgitate here everything we've said in the Q3 announcement today. The results speak for themselves. We will be available to answer questions after this call, but right now I'm going to make some comments to fill in some cracks, and hopefully pre-answer some questions you might have.

Starting with the financial and operating results: Records across the board once again. I stated in our Q2 conference call that I expected better results in Q3, and we delivered on these. Quite frankly, I expected even better results, and we would have achieved them but for a few things. Firstly, we couldn't ship all of our planned lead concentrate in Peru at quarter end because of a sudden port stoppage there that delayed things a few days – right at the end of the quarter – and delayed the shipment until early October so we couldn't book the shipment in October. It was a significant value shipment. Similarly, in Mexico, a high value silver shipment was delayed into October. Together these would have added around a couple of million dollars to Q3 earnings and will be now reflected in Q4.

We also had a couple of one-off exploration charges totaling about \$2 million which will not recur in Q4. For example, we wrote off a Peruvian exploration property for \$0.5 million and we had one time charges in Bolivia of about \$1.5 million. So let me say now, we expect even better results in Q4, all things being equal.

Having said that, Pan American Silver is now covered by nine analysts. New research reports came in during the Quarter from Bear Stearns, UBS, Merrill Lynch and Blackmont Capital. We are very proud of these fine firms covering us, especially when they all recommend the stock as buys. Many other mine analysts are with us today. I think the range of earnings estimates for Q3, for us, were a low of \$0.19 per share to a high of \$0.26 per share on the upper end, and we reported \$0.22 per share right in the middle.

In addition to having among the largest silver production in the silver sector today, especially by a true silver mining company, at 3.2 million ounces of silver in Q3, we also produced at the lowest cash cost. Each ounce is produced for \$1.57, significantly below every other company in the sector.

Having said that, our actual operating costs did increase in Q3 and this reflects the real world today of escalating costs for main purchases - rail, consumables, wood, labour, and power. As well, the currencies in the prime countries we work in appreciated against the US dollar during the quarter - Mexico and Peru. Now, some of these costs will stay high, but some will decline in the future, we know that already. For example, shipping costs for our concentrates are significantly lower today than they were a year ago. We don't expect that's going to return to the high rates we had a year ago. Another big cost for us, particularly in Peru, is electricity. This year we're just stuck into some very, very high spot rates. But, starting in January '07 we expect a material reduction in power costs as we get into a long term contract. Rates will decline, for example, from \$0.18 per kilowatt hour we are paying today to only \$0.06 per kilowatt hour. This will save us \$3 million to \$4 million next year alone, just in power.

You may also note that even though we enjoyed record mill throughput at our Peruvian operations, our grades declined a bit, especially at Morococha and Huaron. At Huaron we simply mined more areas than planned. Our grades should return to normal grades in Q4, yet with more tons, so we should expect significantly more silver production in Q4.

At Morococha our mill throughput has expanded by 50% in the last year and a half, or last two years. And it has simply outpaced our underground development to see the mill be of average grade ore that we've been supplying at lower tonnage rates. This has resulted in our need to access our low grade service stock pile. This clearly brings the average grade down, but we are catching up with underground development and this should bring our grades right back to normal very soon, and certainly we will be producing much higher silver grades in 2007 from Morococha, when we catch up and we access higher grade zones underground. This will keep pronounced costs at Morococha at or below today's levels, which

are already extraordinary low at minus \$5.00 per ounce. Of course, we are heavily benefiting from the high zinc prices of today – record high zinc prices and our high zinc production at Morococha, which of course is reflected as an offset to our costs as by-product revenues.

Well, at \$12.00 silver, Pan American Silver is a great earnings and cash flow generator. We expect to produce just shy of 14 million ounces this year. Alamo Dorado will add five million ounces of silver per year, starting imminently. We should produce our first dorè within the next couple of weeks. We're setting new tonnage production records in Peru, especially the Morococha and Huaron operations as I mentioned, and we are budgeting higher silver production in 2007 at those mines.

When our Manantial Espejo silver mine comes on stream in Argentina (it is in high volume construction right now) in early 2008 we will be producing annually about 4.3 million ounces of silver. If our cash costs remain where they are today, we should very significantly increase both earnings and cash flow. That is our goal, right in front of us. These are for mines that are financed, permitted, and either in production or in construction.

I want to say a few words about our exploration programs and results. With 25 drill rigs active and with promising results in many fronts, I can assure our shareholders that we will have a material increase in our reserves and resources this year.

A few details – at Huaron there will be a major increase in reserves since we are generating outstanding exploration results by drilling at depth below the lowest existing mining level. At Huaron there are dozens of veins that are wide open below that level and with our drilling now we're intersecting excellent new silver, lead, zinc grades with all of those veins that we're drilling now at depth. And this will materially increase our reserves.

At Quiruvilca, while our silver drilling hasn't been particularly spectacular this year, we've discovered a significant new gold zone that will be the focus of much work in 2007. At Morococha we have ten drills turning right now, and already know again that we'll have a major increase in our proven and probable reserves at that operation. And at our La Colorada mine in Mexico we have found this year a rich, new, high grade silver vein, called Amolillo and a 200 meter extension to our high grade NCP vein. In addition, we plan an aggressive exploration program in 2007 of the deep zone we found in 1998 at La Colorada that we've really had on ice since then. In those days we had very deep holes and expensive drilling to access this new zone, whereas now we actually mined quite a bit deeper and were able to access the deep zone from underground, thus saving us a lot of drilling costs from drilling from surface.

All of these discoveries come at our major operating mines where all the infrastructure is in place to extract maximum value from them in the years to come. Huaron, for example, now has an assured mineralization for more than 15 years of mining at today's rates.

As for silver prices, I again say it is easy to make a bullish case for silver going higher. Endemic weakness in the US dollar, amazing demand growth in Asia and elsewhere, massive investment interest in the new silver ETF. All of this represents new silver demand. And of course, we can't forget zinc. Pan American will produce over 40,000 tons of zinc this year or 88 million pounds as our second most important metal. Zinc is hitting new highs every day and it is very, very nice for us as our main by-product. In 2007 we expect to produce over 45,000 tons of zinc metal.

I'm going to close on, for us, a real high note. I can't say enough about our team here in Mexico responsible for bringing on the Alamo Dorado mine on budget and on schedule. We announced the project capital cost in February 2005 and we are, essentially, right on that number today. This is an incredible achievement and I think it speaks to the quality of our people and the strength of our forecasts. We do what we say we'll do.

And with that, I think I'll open the call to questions and thank you again for joining us.

Operator: Thank you. At this time I would like to remind everyone if you would like to pose a question, please press "star" and the number "one" on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Once again, if you do have a question, you may press "star" and "one" on your touch tone phone at this time.

Sir, there appears to be no questions at this time.

Ross Beaty: I'm sorry, one moment please, operator.

Operator, we have one call here from the room, one question from the room from John Doody, John?

John Doody: Yeah, Ross, you've been doing some work in your small mine in Bolivia, can you give us any current update on what the political situation is there considering mining.

Ross Beaty: Sure. This question was what is the political climate in Bolivia, and probably by extension, Peru where we have operations active and where there have been some political uncertainties in the last little while.

Regarding Bolivia, the first thing I want to say is that our San Vicente mine represents 2% of our assets. It's an important asset to us, but it is not terribly material in the big picture. We like San Vicente because it's a high grade, standard milling operation – easy milling, very nice deposit. We have done a lot of work there over the years to explore the project and expand reserves. In Q3 we began producing again from San Vicente at a relatively small scale, just a couple of hundred tonnes a day, and we're milling the ore at a custom mill about 45 kilometers from San Vicente. The mining and the milling operation has gone on without any delays, without any issues and it's very profitable today, so we're very pleased to have it up and running again. At the same time we're working on a feasibility study and detailed engineering to build a new mill right on site at San Vicente in the next couple of years.

So, we've been working hard there, and we've been working, more or less, as we intended to, despite a lot of noise. There's been a lot of political noise and a lot of our shareholders seem to get fussed and worried and investors get fussed and worried by all the noise. It's not terribly friendly noise; the President has been talking about nationalizing the mining industry and taking away rights and doing all sorts of investor unfriendly things – foreign investor unfriendly things. We just kept our heads down and we have a very low capital exposure in Bolivia, but we do like the operation and over the long term, we think that Bolivia is going to be as good a mining country as it's been for the last 150 years. The last announcement by President Morales was that he was going to defer any tax on the mining industry into 2007. It's not terribly reassuring to us, but again I think there's a lot of pressure against him doing any dramatic changes to the Bolivian industry. There are a couple of other foreign companies working in the mining sector in Bolivia with vastly larger investments and projects at risk than ours. I think they'll be taking the lead on pressuring the Bolivian government to try not to do any draconian action that would be really negative to the whole global mining industry, vis-à-vis investments in Bolivia.

It is a difficult country to work in, I've said that before and I'll certainly say it again. But, with our project it's a relatively straight forward project, relatively low capital costs, low capital exposure for us, and yet it should be a solid producer for many, many years to come. I would also remind our shareholders that we only own 55% of San Vicente. In fact, our net interest there is even less because we do have a joint venture with the Bolivian government mining company, where they actually take 37½ % of the cash flow off the top, before we split it with our existing joint venture partner. So, it's not by any means, a significant operation for us. Yet as I said, we like the place.

In Peru it's quite different. In Peru there was a lot of noise earlier this year and it turned out to be just that. During the elections, President Garcia had entered

power in July. He has turned out to be a fine President with excellent policies so far in his tenure. He is encouraging foreign investment, he's brought a very strong cabinet into power in Peru and it's a very mining friendly, very foreign investment friendly cabinet. We expect great things from Peru; we're contributing to the Peruvian economy ourselves. Our tax burden in Peru is quite high and we're paying a lot of taxes. You probably saw we accrued \$8 million dollars in the Third Quarter through income taxes and most of that was in Peru. We also have workers participation requirements where we have to give the workers 8% of the pre tax profits. And so our workers are receiving those payments right now because we are so profitable and it's kind of nice in a way. It's not so nice to have to pay it, but it's kind of nice to pay it to the workers, because after all, they are part of the reason we are generating such good results. In these good times, you know, there is lots to go around. So, we are making those payments, happily.

But, in terms of Peru, things are stabilized, there's no noise at all that is unfriendly to mining and I think we're going – we've been in Peru for many, many years – we're going to be there for many years to come. Very happy participants in the Peruvian mining sector.

Operator: Sir, we do have a question from the line. Your first question comes from Randall Stevens. Please go ahead.

Randall Stevens: Yes, have you hedged forward any of your production?

Ross Beaty: No, we don't. We have no hedge positions outstanding right now at all. We did hedge some zinc last year. We closed that out in June this year completely, and we are unexposed in every way. We have a small program where we sell our silver as soon as we produce it, rather than wait for the three to five months that it gets priced under a smelter contract, but that's not, properly speaking, hedging.

Randall Stevens: Thank you.

Operator: Once again, if you do have a question, you may press "star" and the number "one" on your telephone keypad at this time.

Ross Beaty: We've got one more call here from the room Operator. Go ahead.

Operator: Okay.

Unidentified Speaker: You mentioned that the mill in Morococha has been doing so well, actually out pacing the mine, the mine needs some time to catch up, obviously locating more mining areas. Can you talk a little bit about the timing for that, how long will you need to access those areas and stop drawing from the stockpile?

Ross Beaty: Sure.

Andy Pooler: This is Andy Pooler, Senior Vice President of Operations. We should see great response from development into the higher grade areas, which we call the Yacomina area of Morococha in the first Quarter of 2007. At this time we rely a lot less on the stockpiles of which we are currently processing about 3,000 tonnes a month.

Unidentified Speaker: Thanks Andy.

Operator: The next question is coming from Brian Benham of Benham Trust Management. Please go ahead.

Brian Benham: Could you just elaborate a little bit on the income tax charge this Quarter you just referred to. Was that a catch-up charge for previous in the year, or was that all from the Third Quarter and you expect that to recur in coming Quarters at the same rate.

Rob Doyle: Brian, most of that charge was a current charge based on our taxable income generated in from our Peruvian operations during the course; I would expect that it's going to be at that kind of level going forward.

Brian Benham: Thank you. Congratulations.

Operator: Once again, if you do have a question you may press "star" and the number "one" on your touch tone phone.

Ross Beaty: Well, we got off lightly today Operator, I guess we'll close the call at that and I thank everybody for joining us today. This call will be taped and if you've got any further questions call us up in Vancouver on Monday morning.

Operator: Thank you. This concludes today's Pan American Silver Corporation Third Quarter 2006 Earnings Conference Call. You may now disconnect and have a pleasant day.