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Operator: Good morning ladies and gentlemen and thank you so much for standing by.

Welcome to the Pan American Silver Third Quarter 2008 earnings conference call.

During today's presentation, all parties will be in a listen only mode.

Following the presentation the conference will be open for questions. If you do have a question, please press the star followed by the one on your touchtone phone. Please press star-zero for operator assistance at any time. For participants using speaker equipment, it may be necessary to pick up your handset before making your selection.

As a reminder, this conference is being recorded today on Thursday, the 13th of November, 2008.

I'll now turn the conference over to Mr. Geoff Burns, President and CEO. Please go ahead, sir.

Geoffrey Burns: Thank you, Operator. Good morning ladies and gentlemen and welcome to Pan American Silver's third quarter earnings release conference call.

Joining me today here in Vancouver are Steve Busby, Chief Operating Officer; Michael Steinmann, Executive Vice President, Exploration and Mine Geology; Rob Doyle, our Chief Financial Officer; and Kettina Cordero, our Coordinator of Investor Relations.

Before I ask Steve, Michael and Rob to update you on our mining operations, our development projects, our exploration programs and our financial condition, I would like to start by making some general comments about our performance during the third quarter and some observations about the current environment.

What a difference a few months can make. When we last spoke at our second quarter earnings release call on August 13th, the Dow Jones Index was 11,532. Today it's 8283, down close to 30%. The NASDAQ composite was 2428 yesterday at close at

1499, down 38%. And the economies around the world have moved with alarming speed from growth to recession.

The effects of the global financial crisis have, and I dare say, will continue to wash through the economies of the world. But its impacts have been particularly, and in business terms, instantaneously severe for the mining and commodity producers.

Base metal prices have slumped. Oil prices have plunged and precious metals prices had not been immune to the contagion. Most importantly to Pan American, the silver price was a very comfortable \$14.68 per ounce on August 13th, just three months ago, and this morning it opened at not nearly so comfortable at 9.23 per ounce in New York.

Geoffrey Burns: We are living through and are part of an amazing economic upheaval that has captured the global economy with the speed of the Internet. Where the unthinkable has become the accepted, where the basic principles of supply and demand and ultimately price are being upended and where common sense has been overwhelmed with fear and government intervention.

I could continue to talk about the changes we are all reading about and seeing around us every day, but I can tell you it is extremely easy to lose focus and lament about what was just a few months ago. But that's not the purpose of this call and that is not Pan American's mantra.

The purpose of this call is to keep you, our shareholders, informed about your company's plans not only to cope with this change and upheaval but to continue to thrive and grow. How we are responding to this challenging and difficult environment, how quickly we are retooling and modifying our business plans, and how we will adapt will be the measure of Pan American's future success.

Before I describe some of the steps we have already implemented and other measures we are still planning to take, we should review our most recently completed quarter.

While there is no question that our financial results were negatively impacted by the sharp decline in base metal and silver prices that started in the middle of the third quarter and gathered speed towards the end of September, we still increased our silver production to 4.9 million ounces. We generated net earnings for a 10th consecutive quarter. We delivered a respectable \$22.7 million in operating cash flow. We have maintained a healthy working capital position with no debt and are in the midst of starting our newest and lowest cost silver and gold mine, Manantial Espejo. And in addition, we discovered a fabulous new high grade vein system at our Morococha mine in Peru.

In short, we continue to do what we do best, build, commission, explore for, and operate mines profitably. We completed the third quarter extremely well positioned to continue to deliver growth and take advantage of the strategic opportunities that are becoming more prevalent.

With that, I'm going to turn things over to Steve, Michael and Rob who will provide some additional detail and commentary on our operations, development projects, exploration programs and financial condition. Steve?

Steven Busby: Thank you Geoff and good morning ladies and gentlemen. As Geoff has mentioned, the recent and rapid deterioration of the metal markets combined with the preceding and unprecedented costs escalations has presented us with some significant challenges. We are assessing and adjusting our mine operations quickly in order to preserve our strong financial position and production profile. These assessments and adjustments are being carried out now and will be incorporated into our 2009 operating plans and budgets.

We enjoyed another solid quarter where our operations produced 4.9 million ounces of silver, right on plan, despite having significant disruptions at some mines that were entirely offset by better than expected production from other mines. This performance highlights one of Pan American Silver corp.'s strengths where our multi-mine portfolio allows typical pluses and minuses of individual mining operations to balance out.

Steven Busby: This strength will soon be enhanced even further as we bring on our Manantial Espejo mine in Argentina and our San Vicente mine expansion in Bolivia during the coming months.

Our operating costs for the quarter were well above planned at \$6.61 per ounce primarily due to slighter lower production of base metals and reduced pricing.

In addition, our costs were negatively impacted by higher energy costs at our Huaron mine in Peru which alone contributed nearly \$0.33 an ounce of additional cost to our overall company-wide cash costs. We were also contending with lingering impacts from this year's raw material and labour cost escalations. However, we believe these escalators will begin moving in our favour as the effects of the global economic crisis begin to sweep through the industry suppliers.

Pan American's quarterly performance was led by a record breaking silver production of 1.7 million ounces from our Alamo Dorado mine in Mexico which continues to enjoy an outstanding year exceeding all of our expectations.

While we expect to see another strong quarter with Alamo Dorado to close out this year, it is important to comment that we will be forecasting somewhat reduced grades and silver production in 2009 as we sequence between our current phase one high grade pit into the phase two pit layback yielding lower grades for the next year and a half.

Our unit cash operating costs at Alamo Dorado finished the quarter about 7% higher than we had planned at \$4.42 per ounce primarily due to some serious raw material shortages, particularly sulphuric acid, leading to cost escalations. We expect this situation will turn in our favour very soon given the recent nearby mine curtailments.

The La Colorada mine in Mexico also had another solid quarter producing over 980,000 ounces of silver. The unit cash operating costs increased to \$8.70 per ounce impacted by the previous and sustained raw material escalations and the strong Mexican Peso.

We are taking measures to try and claw back some of these cost escalations and have already seen favourable weakening of the Peso. We are expecting continued stable performance a La Colorada for the remainder of this year.

Our Peruvian operations delivered 1.9 million ounces of silver production for the quarter, slightly behind target after being impacted by a seven day labour

disruption at Morococha and a 5.5 day production disruption at Huaron following an unexpected pinion shaft failure on our primary ball mill.

Cash operating cost for the Peruvian operations was \$7.37 per ounce, almost double our target due to the reduced base metal by-products production and value as well as the very high energy cost increases we have been experiencing at Huaron. We've already seen significant relief in the power supply costs at Huaron as the rains have begun in Peru.

Our Peruvian production was led by the Huaron mine which produced 894,000 ounces of silver, pretty close to plan. We are reassessing the long term deepening project that we're on in light of the current metal prices to allow quicker production from higher grade zones while deferring some of the more expensive and extensive developments.

Steven Busby: The Morococha mine produced 557,000 ounces of silver during the quarter which was below plan following the June labour disruptions that spilled over into July. All of our employees and contractors continue to work normally since returning to work in mid-July.

We are also reassessing our long term development at Morococha in light of the downturn in base metal prices and will be adjusting our mine plans there accordingly.

Our Quiruvilca mine improved silver production to 355,000 ounces as we continue to advance on certain key underground mine developments.

We are expecting about a 10% improvement to production from our Peruvian mines in the last quarter of 2008 at a higher cash operating cost due to the lower base metal prices offset, to some degree, by cost savings particularly in the Huaron energy and also in the favourable currency exchange movements.

In Bolivia, our San Vicente expansion project continues to advance on schedule and on budget while we continue to produce and toll treat ores at a nearby mill. The total milling program produced 246,000 ounces of silver at a cost of \$9.08 per ounce, above the \$7.58 per ounce cost anticipated primarily due to the lower by-product prices.

Our grades have improved dramatically during the quarter as we begin developing on the new and exciting Litoral vein getting ready for the starting of our new mill in the early part of next year. We are expecting an equally strong quarter of production to finish off the year.

Total project capital expenditures to the end of the quarter were \$54 million with the project nearing 80% completion. We expect to achieve mechanical completion of construction by yearend and begin commissioning of this new plant the first quarter of 2009.

I am very pleased to report today that we are turning and grinding mills at our Manantial Espejo project in Argentina and are within days of feeding our first ore to the circuit. We expect to begin producing silver and gold doré bars in December, some six months delayed from our original projection for the year primarily due to the previously reported electrical gear theft as well as some extreme category five class hurricane wind disruptions that have negatively affected contractor productivities.

Largely as a result of these delays, combined with our continued cost escalations, we now estimate our capital cost to complete the project at \$225.4 million which includes \$27.5 million of recoverable back tax payments and more than \$10 million of additional mine development expenditures as we have continued to mine in advance of the plant start-up.

The additional mining will reduce future operating costs in addition to allowing us access to higher grade ores earlier than had originally been planned. We now have a very comfortable 300,000 ton ore stock pile ahead of the mill in addition to the significantly more ore tons immediately accessible in the open pits and underground phases, all awaiting the plant start-up.

We remain confident that Manantial Espejo will significantly enhance Pan American Silver's production profile with its anticipated 4.1 million ounce average annual low cost silver productions and 60,000 ounce gold production once steady state production stabilizes in mid-2009.

Steven Busby: In addition to several cost saving initiatives which will be described later, we are carefully assessing all of our mine plans and adjusting them to adapt to the current metal market prices. We have also cancelled all discretionary capital projects. However, we are not making any decisions which will impact our expected production profiles. The result of these initiatives will be quantified once our 2009 operating budget is finalized.

In conclusion, we expect to deliver another equally solid quarter to end this year forecasting a production of 4.8 million ounces of silver at a cash cost of around \$7.00 per ounce. Therefore, our full year 2008 forecast remains at 18.8 million ounces of silver at a cash cost of \$5.70 per ounce with a long term outlook of higher production at lower cost as our Manantial Espejo low cost production comes into the mix and we begin to reap the benefits of our cost saving initiatives.

This concludes my overview of our mine operation and projects advances. I'll now turn the call over to Michael Steinmann for the exploration update.

Michael Steinmann: Thank you, Steve and good morning. As Geoff and Steve explained, these are challenging times and as a consequence we have made some changes to our exploration plans, especially in the green field program. I'll describe some of these changes in a moment but would like to share first some of the exploration highlights we had in the last quarter and in the first nine months of 2008.

Between our brown field and green field exploration programs, we have completed a total of 76,600 meters of diamond drilling during the first nine months of the year. It is all part of our plus 100,000 meter growth program for 2008.

The underground exploration at Huaron keeps returning excellent results especially in the Yanacreston and Llacsacocha veins where we discovered high grade intersects over some exceptional widths of up to nine meters in some cases.

As usual, in many veins of Huaron, the samples carry not only high silver but also substantial lead and zinc grades. There is no doubt that the low metal prices will have an impact on the upcoming year end reserve statements especially in the higher zinc grade areas of the mine. But I am confident that we will still be able to replace what we have mined in 2008 at Huaron with new reserve additions if metal prices stay close to current levels.

On October 15th, we published the results of 26 surface and four underground drill holes from the Morro Solar discovery at Morococha. This major vein is located only 1.7 kilometres to the northwest of the main shaft and is accessible in the upper most levels by ramp. Lower elevations will be accessed by the Sierra Nevada ramp which will pass in the future only 100 meters away from the vein.

One of the best drill holes intersected the vein over 5.1 meter at 949 grams silver per ton and 9.7% zinc.

At the time of the press release, we had drilled only 150 down deep and 800 meters strike length of this 2.5 kilometre long vein.

Two of the most recent drill intersects encountered the vein to the west of the existing drill holes at 3.5 meter width at 121 gram per ton silver and 7.9% zinc. And below the 400 level, with 3.4 meter width at 540 gram per ton silver and 4.4% zinc. This last drill hole confirms the down deep expansion of now over 200 meters.

Michael Steinmann: Building out to these covered five sub parallel veins and two splits. Five of these seven additional structures returned silver rates of more than one kilogram per ton and in extreme cases over 5.6 kilogram and up to 14% zinc. The intersected width varies from 0.6 meters up to 4.6 meters.

Although the ore shoots of this parallel vein seem less continuous than Morro Solar itself, there are definitely important exploration targets and highlights the immense potential of this prolific exploration area.

I'm very confident that these high grade discoveries will add substantial resources to Morococha at the end of the year and will help to replace the mine reserves in 2008.

Our brown field, or onsite, exploration efforts remain largely in place in order to follow up the success we had at Huaron, La Colorada and Morococha. But I am sure you noticed in our press release that we have made some changes to our green field programs reducing or deferring most of our early stage projects.

We will maintain our important land position in Peru and Mexico and keep the most promising option contracts. The exploration space has gone through a fundamental change in the last four to five months due to the market turmoil and difficulties in raising capital to explore. Many advanced stage discoveries held by others have stalled.

Fortunately, we have available liquidity and decided to defer our own green field efforts and have a close look at advance projects held by others. We will try to negotiate mutually beneficial arrangements with the current owners in order to advance the most promising of these discoveries.

Here is Rob now for your financial review.

Robert Doyle: Thanks Michael and good morning everyone. Our financial results in Q3 2008 were impacted by sharply lower base metal prices as zinc and lead prices declined by 45% and 39% respectively relative to the comparable period of 2007.

Silver prices have also declined significantly as compared to the prices we enjoyed in the first half of 2008. The price declines have two obvious impacts on our financial results.

Firstly, and in spite of an increase in our silver production, our sales have declined by 10% relative to Q3 2007 and by 24% relative to Q3 2008. Included in Q3 sales was a negative \$2 million final price adjustment to concentrates that had been provisionally priced in Q2 and finally sold at lower prices in Q3.

The second obvious impact of lower prices is seen in our cash costs. As we utilize revenues from our base metal production, as byproduct credits against the cost of producing silver. These costs—these credits, excuse me, declined by \$4.87 per payable ounce in Q3 relative to the comparable period of 2007 and as a consequence our cash costs climbed to \$6.61 per ounce in the third quarter. However in spite of the adverse effects of declining metal prices, we still generated positive results in the third quarter.

Our mine operating earnings were \$15.5 million, net income of \$6.4 million or \$0.08 per share. Adjusted net income for the quarter was \$11.3 million or \$0.14 per share. Cash flow from operations was \$22.7 million.

Our statement of operations for Q3 included a gain on commodity and foreign exchange contracts of \$3.7 million of which \$3.3 was realized. Making up this number was a gain of \$5.4 million on our base metals and silver fixing books, offset by a loss on our F/X hedge book of \$1.7 million. The loss in our F/X book was a result of the strengthening US dollar against the Peruvian Sol and the Mexican Peso.

In addition to the loss in our F/X book, we also incurred an unrealized foreign exchange loss of \$2.9 million in Q3 which arose as a result of rewriting our cash and other working capital balances held in currencies other than US dollars at quarter end.

Our income tax expense for the quarter was \$6 million which was an effective tax rate of 48%. That effective rate was well above our expectations given that tax rate prevailing in jurisdictions in which we generate taxable income. However, we had to reverse \$1.4 million of tax loss carried forward from Argentina from our future income tax estimates as this amount had been indirectly benefitted in previous periods.

Moving to the balance sheet, our working capital decreased by \$47.1 million during the quarter as we invested heavily in our two development projects, Manantial Espejo and San Vicente.

We spent \$33.6 million at Manantial Espejo, that's inclusive of \$4.1 million of refundable debt and 14.2 at San Vicente during the quarter. In addition, we invested \$12.3 million on capital projects at our existing operations.

These capital expenditures were partially funded from cash flow from operations of \$22.7 million and a balance from our working capital.

We finished the quarter with a solid working capital position of \$167.4 million, that's a current ratio of 3.3 to one and cash and short term investments of \$90.9 million.

We have no debt and are fully funded to complete our construction projects where expenditures are declining rapidly.

Most importantly, our forecast showed that we continue to generate positive cash flow from operations at current prices and are well positioned financially to weather these turbulent times.

In addition to our own liquidity and capital resources, we closed \$70 million four year revolving credit facility in early October with Scotiabank as Admin agent and Standard Bank as joint lead arranger.

The purpose of this facility is for general corporate purposes including acquisitions. The facility has an interest margin ranging from 1.25% to 2% over LIBOR, estimated on the company's net debt to EBITDA ratio.

This facility has been structured as an accordion facility and we could increase the facility up to \$100 million by receiving additional commitments from other banks if we decide to do so.

As of today, we have not drawn on this facility nor do we have any current plans to do so.

I would like to take the opportunity to commend both Scotia and standard for delivering on their commitments to us in the face of unprecedented turmoil in the credit markets.

With those comments, Geoff, I'll hand it back to you.

Geoffrey Burns: Thanks Rob. Now let me highlight for you some of the comprehensive measures we have taken in response to the current metal price environment.

We have reduced our work force company wide by over 500 employees and contractors. I have asked all our senior executives to take a 10% wage rollback. As Michael just described, we have deferred almost all of our green field exploration programs and significantly reduced our brown field exploration.

As Steve described, we are revising our mining plans to increase mine ore grades across all our operations. We canceled our discretionary cap—discretionary capital expenditures. We are reducing or eliminating the use of external consultants and contractors, and where elimination is not an option, are requesting that charge out rates be reduced. We are reviewing all of our major supply and service contracts, again, requesting price adjustments.

In general, we are reviewing every dollar we spend to ensure we are getting immediate value in return. These measures, and many additional measures that I have not described, will reduce our costs and they will do so without, and I repeat, without compromising our production objectives.

Simply put, the things that are in our control that we can change are being changed and restructured.

I would like to share with you today a segment from a letter I sent out on Monday to all the employees in Pan American in Vancouver, in Peru, in Argentina and Bolivia.

We have managed our company very conservatively so we enter this difficult period in solid financial condition. We have the necessary resources to complete and start up our Manantial Espejo mine in Argentina and our San Vicente in Bolivia and we have no bank loans to pay back.

With the start up of these two operations and with the steps we are taking today, I am confident that our company will not only survive this period but will be again able to thrive and grow.

My fellow employees, you have shown me in the past that we can do the difficult things and be a better and stronger company as a result. We will need to work together as a team now more than any time in the past four years and with your full support and cooperation we will reduce our costs, we will increase our productivity without compromising our commitment to safety. And as a team, we will reclaim our prosperity for the good of all our employees, our families, our communities and our shareholders.

Before opening the lines to take questions, I would like to make at least a few short comments on the silver market, the silver price, and the equity markets in general.

There is no question that silver price has been under severe downward pressure. As I mentioned earlier in the call, silver opened at 923 per ounce today and as a consequence the silver equities, Pan American included, have also been hit hard over the last three months.

However, even with the reality of a 38% decline the silver price since our last conference call, there are many reasons to be extremely optimistic about the future price. Ill advised government bailouts have driven worldwide government debts to epic proportions. Numbers have quickly gone from millions to billion and now are in the trillions of dollars.

Eventually, as the presses hum 24/7 to print money, I contend that the fundamental value of silver and gold will again be recognized and those same bailouts will undermine the very value of the paper currencies and the economies those governments were trying to protect.

Investors in the silver and gold ETF seem to agree. The Silver ETF has continued to grow and, as of yesterday, held over 216 million ounces. Unlike the hedge funds that are on a daily basis, liquidating their paper silver and driving prices down, the physical investment market remains very strong as common investors are accumulating physical silver and gold during these turbulent times. I personally believe they will be handsomely rewarded for their foresight.

In closing, I would like to assure you that Pan American will continue to do what we do best. We will adapt our business to the current environment and we will thrive and grow. We have the team with the skills and the experience to do so.

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

Operator: Thank you, sir. Ladies and gentlemen, we will now begin our question and answer session. As a reminder, if you do have a question please press the star followed by the one on your touchtone phone. Once you make that choice, if you decide you have to withdraw your question, pressing the star followed by the two will remove your line from

the queue. As a reminder, if you're using speaker equipment today you will need to lift up your handset prior to making that selection.

Our first question is from the line of Ankush Agarwal with JP Morgan. Please go ahead.

Ankush Agarwal: Good morning, Geoff, everybody. I have two questions.

First on Morococha, the grades have been declining there quarter over quarter. Now is this simply because of the mine planning that was done during high metal prices earlier this year or are there any other reasons?

And then the second question is a more broader question in terms of—in the current extreme market environment and given your relatively stronger balance sheet position, how do you see your rule of developing into a possible consolidate in the industry?

Geoffrey Burns: Okay thanks, Ankush. I think I'll let Steve handle the first question and I'll take on your second one when he's done.

Steven Busby: Yes, regarding the Morococha grades, we had to readjust our mining operation this year away from what we had planned due to a variety of reasons. One: begin ground conditions.

We've encountered some worse ground that we had anticipated in some of the mining areas. And also in some areas we didn't quite see the grade that we had expected. And as a result, we've adjusted and redirected our mine to other areas which did indeed bring us lower grade ores for the year.

We do anticipate going back into these higher grade ores and also with the new addition of Morro Solar we're expecting some higher grades from that area as well. So our future does project a turnaround of those grades going forward.

Geoffrey Burns: All right, thanks Steve. In terms of being a consolidator, Ankush, clearly there are, you know, a number of other companies have been hurt fairly badly on their share price as well as their business plans have come under great question with lack of liquidity. And we're very aware of the companies in our sector who are in some difficult—difficult situations.

And we're going to continue, you know, to look at those very carefully. We're not going to act irrationally or too quickly. I think it behoves us to again show some discipline, look for potentially the best fits with Pan American, the best opportunities to deliver value back to Pan American shareholders, and we will be talking to some of those players in—over the coming months.

Ankush Agarwal: Okay. Thank you very much and good luck.

Geoffrey Burns: Thank you, Ankush.

Operator: All right, thank you. Our next question is from the line of Edmond Hand with Surfside Investors. Please go ahead with your question, sir.

Edmond Hand: I have a number of questions. But the first question is apparently so important that I'd like to address that first.

In the Financial Times, Monday, October 20th, there was a full page article proclaiming a viewing revolution 3D cinema poised to hit the screen. A number of big players are investing money in what they call the silver screen where they are going to open up anywhere from 30 to 50,000 screens that have a number of 3D films already online awaiting the screens. And these screens are impregnated with silver in order to achieve the 3D process. Katzenberg says that 3D cinema is going to be the revolution in film of the future.

I'd like the company to address the possibility of the plethora of silver screens that are about—that are online for construction to affect silver in general. And then I'll go into my other two questions.

Geoffrey Burns: Edmond, it's Geoff Burns. You have some information that, I'll be frank, that I'm not aware of. I didn't—had not seen that article and, in the new developments for silver technology, 3D viewing screens had not been something that had been brought forward by the Silver Institute as a future use of silver.

Having said that, your description sounds—the potential sounds incredibly appealing and I certainly hope that prognostication that you brought forth comes to pass.

Edmund Hand: I refer you again to the Financial Times article, Monday, October 20th, full page article on page number 18. So I'd appreciate it very much if when I speak to you in the future, you have armed yourself with the possible impact on our company of this new development. So that I'll appreciate you're attending that.

The second question I have is the possibility of the wave of nationalization to allow South America as witness Bolivia, Venezuela. How will that possibly affect your ability of these countries to operate under force majeure in order to impact the viability of a company such as Pan American?

Geoffrey Burns: I guess first of all, Edmond, I'm not aware of a wave of nationalization. The most current news that I can recall is a description coming out of Venezuela of an attempt to take over the, I think, it's Los Christina's (sp?) development project. As far as Peru and Bolivia go, there have been to date no nationalizations of any mining activities.

So I'm today very comfortable that we're not exposed in any dramatic fashion to a sweeping wave of government intervention or government take over.

I think it is fair to say that the governments, particularly in some of the poorer of the developing countries like Bolivia, certainly they are hungry for cash to continue to run their programs. But in general, they haven't demonstrated to this point a great desire to take over businesses that they have proven in the past that they are ill-equipped to run. So I have continued to hope that we do not see a sweeping spat of nationalization.

Edmund Hand: Vis a vis that, if we look at the Venezuelan model, the Venezuelans are calling in a Russian company to operate with cash and with personnel.

In other words, we may be witnessing a world play where Russia is coming in on the originally what was extensively an American (inaudible) in South America. We see now that as a tit for tat with Georgia and Ukraine and what we're doing over there that Russia is coming in our doorstep and offering to run these companies with their personnel and with their own money. Can you comment on that?

Geoffrey Burns: Edmond, I'm going to try and keep my comments to things that directly affect Pan American and our future. (Inaudible) and Georgia and Venezuela have very little impact on our business plan at this point.

Edmund Hand: Okay, the third question is reference is made to the fact that (inaudible) that ETF's in silver are doing all right. Since Pan American is a paper holding of many of us, that immediately strikes a discordance, heck, we don't have—we're not into the (inaudible) silver or into Pan American paper. Can you reflect on the connection between the buoyancy of the silver market, the ETF, vis a vis the stock price of Pan American Silver?

Geoffrey Burns: Well certainly the price of silver is directly reflected in the price of our shares. As silver has declined, so has the value and the trading price of Pan American stock.

The disconnect that I was referring to is that physical demand for silver remains incredibly buoyant. As I mentioned, the ETF has continued to grow which is a physical purchaser of silver. If you were today to try and order silver coins from the US Mint you would not be able to get them because US Mint hasn't been minting them for awhile because they ran out of silver. If you ordered coins from other small refineries or, excuse me, minters around the country, you would be put on a wait list that approaches three to six months.

Geoffrey Burns: So it is surprising to me that there is a clear, clear disconnect between the fundamental physical demand for silver and the price that is largely set by trading in New York. It clearly, in my view, points to the trade of paper silver between—in the future markets between players that have no interest or nor desire to ever see the physical product. Until that paper trade dwindles, and I believe that it will as hedge funds finally remove themselves from the commodity, I think there is real reason to be optimistic about future silver prices.

Edmund Hand: Okay, what is your timeframe for such an occurrence hypothetically?

Geoffrey Burns: That is probably the most difficult to comment on, Edmond.

It also relates to the, what I believe, is a false strengthening in the US dollar. The two are very highly related. The flight to cash has driven the US dollar to levels it hasn't seen for quite a number of years. It will unwind in my opinion. As will the paper trade decline around the silver price.

Edmund Hand: I see. You (inaudible), I'm sorry.

Geoffrey Burns: Edmond, it's time for us to let some other questioners have their turn. You...

Edmund Hand: All right. May I call you at some future time?

Geoffrey Burns: Yes, you can. Please do so.

Edmund Hand: And your—how do you spell your last name?

Geoffrey Burns: Burns, B-U-R-N-S.

Edmund Hand: Okay, thank you.

Geoffrey Burns: Thank you, Edmund.

Operator: Thank you. Our next question is from the line of Daniel Earle with TD Newcrest. Please go ahead with your question, sir.

Daniel Earle: Hi. Geoff or Rob, if you could just answer for me, can you talk—or actually can you talk about the changes in F/X rates and what sort of an impact you see from changing rates going forward?

Geoffrey Burns: I'm going to—there's two aspects to that questions, Daniel, and I'm going to let Rob talk about our F/X book and I'm going to talk about the direct impact.

We've seen the Mexican Peso essentially devalue relative to the US dollar from about 10.5 to as low as 13.5 in recent times. I think it's in the 12.5 range today.

Approximately 40% of our costs are paid in Mexican Pesos for labour. So if you say we've had a 25% devaluation of the Mexican Peso, you do some relatively simple math and you would expect our costs should decline by about 10% multiplying, you know, 40% times 25%. And that should appear, without us doing any change to our business plan.

Geoffrey Burns: We've seen—we're seeing similar changes in Peru although the devaluation of the Sol relative to the US dollar has been less marked. That is the impact I see on a go forward basis on the costs side.

we do have a forward hedge book of some size for both Sols and Pesos. I'll let Rob comment on that.

Robert Doyle: Sure. We've been essentially buying both those currencies ahead of time in that we didn't actually consume them as Geoff described. And so as of the end of September we had about just a little over 70 million of Peruvian Sol brought forward at rates somewhere in the lower 2.8 range. And about close to \$20 million worth of pesos brought forward at about a 1060 range.

So we see from a mark to market perspective with the dramatic devaluation of those currencies at the end of the third quarter that gave right to the mark to market unrealized losses that we recorded in our books.

In addition to that we also do hold some cash balances in currencies other than US dollars and so accounting convention dictates that we need to fair value those holdings at each balance sheet debt.

We are holding a fair amount of our excess cash in Canadian dollars and as the Canadian dollar has weakened against the US dollars that goes right to an additional loss which we recorded in the third quarter.

Daniel Earle: Okay great. And can you talk about the same on the metal side, the hedge book?

Robert Doyle: Sure. The—as of the end of September we had—our zinc book was down to about 700—7500 tons of zinc saw forward at prices around 2500. That represents about 20% of our production through the balance of 2009.

And similarly with lead, we have about 20% of our production at prices between 1900 and 2100. So obviously as those price—as the price of zinc and lead decline in the mark to market on those books improves.

Daniel Earle: Okay great. And then final question here on the discretionary capital spending that you've cancelled, how much do you expect to save?

Geoffrey Burns: Daniel, we're in the process, as Steve mentioned, of putting tougher our full 2009 and long range plans. And I'm hesitant to quantify the absolute magnitude of not only our employment changes but our exploration changes and capital changes until we've gone through that process. And we're literally about 10 days away from finalizing those budgets.

It will be significant. I mean, we have been spending at--we're on our capital budgets at around \$11 million for our Huaron mine for 2008; at Morococha, closer to \$14 million; La Colorada, about \$10 million. So going forward, my expectation would be that we would see budgets of less than half of that amount in 2009.

Daniel Earle: Great. Thanks so much.

Operator: All right, thank you. Our next question is from the line of Steven Butler with Canaccord Adams. Please go ahead.

Steven Butler: Hello Geoff. You just indicated to Dan, I think, that you might not get too specific about putting the magnitude on the cost savings appreciate that you're making. But maybe I could ask a question about the labour in terms of what percentage is labour of your overall mine site costs for your several operations?

Geoffrey Burns: On average it varies a little bit, Steven, between underground and open pit. Our underground operations are narrow vein and by default much more highly labour intense. But a 40% number is a good average on a corporate wide—or a company wide basis to use for our labour costs. And we did just in essence cut our labour force by just about 10%.

Steven Butler: Oh 10% is the 500.

Geoffrey Burns: That's correct, yes.

Steven Butler: Okay. Plus the major savings on the head office, just kidding.

Geoffrey Burns: Huge.

Steven Butler: A little levity is always required in these times. Geoff, the other question, maybe...

Geoffrey Burns: (Inaudible)

Steven Butler: I'll pick you up out of the ashes. But the—Rob, a question for you in terms of, you mentioned the \$2 million of repricing portfolio previously booked recognized com sales.

How do we—can you give us some perspective or maybe with respect to either what you ended up achieving as a realized price for you major metals in the fourth quarter—sorry in the third quarter I should say and/or, asked another way, what have you provisionally priced your receivables at the end of the quarter. We will assume also be subject to do some potential negative swings to revenues in the fourth quarter.

Robert Doyle: That is correct. With silver and the base metals declining further in October and November, if things stay the same then we will—we will be recording negative

sales adjustments of provisionally priced third quarter sales that are finally priced in the fourth quarter.

I can give you those realized prices, Steven. For silver, we have reached 1548. This is what the average realized price is in the third quarter.

Steven Butler: Okay.

Robert Doyle: Silver was 1548; zinc was 2179; lead was 1941, well above average because of the benefit of our hedge books; copper was right around the average of 7774; and gold came in at 681.

Geoffrey Burns: Our provisional pricing adjustment would have been based on the September 30th closing prices, not on the realized averages during the quarter.

Robert Doyle: That's correct. From memory it was right around \$13.00 is where we would have provisionally priced.

Steven Butler: So, sorry, so as these prices you attain and realize including the benefits of hedging, Rob, is—are these prices there for are not necessarily prices of what you carry concentrate sales, receivables in to the fourth quarter, not necessarily, correct?

Robert Doyle: That's correct. So the provisionally priced metal is mark to market at September 30 at the closing prices on September 30.

Steven Butler: Okay. And...

Robert Doyle: The realized prices I talked about are cash realized.

Steven Butler: Right. So, I mean, maybe I can follow up with you later maybe to get a sense of metals content of (inaudible) is provisionally priced. I guess I can just simply pick up number September 30 pricing. I just wouldn't mind knowing the volumes, that's all.

Robert Doyle: Sure, absolutely. Feel free to give me a call after.

Steven Butler: Thanks very much, guys.

Operator: All right, thank you. Our next question is from the line of Haytham Hodaly with Salman Partners. Please go ahead.

Haytham Hodaly: If I can also get that—those volumes that would be very helpful as well.

Just a quick—two or three quick questions actually, just simple ones. Your exploration budget then for Q4, your expense for exploration do you expect that to decrease from levels seen in Q3?

Michael Steinmann: This is Michael. Yes, sure, especially the green field part will obviously decrease. We are keeping going on with some projects which are immediately important for our 2009 production. The same obviously for the brown field project everything is concentrating on 2009 and early 2010 production but the spending will decrease.

Haytham Hodaly: So \$1.5 million in Q3; maybe \$1 million in Q4 sort of thing?

Geoffrey Burns: Yes, Haytham, I think our overall exploration budget and a portion of that exploration is allocated within our operating costs and only a portion appears as a separate line item in our income statement—the green fields programs are what you see as a separate line item on the income statement.

Our annual budget for exploration including those two items is about \$13.5 million for 2008. Divided roughly evenly between the four quarters, which would be in the neighbourhood of about \$3 million and a bit per quarter.

I think you could safely assume that we'll save half of that number over the balance of the year.

Haytham Hodaly: Okay, fair enough. Next question just with regards to cap ex outlook for Q4, you gave us our budget—your budgets for the year for Huaron, Morococho, La Colorada, etc. What—and I do appreciate that, what do you see as your final number for Q4 in terms of budget expenditures right now?

Geoffrey Burns: For all, counting Manantial Espejo, San Vicente...

Haytham Hodaly: Yes.

Geoffrey Burns: Through the whole thing, it might—I don't have that number handy in front of me at the moment. But perhaps if you could give Rob a call after the meeting, I'm sure he can give that to you.

Haytham Hodaly: Sure, I will do that. And the only other thing I guess I would ask, your G&A, now that you've made these cuts, are you going to see a hit because of severance on (inaudible) stuff or—does that come in at the mine level or the corporate level?

Geoffrey Burns: Yes, we will be incurring some indemnity expenses for sure in the fourth quarter as we deal with the layoffs. My estimate on the magnitude of that between all our operations is probably in the \$1.5 million range.

How we account for that has—we haven't yet put our thought process to that, whether we'll segregate it as a separate line item, whether we'll put it in G&A or whether we'll leave it at the operating level.

Haytham Hodaly: Okay. No that's good. Thank you.

Geoffrey Burns: You're welcome.

Operator: All right, thank you. And our next question is from the line of Craig West with GMP Securities. Please go ahead with your question.

Craig West: Thanks Geoff, just a couple of quick questions. Maybe—I don't mean to be a stiff but just on the costs there and the increase in guidance for full year 2008, just trying to make sure I have the right feel for where that increase in costs is coming from.

You made one comment about increasing energy costs I guess at (inaudible) \$0.33. Is that an ongoing impact going forward that we expect to see? And why no impact at Quiruvilca with that?

Steven Busby: Yes, this is Steve. I can answer that one.

At Huaron we have a different power supply contract that's a newer contract than we have at Morococha or Quiruvilca. That contract is subject to marginal power rates in the country. When the power supply capabilities fall below what the hydro electric dams can deliver and the gas turbines can deliver, they start to fire up diesel generators. And you generally have to pay, depending on the contract, the marginal power rate. We were subject to that. Huaron, under our contract to 100% of that power under that rate.

What we're seeing is this month that marginal rate is dropping back. They're shutting diesel generators. They're firing back up the hydro electric dams. We expect dramatic decreases in that \$0.33 cost during the fourth quarter.

Craig West: So I guess if that's a chunk of Q3 then and reducing impact going forward the bulk of the increase in guidance is due to just the decline in base metal pricing then?

Steven Busby: That's correct.

Craig West: Okay. The other question is guess is more specific to Peru in general. You made some comment about some slowdowns at Morococha due to labour interruptions. There was some news that came out of random through the last couple of months about disruptions and some protesting that was taking place. Any impacts at all there? Any other sort of, I guess, whisperings of labour unrest that you kind of see across the country in Peru and any impacts there on your operations?

Geoffrey Burns: Yes, Craig, I guess Peru, in my opinion, is going to go through a fairly difficult period going forward.

65% of their GDP is mine or mining related. And I was just down there a couple of weeks ago and unfortunately the country had not seemed—not, in my view, didn't look prepared for what was about to happen with respect to how the mining industry was going to respond to lower prices.

We've seen just this week in addition to our own announced layoffs at our operations, the Doe Run Mining Company has laid off people from their Oroyo smelter, the Volcan Zinc Company has laid off people at Cerro de Pasco and pulled back on their exploration budgets, Casapalca another mining company located on the Central Highway, as well as Glencore have all kind of simultaneously announced measures and steps to respond to current lower pricing environments.

And I think it is going to send a bit of a shock wave through the labour markets in Peru because I truly don't believe that the government has properly started to prepare their populous for the likely results.

And I think it has the potential to be disruptive. There's just no question that when a wave of layoffs hit a population that there is potential for labour disruption as well as strike action.

To this point, we haven't had a strike. Things are, at least as of today, responding and operating normally at Huaron, at Morococha, at Quiruvilca. But there are in the background meetings going on with the national unions, etc. and there will be, in my expectations, some response. The severity and duration, that's a bit of a "who knows", but I think we've done the best we can to manage the expectations of our employees and I hope that if there are to be any interruptions that they would be short lived. But there is a risk there at the moment.

Craig West: That's helpful, and maybe kind of continuing along the lines of the smelting contracts that you've got.

PCRC, is there any major changes that you've seen there quarter to quarter? Is there anything in your contracts that, you know, a dramatic change in metal prices can trigger some renegotiation any way? When do you have contracts coming due to sort of renegotiation or resigning with the smelters that (inaudible)?

Robert Doyle: Okay, Rob Doyle, here. Most of our—most of our major contracts are in place through the end of 2009 and are actually good contracts relative to the current market. The contract markets are changing dramatically as you would expect as the availability of material becomes less and less certain slowly moving from projected surpluses into potential deficits in a hurry. And so we are monitoring the market but at this point in time we don't have a lot of material available to go to smelters with for the time being anyway.

Craig West: Okay. Can you give sort of a number that you hit in the quarter then on a—for cubic charges per ton and refining there or...?

Robert Doyle: Pretty detailed question, you know, it varies across contracts by product.

Craig West: Is there a rule of thumb or a general number that you had on average for the quarter or (inaudible) again?

Robert Doyle: I'd be happy to walk it through with you in more detail after the call if—I think that would be better.

Craig West: One final question then, (inaudible) you mentioned about the potential for a little bit of cost creep down on the cap ex side. Can you just remind us again how much has been spent to date? How much still needs to be spent? And how much has been committed?

Geoffrey Burns: Yes, give me one second.

As of today, we've spent \$210 million and our estimate to complete is \$225 million. So we have approx \$15 million more to go.

And the majority of that, or a big chunk of that, is really operating costs pre-receipt of our first expected revenue. While Steve mentioned that we were anticipating pouring our first doré in December, it is very unlikely that we'll see any payment for that metal produced until January. So we still have a number of weeks of basically full operating costs to cover from until we get a sustainable revenue stream.

Craig West: Do you get that back all at once or is that an over...?

Geoffrey Burns: It will take—it comes back as we export our dore producta. So it's likely going to come back over time, our estimate at the moment is over about a year's time.

Craig West: That's it for me. Thanks for your time.

Geoffrey Burns: Thanks Craig.

Operator: Thank you. Our next question is from the line of David Christie with Scotia Capital. Please go ahead with your question, sir.

David Christie: Good morning guys. Just quickly, I was wondering if you could give me the price assumptions you're using for your guidance for the year for Q4?

Geoffrey Burns: The...

David Christie: Like the metal price assumptions to get your cost guidance.

Geoffrey Burns: Oh that was, I mean, the \$7.00 cash cost per ounce for Q4 is based on current metal prices.

David Christie: So using 720 gold and 925 silver?

Geoffrey Burns: Yes, yes and then the key aspect on the cost side is obviously the base metal prices and that's \$1150 per tonne of zinc and \$1300 per tonne lead is what we've used.

David Christie: Okay, perfect. And is there any chance of getting the payable or sold metal you had in the quarter as opposed to the contained?

Robert Doyle: I can certainly give you that number. I don't have it in front of me now but I can—we have that number and I can certainly provide it to you.

David Christie: That would be great as well as the concentrate numbers you were talking about earlier.

So you have no TCRT renegotiations for 2009? You're at terms that are still under today's market or..?

Robert Doyle: That's right. That's across most of our products.

David Christie: Okay, good, good. I think that's it for me. All my other questions have been answered. Thank you.

Geoffrey Burns: Thanks David.

Operator: All right, thank you. Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder if you are using speaker equipment, you will need to lift your handset before making your selection.

Our next question is from the line of Kurt Bealer, a private investor. Please go ahead, sir.

Kurt Bealer: Yes, has there been any consideration given to share buyback with the hopes of reissuance two or three years down the road?

Geoffrey Burns: Hi Kurt. At this point our primary focus is going to be to get Manantial Espejo up and running, look at our plans under the new metal price environment, and ensure that we have adequate and sufficient liquidity on a go forward basis.

Our second goal with that liquidity and with the facility that we recently put in place is to look for strategic opportunities to grow the business. I believe that that second objective is by far the best way we can create additional value for Pan-Am shareholders in the long term. There are, and I believe will continue to be, some very, very valuable

opportunities for us to participate in if we maintain our financial health. And at this stage we have not considered investing our liquidity in a share repurchase.

Kurt Bealer: Okay, thank you.

Operator: All right, thank you. And ladies and gentlemen at this time we would like to give participants a final opportunity to ask any questions.

Again, if you have a question please press the star followed by the one. As a reminder, if you're using speaker equipment you'll need to lift the handset before remaking your selection.

Mr. Burns, there are no further questions at this time. Please continue with any closing comments.

Geoffrey Burns: Okay, well, thank you, ladies and gentlemen for joining us this morning. I look forward to reporting to you again early in January when we can talk with greater clarity and quantification about some of the actions we've taken today. And I'd just like to report I am confident that the measures we've taken and the team we have in place will allow us to not only to survive these turbulent times but also to thrive and continue to grow. Thank you.

Operator: All right, thank you. Ladies and gentlemen, this does conclude the Pan American Silver third quarter 2008 earnings conference call.

This conference will be available for replay after 11:30 Eastern Standard Time today through November 20th at midnight Eastern Standard time. You may access the replay at any time by dialing 1-800-406-7325 or 303-590-3030, enter the access code 3931521.

We thank you very much for your participation and you may disconnect. Have a very pleasant rest of your day.