

## PAN AMERICAN SILVER MARCH QTR 09: IMPROVED MARGINS AS COMODITY PRICES REBOUND

	Mar Qtr	Dec Qtr	Change
<b>Operational</b>			
Production (000' oz Ag)	4,879	4,605	6%
Head Grade (g/t)	143	168	-15%
<b>Average Silver Price (US\$/oz)</b>	<b>12.60</b>	<b>10.21</b>	<b>23%</b>
Cash Operating Cost (US\$/oz)	5.94	8.24	-28%
Development Cost (US\$/oz)	1.09	2.08	-48%
<b>Total Cash Cost (US\$/oz)</b>	<b>7.03</b>	<b>10.32</b>	<b>-32%</b>
<b>Gross Margin (US\$/oz)</b>	<b>5.57</b>	<b>- 0.11</b>	
<b>Investment Activities</b>			
Capital Expenditure (US\$/oz)	2.75	10.99	
Exploration/Evaluation (US\$/oz)	0.13	0.49	
<b>Total Investment (US\$/oz)</b>	<b>2.88</b>	<b>11.48</b>	
<b>Corporate</b>			
Net Finance Cost (Revenue) (US\$/oz)	- 0.20	- 0.02	
General Administration (US\$/oz)	0.46	0.60	
<b>Total Corporate Costs (US\$/oz)</b>	<b>0.26</b>	<b>0.58</b>	<b>-55%</b>
<b>Cash Surplus (Deficit) (US\$/oz)</b>	<b>2.43</b>	<b>- 12.17</b>	
<b>Balance Sheet</b>			
Cash Balance (US\$m)	29.2	26.8	9%
Marketable Investments (US\$m)	78.1	3.4	2,231%
Interest Bearing Loans (US\$m)	-	-	
Net Hedging Liability (US\$m)	1.8	3.4	49%
<b>Share Capital</b>			
Shares Outstanding (m)	87.2	80.8	-8%
Insider Holdings (%)	5.06%	5.43%	-7%
Share Price (US\$) (End of Qtr)	17.42	17.07	2%

### Operational

- Pan American Silver (NASDAQ:PAAS) experienced a marginal increase in production during the quarter thanks primarily to Manantial Espejo, the company's newest silver/gold mine achieving commercial production. Production at Alamo Dorado and La Colorada in Mexico declined as expected due to reduced throughput and lower silver grades.
- Cash costs improved by 28% primarily due to a rebound in base metal prices which ensured healthier by-product credits. A higher average silver price was also achieved. The company enacted cost controls during the final quarter of 2008 which also yielded some benefit.

- Capital costs associated with ongoing projects declined during the March 09 quarter.
- Improvements across the board contributed to a 32% improvement in the total cash cost and a swing back into positive operating margins for the quarter.

## Production by Project

Project	Mar Qtr			Dec Qtr			Variance		
	oz	g/t	Cash Cost	oz	g/t	Cash Cost	oz	g/t	Cash Cost
Huaron	968,033	220	7.86	832,556	206.0	10.73	16%	7%	-27%
Morococha	652,975	148	7.86	605,245	153	8.17	8%	-3%	-4%
Quiruvilca	348,596	152	10.12	339,172	148	13.88	3%	3%	-27%
Pyrite Stockpiles	49,459	204	4.52	63,226	210	3.03	-22%	-3%	49%
Alamo Dorado	1,257,351	105	4.51	1,441,797	149	6.18	-13%	-30%	-27%
La Colorada	801,177	379	7.36	961,720	370	8.5	-17%	2%	-13%
Manantial Espejo	729,276	212	1.12						
San Vicente	72,457	437	7.58	360,846	472	6.1	-80%	-7%	24%
<b>Total</b>	<b>4,879,324</b>	<b>143</b>	<b>5.94</b>	<b>4,604,562</b>	<b>168</b>	<b>8.24</b>	<b>6%</b>	<b>-15%</b>	<b>-28%</b>

## Investment

- Capital costs associated with Manantial Espejo and San Vicente were significantly lower as both projects reach completion.
- Exploration notably declined.

## Corporate

- Net corporate costs declined due primarily to an improvement in investment income generated from the US\$103.5m (before fees) proceeds from the share issue.
- General and Administration costs were also lower.

## Cash Surplus/Deficit

- All in all we saw a significant improvement in operational cash flow which went from a deficit of US\$12.17/oz in the previous quarter to a surplus of US\$2.43. The major driving factors included the improvement in metal prices contributing to lower operating cash costs and an overall decline in capital expenditure as the construction related projects were completed.

## Balance Sheet

- Cash remained steady but short term marketable securities increased substantially due to the proceeds from the capital raising.
- The net hedging liability declined during the quarter.

- Pan American Silver remains debt free and has access to a US\$70m credit facility which is currently undrawn.

## Share Capital

- 6.4m shares were issued at US\$16.25 raising US\$103.5m. The proceeds are intended to fund acquisitions, development initiatives on acquired properties and working capital requirements.

## Closing Comments

Pan American Silver's operations rebounded strongly in the March quarter due largely to the rebound in metal prices. With construction related projects nearing completion, this has started benefiting the company from a cash flow perspective. Attention now turns to future expansion and growth. In April 09, Pan American announced an agreement with Orko Silver to jointly develop the La Preciosa silver project in Durango state, Mexico. Pan American will contribute its demonstrated expertise in mine development plus 100% of the funds necessary to develop the property into a mine in order to gain a 55% interest.

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