SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009 Commission File Number 000-13727

Pan American Silver Corp.

(Exact name of Registrant as specified in its charter)

British Columbia	**1044**	**Not Applicable**
(Province or other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No..)*

1500 – 625 Howe Street
Vancouver, British Columbia
V6C 2T6
(604) 684-1175
(Address and telephone number of Registrants' principal executive offices)

CT Corporation
111 Eighth Avenue, 13th Floor
New York, NY 10011
(212) 894-8940
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, No Par Value	The NASDAQ Stock Market Toronto Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

For annual reports, indicate by check mark the information filed with this Form:

[**X**] Annual information form [**X**] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by this annual report.

The Registrant had 105,117,000 Common Shares outstanding as at December 31, 2009

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the registrant in connection with such Rule.

Yes _____ 82-_____ No __**X**__

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes __**X**__ No _____

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Indicative Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes __**X**__ No _____

Cautionary Note to United States Investors

All resource estimates incorporated by reference in this Annual Report on Form 40-F have been prepared in accordance with Canadian National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy Classification System. These standards differ significantly from the requirements of the U.S. Securities and Exchange Commission (the "Commission"), and resource information incorporated by reference herein may not be comparable to similar information concerning U.S. companies.

Without limiting the foregoing, this Annual Report on Form 40-F, including the documents incorporated by reference herein, uses the terms "measured", "indicated" and "inferred" resources. United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the Commission does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Accordingly, information concerning descriptions of mineralization and resources contained in this Annual Report on Form 40-F or in the documents incorporated by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

A. Disclosure Controls and Procedures

Disclosure controls and procedures are defined by the Commission as those controls and other procedures that are designed to ensure that information required to be disclosed by the Registrant in reports filed or submitted by it under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

As of December 31, 2009, the end of the period covered by this report, the Registrant carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2009, the Registrant's disclosure controls and procedures were effective. See "Disclosure Controls and Procedures" in Management's Discussion and Analysis for the fiscal year ended December 31, 2009, filed as Exhibit No. 1.2 to this Annual Report on Form 40-F.

B. Management's Annual Report on Internal Control Over Financial Reporting

The required disclosure is included in the "Management's Report on Internal Control over Financial Reporting" that accompanies Management's Discussion and Analysis for the fiscal year ended December 31, 2009, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

As described in "Management's Report On Internal Control over Financial Reporting" that accompanies Management's Discussion and Analysis for the fiscal year ended December 31, 2009, filed as Exhibit 1.2 to this Annual Report on Form 40-F, management excluded from its assessment the internal control over financial reporting at Aquiline Resources Inc. ("Aquiline"), which was acquired on December 7, 2009. Aquiline constitutes 40% and 44% of net and total assets, respectively, 0% of revenues, and 0% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2009. Due to the timing of the acquisition of Aquiline, the Registrant was unable to conduct an assessment of Aquiline's internal control over financial reporting in the period between the acquisition date and the date of management's internal control assessment.

C. Attestation Report of the Independent Registered Public Accounting Firm

The attestation report is included in the "Report of the Independent Registered Chartered Accountants" that accompanies the Registrant's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2009, filed as Exhibit 1.3 to this Annual Report on Form 40-F.

D. Changes in Internal Control Over Financial Reporting

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

E. Notice of Pension Fund Blackout Period

The Registrant was not required by Rule 104 of Regulation BTR to send any notice to any of its directors or executive officers during the fiscal year ended December 31, 2009.

F. Audit Committee Financial Expert

The Registrant's board of directors has determined that Paul B. Sweeney, an individual serving on the audit committee of the Registrant's board of directors, is an audit committee financial expert, as that term is defined in General Instruction B(8)(b) of Form 40-F. The Registrant's board of directors has also determined that Paul B. Sweeney, Michael J.J. Maloney and Michael Larson, the individuals serving on the audit committee of the Registrant's board of directors, are independent, as that term is defined under the rules and regulations of the Nasdaq Stock Market.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liabilities on such person that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

G. Code of Ethical Conduct

The Registrant has adopted a code of ethical conduct (the "Code") that applies to all directors, officers and employees. A copy of the Code may be obtained at www.panamericansilver.com. The Registrant will provide a copy of the Code without charge to any person that requests a copy by contacting the General Counsel and Secretary, Robert Pirooz, at the address on the cover of this Form 40-F. No waivers from the requirements of the Code were granted in fiscal 2009. Disclosure of any waiver from the requirements of the Code granted to the Company's directors or executive officers are made in the Company's quarterly report that immediately follows the grant of such waiver.

H. Principal Accountant Fees and Services and Audit Committee Pre-Approval Policies

Information about the Registrant's principal accountant fees and services and a description of the Registrant's pre-approval policies and procedures is included under the heading "External Auditor Service Fees" of the Registrant's Annual Information Form for the fiscal year ended December 31, 2009, filed as Exhibit 1.1 to this Annual Report on Form 40-F .

I. Off-Balance Sheet Arrangements

The Registrant is not a party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

J. Tabular Disclosure of Contractual Obligations

The required disclosure can be found under the heading "Contractual Commitments and Contingencies" of Management's Discussion and Analysis for the fiscal year ended December 31, 2009, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

K. Critical Accounting Policies

A discussion of the Registrant's critical accounting policies can be found under the heading "Critical Accounting Policies and Estimates" of Management's Discussion and Analysis for the fiscal year ended December 31, 2009, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

L. Nasdaq Exemptions

On March 16, 2005, the Registrant informed the Nasdaq Stock Market that as permitted by Rule 4350(a)(1) of the Nasdaq Marketplace Rules, it intended to follow British Columbia practice with respect to quorum requirements in lieu of those required by Rule 4350(f) of the Nasdaq Marketplace Rules (which provides that a quorum for a shareholder meeting of a Nasdaq-listed company must be at least 33-1/3% of the outstanding common shares of the company). The Registrant's by-laws provide that the minimum quorum for a meeting of shareholders of Common Shares is one individual who is a shareholder, proxy holder or duly authorized representative of a corporate shareholder personally present and representing shares aggregating not less than 5% of the issue d shares of the Registrant carrying the right to vote. The Registrant's quorum requirements are not prohibited by the requirements of the *Business Corporations Act* (British Columbia) and the Registrant intends to continue to comply with the requirements of the *Business Corporations Act* (British Columbia). The rules of the Toronto Stock Exchange, upon which the Common Shares are also listed, do not contain specific quorum requirements.

M. Identification of the Audit Committee

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Paul B. Sweeney, Michael J.J. Maloney and Michael Larson. Further information about the Registrant's audit committee can be found under the heading "Audit Committee" of the Registrant's Annual Information Form, filed as Exhibit 1.1 to this Annual Report on Form 40-F.

N. Interactive Data File

The Registrant is not currently required to submit to the Commission, nor post to its corporate Web site, an Interactive Data File.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a Form F-X in connection with its Common Shares. Any change to the name and address of the agent for service of process shall be communicated promptly to the Commission by an amendment to Form F-X.

EXHIBITS

The following exhibits are filed as part of this report:

Exhibit Number	Title
1.1	Annual Information Form for the fiscal year ended December 31, 2009.
1.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2009.
1.3	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2009, prepared in accordance with Canadian generally accepted accounting principles and reconciled to U.S. generally accepted accounting principles in accordance with Item 18 of Form 20-F.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Martin Wafforn.
23.3	Consent of Michael Steinmann.
23.4	Consent of Pamela De Mark
23.5	Consent of John J. Chulick
23.6	Consent of Dean K. Williams
23.7	Consent of Damian Spring
23.8	Consent of John A. Wells
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

PAN AMERICAN SILVER CORP.

Dated: March 31, 2010

By: /s/ Robert Pirooz
By: Robert Pirooz
Title: General Counsel

EXHIBIT INDEX

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Pan American
SILVER CORP.

Annual Information Form

For the Year Ended December 31, 2009

Dated: March 31, 2010

1500-625 Howe Street
Vancouver, British Columbia
V6C 2T6

Web Site: www.panamericansilver.com

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this Annual Information Form and in the documents incorporated by reference herein constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act* of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or forward-looking information. When used in this Annual Information Form and the documents incorporated by reference herein, the words "anticipate", "believe", "estimate", "expect", "int end", "target", "plan", "forecast", "strategies", "objectives", "budget", "may", "schedule" and other similar words and expressions, identify forward-looking statements or information. These forward-looking statements or information relate to, among other things:

- the price of silver and other metals;
- the sufficiency of Pan American's current working capital, anticipated operating cash flow or its ability to raise necessary funds;
- the accuracy of mineral reserve and mineral resource estimates, estimates of future production and future cash, and total costs of production, as applicable, at Huaron, Morococha, Quiruvilca, Alamo Dorado, La Colorada, Manantial Espejo, Navidad, San Vicente or other properties;
- estimated production rates for silver and other payable metals produced by Pan American, timing of production and the cash and total costs of production at each of Pan American's properties;
- the estimated cost of and availability of funding for ongoing capital replacement, improvement or remediation programs;
- access to and availability of funding for the future construction and development of Pan American's projects;
- estimated costs of construction, development and ramp-up of Pan American projects;
- future successful development of the Navidad property and other development projects of Pan American;
- the effects of laws, regulations and government policies affecting Pan American's operations, including, without limitation, expectations relating to or the effect of certain highly restrictive laws and regulations applicable to mining in the Province of Chubut, Argentina;
- the estimates of expected or anticipated economic returns from a mining project, as reflected in feasibility studies or other reports prepared in relation to development of projects;
- estimated exploration expenditures to be incurred on Pan American's various silver exploration properties;
- compliance with environmental, health, safety and other regulations;
- forecast capital and non-operating spending;
- future sales of the metals, concentrates or other products produced by Pan American;
- continued access to necessary infrastructure, including, without limitation, access to power, lands and roads to carry on activities as planned; and
- Pan American's plans and expectations for its properties and operations, including, without limitation, those matters discussed under the heading "Outlook for 2010" herein.

These statements reflect Pan American's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by Pan American, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Annual Information Form and documents incorporated by reference, and Pan American has made assumptions based on or related to many of these factors. Such factors include, without limitation: fluctuations in spot and forward m arkets for silver, gold, base metals and certain other commodities (such as natural gas, fuel oil and electricity); fluctuations in currency markets (such as the Peruvian sol, Mexican peso, Argentine peso and Bolivian boliviano versus the U.S. dollar and Canadian dollar); risks related to the technological and operational nature of Pan

American's business; changes in national and local government, legislation, taxation, controls or regulations and political or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia or other countries where Pan American may carry on business in the future; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); risks relating to the creditworthiness and financial condition of suppliers, refiners and other parties which Pan American deals with; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relations with and claims by local com munities and indigenous populations; availability and increasing costs associated with mining inputs and labor; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; business opportunities that may be presented to, or pursued by, Pan American; Pan American's ability to complete and successfully integrate acquisitions; challenges to, or difficulties in maintaining, Pan American's title to properties and continued ownership thereof; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; increased competition in the mining industry for properties, equipment, qualified personnel, and their costs; and those factors iden tified under the captions "Outlook for 2010" and "Competitive Conditions" and "Risks Related to Pan American's Business" in this Annual Information Form and the documents incorporated by reference herein. Investors are cautioned against attributing undue certainty to forward-looking statements. Although Pan American has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Pan American does not intend, and does not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting such statements or information, other than as required by applicable law.

Please see "Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources" on page 3 of this Annual Information Form.

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INTRODUCTION

In this Annual Information Form, the term "Company" refers to Pan American Silver Corp. and the term "Pan American" refers to the Company and its direct and indirect subsidiaries.

Reporting Currency

Pan American's reporting currency is the United States dollar. Unless otherwise indicated, all currency amounts in this Annual Information Form are stated in United States dollars. References to "C$" are to Canadian dollars.

Accounting Policies and Financial Information

Financial information is presented in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Unless otherwise indicated, financial information contained in this Annual Information Form is presented in accordance with Canadian GAAP. Differences between accounting principles generally accepted in Canada and those generally accepted in the United States, as applicable to Pan American, are explained in Note 20 to the Consolidated Financial Statements of the Company for the year ended December 31, 2009. The Consolidated Financial Statements of the Company for the year ended December 31, 2009 are incorporated by reference herein and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

This Annual Information Form refers to various non-GAAP measures, such as "cash and total cost per ounce of silver", which are used by the Company to manage and evaluate operating performance at each of Pan American's mines and are widely reported in the silver mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these measures as calculated by the Company, please refer to the Company's Management's Discussion and Analysis for the year ended December 31, 2009 where detailed descriptions and reconciliations, where applicable, have been provided.

Conversion Table

In this Annual Information Form, metric units are used with respect to mineral properties located in Peru, Mexico, Argentina, Bolivia and elsewhere, unless otherwise indicated. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
1.102 tons (short)		1 tonne	0.907 tonnes		1 ton
0.029 ounces (troy)/ton (short)		1 gram/tonne	34.28 grams/tonne		1 ounce (troy)/ton (short)

Glossary of Terms

The glossary of terms set forth under the heading "Glossary of Terms" of this Annual Information Form contains definitions of certain terms used herein.

Scientific and Technical Information

Scientific or technical information in this Annual Information Form relating to mineral reserves or mineral resources, except for mineral resources relating to the Navidad property, is based on information prepared under the supervision of, or has been reviewed by, Michael Steinmann, Executive Vice President, Geology and Exploration of

the Company and Martin Wafforn, Vice President, Technical Services of the Company. Except with respect to the Navidad property, scientific or technical information relating to the geology of particular properties, and the exploration programs described in this Annual Information Form, are prepared and/or designed and carried out under the supervision of Michael Steinmann. Mineral resources and other scientific and technical information herein relating to the Navidad property is based on information contained in the Navidad Report (as defined below) and the disclosure in this Annual Information Form relating thereto has been reviewed and consented to by the experts involved in the preparation of the Navidad Report.

Scientific and technical disclosure in this Annual Information Form for the Company's material properties is based on technical reports prepared for those properties in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The technical information in this Annual Information Form has been updated with current information where applicable. The technical reports are as follows:

- a report entitled "43-101 Technical Report – Huaron Property, Cerro de Pasco, Peru" dated effective December 31, 2006 (the "Huaron Report") relating to the Huaron mine;
- a report entitled "Morococha Property Technical Report, Yauli Province, Peru" dated effective December 30, 2007 (the "Morococha Report") relating to the Morococha mine;
- a report entitled "Technical Report for the Quiruvilca Property, La Libertad, Peru" dated effective July 31, 2007 (the "Quiruvilca Report") relating to the Quiruvilca mine;
- a report entitled "Feasibility Study Volume I – NI-43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico" dated March 31, 2005 (the "Alamo Report") relating to the Alamo Dorado mine;
- a report entitled "Technical Report for the La Colorada Property, Zacatecas, México" dated effective September 30, 2007 (the "La Colorada Report") relating to the La Colorada mine;
- a report entitled "Manantial-Espejo Project Canadian Standard NI 43-101, Santa Cruz Province, Argentina" dated March 2006 (the "Manantial Report") relating to the Manantial Espejo mine;
- a report entitled "Technical Report for San Vicente Mine Expansion Project, Potosi, Bolivia" dated effective June 6, 2007 (the "San Vicente Report") relating to the San Vicente mine, and;
- a report entitled "Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina: Technical Report" dated February 4, 2010 (the "Navidad Report") relating to the Navidad property,

(collectively, the "Technical Reports").

The Technical Reports have been filed on SEDAR at www.sedar.com.

Except with respect to the Navidad property, the mineral reserve and resource estimates, and the disclosure of scientific and technical information contained in the descriptions of the Company's mineral properties, were prepared under the supervision of Michael Steinmann, P. Geo., Executive Vice President, Geology and Exploration, and Martin G. Wafforn, P.Eng., Vice President, Technical Services. The mineral resource estimate, and the disclosure of scientific and technical information contained in the description of the Navidad property herein were prepared by or under the supervision of Snowden Group, Pamela De Mark, P.Geo., John J. Chulick, P.Geo., Dean K. Williams, P.Geo., Damian Spring, P.Eng., and John A. Wells, B.Sc.

Each of Michael Steinmann, Martin Wafforn, Pamela De Mark, John Chulick, Dean Williams, Damian Spring and John Wells, are a "Qualified Person" as defined in NI 43-101. A "Qualified Person" means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that has experience relevant to the subject matter of the mineral project, and is a member in good standing of a professional association.

Classification of Mineral Reserves and Resources

In this Annual Information Form, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian provincial securities regulatory authorities and

conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in the "CIM Standards on Mineral Resources and Reserves – Definitions and Guidelines" adopted on August 20, 2000 and amended December 11, 2005.

Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This Annual Information Form and the documents incorporated by reference have been prepared in accordance with the requirements of Canadian provincial securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral reserve and mineral resource estimates included in this Annual Information Form and the documents incorporated by reference herein have been prepared in accordance with NI 43-101 and the CIM classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the U.S. Securities and Exchange Commission (the "SEC"), and information with respect to mineralization and mineral reserves and resources contained or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, these documents use the terms ''measured resources'', ''indicated resources'' and ''inferred resources''. U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC d oes not recognize them. Under U.S. standards, mineralization may not be classified as a ''reserve'' unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The requirements of NI 43-101 for identification of ''reserves'' are not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as ''reserves'' under SEC standards. U.S. investors should also understand that ''inferred resources'' have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. Under Canadian securities laws, disclosure must not be made of the results of an economic analysis that include ''inferred resources'', except in rare cases. Disclosure of ''contained ounces'' ; in a mineral resource is permitted disclosure under Canadian securities laws, however, the SEC normally only permits issuers to report mineralization that does not constitute ''reserves'' by SEC standards as in place tonnage and grade, without reference to unit measures. **U.S. investors are cautioned not to assume that any part of a ''measured resource'' or ''indicated resource'' will ever be converted into a ''reserve''. It cannot be assumed that all or any part of ''inferred resources'' exist, are economically or legally mineable or will ever be upgraded to a higher category.**

CORPORATE STRUCTURE

Incorporation

The Company is the continuing corporation of Pan American Energy Corporation, which was incorporated under the *Company Act* (British Columbia) on March 7, 1979. The Company underwent two name changes by way of amendment to its memorandum, the last occurring on April 11, 1995, when the present name of the Company was adopted. Amendments to the memorandum of the Company to date have been limited to name changes and capital alterations. In May 2006, the Company obtained shareholder approval to amend its memorandum and articles including the increase in its authorized share capital from 100,000,000 to 200,000,000 common shares in connection with the Company's required transition under the *Business Corporations Act* (British Columbia).

The Company's head office is situated at 1500 - 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6 and its registered and records offices are situated at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, Canada, V7X 1T2. The Company's web site can be found at www.panamericansilver.com.

Capital Structure

The Company's authorized share capital consists of 200,000,000 common shares without par value. The holders of common shares are entitled to: (i) one vote per common share at all meetings of shareholders; (ii) receive dividends as and when declared by the directors of the Company; and (iii) receive a pro rata share of the assets of the Company available for distribution to the shareholders in the event of the liquidation, dissolution or winding-up of the Company. There are no pre-emptive, conversion or redemption rights attached to the common shares.

Subsidiaries

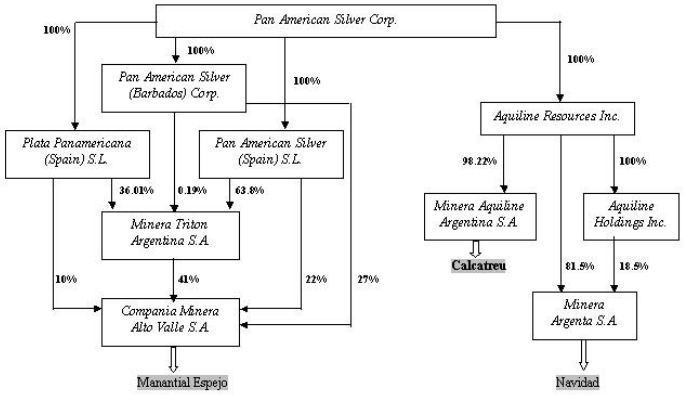
A significant portion of the Company's business is carried on through its various subsidiaries. The following table and charts (set out by jurisdiction of the respective mineral properties) show, as at the date of this Annual Information Form, the significant subsidiaries, joint ventures and associated companies of the Company, including their respective jurisdictions of incorporation and the percentage of voting securities in each that are held by the Company directly or indirectly:

Name	Jurisdiction
Pan American Silver (Barbados) Corp. ("Pan American Barbados")	Barbados
Aquiline Holdings Inc. ("Aquiline Barbados")	Barbados
Pico Machay Cayman Limited ("PM Cayman")	Cayman
Pan American Silver Peru S.A.C. ("Pan American Peru")	Peru
Pan American Silver S.A. Mina Quiruvilca ("Mina Quiruvilca")	Peru
Compañía Minera Argentum S.A. ("Argentum")	Peru
Minera Calipuy S.A.C. ("Minera Calipuy")	Peru
Minera Pico Machay S.A.C. ("MPM")	Peru
Corner Bay Silver Inc. ("Corner Bay")	Canada
Aquiline Resources Inc. ("Aquiline")	Ontario
Absolut Resources Inc. ("Absolut")	Yukon
Minera Corner Bay S.A. de C.V. ("MCB")	Mexico
Plata Panamericana S.A. de C.V. ("Pan American Mexico")	Mexico
PASMEX, S.A. de C.V. ("PASMEX")	Mexico
Proyectos Mineros La Preciosa, S.A. de C.V.	Mexico

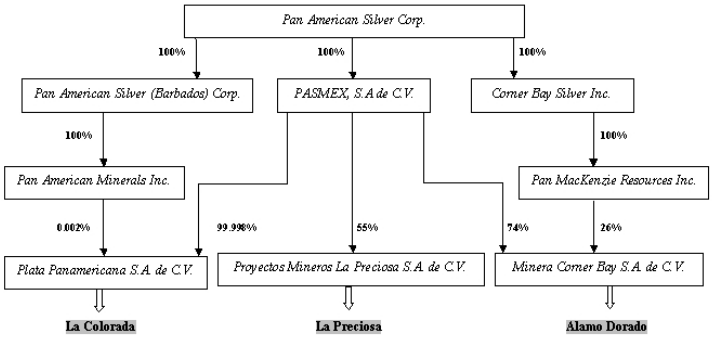
Name	**Jurisdiction**
Pan American Minerals, Inc. (“Pan American U.S.”)	Nevada
Pan American Silver (Bolivia) S.A. (“PASB”)	Bolivia
Compañía Minera Alto Valle S.A. (“Alto Valle”)	Argentina
Minera Triton Argentina S.A. (“MTA”)	Argentina
Minera Argenta S.A. (“MASA”)	Argentina
Minera Aquiline Argentina S.A. (“MAA”)	Argentina
Pan MacKenzie Resources Inc.	Delaware
Plata Panamericana (Spain) S.L.	Spain
Pan American Silver (Spain) S.L.	Spain

CORPORATE STRUCTURE

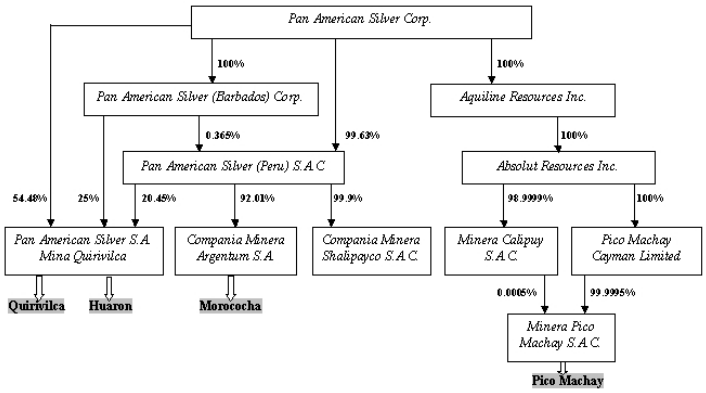
Argentina Properties



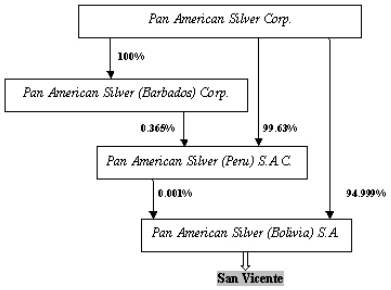
Mexico Properties



Peru Properties



Bolivia Properties



Note: In some jurisdictions in which Pan American operates, laws require that a company operating mineral properties must have more than one owner. As such, in some cases, a nominal interest may be held in trust for Pan American by an individual or other entity.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of Pan American

Pan American is principally engaged in the operation and development of, and exploration for, silver producing properties and assets. Pan American's principal product is silver, although gold, zinc, lead and copper are also produced and sold. At present, Pan American carries on mining operations or is developing mining projects in Mexico, Peru, Argentina and Bolivia, and has control over non-producing silver assets in each of those jurisdictions and in the United States. With the exception of the United States, exploration work is carried out in all of the aforementioned countries, as well as elsewhere throughout the world.

Corporate Strategy and Financial Objectives

Pan American's corporate strategy is to continuously strengthen its position as one of the world's leading primary silver mining companies by acquiring or discovering silver resources that have the potential to be developed economically and to add meaningfully to Pan American's production profile while lowering consolidated unit costs of production.

The key elements of Pan American's strategy are to:

- **Increase silver production** – Pan American has increased its annual silver production for 14 consecutive years since acquiring its first operating mine (Quiruvilca in Peru) in 1995, including an approximate 77% increase from approximately 13 million ounces in 2006 to approximately 23 million ounces in 2009. This has been accomplished throug h a combination of acquisition, development and expansion efforts. Silver production during the year ended December 31, 2009 represented an approximate 23% increase over the approximately 18.7 million ounces produced in 2008.

- **Increase Reserves and Resources** – Pan American has consistently increased its mineral reserves and resources through exploration and acquisitions. In 2009, Pan American discovered and defined approximately 36.8 million ounces of new silver reserves which more than replaced the approximately 26.6 million contained ounces consumed by mining operations in 2009. At December 31, 2009, proven and probable silver reserves for Pan American were approximately 233.9 million ounces which represents an approximate 5% 60;increase from the previous year. Pan American's measured and indicated resources increased by approximately 628.1 million ounces to approximately 710.6 million ounces as at the end of 2009, while inferred resources increased approximately 104% over the previous year to approximately 229.5 million ounces.

- **Continue to be a "Low Cost Producer"** – Full year 2009 consolidated cash costs to produce an ounce of silver were approximately $5.53. Consolidated cash costs increased in 2009 for a number of reasons, including a substantial reduction in by-product base metal prices and the industry-wide escalation of energy, labour, consumable and material costs. Pan American's growth strategy continues to emphasize reducing overall unit production costs. To keep production costs down, Pan American has added newer more mechanized mines (such as Alamo Dorado and Manantial Espejo) to its portfolio of assets, and will continue to review mining plans at its operating mines in order to find greater productivities and efficiencies as well as develop financial strategies to reduce exposure to foreign currency exchange fluctuations and base metal price fluctuations. Cash costs for 2010 are forecast at $6.40 per ounce for the full year

- **Acquire additional silver exploration properties** – Pan American actively investigates and evaluates strategic opportunities to acquire promising silver production, development and exploration properties in those jurisdictions where Pan American is presently active as well as elsewhere throughout the world. For example, Pan American completed its acquisition of the Navidad property and Calcatreu

property pursuant to its acquisition of all of the issued and outstanding shares of Aquiline in January 2010. See below under Outlook for 2010. Pan American's exploration and acquisition focus is on silver properties with bulk mineable targets that have the possibility of possessing over 50 million ounces of silver mineralization.

- **Generate sustainable profits from mining operations** – Financial performance is monitored annually against targets for operating earnings and cash flow from operations, as well as against operating measures such as production and cash costs. Pan American continuously develops and implements tax planning strategies, and seeks to organize its corporate structure and activities to optimize its overall tax position.

Developments over the Last Three Financial Years

During the last three financial years Pan American has undertaken the following:

- **2007** – (i) increased annual consolidated silver production to approximately 17.1 million ounces largely from production at Pan American's newest mine, Alamo Dorado; (ii) maintained, close to the previous year's level, production at the Quiruvilca, Huaron, Morococha and La Colorada mines; (iii) substantially advanced construction of the underground ramp system and the open pit at the Manantial Espejo project; (iv) reached sustained commercial production levels at Alamo Dorado; (v) completed over 95,000 metres of diamond drilling at Pan American's existing sites and exploration properties; (vi) continued underground development work at Morococha; (vii) completed ramp up o f production from the Amolillo oxide zone at La Colorada; and (viii) added new proven and probable silver reserves of approximately 14.5 million ounces and increased measured and indicated silver resources by approximately 4.9 million.

- **2008** – (i) increased annual consolidated silver production toapproximately 18.7 million ounces; (ii) substantially completed construction and began production at the Manantial Espejo mine, making its first pour of silver and gold doré on December 29, 2008; (iii) substantially completed the expansion of the San Vicente mine and increased San Vincente's production by approximately 33% compared to 2007; (iii) Alamo Dorado became the Company's largest silver contributor by producing approximately 6.1 million ounces of silver in 2008; (iv) completed over 99,600 metres of exploration drilling at its existing sites and development properties; and (v) entered into a $70 million revolving credit facility.

- **2009** – (i) increased annual consolidated silver production to approximately 23.0 million ounces; (ii) acquired Aquiline Resources Inc. pursuant to a friendly take-over offer in the fourth quarter of 2009 and thereby became the owner of the Navidad property, one of the largest undeveloped silver deposits in the world; (iii) completed an equity financing, the gross proceeds of which totalled approximately $103.5 million; (iv) entered into a joint venture arrangement with Orko Silver Corp. to obtain a 55% interest in the early-stage La Preciosa project in Mexico; (v) completed its first full year of production at the Manantial Espejo mine, which produced approximately 3.8 million ounces of silver and nearly 72,000 ounces of gold for the year; (vi) completed the expansion and commenced commercial production at the San Vicente mine; and (vii) conducted over 98,930 metres of exploration drilling on Pan American's existing mine site and exploration properties, contributing to a 5% increase in Pan American's proven and probable reserves.

Outlook for 2010

In 2010, Pan American expects to produce approximately 23.4 million ounces of silver and to execute over 183,000 metres of diamond drilling in greenfield and brownfield projects. Pan American is planning to invest approximately $46 million in sustaining capital in 2010, and also expects to spend a minimum of $5 million relating to infrastructure development and planning at Morococha.

Pan American added several development projects to its portfolio in 2009. In October 2009, the Company announced its intention to acquire all of the issued and outstanding securities of Aquiline. It had acquired over 90% of the issued and outstanding shares of Aquiline by the end of 2009 and concluded its compulsory acquisition of the remaining shares of Aquiline in January 2010. As a result, Pan American acquired the rights to the Navidad, Calcatreu and Pico Machay properties. The Company filed a Business Acquisition Report on Form 51-102F4 with the Canadian securities regulators on February 22, 2010 in connection with the transaction.

In addition, in April 2009, Pan American announced that it had reached an agreement with Orko Silver Corp. on the terms under which they may jointly develop the La Preciosa silver project in the state of Durango, Mexico. Pursuant to the agreement, Pan American agreed to act as operator and, in order to retain a 55% interest in the project, to (i) make certain expenditures, (ii) prepare a feasibility study within 36 months, and (iii) contribute 100% of the funds necessary to develop and construct an operating mine. In October 2009, the parties entered into a formal joint venture agreement in respect of the La Preciosa project.

Pan American intends to aggressively perform additional work at the Navidad property to better understand the deposit and to develop its own mine plan and strategic approach to the property. Similarly, work at the La Preciosa project will continue to focus on exploration and resource delineation. Of the approximately 94,000 metres of exploration drilling at exploration and development properties expected for 2010, approximately 80,000 metres is planned for the Navidad and La Preciosa projects. Pan American intends to progress both the Navidad and La Preciosa projects towards permitting and feasibility in 2010.

Pan American will continue to investigate, evaluate and, where appropriate, acquire additional silver production, exploration and development properties.

NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Products and Operations

Pan American's principal products and sources of sales are silver and gold doré and silver bearing zinc, lead and copper concentrates. In 2009, the Huaron, Morococha, Quiruvilca, Alamo Dorado, La Colorada, Manantial Espejo and San Vicente mines and the stockpiles accounted for virtually all of Pan American's production of concentrates and doré. Information related to Pan American's segmented information is set forth in Note 16 to the Consolidated Financial Statements and is referred to in the Management's Discussion and Analysis of the Company for the year ended December 31, 2009 (the "MD&A") under the heading "Operating Performance".

Consolidated production for the year ended December 31, 2009 was as follows:

	Huaron	Morococha[1]	Quiruvilca	Alamo Dorado	La Colorada[2]	San Vicente[3]	Stockpiles	Manantial Espejo	Total
Tonnes milled	699,420	638,805	330,030	1,671,257	324,916	167,006	13,984	632,949	4,478,367
Grade									
Silver - g/t	200	156	155	111	384	537	218	209	N/A
Gold - g/t	0.29	-	1.29	0.39	0.82	-	-	3.79	N/A
% Zinc	2.48	3.24	3.80	-	2.14	2.26	-	-	N/A
% Lead	0.94	1.16	1.21	-	0.96	-	-	-	N/A
% Copper	0.48	0.48	0.70	-	-	0.32	-	-	N/A

Production									
Ounces silver	3,562,893	2,762,064	1,421,897	5,320,637	3,467,856	2,626,774	98,235	3,783,183	23,043,539
Ounces gold	1,235	1,291	1,522	18,211	6,554	-	-	71,892	100,704
Tonnes zinc	11,198	16,942	10,993	-	2,311	2,803	-	-	44,246
Tonnes lead	4,372	5,520	3,230	-	1,205	-	-	-	14,328
Tonnes copper	2,166	2,030	1,643	206	-	401	-	-	6,446

[1] Morococha data represents Pan American's 92.2% interest in mine production.
[2] La Colorada zinc and lead grades are for sulphide ore only.
[3] San Vicente data represents Pan American's 95% interest in mine production.

Doré

Pan American's principal buyers of silver and gold doré from its Alamo Dorado, La Colorada and Manantial Espejo mines, once refined, are international bullion banks and traders. Silver and gold doré is delivered to refineries in Mexico, Germany, Switzerland and the United States, and subsequently transferred to the accounts of its buyers.

Concentrate

Pan American's principal market for copper concentrates and ore from its stockpiles is Peru. The majority of the copper concentrates and all stockpile ore were traditionally sold to Doe Run Peru's metallurgical complex in La Oroya, Peru. Copper concentrates and ore from the stockpiles were delivered to La Oroya by truck and by train, respectively. However, in 2009, the Doe Run Peru complex experienced financial difficulties and Pan American was unable to continue sales to the smelter. As a result, Pan American entered into a number of contracts with other smelters for its concentrates.

Pan American's principal markets for zinc concentrates are Peru, Japan, Brazil, Mexico and Spain. Zinc concentrate is delivered to Peruvian and Mexican customers by truck. Zinc concentrates are delivered to customers in Japan, Brazil, and Spain via truck to the ports of Callao and Salaverry, Peru and from there by ship.

Pan American's principal markets for lead concentrates from its Peruvian mines are Peru, Russia, China, Mexico and Belgium. Lead concentrate is distributed to the Peruvian customers by truck. Lead concentrates that are exported are delivered by truck to the port of Callao, Peru and from there by ship. Lead concentrates produced from the La Colorada mine are sold in Mexico. Lead concentrates are distributed to its Mexican customer by truck.

Please see the discussion under "Risks Relating to Pan American's Business – Smelter Supply Arrangements" and "Risks Relating to Pan American's Business – Trading Activities and Credit Risk".

Competitive Conditions

The mining industry is intensely competitive, particularly in the acquisition of additional mineral reserves and resources in all of its phases of operation, and Pan American competes with many companies possessing similar or greater financial and technical resources.

Pan American's competitive position is largely determined by its costs compared to other producers throughout the world and its ability to maintain its financial integrity through the lows of the metal price cycles. Costs are governed to a large extent by the location, grade and nature of Pan American's mineral reserves as well as by operating and management skills. In contrast with diversified mining companies, Pan American focuses on silver production, development and exploration, and is therefore subject to unique competitive advantages and disadvantages related to the price of silver and to a lesser extent, the price of base metal by-products. If silver prices substantially increase, Pan American will be in a relatively stronger competitive position than diversified mining companie s that produce, develop and explore for other minerals in addition to silver. Conversely, if silver prices substantially decrease, Pan American may be at a competitive disadvantage to diversified mining companies.

Employees

At the end of 2009, Pan American had over 4,000 employees and nearly 2,500 contractors. The majority of those employees and contractors were working at Pan American's operations in South America and in Mexico, although the Company had 29 employees at its head office in Vancouver as at December 31, 2009. Pan American's Peruvian operations had approximately 4,400 employees and contractors, while employees and contractors at each of Argentina and Bolivia numbered approximately 600 and Mexico had nearly 1,000.

Some employees of Pan American and its contractors are unionized. In particular, unions have been established at its operations in Peru, Argentina and Bolivia. Although Pan American has reached agreements with its various unions and places significant emphasis on maintaining positive relationships with the unions and employees, it has experienced labour strikes and work stoppages in the past. Should they occur, some labour strikes and work stoppages have the potential to materially affect Pan American's operations.

Research and Development

Pan American conducts research and development activities through its feasibility work in order to develop improved production processes and exploration techniques. Costs associated with this work are expensed as incurred. Pan American did not incur any significant research and development costs during 2007, 2008 or 2009, and has not budgeted for any significant costs during 2010.

Working Capital

Management of Pan American believes that its working capital of approximately $273 million as at December 31, 2009, plus its expected operating cash flows in the future and its liquid assets, are sufficient to sustain funding for projects currently underway, capital expenditures in connection thereto, and to discharge current estimated liabilities as they come due in the foreseeable future. In addition, the Company has secured a $70 million revolving credit facility with Scotia Capital and Standard Bank Plc. As at December 31, 2009, there were no drawings under this facility. In February 2009, the Company completed an offering of 6,371,000 of its common shares for net proceeds to the Company of approximately $97.9 million.

Environment

All phases of Pan American's operations are subject to environmental regulation in the various jurisdictions in which it operates. To the best of management's knowledge, Pan American's activities in 2009 were, and continue to be, in compliance in all material respects with such environmental regulations applicable to its mining operations, development and exploration activities. The Company has implemented an environmental policy and a health and safety policy in which the Company accepts its corporate responsibility to practice environmental protection and provide a safe and healthy workplace for its employees, and commits to comply with all relevant industry standards, environmental legislation and regulations in the countries where it carries on business.

During 2009, reviews of the environmental performance of all the operations and projects were conducted by the Company's Director of Environmental Affairs. The reviews included inspections of the mine and project sites with key operations personnel, a review of environmental monitoring program procedures and results and a review of principal environmental issues related to each of these operations. The key observations and recommendations from the reviews are reported monthly to senior management and quarterly to the Board of Directors.

Our Huaron, Morococha, Quiruvilca, La Colorada, Manantial Espejo and San Vicente operations were all inspected by government agencies and no material issues stemmed from these inspections.

Peru has issued for industry review and comment proposed changes to the liquid effluent discharge limits. Pan American has implemented a baseline assessment at each of its three operating mines in Peru in order to assess the potential impact of these changes to water treatment practices at each operation. Pan American has proactively

implemented changes in order to be in a better position to meet new discharge limits. It is expected that the new discharge limit will be promulgated in the first half of 2010.

Pan American submitted an EIA in respect of the Morococha mine to the Peruvian Ministry of Mining for evaluation. The EIA is for the construction of a new process plant. The EIA has gone through the public disclosure process and it is currently in the final approval stage.

Key accomplishments during 2009 related to the environmental management of the mines and development projects include:

- a modified corporate environmental policy was approved and distributed;
- the Overall Environmental License (Licencia Ambiental Única) at Alamo Dorado was obtained;
- Alamo Dorado was certified by the Mexican Center for Philanthropy as a "Socially Responsible Company";
- La Colorada was re-certified as a "Clean Industry" by the environmental agency of Mexico;
- La Colorada was certified by the Mexican Center for Philanthropy as a "Socially Responsible Company";
- Pan American Silver (Peru) S.A.C. was awarded the Peruvian Company of the Year from the Peruvian Association of Civil Companies;
- the Quiruvilca closure plan was approved;
- the Morococha environmental liabilities closure plan was approved;
- the Huaron PEMA (Environmental Management Special Program); and
- the Huaron environmental liabilities closure plan was approved.

In the financial year-end dated December 31, 2009, Pan American's environmental expenditures for concurrent reclamation were approximately $1.0 million. Additional environmental related costs were incurred in respect of operations, including for compliance monitoring and, in particular, the acid water treatment at the Huaron and Quiruvilca mines.

As at December 31, 2009, the Company has estimated the aggregate present value of expenditures required for closure and reclamation costs in respect of the Huaron, Morococha, Quiruvilca, Alamo Dorado, La Colorada, Manantial Espejo and San Vicente mines to be approximately $61.5 million, which is an increase from the estimate of $57.3 million at December 31, 2008. The increase in estimated closure and reclamation costs is primarily the result of (i) $3.0 million in accretion expense; (ii) $2.2 million in revisions made to the reclamation obligations as a result of increased site disturbance and development at Manantial Espejo and Alamo Dorado and from the ordinary course of operations at the Huaron and Alamo Dorad o mines; and (iii) $1.2 million in reclamation obligations assumed upon acquisition of Aquiline. Other than specific environmental concerns discussed in this Annual Information Form, the Company is not aware of any material environmental matter requiring significant capital outlays in the immediate future. It is difficult to estimate closure and reclamation costs and actual costs may vary, perhaps materially, from estimates and investors are cautioned against attributing undue certainty to these estimates. The reclamation and closure cost estimates for each of the operating mines and development projects were updated to reflect the conditions as of December 31, 2009.

Health and Safety

The Company has implemented a Health, Safety and Environment policy in which the Company accepts its corporate responsibility to provide a safe and healthy workplace for its personnel, and commits to comply with all relevant industry standards, legislation and regulations in the countries where it carries on business. The policy is reviewed annually to ensure that it remains current, if not ahead, of industry standards and best practices.

In 2005, the Company introduced regular, informal safety audits at all of its operations, increased the frequency of, and requirements for, training programs, and purchased more advanced mine rescue equipment. Periodically, formal corporate health and safety audits are also conducted at Pan American's operating mines and active development properties. In 2009, each of Pan American's operating mines was subject to an informal safety audit where particular focus was placed on a review of emergency preparedness, health and safety systems, safety training, and the general condition of each mine. The Company's Director of Health and Safety participates in the formal audits, as well as safety managers from the operations. Management reports health and safety findings and mitigation progress to th e Company's Board of Directors on a regular basis

During 2009, Pan American focused on introducing new safety programs and training at its operating mines in Peru as well as maintaining excellent safety records at the other mines and development projects. Total hours worked at operating mines and active development projects decreased by approximately 20% versus 2008 while the number of lost time injuries ("LTI") decreased by approximately 44%. Pan American recorded a lost time injury frequency ("LTIF") of 1.79 during 2009 versus 2.55 in 2008. LTIF is calculated as follows:

$$LTIF = \frac{(\#\ of\ accidents) * (1{,}000{,}000)}{total\ hours\ worked}$$

The reduction in LTIF is directly related to the time and attention focused throughout the last four years on health and safety by management of the Company. In 2005, the Company introduced the "Chairman's Safety Award" that is presented to the mine in the company with the best overall safety performance. In 2008 this award went to the San Vicente mine and the winner of the award for 2009 was the La Colorada mine which, amongst other accomplishments, operated the entire year without a single lost time injury.

Pan American will continue to make substantial investments in its safety programs throughout 2010, particularly through the implementation of more training programs, and will continue safety audits as required in order to measure and adjust the success of these programs.

Operating and Development Properties

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), the following properties and projects have been identified by Pan American as being material: the Huaron mine, the Morococha mine, the Alamo Dorado mine, the La Colorada mine, the Manantial Espejo mine, the San Vicente mine and the Navidad property. The Company does not consider the Quiruvilca mine to be a material property for the purposes of NI 51-102. In addition, the Company does not consider the stockpiles or any of Pan American's other development or investment properti es, including the La Preciosa project, to be material properties for the purposes of NI 51-102.

Mineral Reserve and Mineral Resource Estimate Information

The process for economic assessment of the ore reserves and resources at Pan American's operating mines, and those development projects that have previously been the subject of a positive feasibility study and/or a NI 43-101 technical report, is as follows:

Each resource block at each mine or project are assigned a resource confidence rating based on CIM standards, as well as tonnes and metal grades typically using Minesight, Datamine, Autocad, database and/or Excel Spreadsheet software.

Mining parameters such as dilution and losses due to pillars or mining are applied to the resource blocks based on experience with the expected mining method for the block at the particular mine or, in the case of projects, on the basis of engineering studies. These factors are reviewed and adjusted on at least an annual basis using information from a number of geologic and engineering observations including reconciliation data to the tonnes and grades measured in the process plant.

For the Huaron, Morococha, La Colorada and San Vicente mines, metal price factors are calculated for each mine using a Microsoft Excel spreadsheet to manipulate the data. A separate factor is calculated for each of the metals of economic significance at the particular mine. These metals (not necessarily in order of overall economic significance) are: silver, zinc, lead, copper and gold. The key inputs used in order to calculate the factors are: metal prices established for ore reserve and resource calculation each year, metallurgical recovery for each metal, the weight of each concentrate produced for each tonne of ore at a particular grade, expected grade of concentrate, any elements that are present that detract from the value, current terms for smelting each of the concentrates produced at a mine or project, refinery terms for treatment of doré, the costs of smelting and or refining, the percentage of each metal payable by the smelter or the refinery, the cost of transporting concentrate or doré to the smelter or refinery including insurance and other costs that may be incurred in the process of selling the product like port fees and cost of concentrate storage and handling. In the case of the Huaron mine, individual factors are calculated separately for the main ore veins or structures in order to account for variances in metallurgical recovery. The La Colorada mine has separate calculations for oxide and sulphide ores as these two types of ore are processed in separate plants.

The factors are applied to the metal grades in each of the resource blocks and summated in order to calculate a net smelter return value per tonne for each of the blocks in the resource model.

In order to determine if a block can be reasonably believed to be economic, estimated mine operating costs are used to calculate the value per tonne that is required from each block in each area of the mine. Blocks that are in the measured and indicated category that fit into a previously created mine plan are then converted to proven and probable reserves. Measured resource blocks are converted into either proven or probable reserves, and Indicated resource blocks are converted into probable reserves all at the discretion of and based on the experience of Michael Steinmann and Martin Wafforn. Measured and indicated resource blocks that do not fit into a mine plan are either in an area of the mine where a development decision has not been made, or are in an area where more information is required to determine mineabili ty, but remain as measured and indicated resource blocks as long as they are potentially economic. Inferred resource blocks remain as inferred resources as long as the estimated grade is such that they will be potentially economic. A cut off value per tonne is established each year for the major areas of each mine or project.

The metal prices used for the December 31, 2009 ore reserve and resource estimations are as follows[1, 2]:

Silver US$/Ounce	$13.00
Zinc US$/Tonne	$1,600
Lead US$/Tonne	$1,600
Copper US$/Tonne	$5,000
Gold US$/Ounce	$875

Metal prices valid for all Pan American mines except:

1 Navidad which used $12.52 per ounce of silver and $1,100 per tonne of lead to calculate mineral resources.

2 Calcatreu which used $12.50 per ounce of silver and $650 per ounce of gold to calculate mineral resources

The cut off (in $/Tonne) for mineral reserve and mineral resource calculations at the Huaron, Morococha, La Colorada, Manantial Espejo, San Vicente, and Quiruvilca underground mines are shown in the following table:

	Ore Reserves Cut Off ($/Tonne)	Ore Resource Cut Off ($/Tonne)
Huaron – Above 500 level	45.00	38.00
Huaron – 250 to 500 levels	46.00	39.00
Huaron – Below 250 level	50.00	43.00
Morococha – Average	60.31	37.67
La Colorada – Candelaria oxide	85.83	85.83
La Colorada – Candelaria sulphide	78.09	78.09
La Colorada – Estrella oxide	74.92	74.92
La Colorada – Recompensa sulphide	70.18	70.18
Manantial Espejo – Open Pit	34.74	34.74
Manantial Espejo – Longhole Open	76.78	34.74
Manantial Espejo – Shrinkage	84.63	34.74
Manantial Espejo – Cut and Fill	84.63	34.74
San Vicente – Shrinkage	83.00	45.00
San Vicente – Avoca longhole	74.50	45.00
Quiruvilca	70.00	35.00

The cut off values per tonne for the Huaron mine are separated by level in the mine, the cut off costs below the 250 level are higher in order to account for the cost of pumping water up to the drainage level as well as additional haulage and ventilation. The cut off value per tonne for the Morococha mine is the average applied for the mine; there are 7 mining areas at the Morococha mine that have individual cost calculations. La Colorada has specific cut-offs for oxide and sulphide ore and also separated by operating mine. With the exception of Manantial Espejo and San Vicente, these are all values that pay at a minimum the variable costs of production (incremental ore). As the average value per tonne of the ore reserve is higher than these minimum values, the mine plans at each operation are designed to ensure that the fixed costs of the operation are paid by the higher-grade ore. At each of the operations shown in the table, the current throughput capacity of the process plant(s) is either greater than the capacity of the mine, or the mine would not be able to produce enough ore to keep the mill operating at full capacity without the addition of incremental ore. The cut off values per tonne for San Vicente are based on the full expected operating costs from the Shrinkage and the Avoca mining methods. The cut off values per tonne for Manantial Espejo are based on the full expected operating costs.

The Alamo Dorado open pit mine uses a cut off grade that varies by each block, primarily as a function of the copper grade and expected cyanide consumption during the treatment process. The lowest value for cut-off grade used at Alamo Dorado is 56 g/t silver equivalent grade. The metallurgical recoveries for gold and silver are calculated for each block using the following formulae:

Silver recovery = 0.95 - 5 / silver grade (g/t) – 0.0005 * Copper grade (ppm)
Gold recovery = 0.95 - 0.001 / gold grade (g/t) – 0.0005 * Copper grade (ppm)

The Alamo Dorado cut-off has a cost basis that includes the full milling and tails storage cost (including a variable cyanide cost based on the copper grade), the differential mining cost between ore and waste, the administration cost at the time of milling low grade ore and the low grade rehandle cost. Processing cost is correlated to rock hardness which in turn is correlated to depth, for 2009 this amount is calculated using the following formula:

Processing cost = $18.173 per tonne - $0.0057 * elevation

For all ores at Manantial Espejo the metallurgical recovery of the plant was assumed to be 95% for gold. Metallurgical recovery of silver for the Melissa deposit was assumed to be 85% and for all other ores to be 93.57%. Payable amounts in the doré product of the mine are assumed to be 99.75% for silver and 98.87% for gold. The

nominal value per tonne cut-off used to define underground Maria longhole stoping ore was $76.78 per tonne. The nominal cut-off used to define underground Maria and Melissa shrinkage stoping ore as well as Concepcion cut and fill stoping ore was $84.63 per tonne. In all reserves, the cited cut-offs were converted to a silver equivalent grade using a silver to gold equivalency ratio of 70.4 to 1 with the exception of Melissa where a silver to gold equivalency ratio of 77.5:1 was used. The calculated silver equivalent cut-off grades used were 213 gpt AuEq for Maria longholde stoping, 258 gpt AuEq for Melissa shrinkage stoping and 234 gpt AuEq for Maria Shrinkage stoping and Concepcion cut and fill stoping. The reserve panels were then visually defined using the cited cut-offs with a l ong section display of silver equivalent grade. However, once the reserve panels were defined, all recovered material inside of the reserve panels was defined as ore, regardless of grade (i.e. 100% of the reserve panels will be mined with the exception of pillars that are excluded when the stoping blocks are designed). The ore reserves for open pit ores were calculated using industry standard optimization software, pits were then designed and the resultant summarized. In general the total of the mine rehandling, processing and administration costs used for calculation of the reserves in the open pit mines was $34.74 per tonne.

Mineral resources for all ores at Navidad are reported above a cut-off grade of 50 gpt AuEq. The most likely cut-off grade for these deposits is not known at this time and must be confirmed by the appropriate economic studies. Silver equivalent grades are calculated without consideration of variable metal recoveries for silver and lead. A silver price of $12.52 per ounce and lead price of $0.50 per pound was used to derive the following equivalence formula:

AgEq = Ag + (Pb * 10,000 / 365).

Mineral resources for Pico Machay are reported above a nominal 0.3 gpt Au cut-off grade.

Mineral resources for Calcatreu are a summation of three sets of assumptions for being potentially economic, namely 1) open pit and processing plant with resources reported above a cut-off of 1.04 g/t gold; 2) heap leach ore with a cut-off of 0.34 gpt gold, and 3) underground and processing plant with a cut-off of 2.1 gpt AuEq with gold equivalence calculated as follows:

AuEq = Au + (Ag/63.2).

Although Pan American believes that its mineral reserve and resource estimates will not be materially impacted by external factors such as metallurgical, safety, environmental, permitting, legal, taxation and other factors disclosed in this Annual Information Form, there can be no assurance that they will not be impacted. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any mineral reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as a material change in metal prices or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates and may dif fer, perhaps materially, and investors are cautioned against attributing undue certainty to mineral reserves and resources.

I. Operating Properties

A. Peru

(i) Huaron Mine

Ownership and Property Description

The Huaron mine is owned and operated by Mina Quiruvilca, an entity in which the Company, indirectly through its subsidiaries, owns 100% of the outstanding voting shares and 99.93% of the total outstanding equity.

Mina Quiruvilca was formed effective January 2006 through a merger between Pan American Silver S.A.C. Mina Quiruvilca and Compania Minera Huaron.

The Huaron mine is an underground silver mine located in the Department of Pasco, Province of Pasco, District of Huayllay in central Peru, 320 kilometres northeast of Lima. The property consists of 252 concessions spanning over 63,822.2 hectares. Pan American has the exclusive right on all of these concessions to explore, develop and exploit as well as the right to market the products. To the Company's knowledge, all permits and licences required for the conduct of mining operations at Huaron are currently in good standing.

Certain statements in the following summary of the Huaron property are based on and, in some cases, extracted directly from the Huaron Report.

Location, Access, Climate and Infrastructure

The Huaron mine lies on the eastern flank of the West Cordillera branch of the Andean mountain range from an elevation of 4,250 metres to 4,800 metres above sea level. Access to the Huaron mine is by a continuously maintained 285 kilometre paved highway between Lima and Unish and a 35 kilometre road between Unish and the Huaron mine. A program by the Peru government to upgrade the road to a paved highway between Unish and the Huaron mine is partially complete.

The topographical relief at the mine site is hilly and uneven with local slopes of more than sixty degrees. Natural vegetation consists mainly of grasses forming meadows. These meadows have permitted development of varied livestock operations. The climate at the mine site is classified as "cold climate" or "boreal" with average annual temperatures ranging from three to ten degrees Celsius. The Huaron mine operates throughout the entire year.

The primary source of power for the Huaron mine is the Peruvian national power grid. The supply of water has been abundant and is provided by local lakes and rivers.

Peru's economy is dependent on mining and currently there is a sufficient local source of mining personnel and related infrastructure.

Royalties and Encumbrances

To the best of Pan American's knowledge, the Huaron mine is not subject to any royalties or encumbrances other than the mining royalty tax described under "Taxation" in the Huaron mine section of this Annual Information Form below.

Taxation

The principal taxes of Peru affecting the Huaron mine include income tax, employee profit sharing taxes, annual fees for holding mineral properties, various payroll and social security taxes, refundable value added tax and Peruvian mining royalty tax.

The Huaron operation generated income tax provisions of approximately $2.9 million, $4.0 million, and $8.0 million in 2009, 2008 and 2007 respectively. In addition, employee profit sharing taxes of approximately $0.2 million, $0.8 million and $2.4 million were generated in 2009, 2008 and 2007 respectively.

Huaron's revenue for 2009 was approximately $61.5 million. In June 2004, Peru's Congress approved a new bill that allows royalties to be charged on mining projects. These royalties are payable on Peruvian mine production at the following progressive rates: (i) 1.0% for companies with sales up to $60 million; (ii) 2.0% for companies with sales between $60 million and $120 million; and (iii) 3.0% for companies with sales greater than $120 million. This royalty is a net smelter returns royalty, which cost is deductible for income tax purposes. The total royalty tax on Huaron's production amounted to approximately $0.8 million in 2009, $0.9 million in 2008, and $1.7 million in 2007.

History

The Huaron mine is an underground mine with narrow and wide veins of silver-rich base metal sulphides, as well as replacement mineralization in conglomerates and dissemination in sediments. The mine, mill and supporting villages were originally built and operated by a subsidiary of the French Penarroya company from 1912 to 1987. In 1987 the mine was sold to Mauricio Hochschild and Cia Ltda. Prior to its acquisition by Pan American, approximately 22 million tonnes of silver-rich base metals sulphide ore were mined from the Huaron property. Silver was the main constituent, contributing about 49% of the historic sales value, with zinc, lead and copper, 33%, 15% and 3% respectively, making up the remainder. Ore from the mine was processed on-site by crushing, grinding, and differ ential floatation to produce copper, lead and zinc concentrates.

In April 1998, a portion of the lakebed of nearby Lake Naticocha collapsed and water from the lake flowed into the adjacent Animon mine (operated by an unrelated company) and, through interconnected tunnels, the water entered and flooded the Huaron mine, causing its closure.

After the April 1998 flooding, the Huaron mine operations were shut down, the labour force was terminated, the village closed and work was undertaken to clean up the flood damage, drain the workings and prepare for an eventual mine re-opening. The water level in the lake, which provided the source of floodwater, is currently maintained well below the level where it flooded into the old workings and the Company does not expect a threat of further flooding. The Animon mine, in accordance with a settlement agreement reached with Cia. Minera Huaron S.A. in September 2000, constructed a channel to route water around the lake to provide water for the Huaron mine operation and to reduce the water in upstream lakes to prevent agricultural flooding which had created local social pressures.

Geology and Mineralization

The main lithology in the area of the Huaron mine is a sequence of continental “redbeds” consisting of interbedded sandstones, limestones, marls, conglomerates, breccias and cherts of the Abigarrada and Casapalca Formations of Upper Cretaceous to Lower Tertiary age. These rocks unconformably overlay massive marine limestones of the Upper Cretaceous Jumasha Formation. To the west of the mine a series of andesites and dacites are outcropping, which are part of the mid to lower Tertiary Calipuy Formation. A series of sub-vertical porphyritic quartz monzonite dykes, generally strike north-south and cut across the mine stratigraphy.

The rocks in the central part of the mine and at lower elevations are principally thinly bedded marls and sandstones known as the lower redbeds. In the eastern side of the mine the upper redbeds occur consisting of a calcareous Sevilla chert that overlies sandstones and marls. The bottom of this sequence consists of the Barnabe quartzite conglomerate. On the western side of the mine, the stratigraphy consist of a series of interbedded conglomerates (San Pedro) and sandstones. The conglomerate contains poorly sorted limestone and quartz clasts in a sandy matrix.

The Huaron mine is located within an anticline formed by east-west compressional forces. The axis of the anticline is approximately north-south striking and gently plunging to the north. There are two main fault systems: (i) north-south striking thrust faults, parallel to the axis of the anticline; and (ii) east-west striking tensional faults. The intrusives strike in two principal directions N70°E and S10°E. Most of the area is covered with recent soils except where the more resistant cherts and conglomerates form ridges parallel to the flanks of the anticline. These outcrops are discontinuous and frequently offset by the crosscutting east-west faults.

The Huaron mine is a polymetallic deposit (hosting silver, lead, zinc and copper) consisting of mineralized structures probably related to Miocene monzonite dykes principally within, but not confined to the Huaron anticline. Mineralization is encountered in veins parallel to the main fault systems, in replacement bodies associated with the calcareaous sections of the conglomerates and other favourable stratigraphic horizons, and as dissemination in the monzonitic intrusions at vein intersections.

The first pulse of mineralization was associated with the emplacement of intrusive bodies and the subsequent opening of structures, during which zinc, iron, tin, and tungsten minerals were deposited. This was followed by a copper, lead and silver rich stage, and finally by an antimony/silver phase associated with quartz.

More than 95 minerals have been identified at Huaron with the most important economic minerals being tennantite-tetrahydrite (containing most of the silver), sphalerite and galena. The principal gangue minerals are pyrite, quartz, calcite and rhodochrosite. Enargite and pyrrhotite are common in the central copper core of the mine and zinc oxides and silicates are encountered in structures with deep weathering. Silver is also found in pyrargyrite, proustite, polybasite and pearceite.

There is a definite mineral zoning at Huaron and the mine has been divided into seven separate zones. There is a central copper core (Zone 5) where the principal economic mineral is enargite. The structures contain copper with pyrite and quartz. This area was extensively mined by previous operators but, because of the high arsenic and antimony content and poor metal recoveries, further mining in this area could be problematic. To the east and west of the central core are Zones 2, 3 and 4 where silver, lead and zinc are found in carbonates, principally calcite and rhodochrosite. Zone 1 to the north of the central core contains silver, lead and zinc associated with pyrite. Zone 6 is along the west side of the axis of the anticline and south of Zone 2 is principally l ead and zinc with lower silver values within carbonates. Zone 7 is a narrow band running north-south along the general axis of the anticline and to the south of Zone 3 and contains principally sphalerite and sulfosalts with rhodochrosite.

The central core of the district has adularia-sericite alteration overprinted by strong silicification and epidote-pyrite. This core is surrounded by a zone containing epidote-pyrite-quartz that grades outwardly to a zone containing chlorite and magnetite. The mineralized structures are concentrated in the central core of the district but important structures continue into the outer zones.

Exploration, Drilling, Sampling and Analysis

Exploration at Huaron is conducted using a combination of underground drilling and drifting. Generally, underground drillholes that intersect promising ore grade mineralization are followed up by drifting for mineral resource and mineral reserve definition. During 2009, 5,431 metres were drilled using two drill rigs. In addition, 2,971 metres of underground drifting were completed for mineral resource and mineral reserve definition.

Drill core is split with half remaining on-site for further reference. Assaying, for both drill samples and underground channel samples, is done at the mine laboratory. The quality assurance/quality control (“QA/QC”) program includes sample checks performed at an outside lab and the submission of standards to the mine lab.

Additionally, there is a QA/QC program supervised by the geology department. It includes the submission of at least 1 certified standard and blank per day as well as tertiary lab check assays on 2-5% of the samples and 1-2% of the check samples.

All of the geologic activities, including sampling, are conducted under the direct supervision of Chief Geologist at the Huaron mine.

Strategic Restructuring

In the fall of 2003, Pan American initiated a technical and economic evaluation to determine the benefits of re-engineering the main haulage system at the Huaron mine. As a result of that evaluation, an electric locomotive haulage system was installed in expanded tunnels on the 500 level for haulage to the upper parts of the mine. In addition, an evaluation was undertaken in 2006 to determine whether to use the existing mine shafts (not operative) to replace diesel trucks and reduce mine haulage costs from the lower levels of the mine. During 2009, work to refurbish the D shaft continued and a decline to access the 180 level below the primary 250 drainage level was successfully completed with the construction of a permanent pumping station and back up power supply.

Mineral Reserves

The Company's management estimates proven and probable mineral reserves at the Huaron mine, as at December 31, 2009, are as follows:

	Huaron Mineral Reserves [1, 2]				
Reserve Category	Tonnes (000's)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Proven	6,471	185	3.15	1.56	0.31
Probable	4,371	184	3.21	1.58	0.29
Total	10,842	184	3.18	1.57	0.30

[1] Calculated using a price of $13 per ounce of silver, $1,600 per tonne of zinc, $1,600 per tonne of lead and $5,000 per tonne of copper. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

[2] Mineral reserve estimates for Huaron were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

The Huaron mine has proven and probable reserves which indicate a projected mine life of at least fifteen years at current production rates.

Mineral Resources

The Company's management estimates that mineral resources at the Huaron mine, as of December 31, 2009, are as follows:

	Huaron Mineral Resource Estimate[1,2]				
Resource Category	Tonnes (000's)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Measured	819	159	3.87	2.59	0.54
Indicated	521	157	4.03	2.35	0.82
Inferred	5,416	177	2.95	1.44	0.28

[1] These mineral resources are in addition to Huaron mineral reserves. Calculated using a price of $13 per ounce of silver, $1,600 per tonne of zinc, $1,600 per tonne of lead and $5,000 per tonne of copper. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

[2] Mineral resource estimates for Huaron were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Mining

The main mine access is via a four metre by four metre ramp which is used for truck haulage that has been recently extended below the main 250 drainage level to the 180 level and an electric locomotive haulage system on the 500 level to extract ore out of the mine. There are two existing shafts on the property but these have not been used since the late 1980s. The mine is in the process of refurbishing the D shaft in order to reduce mine haulage costs associated with the operation of diesel haul trucks and to allow another method of access to mineral reserves that are somewhat remote to the main haulage ramp. The shaft refurbishing process began in 2008 and construction is expected to be completed in the first quarter of 2010. The ramp extension and shaft refurbishment allow access to m ineral reserves that had previously been submerged below the primary 250 drainage tunnel level.

In 2009, ore was extracted from 71 stopes on 27 different veins, with approximately 31 stopes being active at any given time. The increased mechanization of the mine over the course of the past 3 years has increased productivity and allowed the number of active stopes at one time to be reduced from 58 in 2006. The mining method is predominantly cut-and-fill using mill tailings as the backfill material. Production from longhole stoping started in January, 2009 and to date almost 50,000 tonnes have been extracted from longhole stopes on the Alianza vein. Further mechanization of the mine is expected going forward.

Rehabilitation of the 500 level was completed in April 2005 in order to change the ore haulage system in the upper part of the mine from commercial 12 cubic metre-capacity trucks to electric locomotives. This will continue to result in savings in operating costs, and provide access to new zones with ore reserves. Following completion of the D shaft refurbishment, the majority of the ore mined from the north zone below the 500 level will be hoisted to surface and fed by conveyor belt to the crusher and mill. A decline has been developed to the 180 level (which is 70 meters below the mine drainage tunnel) to provide access to the extensions of the vein systems to that level. Previous mining went only to the 250 level with the exception of some small scale mining of 2 veins down to the 220 level. The 180 level is currently being developed to access higher grade veins and the permanent pumping station is now completed. Ore from the 180 level north zone will be hauled by truck to the 250 level and then by rail to the D shaft where it will be hoisted to surface. Future plans to deepen the D shaft and connect the 180 level with rail haulage will be evaluated as the development of the mine and exploration of the resource continues.

During 2009, 138,000 tonnes of stope ore were extracted from the north zone between 250 and 500 levels, 337,000 tonnes from the north zone above the 500 level, 36,000 tonnes from the Satelite zone, 100,000 tonnes from the south zone and 70,000 tonnes from various mine development headings. Production started from the north zone 180 level with 19,000 tonnes being extracted from this area during the year. It is expected that Pan American will continue to extract ore from these same levels and zones in 2010.

From May to October 2008, Huaron encountered a severe and unanticipated escalation of electrical power supply costs due to nationwide power supply not keeping pace with the unexpectedly high demands. These high demand periods were primarily during the dry season when the hydro-electric dams were at low outputs. Under the terms of Huaron's power supply contract, the power supplier was able to charge an inflated marginal cost of power to Huaron during times of constrained power availability in the country. The result of this was inflated overall operating costs at Huaron, well above what was anticipated. Late in 2008, the Peruvian government passed legislation that would allow power providers to charge a government determined marginal cost to all consumers thus spreading the cost an d significantly lessening future impacts of the type experienced at Huaron during the year.

In 2009, mining operations were somewhat delayed on the 180 level dealing with the completion of the permanent pumping station and worse than expected ground conditions in the area of the vein near the access decline. These problems are expected to be resolved as mining progresses in 2010.

Milling

During 2009, the concentrator plant processed 699,420 tonnes of ore in comparison to 732,146 tonnes processed in 2008. The slightly lower throughput in 2009 was due primarily to less ore supply from the mine caused by worse than expected ground conditions in the vein on the 180 level. The plant has operated basically the same circuits of crushing, ball mill grinding, selective flotation and filtering since it started in 2001.

Environment

Before Pan American acquired its interest in the Huaron mine, Minera Huaron had filed a PAMA with the government on July 26, 1996 in compliance with Peruvian regulations. The PAMA addressed, among other things, stability of tailings impoundments, water quality and the fact that liquid effluents from the mine exceeded certain permissible levels of metals, as well as the required revegetation of a historic tailings area near the adjacent town. The PAMA set forth an implementation time line of nine months for Huaron to make certain expenditures to address the environmental issues raised. In January 1997 and March 1998, the Peruvian Ministry of Energy and Mines

("MEM") consented to the modification of certain expenditures under the PAMA and an extension of the implementation timeline.

As a result of the 1998 flood of the adjacent Animon mine, waters inundated portions of the Huaron mine, causing the closure of the mine. For this reason, Minera Huaron was not able to satisfy all of its obligations under the PAMA in accordance with the established implementation timeline. Given the magnitude of the incident, in December 2001, the MEM granted a further extension of the execution period of the PAMA. At the same time, the Minister of Energy and Environment approved a special PEMA to continue until the end of 2005.

On December 30, 2006, third party consultants submitted their report on the field inspection conducted on the PAMA and PEMA projects. Minera Huaron completed the requirements under the PAMA program, and compliance and expenditures have been audited by third party consultants. Pan American is currently awaiting official notification from the MEM of the acceptance of the completed PAMA and PEMA projects.

In October 2003, the Peruvian government passed legislation requiring active mining operations to file closure plans within six months of the date of passage of the legislation. Administrative rules associated with this legislation which laid out detailed closure requirements, including bonding and tax deductibility of reclamation and rehabilitation expenses, were promulgated in October 2005. These rules require that detailed closure plans and cost estimates be compiled by a certified third party consultant by October 2006. The original closure plan for the Huaron mine was filed by mid-year 2004.

In August of 2006, Pan American submitted a comprehensive closure plan for the Huaron mine to the MEM in accordance with that ministry's regulations. The closure plan was prepared by third party consultants registered with the Peruvian authorities as qualified to present closure plans to the MEM. The closure plan includes a summary of the proposed closure scheme for each of the major areas of impact such as mine water, tailings areas, wasterock dumps, plantsite infrastructure, and underground mine. A detailed cost estimate was prepared based on Pan American's and the consultant's shared experience with closure works over the past 12 years and experience with other projects in Peru. As required by the MEM, the costs were summarized in three phases: concurrent closure, final closur e and post closure. During 2008, Pan American received questions and comments from the MEM on the plan and addressed them in a formal response. The MEM's evaluation of the plan is ongoing and Pan American is awaiting confirmation from the MEM that the plan will be moved forward to the public comment period phase.

During 2008, an EIS was submitted to and approved by the environmental division of the Peruvian Health Ministry (known as "DIGESA") for a new landfill at Huaron.

The total estimated cost of the MEM closure plan for Huaron was $8.5 million. The current present value of closure expenditures at Huaron as at December 31, 2009 is estimated at $10.7 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

The most significant environmental issues currently associated with the mine are metal-laden waters discharged from the mine, localized areas of acid rock drainage from the mine's tailings deposit areas and the containment and stability of the active tailings ponds. During 2008, water quality at the compliance point met the required standards. Pan American is in the process of obtaining the administrative approval necessary for the expansion of its tailings dam. All work has been completed in respect of the dam expansion and Pan American is working with authorities to obtain the necessary mill site permit. Failure to obtain the permit could result in work stoppages or significant expense.

Health and Safety

Following its purchase of the mine, Pan American implemented a modified version of the third party safety and training program for employees and contractors used successfully at its Quiruvilca Mine. In May 2007 and again in June, 2009, formal safety audits were conducted by the Company's Director of Health and Safety and safety managers from other Pan American operations at the Huaron mine. All Huaron mine employees are required to undergo safety and environmental training and all new underground employees are required to undergo task specific

training prior to being assigned to their first position. In addition, some of the supervisors attended the Centromin Peru ("Centromin") "Basic Mining Concepts and Safety" training in Lima, Peru. During 2009, personnel at the Huaron mine attended a total of approximately 37,806 hours of training.

Capital Expenditures

In 2009, capital expenditures at the Huaron mine were approximately $7.0 million and consisted primarily of: (i) equipment replacement and improvement totalling approximately $2.1 million; (ii) mine capital amount of approximately $3.0 million, an amount that includes the ramp deepening to the 180 level from the 250 level, (iii) the rehabilitation and upgrading works needed to bring D shaft back into operation of $1.9 million.

Marketing

The Huaron mine produces silver rich zinc, lead and copper concentrates. All contracts are with arm's length smelters and concentrate traders. Huaron receives payment for an agreed percentage of the silver, lead, zinc or copper contained in the concentrates it sells after deduction of smelting and refining costs.

During 2009, the revenue per type of concentrate produced by the Huaron mine were as follows:

	Revenue[1]	**Tonnes**
Zinc Concentrate	$9.9 million	23,960
Lead Concentrate	$16.0 million	12,928
Copper Concentrate	$36.4 million	11,003

During 2008, the revenue per type of concentrate produced by the Huaron mine were as follows:

	Revenue[1]	**Tonnes**
Zinc Concentrate	$8.9 million	23,681
Lead Concentrate	$23.5 million	18,379
Copper Concentrate	$34.5 million	7,636

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[1] Consists of sales to arm's length customers.

During 2007, the revenue per type of concentrate produced by the Huaron mine were as follows:

	Revenue[1]	**Tonnes**
Zinc Concentrate	$15.1 million	25,697
Lead Concentrate	$21.6 million	14,664
Copper Concentrate	$31.6 million	6,364

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[1] Consists of sales to arm's length customers.

To date, Pan American has not had any difficulty in securing contracts for the sale of Huaron concentrates, however, there can be no certainty that it will always be able to do so or what terms will be available at the time.

Please see "Risks Related to Pan American's Business – Smelter Supply Arrangements" and "Risks Related to Pan American's Business – Trading Activities and Credit Risk".

(ii) Morococha Mine

Ownership and Property Description

The Morococha mine is owned and operated by Argentum, a Peruvian company in which the Company, through its subsidiary Pan American Peru, has a 92.01% voting (the remaining interest is held by Alejandro Gubbins and Compania Minera Casapalca S.A). In addition, the Company has 96.4% of the non-voting investment shares resulting in a total ownership interest of approximately 92.2% as at December 31, 2009.

The Morococha property is located in the Morococha District, Yauli Province, Junin Department, Peru, on the east side of the continental divide just below Ticlo summit, approximately 38 kilometres west of the city of La Oroya and 137 kilometres east of Lima. The Morococha property's general coordinates are latitude 11° 36' South and longitude 76° 10' West.

The Morococha property is comprised of three economic administrative units ("UEA") and various concessions held outside of these UEAs. The three UEAs contain 458 mining concessions owned outright by Argentum, 11 concessions have been transferred to Argentum from Silver Lead Mining Company (public registry pending) and 5 concessions have been transferred to Argentum from Sociedad Minera Corona ("SMC") (public registry pending). 37 concessions are under a lease agreement with Corporacion Minera Sacracancha S.A. for a grand total of 12,192.01 hectares. In addition, there are 21 mining concessions held with different third party participations covering 106.23 hectares. The majority of the mining concessions comprising the Morococha property are contiguous. ;All known mineralized zones in which mining operations are currently conducted, and in which known mineral reserves exist, are contained within the boundaries of these concessions.

Argentum does not hold registered legal title of most of the surface lands that overlie the mining concessions which comprise the Morococha property. These rights were all formerly owned by Centromin, the Peruvian national mining company. The Morococha property's process plants, shafts and access roads are all located on lands of which Pan American does not hold legal title. Argentum's and its predecessors' use of these surface lands have been exercised for decades with Centromin's knowledge and Argentum's claim to continued use of these surface rights is based on concepts of rights acquired through long term use often referred to as adverse possession. Peru Copper Inc. ("Peru Copper"), a copper mining company carrying on business in Peru, has a cquired mining concessions and surface rights to the Toromocho property from Centromin. In June 2007, Aluminum Corporation of China ("Chinalco") purchased 100% of the outstanding shares in Peru Copper. Pan American had discussions with Peru Copper and, subsequently, preliminary discussions with Chinalco with respect to negotiating surface rights issues that may arise between Pan American and Chinalco in connection with their respective operations.

In the past, Centromin had voiced a number of complaints with respect to certain surface lands over which Argentum has exercised use for years. In two instances, Centromin alleged that Argentum had wrongfully erected fences, built camps and constructed terraces which invade and infringe upon private property belonging to Centromin. As such, Centromin demanded they be removed. In addition to claiming invasions of private property, Centromin asserted that Argentum is using the fences and constructions for the purposes of dumping minerals and waste, thereby raising environmental issues. Management of the Company maintains that many of such fences and constructions have been in place for over a decade, and that Centromin has effectively granted Argentum easements over its property for purposes in relation thereto, and is of the opini on that Centromin has no foundation for claiming infringement of private property or environmental damage. Pan American answered and denied Centromin's allegations.

Centromin has granted Argentum a right to use certain of Centromin's surface lands throughout the useful life of its mining operations, provided such use does not interfere with the development of a mine in respect of the Toromocho disseminated copper system, which overlies certain of Argentum's mining concessions and underground mining operations. Argentum is obligated to pay Centromin $60,000 (which amount will be adjusted annually to account for inflation) quarterly commencing May 28, 2003 as consideration for this right. Please see "Risks Related to Pan American's Business – Title to Assets".

Certain statements in the following summary of the Morococha property are based on and, in some cases, extracted directly from the Morococha Report.

Location, Access, Climate and Infrastructure

The Morococha mine is accessible via Peru's paved central highway, by travelling approximately 137 kilometres east of Peru's capital city of Lima, then 1.7 kilometres south via a public, all-weather gravel road. Rail service from Lima is also available via a national rail line that passes adjacent to the operations.

The topography of the mine operating area is characterized by steep, rugged ridges and peaks ranging in elevation from 4,400 metres to over 5,100 metres above sea level. Vegetation is sparse and wildlife is limited to mostly birds and small mammals, amphibians and reptiles. The climate of the operations area is typical of the Andean Cordillera in Peru, with two distinct seasons – wetter summer months (November through March) and dryer, colder winter months (April through October). Because all mining currently takes place underground, climate has minimal effect on ore production at the Morococha mine.

Mining has taken place on the Morococha mine and nearby areas (Casapalca, Cerro de Pasco) for more than 100 years, resulting in a well developed regional transportation and power infrastructure and a large local labour pool. Water for processing is plentiful, and tailings disposal areas are adequate. Several mine development waste disposal sites exist on the Morococha mine and are sufficient to meet the needs of mining operations. The existing processing plant sites are sufficient for all proposed operations.

Peru's economy is dependent on mining and currently there is a sufficient local source of mining personnel and related infrastructure.

Royalties and Encumbrances

To the best of Pan American's knowledge, the Morococha mine is not subject to any royalties or encumbrances, other than the mining royalty tax described under "Taxation" in the Morococha mine section of this Annual Information Form below.

Taxation

The principal taxes of Peru affecting Argentum include income tax, employee profit sharing taxes, annual fees for holding mineral properties, various payroll and social security taxes, a refundable value added tax and a Peruvian mining royalty tax.

The Morococha mine generated income tax provisions of approximately $3.5 million, $4.8 million and $9.9 million in 2009, 2008 and 2007 respectively. In addition, employee profit sharing taxes of approximately $0.4 million, $0.4 million and $2.4 million were generated in 2009, 2008 and 2007 respectively.

Morococha sales in 2009 were approximately $63.5 million. Pursuant to Peruvian royalty regulations, the first $60 million of sales attracted a 1% royalty while the balance attracted a 2% royalty. The total royalty on Morococha's production amounted to approximately $0.6 million in 2009, $0.7 million in 2008 and approximately $0.9 million in 2007. See "Huaron Mine – Taxation" for a description of the Peruvian mining royalty tax.

History

Mining began in the region around the Morococha mine before the 1500s, and production has been continuous in the district since the late 1800s.

Between 1915 and 1918, much of the district was reorganized and incorporated into the Cerro de Pasco Mining Company ("Cerro de Pasco"). By 1924, Cerro de Pasco was producing at a rate of 1,500 tonnes per day from primarily copper ores containing 6% copper. Between 1929 and 1934, Cerro de Pasco excavated the 11.5

kilometre Kingsmill Tunnel, successfully dewatering all of the Morococha district mine workings above the 4,020 metre tunnel elevation. The Kingsmill Tunnel is still in use and is a vital feature of the Morococha mining district.

In the 1940s, the Gubbins family began operating mines in the Morococha district through Minera Santa Rita S.A. and Minera Yauli S.A., which were subsequently consolidated in the late 1990s into SMC. Cerro de Pasco continued to operate in other areas around the Morococha district until 1974, when its mines were nationalized by the Peruvian government. Production from the Cerro de Pasco mines in the district continued under the Peruvian national mining company, Centromin, until 2003, when SMC acquired these operations from Centromin through privatization.

On January 20, 2004, the Company entered into an agreement with 14 individuals, estates and companies, all of whom were arms length to the Company and are members of the Gubbins family or entities in which members of the Gubbins family hold beneficial interests (the "Morococha Vendors"), to purchase 92.014% of the voting shares of Argentum, a *sociedad anónima* organized under Peruvian company law, for $35,425,390 in cash. Argentum acquired, through a corporate restructuring undertaken under Peruvian company law, the Anticona and Manuelita mining units and related infrastructure and processing assets from SMC. At the time of acquisition, Argentum held in its treasury as cash, all profits ear ned by SMC's Anticona and Manuelita mining operations since November 1, 2003. The transaction was subject to regulatory approval and a number of conditions, including: (i) the completion of the corporate restructuring; (ii) the listing on the Lima Stock Exchange of 100% of the shares of Argentum, including those issued in connection with the corporate restructuring; and (iii) Pan American successfully undertaking a public bid for not less than 92.014% of the voting shares of Argentum through the Lima Stock Exchange.

On February 24, 2004, the Company entered into a further agreement with the Morococha Vendors to purchase all of the issued and outstanding shares of Empresa Minera Natividad S.A. ("Natividad"), a corporation organized under Peruvian company law, which holds mining concessions and operations that are complementary to the Anticona and Manuelita mining units for $1.5 million in cash. Closing of the acquisitions of Argentum and Natividad occurred contemporaneously in August 2004, with effect as of July 1, 2004 and in 2005, Argentum amalgamated with Natividad. Argentum made all necessary applications for delisting its shares from the Lima Stock Exchange and the delisting process was completed in 2006. In addition, Pan American Peru is currently making a bid to acquire the labour shares in Argentum. The labour s hares were created as a means through which workers would be able to take part in Pan American's success (but do not afford the holders of such shares influence over the decision-making of Pan American, as they are non-voting), and are held either by current workers, former workers or by third parties who have bought labour shares in the free market. Pan American is the owner of 92.01% of the voting shares of Argentum and 96.4% of the non-voting investment shares for a total ownership interest of approximately 92.2% as at December 31, 2009.

Geology and Mineralization

A 2,000 metre thick Paleozoic-Mesozoic sequence of schists, volcanic rocks and predominantly carbonate sediments cut by a series of Upper Tertiary intrusions provide the host rocks for the mineralization in the Morococha district. The structures that account for the majority of the vein mineralization in the Morococha district trend predominantly northeast to east-northeast. Mineralization includes epi-mesothermal silver-lead-copper-zinc veins and bedded silver-base metal replacements or mantos (which together account for the majority of the past and present economic mineralization at the Morococha property), intrusive-sediment contact skarns, and the quartz porphyry-hosted Toromocho disseminated copper system. The size and geometry of individual ore shoots in the veins can range up to 400 metres in length a nd more than 800 metres down plunge. Undiluted district vein width averages are on the order of 1.2 metres. Replacement manto mineralization is generally restricted to receptive stratigraphic horizons where favourable lithologies are intersected by mineralized veins or are proximal to pre-mineral intrusives. Mantos can have a significant strike extent where the veins are closely spaced, and can range from less than one metre in width up to 12 metres. Intrusive contact related skarn bodies, while common locally, are generally small and irregular, with disseminated rather than massive sulfide mineralization.

Ore and gangue mineralogy is similar in veins and mantos but it varies considerably across the property. Sphalerite, galena, and chalcopyrite are the most important primary minerals for zinc, lead and copper and silver is

generally present as freibergite (silver-tetrahedrite) or argentiferous galena. Gangue generally consists of quartz, calcite, barite and rhodochrosite, the latter having a strong correlation with higher silver grades.

As with most of the large Peruvian polymetallic deposits, Morococha exhibits a distinct lateral and vertical metal zonation. A central copper zone centered on the Toromocho copper deposit grades outward through a lead-zinc-minor silver zone and then into an outermost zone that is richer in silver but still containing significant lead-zinc contents. There is also a distinct trend for higher silver grades at higher elevations on the west side of the Morococha mine. Individual silver assays of greater than 2,200 grams per tonne ("g/mt") are not uncommon above 4,800 metres in certain areas, and greater than 300 g/mt silver ore grades also are common in the outer silver-lead-zinc zone above the 4,400 metre elevation in certain areas. In veins that have been mined over significant vertical extents (such as those in Manuelita), silver grades tend to decrease as zinc grades increase with depth. However, several of the major veins currently being mined on the 4,020 metre Kingsmill Tunnel level still contain silver grades in the 200 g/mt to 250 g/mt range. The hydrothermal alteration present at Morococha is typical for central Peruvian zoned polymetallic deposits.

Exploration

Historically, SMC conducted only minimal exploration in the Morococha district since the late 1990s. However, exploration potential is considered to be excellent throughout the district due to the significant vertical extent (over 800 metres) of economic veins and the prevalence of multiple carbonate units favourable for replacement mineralization. Shortly after acquiring the Morococha mine, Pan American started aggressive exploration programs based on underground and surface diamond drilling. From late 2004 to September 2007, a total of 743 underground diamond drill holes and 110 surface diamond drill holes were completed for a grand total of 146,402 metres of diamond drilling. There are no core or sample recovery issues which could have materially impacted the accuracy and reliability of th e assay results. During 2008, 32,111 metres were drilled and 16,744 metres were drilled in 2009.

Based on positive exploration results in 2008 and 2009, the Morococha mine was able to mine 693,361 metric tonnes ("MT") during 2009, and process 638,805 MT at the Amistad mill (consuming some of the stockpile accumulated in 2008). In 2009, average monthly production was 57,750 MT. A new high grade zone has been discovered named "Morro Solar" located in the Codiciada area. Development and production from one level of the Morro Solar deposit located in the Codiciada area proceeded as planned during 2009 and plans include developing additional levels during 2010. Morro Solar will be ramped-up over the next few years as other ore producing areas in Morococha will be exhausted allowing for a sustained production profile over the next several years.

Drilling, Sampling and Analysis

SMC utilized surface and underground diamond drilling only to test for potential ore-grade mineralization in the various veins, replacement mantos, and skarn bodies. Once the results of drilling determined the presence of ore grade mineralization, the vein or manto was accessed by underground crosscutting and drifting for further exploration and delineation of ore reserves. Thus, assay data generated by SMC's drilling was seldom used in block grade estimations for mineral reserves. Since September 2004, exploration at the Morococha mine has been conducted using a combination of diamond drilling and underground drifting. Currently, four diamond drills are in continuous operation at the property, drilling AQ, BQ, NQ and HQ sized holes between 50 and 350 metres in length. This is generally followed by underground development. During 2008, 32,111 metres of drilling was conducted and in 2009, a total of 16,744 meters were drilled.

Diamond drill core is split in half, with one half sent for assaying and one half retained in a secure on-site facility. The veins in the cross-cuts are channel sampled, and a two to three kilogram sample is sent for analysis.

The mine laboratory conducts a routine internal QA/QC program that includes external check samples and the routine submission of standards.

Additionally, there is a QA/QC program supervised by the geology department. It includes the submission of at least one certified standard and one blank sample per day as well as tertiary lab check assays on 2-5% of the samples and 1-2% of the check samples.

All sampling, whether diamond drilling or cross-cutting, is done under the direct supervision of the Morococha mine geology department.

The data used for the estimation of mineral reserves and resources at the Morococha mine were derived from underground chip channel samples from the backs of drifts, the ribs of crosscuts, the backs of stopes, the ribs of raises, and from diamond drill hole samples. Chip-channel samples are taken every two metres across the veins or mantos in exploration drifts. Stopes are sampled at least once a month on two metre centers along strike.

All samples from both the Morococha mine and mill are first run for silver, lead, copper, and zinc using an atomic absorption ("AA") unit. Samples with initial AA analyses for silver greater than 500 grams per tonne are rerun by fire assay, using assay charges that vary in size from 15 to 50 grams depending on the grade of the initial AA assay (the larger the AA assay value, the larger the fire assay charge). Wet chemical analysis for lead and zinc is reserved for concentrate samples or base metal grades over 10%.

In 2005, Argentum hired a third party laboratory (MINLAB) in order to ensure the appropriate analysis standards were applied to the mineral samples obtained from the Morococha mine. In addition, a LIMS system has been installed in the lab to assure an automated quality control of standards, blanks and check samples.

Mineral Reserves

Pan American's management estimates that the proven and probable mineral reserves for the Morococha mine, as at December 31, 2009, are as follows:

Morococha Mineral Reserves[1,2,3]

Reserve Category	Tonnes (000's)	Grams of Silver per Tonne	% Copper	% Lead	% Zinc
Proven	4,424	166	0.41	1.42	3.57
Probable	2,936	187	0.46	1.53	3.55
TOTAL	7,361	174	0.43	1.47	3.56

1 Calculated using prices of $13 per ounce of silver, $1,600 per tonne of zinc, $1,600 per tonne of lead and $5,000 per tonne of copper. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

2 Mineral reserve estimates for Morococha were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons, as that term is defined in NI 43-101.

3 Tonnes are shown for 100% of the Morococha property. Pan American, through it subsidiary Pan American Peru, has a 92.2% voting interest in the Morococha property.

Mineral Resources

Pan American's management estimates that the mineral resources at the Morococha mine, as at December 31, 2009, are as follows:

Morococha Mineral Resource Estimate [1, 2, 3]

Resource Category	Tonnes (000's)	Grams of Silver per Tonne	% Lead	% Copper	% Zinc
Measured	1,183	145	1.37	0.33	3.26
Indicated	1,528	213	1.62	0.59	3.02
Inferred	6,791	177	1.45	0.41	3.55

[1] These resources are in addition to mineral reserves. Calculated using prices of $13 per ounce of silver, $1,600 per tonne of zinc, $1,600 per tonne of lead and $5,000 per tonne of copper. See also information in this Annual Information Form under the heading “Mineral Reserve and Mineral Resource Estimate Information”.

[2] Mineral resource estimates for the Morococha mine were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

[3] Tonnes are shown for 100% of the Morococha property. Pan American, through its subsidiary Pan American Peru, has a 92.2% voting interest in the Morococha property.

Mining

Underground mining operations at the Morococha mine consist primarily of typical overhand cut and fill, shrinkage, and mechanized room and pillar methods using classified tailings or waste rock for backfill where needed. Holes are drilled in the mining face using jacklegs or jumbo drills (in Codiciada) which are loaded with explosives and blasted between shifts twice per day. Slushers are used in the cut and fill and shrink stopes and scoop trams are used in the room and pillar stopes and some of the wider cut and fill stopes to transport the broken rock to chutes that report to levels with track haulage. Locomotives transport the ore from the chutes to one of three shafts for hoisting. Highway dump trucks then haul the ore from shaft coarse ore bins to mill stock piles. In addition to the three main shafts, some ore is also transported from certain sectors of the mine to stockpiles using LHD’s (scoop trams). The mine operates two eight hour shifts per day, six days a week.

The Yauli (also referred to as the Manuelita), Maria and Central production shafts provide access down to the Kingsmill drainage tunnel level at an elevation of 4,020 metres. The Central shaft is located approximately 1,500 metres west of the Maria shaft and 2,500 metres west of the Yauli shaft. The Maria and Central shafts, which were part of the Centromin Morococha acquisition, are equipped with above ground head frames, hoists and ore bins. The Maria shaft has a single split drum hoist with two 2.0-tonne skips. The Central Shaft is larger with two split drum hoists. One hoist is fitted with two 3.5-tonne production skips and the other is used for men and materials. The Yauli shaft (which was used by SMC prior to the Pan American Morococha acquisition) is equippe d with two 2.6-tonne skips and its collar is located beneath the surface. Ore from the Yauli shaft feeds into chutes from where it is then transported by a small locomotive to an adjacent subsurface truck loading facility. The three shafts have a combined capacity to support production schedules in excess of 700,000 tonnes per year.

There are two process plant facilities on the property, approximately five kilometres apart. The Sacracancha plant was the primary milling facility for SMC until the acquisition of the Amistad plant which is currently the only process facility in use. Some of the processing equipment from the Sacracancha plant has been removed to be used at other Pan American Peru plants. Both process plants are conventional selective flotation facilities capable of producing individual copper, lead, and zinc concentrates, which are then shipped to third party smelters for final refining. The tailings from both plants are deposited sub-aqueously in the Huascacocha Lake to the north of the Sacracancha plant. The facility contains tailings storage capacity for over 20 years. The Peruvian government is investigating the possibility of using the Huascacocha water for human consumption in Lima, Peru. No change of the tailings area has been contemplated in the economic study, as the chance for execution of such a project is considered very remote and would likely happen in the distant future.

Pan American continues to develop and explore the Morococha mine in accordance with its long term mine plan. During 2008, the Sierra Nevada ramp was completed to the manto Italia area and a new rail haulage tunnel was started on the 400 level to develop from the Codiciada / Alapampa area in the north to access the high silver grade veins in the Yacumina zone. The development will also allow the exploration of a large area to the west of the Toromocho property. During 2009, the development of the 400 level haulage drift continued both towards Yacumina and to connect with Sierra Nevada - manto Italia via a new ramp.

Milling

During 2009, the Amistad concentrator plant processed 692,997 tonnes (100% basis) of ore.

Environment

The most significant environmental liability identified at the Morococha mine is the mine's potential share of the cost to build and operate a proposed Kingsmill Tunnel water treatment plant which was originally estimated to cost $12 - $15 million to build. The Kingsmill drainage tunnel discharges between 1.5 to 1.8 cubic metres per second of water into the Rio Yauli and has been determined to be a significant polluter according to studies performed in the late 1990s. Morococha's share was defined by a hydrogeological study completed in 1997 by Water Management Consultants ("WMC"), which apportioned responsibility for the costs of constructing the treatment plant as follows: (i) Centromin (72.2%); (ii) Pan American's Morococha operations (12.3%); (iii) Soc. Minera Puquiococha (8 .5%); (iv) Soc. Minera Austria Duvaz (4.9%); and (v) Minera Centrominas (2.1%).

Subsequent to the apportionment of costs, it appears that in connection with Peru Copper's acquisition of mining concessions near Morococha, Peru Copper may assume some or all of the cost of the construction of the Kingsmill water treatment and sludge storage facility. In 2006, Peru Copper established a trust account to fund the design and construction of the proposed water treatment plant for the Kingsmill Tunnel drainage. The design work was awarded by Peru Copper to AMEC. The feasibility engineering design for the treatment plant and sludge storage carried by AMEC has estimated the construction cost to be $24 million.

The operating costs for the water treatment facility are directly proportional to both constituent load and flow determined in the 1997 WMC study. The distribution of responsibility stated in the 1997 study has been accepted by all involved parties. Pan American's share of the responsibility for treatment of the baseline flows, 12.3%, was included in the terms of its purchase of the applicable mining concessions. As the Natividad purchase contract establishes that the purchaser is responsible for incremental flows in those concessions, subsequent studies in 2004 by WMC were carried out to further characterize the baseline flow conditions in order to establish benchmarks for the determination of responsibility for potential future increases. The results of this study estimated that 38.46% of the baselin e flows were derived from Natividad and Corona concessions now under the control of Pan American; however they have been challenged by Pan American and have not been accepted. The scope of the study and the resulting recommendations exceeded the terms of the study and presented conclusions that conflicted with previous conclusions and the terms of Pan American's purchase of the applicable concessions. Pan American has included the estimated costs for 12.3% of the operations of the water treatment facility in its closure and reclamation estimates.

The Huascacocha Lake, which is adjacent to the Morococha mining operations, has been used for tailings disposal since 1960. WMC completed a study in 2001 to determine what may be required to mitigate the historical tailings. The WMC plan includes raising the dyke to submerge a larger portion of tailings and covering the remaining beach tailings with topsoil. Construction of the raise started in late 2005 and was completed in late 2006. With this raise the facility has the capacity to store 15 years of tailings production.

In October 2003, the Peruvian government passed legislation requiring active mining operations to file closure plans within twelve months of the date of passage of the legislation. Administrative rules associated with this legislation which laid out detailed closure requirements, including bonding and tax deductibility of reclamation and rehabilitation expenses, were promulgated in October 2005. These rules required detailed closure plans and cost estimates to be compiled by a certified third party consultant by October 2006.

In August of 2006, Pan American submitted a comprehensive closure plan for the Morococha mine to the MEM in accordance with that ministry's regulations. The closure plan was prepared by third party consultants registered with the Peruvian authorities as qualified to present closure plans to the MEM. The closure plan includes a summary of the proposed closure scheme for each of the major areas of impact such as mine water, tailings areas, wasterock dumps, plant site infrastructure, and underground mine. A detailed cost estimate was prepared based on Pan American's and the consultant's experience with closure works over the past 12 years and experience with other

projects in Peru. As required by the MEM, the costs were summarized in three phases: concurrent closure, final closure and post closure. The evaluation process is ongoing, and during 2008, comments were received from the MEM. Pan American submitted a formal report addressing the comments of the MEM. The MEM has now advanced the plan to the public disclosure phase.

During 2008, an EIS was generated and submitted to DIGESA for a new landfill required at Morococha. The EIS is currently in the evaluation process.

The total estimated cost for the MEM closure plan for Morococha was $6.4 million. This cost estimate serves as the basis for the calculation of the financial guarantee required by the ministry's closure plan regulations. The current present value of closure expenditures at Morococha has been updated as at December 31, 2009 to approximately $11.9 million, which includes a provision for the operational costs of the Kingsmill Tunnel water treatment plant. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health & Safety

In May 2006, a formal safety audit was conducted at the Morococha mine by a third party consultant and the Company's Director of Health and Safety. In October 2006, supervisory safety training was conducted at the Morococha mine by a third party consultant. A follow-up audit was conducted in June 2007 by the Company's Director of Health and Safety and safety managers from other Pan American operations. During 2009, personnel employed at Morococha attended a total of 110,944 hours of training.

Capital Expenditures

The 2008 mine plan and development program entailed several capital improvements designed to increase productivity. In 2009, capital expenditures at the Morococha mine were approximately $8.2 million and consisted mainly of: (i) mining equipment purchases and mine development totalling approximately $5.8 million; (ii) exploration with diamond drilling including mine and surroundings totalling approximately $2.4 million.

Marketing

The Morococha mine produces silver-rich zinc, lead and copper concentrates. All contracts are negotiated periodically with arm's length smelters and concentrate traders. Morococha receives payment for an agreed percentage of the silver, lead, zinc and copper contained in the concentrates it sells, after the deduction of smeltering and refining costs.

In 2009, the revenue per type of concentrate produced by the Morococha mine was as follows:

	Revenue[1]	**Tonnes**
Zinc Concentrate	$15.0 million	40,196
Lead Concentrate	$18.9 million	12,137
Copper Concentrate	$30.2 million	9,916

[1] Consists of sales to arm's length customers.

In 2008, the revenue per type of concentrate produced by the Morococha mine was as follows:

	Revenue[1]	**Tonnes**
Zinc Concentrate	$16.5 million	39,898
Lead Concentrate	$20.4 million	14,188
Copper Concentrate	$29.7 million	10,391

[1] Consists of sales to arm's length customers.

In 2007, the revenue per type of concentrate produced by the Morococha mine was as follows:

	Revenue[1]	Tonnes
Zinc Concentrate	$24.3 million	38,365
Lead Concentrate	$24.1 million	13,594
Copper Concentrate	$34.9 million	9,469

[1] Consists of sales to arm's length customers.

To date, Pan American has not had any difficulty securing contracts for the sale of Morococha concentrates, however, there can be no certainty that it will always be able to do so or what terms will be available at the time.

Please see "Risks Related to Pan American's Business – Smelter Supply Arrangements" and "- Trading Activities".

B. Mexico

(i) Alamo Dorado

Ownership and Property Description

In 2003, the Company completed an acquisition of Corner Bay and its subsidiaries, which originally held the rights to conduct exploration activity on the Alamo Dorado mineral deposit. Today, the Alamo Dorado mine is managed and operated through Pan American's wholly owned Mexican subsidiary, MCB.

The Alamo Dorado mine is located 45 kilometres south-southeast of the town of Alamos in the southeast corner of the State of Sonora, near the border with the State of Sinaloa in northwest Mexico at 26º, 44', 44.2'' North Latitude and 108º, 40', 00.7'' West Longitude.

The Alamo Dorado mine consists of two contiguous exploitation concessions, the 509 hectare Alamo Ocho concession and the 4,865 hectare Alamo Dorado concession; and five exploration concessions covering 6,014 hectares, and surface rights covering 763.64 hectares. All of the mineral reserves and resources for the Alamo Dorado mine lie within the boundaries of the Alamo Ocho and Alamo Dorado concessions and these surface rights.

To the Company's knowledge, MCB has in its possession all of the principal permits necessary for the operation of Alamo Dorado.

Certain statements in the following summary of the Alamo Dorado mine are based on and, in some cases, extracted directly from the Alamo Report.

A qualified workforce is available in the community and the operation is currently fully staffed.

Location, Access, Climate and Infrastructure

The Alamo Dorado mine can be accessed from the United States via interstate 19 south of Tucson crossing into Mexico at the border town of Nogales, Arizona continuing on the Mexican toll highway 15 which is a well-maintained, four-lane, paved road that starts at the border town of Nogales, Sonora and heads south through Hermosillo, Ciudad Obregon and into Navojoa. From Navojoa, the road to Alamos, Sonora, is an overwidth two-lane paved road (recently upgraded in 2006). The mine is 40 kilometres southeast of the town of Alamos and is accessed primarily via a moderately maintained dirt road which was upgraded by MCB. A secondary access route exists that is used for heavy deliveries and shipments. There are water crossings that are impassable for short periods during heavy local downpours in the rainy season. 60; During these periods, personnel access the site solely via a route which includes a bridge suitable for passenger vehicles, but is not used for bulk consumable shipments.

Major airports in the state of Sonora are located in Hermosillo in the central sector of the state, and Ciudad Obregon to the south of Hermosillo. The airport at Ciudad Obregon is approximately 75 kilometres north of Navojoa or 125 kilometres northwest of the Alamo Dorado mine. The town of Alamos also has a sealed airstrip.

The climate of the Alamo Dorado mine area is transitional between the tropical climates further south and the subtropical desert lands typical of the Pacific Coast of Baja, California. The area is generally dry with the warmest period typically occurring between June to September. Precipitation occurs during a short but intense rainy season that typically extends from July through September. The mine operates year round.

The terrain in the vicinity of the Alamo Dorado mine consists of moderate to steep foothills that characterizes the area located between the coastal plain of the Sea of Cortez to the west and the Sierra Madre Occidental mountain range to the east. Local relief ranges from 300 metres above sea level to approximately 550 metres above sea level at the top of Cerro Colorado Ridge in which the Alamo Dorado deposit occurs. The tops of the hills consist primarily of unmineralized bedrock exposures with flanks that are covered by coarse intrusive. Drainages in the nearby valleys are typically incised about two-to-four metres in depth, indicative of shallow bedrock and relatively high rainfall runoff.

Construction of the Alamo Dorado mine was completed by the end of 2006 and the site now has the following facilities in full operation: mobile mine equipment shop warehouse facility, and laboratory facilities completed in 2005; explosives magazine constructed in 2004; fully developed open pit mine following pre-stripping activities completed during 2004 and 2005; precious metals processing plant completed by the end of 2006, including but not limited to, the crusher, grinding mills, leach tanks, filter plant, refinery and an acidification, volatilization and reneutralization ("AVR") plant; installation of a 115 kV power transmission line from the Miguel Hidalgo hydroelectric station 35 kilometres away completed in 2006; development of three water supply wells 27 kilometres to the southwest complete with pum ps and a pipeline completed in 2006; administration and communication facilities completed in 2006; and a tailings embankment was constructed in 2006. Commercial production was declared at Alamo Dorado on April 1, 2007 upon the completion of commissioning.

Royalties and Encumbrances

To the best of Pan American's knowledge, the Alamo Dorado mine is not subject to any royalties or encumbrances.

Taxation

The principal taxes of Mexico affecting Alamo Dorado include income tax, asset tax, annual fees for holding mineral properties, various payroll and social security taxes and a refundable value added tax. The Alamo Dorado mine generated an income tax expense of approximately $10.2 million in 2009, and tax benefits of approximately $11.1 million in 2008 and approximately $0.3 million in 2007.

On October 1, 2007, the Mexican taxing authority enacted a new business flat tax ("IETU") that became effective for years starting in 2008. The IETU is defined as a minimum tax in respect to income tax, but with a wider taxable base as many of the tax deductions authorized for income tax purposes are not permissible for IETU. The transitional provision establishes the rate for 2008 at 16.5% and 17% for 2009. The rate applied after 2009 will be 17.5%. The tax will be computed by applying the applicable rate to the amount resulting from deducting expenses related to the deductions authorized by the law from the total income earned in the year.

History

Prior to 1997, there is no record of any modern exploration conducted on the Alamo Dorado mine nor are there any records of production, although there is evidence of a few old adits in the general area. All recorded drilling at the property has been undertaken since 1997.

Geologists from MCB visited the property in 1997 and collected some grab samples from various locations along the north trending ridge. Encouraged by the positive assay results from those samples, MCB began a

systematic surface sampling program and eventually obtained an agreement to purchase the Alamo Ocho concession from the owners. The surface sampling program outlined a 300-metre-long north-south trending silver-gold anomaly situated along the east side of the Cerro Colorado Ridge.

Exploration at Alamo Dorado has been comprised primarily of reverse circulation drill campaigns conducted annually from 1998 to 2001. A structural geology examination of the property was undertaken in 2000 through mapping of surface exposures along drill access roads. A more comprehensive 1:2500 scale geologic mapping program was conducted in 2001 over an area of about four square kilometres in the project area. Results established surface extents of the volcanic lithologic units, cross cutting dykes and alteration patterns and provided a linkage for the interpretation of the drilling geological data. Exploration that was completed through 2002 formed the basis for Mintec, a company that offers mining software services, to create a resource model for the property.

On February 20, 2003, the Company acquired Corner Bay pursuant to a plan of arrangement under the *Canada Business Corporations Act*, and in connection therewith the Company issued 7,636,659 common shares and 3,818,329 common share purchase warrants exercisable for a period of up to five years at a price of C$12.00 per common share. The Company also granted options to purchase up to 553,847 common shares of the Company to former employees of Corner Bay and its subsidiaries.

In 2003 and 2004, a structural geology evaluation of the Alamo Dorado deposit concluded that reserves were structurally controlled rather than disseminated as previously interpreted. This raised the prospect that the mineralization might be better suited to a milling type operation rather than a heap leach operation, as previously interpreted.

A new resource model was prepared in 2003 that reduced the overall resource by 40%, primarily due to a revised structural geology interpretation.

An infill drilling program was conducted on the Alamo Dorado concession in the first half of 2004 in order to confirm the revised interpretation of the reserves, and to provide core samples for the metallurgical testing needed for design of a mill and recovery plant.

In September 2004, Pan American commenced an update of the Alamo Dorado feasibility study for a new project based upon the revised resource model, and a conventional milling and leaching circuit. A number of consulting firms were engaged to collaborate on the study.

In 2005, the Company's board of directors approved a $76.6 million project to construct the Alamo Dorado mine.

On site construction began in April 2005 and construction of the open pit mine and processing facility was completed in the fourth quarter of 2006. Total construction costs for the project amounted to approximately $81.5 million. In addition, costs to build the initial ore stockpile and in-circuit silver inventories, which totalled approximately $2.3 million, were recorded as current working capital. Silver production began in the first quarter of 2007 and the mine has become Pan American's largest silver producing mine, sustaining normal operations since reaching design capacity in late 2007.

Geology and Mineralization

The Alamo Dorado mine is located in the Sierra Madre Occidental Range, a late Cretaceous to Tertiary age volcanic province that extends for hundreds of kilometres through northwestern Mexico. The intrusive overlie a basement of Paleozoic and Mesozoic matemorphic rocks that have been locally intruded by various Cretaceous intrusions. The volcanic sequence is grouped into lower and upper units based on the different styles of volcanism that are present. The Lower Volcanic Sequence is of late Cretaceous to early Tertiary age and consists of up to 1,000 metres of tuffs, flows, and volcanic breccias that are andesitic to dacitic in composition. The Upper Volcanic Sequence is of middle Tertiary (Oligocene-Miocene) age and consists of more than 1,000 metres of ash flow and ash fall tuffs of rh yolite to dacite composition that lie unconformably upon the Lower Volcanic Sequence.

A period of particularly active tectonism, including intrusion and uplift, occurred between the deposition of the Lower Volcanic Sequence and the Upper Volcanic Sequence. Uplift and faulting of the Sierra Madre Occidental province was accompanied by the intrusion of felsic to mafic composition dykes, along with the local emplacement of intrusive stocks and batholiths. Mining districts in the Sierra Madre Occidental province are typically located along sheared and faulted structural zones formed in the Lower Volcanic Sequence, and to a lesser extent, within the underlying granitic intrusive. After emplacement of the granitic body, the area continued to be a center of igneous activity, as at least seven distinct dykes or plugs appear to post-date the granitic intrusion.

Uplift of the Sierra Madre Occidental province continued following Tertiary volcanism. Erosion of the uplifted area has resulted in deep canyons and rugged topography.

In the Alamo Dorado concession, the Upper Volcanic Sequence is present in the higher parts of the surrounding mountains, but has largely been removed by extensive erosion in the region. Near the eastern boundary of the Alamo Dorado concession there are relatively underformed, gently dipping stratified rocks, which are probably Oligo-Miocene in age and are part of the Upper Volcanic Sequence.

The host rocks at the Alamo Dorado mine consist of a sequence of ductile deformed, steeply dipping, Mesozoic epiclastic marine rocks that contain minor intercalated siliceous exhalite and pillow basalt.

During the early Tertiary, the marine sediments were accreted onto the fore arc terrain of a north-west trending magmatic arc. The Laramide orogenic event probably caused at least the first phase of ductile deformation which resulted in the development of a strong penetrative planar fabric and the metamorphism of the sediments to greenschist facies.

Deformation of the rocks at Alamo Dorado was episodic and progressed before, during and after deposit formation. Alteration of the metasedimentary rocks to an assemblage of quartz-muscovite occurred in and marginal to major fault zones.

The metamorphosed marine sedimentary rocks were intruded by dacite dykes, a diorite feldspar porphyry dyke, a hornblende phyric intermediate dyke, at least two phases of granodiorite stocks and minor aplite dykes.

Mineralization and alteration at Alamo Dorado is controlled by an early cryptic structural zone that has since been transposed and kink folded by the regional ductile deformation events. The current shape of the orebody is controlled by a combination of the post-mineral ductile deformation events, and the relatively late, north-west trending block faults, which compartmentalize different portions of the deposit. Silver and gold mineralization may have been associated with the emplacement of the diorite feldspar porphyry dyke and/or first phase granodiorite stock, both of which display hydrothermal alternation and contain silver mineralization.

Hypogene silver mineralisation occurs predominantly as argentite with fine (50 µm – 0.1 µm) disseminated pyrite in clear glassy quartz veins, within quartz crystals of siliceous gangue and within fractures in siliceous gangue. It also occurs as tetrahedrite inter-grown with pyrite, galena and sphalerite.

In a high grade pervasively silicified-pyritised rock silver mineralization is reported acanthite intergrown with and rimming galena in a late quartz-sphalerite-pyrite-galena-chalcopyrite vein, in addition to an unidentified silver sulphosalt inter-grown with chalcopyrite.

Within a sample of diorite feldspar porphyry dyke trace silver mineralization occurring as a silver sulphosalt is recognized with disseminated pyrite-chalcopyrite-galena in altered mafic minerals and a quartz-chlorite groundmass gangue.

The occurrence and mineralogy of gold mineralization is unclear, due to the low gold grades within the deposit, it is difficult to find gold grains within samples. One 4µm grain of gold was observed with argentite in fractures within clusters of pyrite.

In the oxide environment silver is very mobile, evidenced by strong leaching of silver mineralization especially from the top 15 metres of the Alamo Dorado deposit. Within the oxide horizon silver mineralization occurs in the form of silver chloride mineral chloroargyrite, in this environment acanthite and silver sulpho-salts are also stable. Due to the deep weathering of the deposit in the area of the pit, chloroargyrite is a dominant silver mineral.

Drilling, Sampling and Analysis

The Alamo Dorado mine has been evaluated in five separate drilling campaigns using reverse circulation ("RC") drilling techniques and diamond drill coring methods. A total of 79 drill holes were drilled on the property in 1997: 75 RC holes and four core holes. The 19 discovery drill holes were drilled in 1998 and 11 of the 19 holes were deepened in 1999. An additional 23 new RC drill holes were drilled in 1999, along with four large diameter core holes. The core drilling was specifically for metallurgical testing. In 2000, 14 previously drilled holes were deepened and 25 new RC holes were drilled. Eight more RC holes were drilled in 2001. In 2004, infill core holes were drilled for confirmation of the new resource model, and for ph ysical samples needed for milling, leaching and pilot plant testing.

The holes generally range in length from 90 to 390 metres, averaging 243 metres. During 2008, an additional 1,736 meters have been drilled at the north end of the open pit. These exploration holes added over 1.1 million silver ounces to the reserves. During 2009, an additional 6,301 metres were drilled in the north and central zone of the deposit. Drill holes were drilled at a declination of between 38° and 70°, with a single vertical hole. The major bearing was easterly with a subordinate number of holes drilled from the west. Drill hole collars were located respective to a property grid.

Standard logging and sampling conventions were used to capture information from the cuttings and drill core. Inspection of the model and drill hole data in plans and sections, together with the spatial statistical work showed reasonable geologic and grade continuity in the main area of mineralization.

A program was conducted to assure the quality of its sample preparation and assaying. The routine assaying was done at Bondar Clegg, a recognized assay laboratory. This laboratory performed duplicate assays on course reject material, and the precision of these duplicate assays (approximate 15% relative standard deviation of pair differences) is typical of that achieved for similar deposits within the mining industry. Check assays were done on pulps at a number of laboratories. The vast majority of these checks confirm the original assays which will be used to perform mineral resource estimation. A small percentage of potentially contaminated assay intervals were identified in RC holes, all within zones drilled under wet conditions. These data were set to zero for t he purpose of mineral reserve and resource estimation. Management of the Company is of the opinion that the Alamo Dorado mine's quality assurance program meets industry standards.

Data verification and QA/QC checks were performed on various occasions by retained consultants on different vintages of the Alamo Dorado database. The bulk of the assays in the database were examined in 2002 as a part of a feasibility study that was undertaken by MCB. In addition, RMI selected 21 drill holes so that independent third parties could perform an assay verification check. These holes were selected from all of the major drill campaigns and were spatially located throughout the deposit. These QA/QC checks met industrial standards.

Based on these various data verifications that have been conducted, the Alamo Dorado assay database has been shown to be accurate and suitable for use in estimating resources. Very few errors have been found with respect to the assay values that are stored in the electronic database versus certified assays.

For mining, samples are taken from the Ingersoll Rand blast-hole cones using two trays inserted under the drill shroud. The samples do not contain sub-drill material. The blast-holes are drilled on a four by five metre staggered pattern. The sample tray material is combined and single pass split at the rig to a minimum weight of 5kg (normal average 8kg). The samples are analysed on site at the Alamo Dorado laboratory. The samples are split, dried, pulverized, split and fire assayed with AA finish for Ag and Au. Duplicate samples are analysed for every 20th sample and all duplicates are also assayed by external laboratory (principally ALS Chemex). A certified standard is insert ed to every batch or a minimum of 1:20 samples. Every 100th sample is tested for Net Acid

Producing Potential as an assurance process. Every 20th sample is also sampled for minor elements copper, iron, manganese, lead and zinc.

Mineral Reserves

Principally based on the Alamo Report, but amended for stockpiled ore estimates, milling depletion and current operating cost projections the estimated proven and probable mineral reserves at the Alamo Dorado mine are as follows:

Alamo Dorado Mineral Reserves [1, 2]

Class Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Grams of Gold per tonne
Proven	6,468	100	0.34
Probable	3,678	86	0.31
TOTAL	10,145	95	0.33

1 Calculated using a price of $13 per ounce of silver and $875 per ounce of gold.

2 Mineral reserve estimates for Alamo Dorado were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

Mineral Resources

Alamo Dorado Mineral Resource Estimate [1, 2]

Class Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Grams of Gold per tonne
Measured	1,468	73	0.36
Indicated	2,229	59	0.52
Inferred	1,146	44	0.59

1 Calculated using a price of $13 per ounce of silver and $875 per ounce of gold.

2 Mineral resource estimates for Alamo Dorado were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

Mining

Alamo Dorado is a conventional surface mine that utilizes a 7.5 cubic metre hydraulic shovel, a 6.5 cubic metre front end loader and six 53 tonne mechanical rock trucks for the principal earthmoving. The mine is designed to deliver 4,000 tonnes of ore per day to the plant and remove the necessary waste rock to the waste dumps. At the end of 2008, there were 10,739,000 tonnes of proven and probable ore reserves, with 9,618,000 ore tonnes remaining to be mined from the pit and the rest in ore stockpiles. There are approximately a total of 22,378,000 tonnes of ore and waste remaining to be mined in the pit, meaning that the estimated required overall strip ratio is 1.3:1. The equipment fleet selected for Alamo Dorado has demonstrated capacity of up to 13,000 tonnes per day on a single shift per day basis. In 20 09, the mine plans to increase the production rate to 18,000 tonnes per day by adding another operating shift. This will allow the mine to process higher grade ore earlier in the mine life than previously anticipated. The overall strip ratio of 1.65:1 waste to ore reported in the Alamo Report has been improved by: mining a higher strip ratio to start the pit; reducing the effective cut off grade primarily as a result of higher metal prices; and improving the pit design. The mine is being developed in two phases, with an initial phase designed to develop downward into the deeper, higher grade reserves which was largely completed in 2009, and a second phase of development balancing the material movements with the first phase which will expand the pit to its

final high-wall and depth. Silver production is projected to decline to 4.2 million ounces in 2010 from the 5.3 million ounces produced in 2009 as a result of the majority of the mining in 2010 coming from the lower grade portion of the second phase located higher in the pit. Mining is currently expected to be completed in 2013 with processing completed in 2016.

The mine stockpiles low grade and mineralized waste category material. The high grade cut-over was selected to maximize return on investment without compromising ore block integrity. The low grade material is above the incremental break even cut-off. The mineralized waste is stockpiled at mineral prices 10% above the current mineral reserve.

After mining completes, processing of the low grade stockpiles will commence. Processing of the mineralized waste is not a component of the life of mine plan and would only be done if metal prices were at a level to make such processing economical.

The estimated life of Alamo Dorado's reserves at the current design levels will allow the project to operate within the life cycle of the initial mine equipment and should not require significant replacement capital.

Milling

Ore from the Alamo Dorado deposit is treated by conventional crushing and SAG/Ball mill grinding to –74mm, followed by thickening, agitated cyanide leaching, leach residue filtration, direct electrowinning to produce a cathode sludge, AVR cyanide recovery and recirculation, leach residue washing with AVR product solutions, dry stack tailings and conventional silver and gold doré bar production from melting of the cathode sludge. The nominal design treatment rate is 4,000 tonnes per day of ore on a 24-hour per day schedule. The mine's tailings treatment process recovers approximately 97.5% of the sodium cyanide used and also neutralize mill tailings, thus reducing the mine's environmental impact and rec lamation costs.

During 2008, the process plant milled 1,478,423 tonnes of ore and produced 6,115,836 ounces of silver and 16,822 ounces of gold. During 2009, the process plant milled 1,671,257 tonnes of ore and produced 5,320,637 ounces of silver and 18,211 ounces of gold.

The dry stackable tailings facility consists of downstream constructed embankment that buttresses the moist tailings cake placement. The impoundment area for tailings placement is not lined given the design expectation that the moist cake meets the permit specification following the AVR treatment and filter plant wash. As at the end of 2006, the first phase embankment under-drains and channel seepage beneath the facility into a lined collection pond below the embankment were constructed. The collection pond beneath the tailings impoundment facility is equipped with a pump that returns collected solutions back to the mill.

Environment

The original environmental permitting work considered options developed for the 2002 feasibility study, and was provided by Corner Bay in conjunction with Agauyo Consultoria Ambiental, Corner Bay's environmental consultant and coordinator. An EIS and risk assessment study, as well as ancillary documents were submitted by Corner Bay to the Mexican Secretary for Environmental and Natural Resources ("SEMARNAT") to identify potential major deficiencies and for appropriateness for permitting Alamo Dorado. SEMARNAT recommended a finding of no significant impact in the original impact statement/permitting document. Following completion of the updated feasibility study, the original EIS and risk assessment study documents were revised, resubmitted and approved by SEMARNAT. Project constr uction commenced in 2005 based on the approved EIS and an improved modification of the SEMARNAT Temporary Land Use Permit for the operation of a milling operation and disposal of non-toxic tailings in a dry stack tailings area.

MCB had an agreement with SEMARNAT for compensation activities for mitigation of the environmental impact of the Alamo Dorado project. MCB conducted its compensation activities on schedule during the term of the agreement (2005-2007) and within the framework of its agreement with SEMARNAT. Confirmation was received in August 2007 from SEMARNAT acknowledging the end of the third and final stage of the agreement.

During 2008, a sewage treatment plant was constructed and put into operation at Alamo Dorado. During 2009, a new landfill was constructed and put into operation.

Pan American has estimated the present value of reclamation costs for the Alamo Dorado property at December 31, 2009 to be approximately $6.3 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

In 2005, an Emergency Response Plan ("ERP") was developed for the Alamo Dorado project. The detailed plan outlines responses to safety and environmental emergencies. In 2006, Alamo Dorado completed MSHA (Mine Safety and Health Administration) training for all Pan American employees. In February 2007, a formal safety audit of the Alamo Dorado mine was completed by a third party consultant and the Company's Director of Health and Safety. During 2009, personnel employed at Alamo Dorado attended 7,338 hours of safety related training. Alamo Dorado was awarded the "Casco de Plata" award in the open pit category for the best safety record in Mexico during 2008. In addition the mine operated the entire 2009 calendar year without a single lost time injury.

Capital Expenditures

Construction of the Alamo Dorado mine was completed by year end 2006. Total project expenditures in 2008 at Alamo Dorado were approximately $1.8 million primarily for the installation of an additional furnace in the refinery, a new lime system for the AVR plant, and storm water containment and drainage system installations. For 2009, capital expenditures were approximately $1.3 million, primarily $0.8 million mine capital and $0.5 million plant and equipment investments.

Marketing Sales

Most production from the Alamo Dorado mine is in the form of doré bars, which is refined at arm's length refineries prior to the sale of refined silver and gold to bullion banks and traders. Pan American has entered into multi-year refining contracts with two refiners for the production from Alamo Dorado.

Alamo Dorado also produces a small amount (approximately 5% of total silver production) of silver and gold in the form of a copper-lead rich precipitate from the AVR circuit. This material is typically sold to concentrate traders under annual contracts.

During 2009, the revenue produced by the Alamo Dorado mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$86.5 million	4,824,397Ounces of Silver 17,852Ounces of Gold
AVR Cu/Ag Concentrates	$11.8 million	1,123 Tonnes

[1] Consists of sales to arm's length customers.

During 2008, the revenue produced by the Alamo Dorado mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$105.1 million	5,834,687 Ounces of Silver 16,461 Ounces of Gold

[1] Consists of sales to arm's length customers.

During 2007, the revenue produced by the Alamo Dorado mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$43.6 million	2,810,082 Ounces of Silver 9,628 Ounces of Gold

[1] First quarter 2007 sales were accounted for as pre-commercial production.

To date, Pan American has not had any difficulty in securing contracts for the sale of Alamo Dorado doré and concentrates, however, there can be no certainty that it will always be able to do so or what terms will be available at the time.

Please see "Risks Related to Pan American's Business – Smelter Supply Arrangements" and "Risks Related to Pan American's Business – Trading Activities and Credit Risk".

(ii) La Colorada Mine

Ownership and Property Description

Pan American Silver's wholly-owned subsidiary, Pan American Mexico, owns and operates the La Colorada mine.

The La Colorada mine is comprised of 37 exploitation claims totaling approximately 2,864.1 hectares. In addition, Pan American also has control over approximately 571 hectares of surface rights covering the main workings, namely the Candelaria, Campaña, Recompensa and Estrella/Amolillo mines.

To the Company's knowledge, all permits and licences required for the conduct of mining operations at La Colorada are currently in good standing.

Certain statements in the following summary of the La Colorada property are based on and, in some cases, extracted directly from the La Colorada Report.

Location, Access, Climate and Infrastructure

The La Colorada mine is located in the Chalchihuites district in Zacatecas State, Mexico, approximately 156 kilometres northwest of the city of Zacatecas and 99 kilometres south of the city of Durango. The main municipality in the district is the city of Chalchihuites, 16 kilometres northwest of the La Colorada Mine, with a population of approximately 1,000. The district's general coordinates are longitude 23º, 23' North and latitude 103º, 46' West. Topographic relief near the Candelaria, Recompensa and Campaña Mine sites is between 2,100 metres and 2,550 metres.

The La Colorada mine is accessed primarily from the city of Durango by a continuously maintained 120 kilometre all-weather, paved, two lane highway (Highway 45) and a 23 kilometre public, all weather, gravel road. The mine is also accessible from the city of Zacatecas by similar types of roads.

The physiography of the region is characterized by wide flat valleys and narrow, relatively low mountain ranges and hills.

The climate at the project site is arid to semi-arid and vegetation typically includes mesquite and cactus. The rainy season is from July to September. Precipitation during this rainy season can be extreme and cause regional flooding and wash-outs. However, in general, precipitation in the area is quite low and the mine is able to operate year round.

Electrical power is supplied from the Mexican national power grid and a 1.8 MW diesel power station that feeds the mine property distribution system. However, as a result of the heavy demands the Mexican national power

grid suffers random power outages at the mine. An additional 9 MW, 34.5 kV power line was constructed running 54 kilometres from Sombrerete to the La Colorada mine and was completed by the end of 2007 with startup in the first quarter of 2008, however, due to delays in commissioning, the full capacity of the new line was not available until later in the year. In 2009, diesel consumption was significantly reduced as the diesel power station and diesel air compressors were designated for back-up use only and the power grid became available.

Water sufficient to support the mining operation is available on site and is supplied from an underground source. As permitted by Mexican law, underground water is pumped to surface head tanks for use in the milling process, as well as for domestic services. Underground water is also pumped to a water treatment plant, which was constructed in 2002, to provide potable water. The potable water treatment plant was upgraded in 2008. Pan American estimates that the current volume of water supply meets the existing and planned future requirements of the project.

There is a long history of silver mining in Zacatecas State and as a result there is adequate infrastructure and currently a sufficient experienced workforce in the area.

Royalties and Encumbrances

To the best of Pan American's knowledge, the La Colorada mine is not subject to any royalties or encumbrances.

Taxation

The principal taxes of Mexico affecting the La Colorada mine include income tax, assets tax, annual fees for holding mineral properties, various payroll and social security taxes and a refundable value added tax. The La Colorada mine generated an income tax expense of approximately $4.1 million in 2009, $6.4 million in 2008 and $2.2 million in 2007.

On October 1, 2007, the Mexican taxing authority enacted the IETU that became effective for years starting in 2008. The IETU is defined as a minimum tax in respect to income tax, but with a wider taxable base as many of the tax deductions authorized for income tax purposes are not permissible for IETU. The transitional provision established the rate for 2008 at 16.5% and 17% for 2009. The rate applied after 2009 will be 17.5%. The tax will be computed by applying the applicable rate to the amount resulting from deducting expenses related to the deductions authorized by the law from the total income earned in the year.

History

The production history of the Chalchihuites district began during pre-colonial times when natives produced silver and malachite. During the 16th century Spanish colonization, the village of Chalchihuites was founded and intermittent exploitation of the mineral deposits in the area commenced. By the 19th century, the Spanish mines were operating continuously and important silver production was recorded. The War of Independence curtailed production from this and many other silver producing areas between 1910 and 1920.

In 1925, the Dorado family operated mines at two locations on the La Colorada property. From 1929 to 1955, Candelaria y Canoas S.A., a subsidiary of Fresnillo S.A., installed a 100 tonne per day flotation plant and worked the old dumps of two previous mines on the La Colorada property. From 1933 to the end of World War II, La Compañía de Industrias Peñoles also conducted mining operations on a single breccia pipe on the property. From 1949 to 1993, Compañía de Minas Victoria Eugenia S.A. de C.V. operated a number of mines on the La Colorada property.

In 1994, Minas La Colorada S.A. de C.V. ("MLC") acquired the exploration and exploitation claims and surface rights of Compañía de Minas Victoria Eugenia S.A. de C.V. Until 1997, MLC conducted mining operations on three of the old mines on the La Colorada property. Production was at a rate of approximately 150 tonnes per day.

Pan American acquired the La Colorada mine in April 1998.

Geology and Mineralization

The La Colorada mine is located on the eastern flanks of the Sierra Madre Occidental at the contact between the lower volcanic complex and the upper volcanic supergroup.

The oldest rocks exposed in the mine area are Cretaceous carbonates and calcareous clastic rocks of the Cuesta del Cura and Indidura Formations. Overlying the calcareous rocks is a conglomerate unit containing clasts derived mostly from the subadjacent sedimentary rocks. Most of the outcrop in the mine area is represented by intermediate to felsic volcanic rocks of the regional lower volcanic complex.

The stratigraphically highest rocks in the mine area are felsic tuffs correlated with the upper volcanic sequence. These tuffs unconformably overlie the trachyte along the southern property boundary, and are distinctly maroon coloured and show varying degrees of welding.

Thirteen breccia pipes have been mapped on the surface or in underground workings. All of the pipes are located along or to the south of the No Conocida Poniente (NCP/NC2) vein complex. The pipes are round to ovoid in shape, up to 100 metres in diameter, and can extend vertically more than 400 metres below the surface. The breccias contain clasts of limestone and trachyte (often mineralized) in an altered trachyte matrix. The ratio of limestone to trachyte clasts varies from pipe to pipe. Clasts of vein material have been found in the breccias suggesting that they postdate the vein emplacement.

East to northeast striking faults form the dominant structures in the project area and play a strong role in localizing mineralization. Most of these faults dip moderately to steeply to the south and juxtapose younger hanging wall strata against older footwall rocks. Evidence suggests down-dip motion on these faults; however, most of the faults have been reactivated at some point so the movement direction during the initial formation is uncertain. Stratigraphic contacts are displaced from tens to over a hundred metres lower on down-dropped blocks.

The trachyte unit displays an eastward tilting that may reflect displacements on regional, orogenparallel structures outside the project area. This tilting probably reflects the final episode of deformation.

La Colorada represents a typical epithermal silver/gold deposit, with a transition in the lower reaches of the deposit to a more base metal predominant system. There are indications of what might be skarn style mineralization in the deepest holes on the property.

There are four dominant styles of mineralization at La Colorada: (i) breccia pipes; (ii) vein-hosted mineralization; (iii) replacement mantos within limestone; and (iv) deeper seated transitional mineralization (transition zone).

Mineralization in the breccia pipes generally has lower silver values and elevated base metal values. Mineralization is associated with intense silicification and occurs as disseminated galena and sphalerite with minor chalcopyrite and bornite. Sulphides are found in the clasts and the matrix.

Most mineralized veins on the property strike east to northeast and dip moderately to steeply to the south. Veins occur in the trachyte and limestone units and cut across the bedding and contacts with little change in the width or grades of the vein. Mineralized widths in the veins are generally less than two metres, but may be wider if there is a halo of replacement or brecciated material. The No Conocida Poniente (NCP) Corridor strikes east-west and dips moderately to the south, with true widths of approximately up to 15 metres, but most of the economic mineralization is located in quartz veins, which are on average one to two metres wide. In some cases vein fillings consist of quartz, calcite, and locally barite and rhodochorosite. Where the veins are unoxidized, galena, s phalerite, pyrite, native silver and silver sulfosalts are present. The major mineralised veins, including the NCP Corridor, are strongly brecciated and locally oxidized, obscuring original textural features. Less deformed veins show mineralogical layering, crystal-lined open vugs, and hydrofracture vein breccias, indicating typical multi-stage growth.

The depth to the surface and the permeability of the mineralized zone control the level of oxidation in the veins. These factors result in an uneven but generally well-defined redox boundary.

Manto style mineralization is found near vein contacts where the primary host rock is limestone. At Recompensa, the mantos appear to be controlled by thrust faulting adjacent to the veins, and can form bodies up to six metres wide. Most commonly, they occur in the footwall north of the steeply dipping vein, but depending on the orientation of the fault they can occur in the footwall, the hanging wall, or both. The mineralogy of the mantos is characterized by galena and sphalerite with minor pyrite and chalcopyrite. Gangue minerals are quartz, rhodochorosite, pyrolusite and other manganese oxides.

The deep seated transition mineralization consists of both vein type mineralization and more diffuse stockwork and breccia zones.

The current mineral resource and reserve contains vein and manto hosted mineralization. The mineral reserve/resource ore zones at La Colorada as well as their orientation (strike/dip) and style of mineralization are as follows:

- *NCP and NCP Corridor* - Average orientation 075/60S 60º dip. The Corridor consists of the NCP footwall and NCP hangingwall structures. There are currently two hangingwall structures defined named HW and HW2. These zones are characterized by a broad mineralized shear within limestone containing one or more quartz veins parallel to the orientation of the shear. The majority of the silver mineralization is found in the quartz veins which in the NCP footwall vein are on average 2.9 metres wide and in the NCP hangingwall vein HW1 are on average 2.4 metres wide. HW2 vein is on average 2.0 metres wide and Split is 2.2 metres wide. Mining is in progress on various sublevels down to the 438 level. The NCP veins are economically the most important and contain over 40% of the remaining mineral resource and reserve ounces of silver.

- *NC2* – Average orientation 045/70S 60º dip. NC2 is a narrow (one-to-two metre) mainly sulphide and partly oxide vein that contains an important part of the current sulphide resources. It has a strike length of over 700 metres and is open to the east where there is a wedge of inferred material below the east mine fault. NC2 is developed down to the 390 level and has been drilled to below the 495 level where inferred resources have been estimated. The NC2 vein is the most important source of sulphide mineralization and contains 29% of the remaining resource and reserve ounces of silver.

- *Amolillo Vein (Estrella Mine)* – Average orientation 45/70S 59º dip. The Amolillo Vein is an oxide vein located 500 metres north of the NC2 and NCP vein complex and to the east of the Recompensa vein with an average width of 2.2 metres. The vein lies mostly within the trachite host rock and limestone at depth.

- *Recompensa* – Average orientation is 090/80N 75º dip. Recompensa is a combination of vein and manto mineralization located more than one kilometre northwest of the NC2 and NCP vein complex. The vein mineralization is narrow (less than one metre and averages 1.8 metres for the economic zone). Recompensa contains a minor amount of oxide but mostly sulphide material. A high gold grade manto (Manto Yuri) has been discovered at the interaction of 2 veins that are currently being developed for mining in 2009 and 2010. Although small in tonnage (approximately 100,000 tonnes), Manto Yuri is an important discovery as it consists of high grade silver and gold mineralization containing over 1.6 million ounces of silver and over 14,000 ounces of gold.

- *4235* – Average orientation 090/75N 65º dip. 4235 is a narrow (approximately one metre) vein which occurs in the hanging wall of the NCP and NC2 vein systems counter to the orientation of these major veins. It has a strike length of approximately 140 metres, and has been exposed by development on the 295 level and by drilling above and below that level. The western half of 4235 is sulphide and the eastern half is oxide.

- *San Juan/Santa Juana Veins* – These veins lie at the intersection of the San Fermin Breccia.At present these are entirely mineral resources.

- *Inversa* – This vein is a smaller version of the counter vein orientation V4325. Vein widths are around 2.3 metres. This vein has been defined by mining development on the 335 and 355 levels and has been partially mined in 2007.

Exploration and Drilling

The bulk of Pan American's exploration of the La Colorada property has been conducted through diamond drilling (surface and underground) and underground drifting on the veins and mineralized zones.

Surface drilling was done with HQ and NQ sized core and underground drilling used NQ and BQ sized core, except for the drilling done in the NCP Corridor in 2000.

Prior to Pan American's involvement in the La Colorada mine, previous operators had drilled 131 holes for a total of 8,665 metres. These holes were not used in Pan American's mineral reserve or resource calculation, with the exception of four holes where the original core was found and assayed by Pan American.

The holes generally range in length from 100 to 300 metres with dips of plus 45º to minus 90º. Standard logging and sampling processes have been used to record information from the holes drilled by Pan American. Interval samples have been cut with a diamond saw and the remaining half core is stored on-site. Hole collars have been surveyed by total station survey equipment.

Recovery in the drill holes has generally been high (plus 80%), with the exception of holes drilled into the NCP Corridor ore zone where the recovery averaged 67%. There was no significant bias in the drill holes that had poorer recovery.

Underground drifting along the mineralized structures is the second method of exploration. Annually, the mine operation completes over 3,500 metres of drifting along structure. The drifting allowed detailed mapping and structural interpretation of the ore zones, as well as providing key grade information.

During 2009, a total of 17,590 meters have been drilled targeting various areas throughout the property. There were many successful holes at the depth extension of the NC2 sulphides which resulted in an increase of the proven and probable reserves of over 16.2 million ounces.

Sampling and Analysis

The La Colorada mine database consists of two types of samples – underground channel samples and diamond drill core samples.

The sampling method for the underground exploration development along mineralized structures consists of channel sampling the back of drifts every three metres. Vein and wall rocks are sampled separately. Sample lines are marked by the geologist and then the sample is taken by a helper using a hammer and chisel. Sample size is approximately three kilograms. To provide an accurate representation of vein grades, samples are taken regardless of whether the vein appears to be above cut-off or not.

In addition to the samples taken from development, the database includes stope samples. Stope sampling methodology is the same as the development sampling, except that stope samples are taken at five metre intervals. The reason for the five metre spacing as opposed to the three metre spacing is that the stope samples normally represent a smaller tonnage.

Drill holes are sampled and logged according to industry-accepted standards. A staff geologist logs the holes for lithology, alteration, mineralogy, and recovery. Sample intervals are marked by the geologist who also assigns a sample number. As with the underground sampling, the samples are broken out by geology and vein and wall rock are sampled separately. Samples are split using a diamond saw.

Pan American has used four commercial labs in the past for exploration assaying at La Colorada: Bondar Clegg (Vancouver, B.C.), ALS Chemex (Vancouver, B.C.), Luismin (Durango, Mexico) and ALS Chemex de México (Guadalajara, México). All assaying by the commercial labs for gold and silver has been done using fire assay with either an AA or gravimetric finish on a one-assay tonne charge. Base metals were assayed using acid solution and AA determination. Some exploration and all mining samples are completed at the La Colorada lab which uses fire assay for gold and silver on a ten gram charge with a gravimetric finish. Base metals are assayed using acid digestion and AA determination.

The QA/QC program at La Colorada includes the submission of tertiary lab check assays on 2-5% of the samples and 1-2% of check samples. All of the drilling, sampling and QA/QC programs were conducted under the direct supervision of Pan American's geology staff.

Mineral Reserves

The Company's management estimates that mineral reserves at La Colorada, as at December 31, 2009, are as follows:

La Colorada Mineral Reserves [1, 2,3,4]

Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Grams of Gold per tonne	% Lead	% Zinc
Proven	1,106	400	0.55	0.67	1.37
Probable	1,176	429	0.47	1.37	2.87
Total	2,281	415	0.51	1.03	2.14

1 Calculated using a price of $13 per ounce of silver, $875 per ounce of gold, $1,600 per tonne of lead and $1,600 per tonne of zinc.

2 Mineral reserves for La Colorada have been prepared under the supervision or were reviewed by, Michael Steinmann, P. Geo., and Martin Wafforn, P. Eng., as Qualified Persons as that term is defined in NI 43-101.

3 The La Colorada mine applies incremental cut off grades as the combined process plants currently have more capacity than the mines. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

4 Lead and zinc grades shown are the average for the deposit. However, the base metals are only payable in the concentrates produced from the sulphide ores and not in the doré produced from the oxide ores. The sulphide portion of the proven and probable reserves total 1,632,686 tonnes grading 435 g/t silver, 0.54 g/t gold, 1.44% lead and 3.00% zinc.

Considerable exploration success during the year has extended the life of mine plan beyond the 2011 closure date that was previously estimated. Pan American currently anticipates that the mine will operate beyond 2016.

Mineral Resources

The Company's management estimates that mineral resources at La Colorada, as at December 31, 2009, are as follows:

La Colorada Mineral Resource Estimate [1, 2, 3]

Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Grams of Gold per tonne	% Lead	% Zinc
Measured	129	232	0.26	0.38	0.75
Indicated	1,259	215	0.19	0.86	1.35
Inferred	2,750	308	0.35	1.08	1.77

1 These resources are in addition to La Colorada mineral reserves. Calculated using a price of $13 per ounce of silver, $875 per ounce of gold, $1,600 per tonne of lead and $1,600 per tonne of zinc. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".

2 Mineral resource estimates for La Colorada have been prepared under the supervision, or were reviewed by, Michael Steinmann, P. Geo., and Martin Wafforn, P. Eng., as Qualified Persons, as that term is defined in NI 43-101.

3 Lead and zinc grades shown are the average for the deposit. However, the base metals are only payable in the concentrates produced from the sulphide ores and not in the doré produced from the oxide ores. The sulphide portion of the measured and indicated resources total 837,743 tonnes grading 196 g/t silver, 0.21 g/t gold, 1.35% lead and 2.15% zinc.

Mining

The mining method utilized for the oxide ore is mechanized cut and fill from the property's NCP, NC2 and Amolillo veins. Fill material is sourced from waste development, waste slashed from walls in the stopes and surface stockpiled material. No tailings backfill is planned. Split sets, cemented split sets and shot-crete are used for ground control on various patterns depending on ground support requirements.

Mechanized equipment includes 3.75 cubic metre, two cubic metre and 1.5 cubic metre capacity scoop trams, low profile nine to twelve tonne capacity trucks for haulage in ramps, jack-legs and one boom electric hydraulic jumbos for drilling. A battery locomotive and Granby cars are used for haulage of ore from the shaft bin to the crusher dump pocket. The replacement of the main hoist winch was completed in early 2007.

In June 2004, La Colorada stopped producing sulphides when the sulphide resource was exhausted above the de-watered level of the mine. A dewatering study was conducted and new higher capacity pumping stations were built that allowed the production of sulphides to re-commence in July, 2006. The dewatering system will be expanded in 2009 with the construction of a pumping station on the 438 level in the oxide zone.

In 2008, the oxide mill processed on average 580 tonnes per day ("tpd") whereas the sulphide mill processed on average 455 tonnes per day. During 2009, the oxide mill processed an average of 476 tpd whereas the sulphide mill processed an average of 415 tpd. During 2010 in order to reflect the increased amount of sulphide ore mineral reserves, the company plans to increase the amount of sulphide ore processed to 500 tpd and to reduce the oxide ore processed to 447 tpd.

Milling

Milling consists of a 650 tpd conventional cyanide recovery plant for oxide ore as well as a sulphide ore processing plant that was name-plated at 250 tpd but now has been expanded providing maximum throughputs as high as 530 tpd. The sulphide plant processes sulphide ore valuable for its silver, lead, gold and zinc content. These metals are recovered as concentrate via crushing, grinding and selective lead and zinc froth flotation circuits. The oxide plant produces a silver doré from crushing, grinding, cyanide leach, Merrill Crowe zinc precipitation and on-site refining circuits.

Environment

An EIS and risk assessment on the La Colorada property was submitted to Mexican environmental authorities in early March 1999. The EIS described the impact of proposed development and mining activities and provides conceptual plans for closure and remediation. The EIS was approved by the Mexican authorities in

November 1999. This permit was valid for a 5 year period and in October 2005, Pan American received approval for its renewal permit which is valid until October 2010.

To the best of Pan American's knowledge, Pan American's operations at the La Colorada mine currently comply in all material respects with applicable Mexican environmental laws. Pan American has taken additional steps to ensure its good environmental management and is participating in a voluntary certification process managed by the Federal Attorney for Environmental Protection called the "Clean Industry" program. The La Colorada mine obtained its certification under the program in December 2007 and this certification remains valid for a two year period.

The three most significant environmental issues associated with the La Colorada property are the stability of operating tailings facility, stability of abandoned tailings facilities on the property and mine water discharges. In addition, domestic waste water discharge from on-site buildings, and operation of an uncovered solid waste landfill on the western portion of the La Colorada mine are closely monitored by the site environment department. The waste water treatment facility was upgraded in 2007 with the installation of a treatment facility. The existing lined tailings facility Tailings Dam #6 completed a fourth stage of expansion in 2008.

Pan American has estimated the present value of the final site reclamation costs for the La Colorada property to be approximately $5.3 million. During 2005, Pan American began reclamation work concurrent with mining operations by reclaiming old tailings on the property. This work allows efficient use of people and equipment on-site for operations. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

A formal safety audit was conducted in December of 2006 at the La Colorada mine by a third party consultant and the Company's Director of Health and Safety. Subsequent audits were conducted in October, 2007 and in April, 2009 using the Company's Director of Health and Safety and safety managers from some of Pan American's other mines. In 2006, all protocols and procedures were updated at the mine as a result of a safety audit investigation conducted by the Company's Director of Health and Safety. In 2008, La Colorada was the recipient of the prestigious "Casco de Plata" award for the best safety record during 2007 for underground mines in Mexico with in excess of 500 employees. During 2009, personnel employed at the mine attended 14,468 hours of training.< /font>

Capital Expenditures

In 2007, capital expenditures at La Colorada totalled approximately $8.9 million and consisted of: (i) mine equipment replacement and improvement; (ii) mine development; and (iii) diamond drilling totalling.

In 2008, capital expenditures at La Colorada totalled approximately $11.9million and consisted of: (i) mine development and equipment; (ii) plant equipment replacement; and (iii) mine ventilation system improvement.

In 2009, capital expenditures of La Colorada totalled approximately $3.1 million and consisted of: (i) mine development; (ii) plant equipment replacement; (iii) tailings dam upgrade.

Marketing

All of La Colorada's concentrate production is sold under contracts, which are negotiated periodically, to arm's length smelters and concentrate traders.All silver doré produced from the oxide mill at La Colorada is sent for refining at arm's length refineries and subsequently sold to various banks and traders dealing in bullion.

During 2009, the revenue produced by the La Colorada mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$23.5 million	1,500,221 ounces silver and 1,525 ounces gold
Lead Concentrate	$27.7 million	3,994 tonnes

Zinc Concentrate	$3.1 million	4,350 tonnes

[1] Consists of sales to arm's length customers.

During 2008, the revenue produced by the La Colorada mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$26.0 million	1,912,000 ounces silver and 1,883 ounces gold
Lead Concentrate	$29.1 million	2,999 tonnes
Zinc Concentrate	$2.6 million	3,380 tonnes

[1] Consists of sales to arm's length customers.

During 2007, the revenue produced by the La Colorada mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$35.5 million	2,358,000 ounces silver and 2,300 ounces gold
Lead Concentrate	$19.3 million	1,918 tonnes
Zinc Concentrate	$2.5 million	1,689 tonnes

[1] Consists of sales to arm's length customers.

To date, Pan American has not had any difficulty in securing contracts for the sale of the La Colorada concentrates or doré, however, there can be no certainty it will always be able to do so or what terms will be available at the time.

Please see "Risks Related to Pan American's Business – Smelter Supply Arrangements" and "Risks Related to Pan American's Business – Trading Activities and Credit Risk".

C. Argentina

(i) Manantial Espejo

Ownership and Property Description

On April 12, 2006, Pan American completed the acquisition from Silver Standard Resources Inc. ("SSR") of that company's 50% joint venture interest in the Manantial Espejo mine, which is located in southern Argentina. As a result of the acquisition, Pan American became 100% owner of the mine. The mine is being operated through two Argentine companies, MTA and Alto Valle.

The Manantial Espejo mine consists of 17 mineral concessions granted by the Mining Authority of the Province of Santa Cruz to MTA and Alto Valle, covering a total of 25,533 hectares and extending approximately 36 kilometres east-west and 19 kilometres north-south. The mineral concessions forming Manantial Espejo are, by law, subject to minimum expenditure requirements with respect to which Pan American had entered an alternate agreement with the government of Argentina. Pan American believes that MTA has continuously been in compliance with such agreement. The good standing of the mineral concessions held by each of MTA and Alto Valle, and which make up the Manantial Espejo mine, were confirmed by the Mining Authority of Santa Cruz in February 2006. In March 2006, the Argentine governme nt approved the EIS submitted to it by Pan American, effectively recognizing MTA and Alto Valle's title to the property and authorizing construction of the mine. In April 2006, initial mine development activities were initiated.

The property includes ownership of three surface properties purchased by MTA to facilitate support and improve the performance of its mining and exploration activities. These surface rights cover an area of 43,207 hectares and at this time all mining and processing related activities occur within these properties.

Certain statements in the following summary of the Manantial Espejo property are based on, and in some cases has been extracted directly from, the Manantial Report.

Location, Access, Climate and Infrastructure

The Manantial Espejo mine is located in the Province of Santa Cruz, Argentina, centered at the geographical coordinates of 69º 30' west longitude and 48º 46' south latitude. The nearest major city is Puerto San Julian, located on the Atlantic coast, 160 kilometres east of the property. Puerto San Julian has a population of 5,500. The main access is via the provincial Route 25, a wide gravel secondary road that connects the project with Puerto San Julian. Access to the site is by an eight kilometre gravel road off provincial highway Route 25.

The climate at the project area is dry to arid continental. The average monthly temperatures vary between 1° Celsius (June and July) and 15° Celsius (January and February). This area of Argentina is well known for fierce westerly winds, particularly from August to October when westerly daily winds can gust to between 120 to 170 kph. The highest average monthly precipitation at Manantial Espejo occurs in the month of June, with 21 millimetres. Snow frequently accumulates on site between June and August, and infrequent snowfall events can range up to about 50 millimetres or more based on limited data.

The topography of the region is generally characterized by relatively low-lying mesas with broad flat valleys, containing no, or poorly developed, drainage channels. To the north, the Deseado massif area is characterized by bedrock knolls and hills of moderate relief, with interspersed "deflationary" (probably wind eroded) basins, containing flat-bottomed playas and often ephemeral shallow ponds and lakes with internal drainage. The project site is extremely arid and has very limited development of soils and vegetation. The elevation of the project site is situated between 350 and 400 metres above sea level. The southern portion of the site is dominated by a broad, flat valley known as the Pampa which trends east- southeast and lies between the Deseado Massif to the north and a volcanic plateau to the south. Both the Pampa and the mesa on the southern portion of the camp are largely formed of Tertiary and Quaternary glacially-derived gravel and cobble deposits.

The property is in a remote area with a limited population which increases the challenge of finding proper personnel. Pan American has been able to attract and retain employees based on competitive benefits and rates, Pan American's community involvement, and by offering housing developed by Pan American.

Royalties and Encumbrances

Production from the Manantial Espejo property is subject to royalties to be paid to Barrick according to the following: (i) $0.60 per metric tonne of ore mined from the property and fed to process at a mill or leaching facility to a maximum of 1 million tonnes; and (ii) one-half of one percent (0.5%) of net smelter returns derived from the production of minerals from the property.

In addition, MTA has negotiated a royalty equal to 3.0% of operating cash flow payable to the Province of Santa Cruz.

Taxation

The principal taxes of Argentina affecting MTA include income tax of 35% and an export duty of 5%. The export duty can potentially be reduced by two types of credits if certain conditions are met: a silver doré export credit of 2.05% and Patagonia port credit of 1.00%. The latter credit is only applicable for 2009. The MTA mine generated an income tax expense of approximately $3.6 million in 2009.

History

Reconnaissance exploration on the Manantial Espejo property was first carried out in the 1970s by the Argentinean government and in 1989, ownership of the original interest in the mineral properties constituting the Manantial Espejo project was acquired by Mr. Roberto Schupbach. Pursuant to an agreement entered into in 1991 between Mr. Schupbach and Compania Minera San Jose S.A. (a wholly owned subsidiary of St. Joe Minerals), Mr. Schupbach sold his mineral property rights to Minera San Jose. Later in the same year, St. Joe Minerals was acquired by Lac Minerals Ltd., and then in 1994 Barrick Exploraciones Argentina S.A. acquired Lac Minerals Ltd. and assumed ownership.

In 1996, Triton Mining Corporation (“Triton”) entered into an option agreement with Barrick to earn the right to acquire an 80 percent interest in the project for a total cost of $2.5 million, such right Triton then assigned to its wholly owned subsidiary MTA.

In 1998, MTA completed making the required payments under the option agreement. Barrick and MTA subsequently incorporated Compania Minera Alto Valle for the purpose of holding beneficial title to the properties, and pursuant to a shareholders’ agreement, Barrick held 20 percent and MTA held 80 percent of the shares of Alto Valle, respectively, and MTA was designated operator of the project.

In 1998, Blackhawk Mining Inc. (“Blackhawk”) purchased all of the issued shares of Triton, which was a public company with shares traded on the Toronto Stock Exchange.

Also, in 1998, SSR entered into an option agreement with Triton to acquire a 50% interest in MTA. Then, in April of 2001, SSR acquired Barrick’s 20% interest in Alto Valle (2,400 shares), half of which it agreed to sell to Blackhawk in consideration for an interest in an unrelated mining venture.

In 2002, SSR acquired Triton’s remaining 50% interest in MTA, as well as Blackhawk’s 1,200 shares in Alto Valle. Concurrently, SSR agreed to sell to Pan American 50% of the shares of MTA and half of the shares (1,200) it held in Alto Valle directly. The Company acquired this 50% interest in the project for a purchase price of $1,912,433, which consisted of a cash payment in the amount of $662,433 and a transfer of 231,511 common shares in the capital of the Company valued at $1,250,000. In addition, the Company agreed to pay 50% of $200,000 in order to eliminate a 1.2% net smelter return royalty payable by SSR to Blackhawk and agreed to fund the first $3 million of joint venture expenditures following the issuance of a production notice. In March 2006, the Company negotiated and entered into a purchase agreement with SSR to acquire SSR’s 50% interest in MTA and Alto Valle, respectively, thus becoming a 100% owner of the Manantial Espejo project.

In March 2006, Pan American completed the Manantial Report for the Manantial Espejo mine based upon the revised resource model, combination open pit and underground mine plan, and a conventional milling and leaching circuit.

In March 2006, the Company’s board of directors approved a $130.4 million project to construct and initiate operations of the Manantial Espejo mine. Simultaneously, the Company received approval of the EIS from the Santa Cruz Province of Argentina and signed an agreement with the Federal Government of Argentina and the Province of Santa Cruz to bring grid electrical power to the town of Gobernador Gregores with a sub-connection to Manantial Espejo. The capital cost estimate was updated to $170 million in April 2007 as a direct result of industry wide cost escalations for construction materials and equipment, coupled with significantly higher in-country costs for labour. For similar reasons, the capital cost estimate was further updated to $185 million in February 2008.

In June 2006, MTA entered into an agreement with Ausenco International Pty Ltd. (“Ausenco”) of Queensland, Australia to complete a basic engineering design and long lead item procurement services for the processing plant and site infrastructure components of the Project. By year-end 2006, MTA was in negotiations with Ausenco to extend these services to an engineering, procurement and construction management (EPCM”) agreement for the project. In addition, MTA entered into an agreement with Montgomery Watson Harza of Buenos Aires, Argentina to provide EPCM services for the tailings pond. By year-end 2006, detailed design had been completed and initial site preparation had begun. In April 2006, mine development activities were initiated. Activities during 2006 included the following: (i) const ruction of project access and other critical mine construction roads; (ii) upgrade and expansion of the existing man-camp to support early construction; (iii) completing additional water exploration and installation of production mine supply and dewatering wells; (iv) Maria West underground portal and initial ramp development; (v) Melissa portal development, and the installation of a temporary mine equipment shop and warehouse facilities; (vi) purchase of all major underground and open pit mine equipment; (vii) recruitment of experienced management and operational staff who successfully initiated underground development at the Maria West and Melissa deposits; (viii) finalization of project infrastructure designs and solicitation of construction proposals; (ix) initiation of construction of a 30 home and a 12 unit apartment complex in Gobernador Gregores to support mine development and long term operations; (x) expanded administrative offices in Gobernador Gregores to support project con struction; and (xi) award of a major construction camp, camp catering and construction supply contracts.

2008 was the final year of construction for Manantial Espejo, with mining operations in the two open pits and the two underground mines continuing during the year. Ausenco continued as the EPCM contractor, and completed its activities in mid-December 2008. By year end 2008, a total of 239,896 tonnes of ore was stockpiled on site in preparation for plant operations. Construction resources were allocated so that critical plant circuits required for initial commissioning and production would be completed first. The commissioning of the Manantial Espejo plant began with dry commissioning activities in August 2008. The mills, leach circuits, counter-current-decantation ("CCD"), Merril Crowe and refinery were commissioned and commenced operations in mid-December 2008.&# 160; Final completion and commissioning of the primary crusher, recycle pebble crusher and concentrate circuits were underway by mid-January 2009.

The Company celebrated the official inauguration of the Manantial Espejo gold and silver mine on March 16, 2009. The first doré was poured in mid December 2008 and the mine commenced commercial production in January 2009. The mine quickly achieved design capacities and produced 3.8 million ounces of silver and 72,000 ounce of gold during the year.

Geology and Mineralization

Silver and base metal mineralization in the Manantial Espejo district is spatially and genetically related to a large bimodal igneous province, the Deseado Massif, which is dominated by acid volcanics and their resedimented products of the Chon Aike and La Matilde Formations (Upper Jurassic), and andesites of the Bajo Pobre Formation (Middle Jurassic). The older volcanics form the basement unit and are locally mineralized. The Chon-Aike and La Matilde Formations host mineralization, which occurs at the faulted contacts of volcanic facies as well as at contacts of volcanic stages.

The ore deposits at the Manantial Espejo mine are predominantly veins having short strike slip and larger down dip displacements. Styles of mineralization include massive quartz veins, vein breccias, sheeted and stockwork veining, and minor dissemination. Quartz is the main infill mineral, displaying distinctive textures indicating the overprinting of hydrothermal events which occurred in the area.

Mineralization is interpreted as occurring at the intersection of west-northwest trending fault zones and arcuate structures that could be related to a possible volcanic center. Gold occurs mainly as electrum in pyrite while the silver occurs in a number of forms including argentiferous galena and silver sulphosalts. Sulfides account for up to 3 to 5% of the rock mass as veinlets and disseminations.

Mineralization at Manantial Espejo is hosted in four main veins: the Maria Vein, Karina/Union Vein, Melissa Vein and Concepción Vein. The majority of the mineralization outlined to date is in the Maria Vein. The vein is a thick multiphase silica vein exposed on surface for more than one kilometre and has been intersected at a depth of up to 275 metres. This vein averages 7.8 metres in true width ranging from 0.63 metres to 20 metres. The vein is open to the east and at depth.

The Maria Vein exhibits two quartz textures; older quartz which may also contain grey silica, amethyst and vuggy quartz and younger sulphide-rich vein quarts breccia that often crosscuts the earlier vein and carry fragments of it. Sulphide content is low and is primarily three to five percent pyrite. Minor amounts of galena, sphalerite, chalcopyrite, bornite, chalcocite and covellite have been observed. The Maria vein structure shows excellent continuity, with little evidence for significant transverse fault offsets. Combined outcrop and drill data show vein continuity over 1,000 metres along strike and over 250 metres along dip. Ore-grade mineralization of the vein is less continuous. Open pit ore-grade zones measure tens to hundreds of metres in longitudinal dimension. ; Underground ore-grade zones measure tens of metres in longitudinal dimension, with over 100 metres of vertical extent in the Maria West area. Variograms and correlograms indicate mineralization continuity on the order of fifty to one hundred metres for both gold and silver.

Silver occurs as electrum along with minor amounts of argentite, acanthite, sulfosalts, and prousite-pyrargerite. Gold occurs as electrum inclusions contained in pyrite. Very minor visible gold in the 200-micron size has been observed in drill core along goethite-coated fractures.

The Karina/Union Vein is exposed on surface for a distance of 850 metres and has been drilled to a depth of 150 metres. The host rocks, alteration and mineralogy of the vein is similar to the Maria Vein. Several interconnected high grade silver-gold epithermal veins produce drill intersections in excess of 20 metre true widths.

The Melissa Vein has a faint surface expression that rarely outcrops. The trend of the 1.5 to 2.5 metre-wide high-grade silver-gold epithermal Melissa system has an 80 degree strike with a steep northerly dip. The mineralization and host geology is very similar to that encountered at the Maria Vein. Structurally, Melissa is thought to be the extensional component to the Maria shear system. The Melissa Vein has been defined by drill holes along a 300 metre strike length and 200 metre down dip.

The Concepción Vein is a single quartz vein. Mineralization occurs over a strike length of 600 metres and is open at depth and at both ends. The host rocks, mineralogy and alteration are similar to the other veins on the property.

The Maria Vein has been exposed by underground development and by open pit mining, the Karina/Union Vein by open pit mining and the Melissa Vein by underground development. To date, there has not been enough ore mining to conduct a meaningful reconciliation; however, the results to date support the geological interpretation and assumptions used for the ore reserve calculations.

Exploration, Drilling, Sampling and Analysis

Reconnaissance exploration on the Manantial Espejo mine was first carried out in the 1970s by the Argentinean government.

Exploration on the property was advanced in 1996 by Barrick, which completed 62 diamond drill holes on the property totalling 9,653 metres on the Maria Vein. In 1997, an additional 42 core drill holes were completed totalling 6,795 metres and Kilborn Engineering Pacific Ltd. (“Kilborn”) was retained to prepare a pre-feasibility study for the construction of an open pit mine and cyanidation mill processing facility to treat and recover silver and gold from the Maria Vein resource.

Drilling on the Manantial Espejo mine has been accomplished using diamond core, reverse circulation and wagon drilling. For the entire Manantial Espejo mine, this drilling totals 1,043 drill holes and approximately 93,867 metres. The diamond core samples were considered to be of superior quality and representative of the deposits. Therefore, with the exception of five reverse circulation holes in the Maria Vein, recent resource modeling evaluations have been based upon core samples from 662 diamond drill holes representing approximately 65,896 metres. The typical core sampling procedure is to half-saw the HQ core after descriptive geological and geotechnical logging. Half of the core is submitted for analysis, while the remaining half is stored on the Manantial Espejo site.

All MTA core has been HQ diameter (approximately six centimetres), with the exception of re-entry into Barrick holes for deepening, for which NQ diameter was used. Diamond drill holes are located and oriented by geologists in the field to obtain drill spacing in the 25 to 50 metre range on vein, with the closer spacing in the higher grade zones.

Project drilling, sample handling, assaying, data handling, and resource modeling were reviewed in April 2001 on behalf of SSR by Pincock, Allen, and Holt (“PAH”), mining consultants, who found that assaying and security procedures to date had been carried out according to accepted industry standards using accepted practices.

In 2003, a 4,472 metre diamond drilling program was completed in the Maria and Karina-Union Veins focusing on gathering geotechnical stability data.

In 2005, MTA completed 20,832 metres (187 holes) of additional diamond core and RC drilling to in-fill selected areas of known resources, investigated potential for economic mineralization outside of the current resource area, continued the water exploration program, and improved the geotechnical database for the feasibility tailings design. In 2006, a further 1,525 metres of diamond drilling were completed with 800 metres of that total for exploration and condemnation drilling and the remainder for geotechnical holes. RC drilling was conducted for

water supply wells and for the mine dewatering both as part of the construction program. Due to the construction and development activities at the site, there was no additional exploration drilling conducted in 2007 or 2008 but exploration was reactivated in 2009.

Manantial Espejo drilling data are used for metals exploration, resource modeling, geotechnical studies, metallurgical studies, and hydrological exploration/studies.

Mineral Reserves

A reserve summary by open pit bench was derived for each pit by extracting the pit volume out of the appropriate resource block model. Dilution was applied according to the mining method to be used. The open pit reserve was derived from the resource block model diluted for open pit mining. The underground reserve was derived from the resource block model diluted for the appropriate underground mining method. Underground reserves were extracted from these models assuming an 85% mining recovery to account for typical mining losses such as in pillars. Pan American's management estimates the mineral reserves at Manantial Espejo, as at December 31, 2009, are as follows:

Manantial Espejo Mineral Reserves[1, 2]

Reserve Category	Tonnes (000's)	Grams of Silver per Tonne	Grams of Gold per Tonne
Proven	4,308	163	2.33
Probable	3,033	138	2.00
TOTAL	7,342	153	2.19

1 Calculated as at December 31, 2009 using prices of $13 per ounce of silver and $875 per ounce of gold.

2 Mineral reserve estimates for Manantial Espejo were prepared under the supervision of, or were reviewed by Martin G. Wafforn, P.Eng., who is a Qualified Person as that term is defined in NI 43-101.

Mineral Resources

Pan American's management estimates that mineral resources at Manantial Espejo, as at December 31, 2009, are as follows:

Manantial Espejo Mineral Resource Estimate[1, 2]

Resource Category	Tonnes (000's)	Grams of Silver per Tonne	Grams of Gold per Tonne
Measured	815	100	1.02
Indicated	2,154	103	0.98
Inferred	1,410	103	1.09

1 Mineral resources were calculated as at December 31, 2009 using prices of $13.00 per ounce of silver and $875 per ounce of gold.

2 Mineral resource estimates for Manantial Espejo were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., who is a Qualified Person as that term is defined in NI 43-101.

Mining

The optimum mine plan approach for the Manantial Espejo mine consists of a combination of open pit surface and underground mining methods. The surface mining method proposed for the ore is conventional open pit mining using currently owned 54 tonne off-road trucks and a mix of front end rubber tired loaders and track loading equipment.

The considerable variation in dip and thickness of the various mineralized zones throughout the property require a number of different underground mining methods to be utilized to maximize the profitability and recovery of the mineral resources. The underground mining operations consists of either long-hole, cut and fill, or shrinkage methods to accommodate the geometry and accessibility. The majority of the major open pit and underground mine equipment had been delivered by the end of 2007. An underground mine truck and a drill for drilling long holes underground, as well as a rubber tired bulldozer and a RC grade control drill for the open pit, were delivered in 2008.

In some areas, the open pits will also be used for underground access via in-pit portals. In the design, the open pits will be excavated using five metre high, horizontal benches. Ore and waste will be transported out of the pits by truck haulage via ramps built into the walls of the pits. Truck haulage will continue from the open pit ramp exit points on surface roads leading to waste dumps and the primary crusher ore feed stockpile. Open pits have been constructed for portions of the Maria, Karina-Union, and Concepción deposits. The Maria pit is sub-divided into three sub-pits. In 2009, a total of 7.4 million tonnes of material (including approximately 600,000 tonnes of ore) were mined and removed from the Maria, Karina-Union and Concepción op en pits.

A total of five portals and associated declines will be required to access all of the underground mining reserves. Two are required for the Maria main structure, being Maria West and Maria East. Two portals are required for the Concepción area, and one is required for the Melissa Vein. The Maria West and Melissa underground mines were in the development phase throughout 2008, development continued in Maria West underground while the Melissa mine is now in full production. The underground mining at Manantial Espejo has been designed, developed and is being managed using modern underground mining techniques and for the most part mechanised equipment.

Processing

Ore from the Manantial Espejo deposits is treated by conventional crushing, SAG/Ball mill grinding, bulk gravity concentration, intensive gravity concentrate agitation leaching, thickening, agitated cyanide leaching of the gravity tailings slurry, CCD thickening, Merrill Crowe zinc precipitation, sulfur dioxide cyanide neutralization, conventional pulp tailings disposal and conventional silver and gold doré bar production from melting of the Merrill Crowe precipitate. The nominal treatment rate at design capacity will be 2,000 tonnes per day of ore on a 24-hour per day schedule and this design capacity rate was achieved early in 2009.

Metallurgy

Process testing of ore from the deposits have validated the proposed treatment method and determined key processing parameters. Representative drill core samples from 76 drillholes were used in metallurgical testing of the ore bodies. A limited amount of grindability tests were completed on near surface trench samples. Gravity separation and cyanidation testing performed by Lakefield Research of Lakefield, Ontario produced data, which was used as the basis for the metallurgical performance target of a commercial operation. Final flowsheet development and optimization testing was conducted on six individual samples and four composites: Karina-Unión and Maria Global, Melissa and Concepción.

Independent third parties have been involved with various aspects of the project metallurgical evaluations.

Testwork was completed to evaluate several processing methods. Testwork included in this review includes 46 gravity separation tests and 127 bottle roll cyanidation tests. Of the 127 bottle roll tests, 55 were completed on whole ore samples, 32 on gravity concentrate samples, and 40 on gravity tails samples. This testing adequately characterizes the metallurgical variability of the deposits. The test data was arranged by ore deposit (Maria, Karina-Unión, Melissa, and Concepción).

Based on the results of the test work, optimum expected recoveries were 93.6% for silver and 94.2% for gold whereas during 2009, the actual recoveries were 87.6% for silver and 94.6% for gold. The lower actual silver recoveries were the result of mechanical and wear problems in the gravity circuit that are expected to be resolved in 2010, silver recoveries are expected to average at least 89% during 2010.

Health and Safety

A formal safety audit was conducted in December 2008 at the Manatial Espejo mine by the Company's Director of Health and Safety and safety managers from some of Pan American's other mines. By the end of 2009, the mine had resolved 97% of the issues that were reported during that audit. During 2009, personnel employed at the mine attended 4,785 hours of safety training.

Environment

An environmental impact assessment ("EIA") for the project as required under the laws of the Province of Santa Cruz and the Argentine Republic was performed. The EIA includes all the items required under Argentine legislation, including a detailed report of the base line and the consulting steps taken with regard to the community and the authorities. The EIA performed for the project has not identified any severe environmental impact that could compromise its feasibility from the environmental viewpoint.

The identified environmental impacts set out in the EIA are in almost all cases low to moderate and can be reasonably mitigated by the Environmental Care and Management Plan attached to the project. The balance between the unwanted effects that could arise by implementing the project, against the local benefits that would be obtained, is favourable to the performance of the project.

The EIA, mine design, tailing design, utility company interface, and water development studies were completed and the EIA was submitted to the Provincial Government in Argentina in November 2005 for its review. In March 2006, Pan American obtained clearance from the Province of Santa Cruz, Argentina, for the EIA. In addition, Pan American entered into an agreement with the Federal Government of Argentina and the Province of Santa Cruz to bring grid electrical power to the town of Gobernador Gregores with a subconnection to Manantial Espejo.

No reclamation bond is currently required for mining operations in Argentina. A preliminary reclamation plan was developed for the project and included in the EIS submitted to the Argentine Government during 2006. This plan will be updated as required.

MTA has been granted all of the requisite environmental permits necessary to proceed with development of the property. At the end of 2008, the Manantial Espejo mine began production and in accordance with Argentine law and permit requirements, MTA communicated the start of operation to the authorities and initiated the corresponding operational environmental monitoring.

Pan American has estimated the present value of reclamation costs for the Manantial Espejo mine to be approximately $6.7 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Marketing Sales

Production from the Manantial Espejo mine is in the form of doré bars, which are refined at arm's length refineries prior to the sale of refined silver and gold to bullion bankers and traders. Pan American has entered into multi-year refining contracts with refiners in Europe.

During 2009, the revenue produced by the Manantial Espejo mine was as follows:

	Revenue[1]	**Quantity**
Silver and Gold in Doré	$103.2 million	3,294,409 Ounces of Silver 61,816 Ounces of Gold

[1] Consists of sales to arm's length customers.

To date, Pan American has not had any difficulty in securing contracts for the sale of Manantial Espejo doré, however, there can be no certainty that it will always be able to do so or what terms will be available at the time.

Please see “Risks Related to Pan American’s Business – Smelter Supply Arrangements” and “Risks Related to Pan American’s Business – Trading Activities and Credit Risk”.

D. Bolivia

(i) San Vicente

Ownership and Property Description

The Company has a 95% interest in PASB, a Bolivian company that owns a 50% joint venture interest in, and is the operator of, the San Vicente project. The remaining interest in the joint venture project is held by Corporación Minera de Bolivia (“COMIBOL”), the Bolivian state mining company.

In 2007, the Company purchased a 40% interest in the project from Empresa Minera Unificada S.A. (“EMUSA”), increasing the Company’s share of ownership from 55% to the current 95%. The remaining 5% of PASB is owned by Trafigura Baheer B.V. (“Trafigura”) (which is described in more detail under “San Vicente - History”).

The project consists of 15 concessions, totaling 8,159 hectares. PASB has continually complied with the joint venture agreement (and various addendums thereto), and as a result the project and the concessions are in good standing. All mining property concessions of the San Vicente mine are in the name of COMIBOL, and PASB is contractually responsible for paying the yearly mining tenure tax. These payments are currently up to date.

Certain statements in the following summary of the San Vicente mine are based on and, in some cases, extracted directly from the San Vicente Report.

Location, Access, Climate and Infrastructure

The San Vicente silver-zinc mine is located at latitude 21°-16´south and longitude 66°-19´west in the southern end of Bolivia in the Province of Sud-Chichas, Department of Potosí. The property is in the Andean High Plateau (Altiplano) at approximately 4,400 metres above sea level with semi-arid climatic conditions. The land is sterile and rugged.

San Vicente is located 460 kilometres south of the city of Oruro and 300 kilometres west of Tarija. The property is accessible by dirt road 100 kilometres west of the town of Tupiza and 150 kilometres south of Uyuni. Tupiza is connected to the rail system which serves Bolivia and connects with the ports of Arica and Antofagasta in Chile. Zinc concentrates are loaded to rail cars in Tupiza and transported by rail to Antofagasta, and the silver concentrates are trucked to Arica, Chile.

The terrain is rough with sparse vegetation. Daytime temperatures range from 4° Celsius in June and July to 14° Celsius in December and January. The winter months are May to September and nightly temperature are frequently below zero with extremes of minus 15° Celsius. The rainy season is from December through February. Average annual rainfall is 190 millimetres. Rain is very uncommon from May to September as rainfall occurs mainly in the summer months, with up to 20 millimetres per day. With the exception of the miners employed at the San Vicente Mine, there are very few other inhabitants in the area.

Currently there is a sufficient local source of mining personnel and related infrastructure.

Royalties and Encumbrances

Pursuant to an option agreement entered into with COMIBOL (which is described in more detail under "San Vicente - History") with respect to the development of the San Vicente property, PASB is obligated to pay COMIBOL a participation fee of 37.5% (the "Participation Fee") of the operations cash flow from certain small scale mining and toll milling operations. Once full commercial production of San Vicente begins, after development of new milling facilities, tailings dams and other civil works, the Participation Fee will be reduced by 75% until PASB recovers its investment in the property. Thereafter, the Participation Fee will revert back to its original percentage. In 2009, PASB paid $4.9 million in royalties to COMIBOL.

A royalty is also payable to EMUSA, a former partner of PASB on the project. The royalty is a 2% net smelter royalty payable only after Pan American has recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater.

In December 2007, the Bolivian government introduced a new mining royalty that will affect the San Vicente project. The royalty is applied to gross metal value of sales (before smelting and refining deductions) and the royalty percentage is a sliding scale depending on metal prices. At current metal prices, the royalty is 6% for silver metal value and 5% for zinc and copper metal value of sales. The royalty is income tax deductible; however, it is not creditable. The new royalty law was passed in the Bolivian congress and the tax ruling was issued.

Taxation

The principal tax of Bolivia affecting PASB is a 25% income tax payable based on annual accounting profits of the company. Accumulated losses can be deducted against this income tax without any time restrictions. Starting in 2008, a mining surtax of 12.5% on the annual income of mining companies has been implemented. The necessary regulation for this mining surtax was approved in late 2009, resulting in a tax provision of $1.0 million for the Company.

Regarding the previous Complementary Mining Tax, which had a tax levy of 1% to 6% based on gross metal value of minerals, this tax has been transformed into a royalty with similar tax levy percentage but now is not creditable against the corporate income tax when the international metal prices are above a certain price level (for example, $5.50 per ounce of silver), but is deductible for income tax purposes.

During 2007 and early 2008, two significant tax exemptions were granted to PASB. First, a VAT and GAC tax exemption on certain operating materials and supplies was granted in 2007. In 2008, under Regulation 877, the project was granted a VAT exemption on most imported equipment and duties associated with the importation of this equipment.

VAT on other project-related costs will be required to be paid; however, it is expected that these taxes will be recovered.

There are no other significant taxes affecting PASB.

History

There has been sporadic mining activity in the area since colonial times. Initial exploitation was the mining of oxidized silver from exposed veins. The first written records of mining activity were in 1820, when the area was named the Guernica Mine. Several different owners operated the mine from 1911 through 1950. From 1950 until 1952, the mine was operated by the Aramayo Mining Company. In 1952, the Bolivian government nationalized the mine and placed it under the control of COMIBOL.

Following the discovery of new silver and zinc veins in the late sixties, COMIBOL constructed the Vetillas concentrating plant in 1972 with a capacity of 400 tonnes per day. Only one product, a zinc concentrate rich in silver, was produced. Mine infrastructure at the site included an underground mine, Vetillas flotation mill, power and water supplies, and worker housing.

The mine was operated by COMIBOL until 1993, at which time mining was suspended pending the privatization of mining in Bolivia. In 1995, the San Vicente mine was offered as part of a joint-venture contract by COMIBOL. On June 21, 1999, the Company signed a joint-venture agreement (Contrato de Riesgo Compartido) with COMIBOL. At that time, PASB was a 100% subsidiary of the Company. The mine was maintained by COMIBOL until the joint venture contract was signed.

In late 2001, PASB and COMIBOL entered into a two-year toll mining agreement with EMUSA to process up to 250 tonnes of San Vicente's ore per day at EMUSA's nearby Chilcobija mill. In late 2005, PASB and COMIBOL entered into an additional seven month toll mining agreement with EMUSA to process up to 250 tonnes of San Vicente's ore per day at EMUSA's nearby Chilcobija mill. This toll mining agreement was renewed in 2006 (for a total of 150,000 tonnes of ore), and again in January 2008 (for an additional 100,000 tonnes of ore). The 100,000 tonne program was completed in January 2009.

In 2003, PASB entered into a share purchase agreement with EMUSA, whereby EMUSA could acquire up to 49% of the outstanding shares of PASB. This agreement required EMUSA to fund feasibility and development related expenses to an aggregate of $2.5 million by May 1, 2005. By year end 2004, EMUSA had invested $2.34 million of the $2.5 million required to vest as a 49% owner of PASB, and EMUSA indicated it intended to proceed with the remaining investment to acquire a 49% interest.

In the fourth quarter of 2005, the Company negotiated a shareholders' agreement with EMUSA and Trafigura (a minority stakeholder of EMUSA), which agreement contemplated an increase in Pan American's share holding in PASB from 50% to 55%. Pursuant to this shareholders' agreement, which was signed in January 2006, EMUSA would hold 40% of the shares of PASB and Trafigura would hold the remaining 5%.

In July 2006, PASB and COMIBOL renegotiated the terms of the main joint venture contract, changing COMIBOL's participation fee to a fixed percentage participation fee of 37.5% of the operating cash flow subject to certain deductions in respect of development costs. The contract has a 30 year term. The original contract stated that for PASB to maintain its participation in the contract it should invest a minimum of $20 million dollars in the San Vicente project. Pursuant to an amendment to the contract signed in June 2006, PASB committed to build a new mill, tailings dam and other civil works at San Vicente during an 18 month time period with a minimum additional investment of $23 million. In addition, PASB committed to present a report on the engineering advance. In Jan uary 2007, the report was presented by PASB and was reviewed by COMIBOL. COMIBOL officially approved the report in a Board Meeting on July 9, 2007 and the 18 month construction period commenced on June 10, 2007.

In 2007, the Company purchased EMUSA's 40% interest in the project, increasing Pan American's share ownership from 55% to the current 95%. The remaining 5% of PASB continues to be owned by Trafigura.

During 2008, the Company substantially advanced construction of a new 750 tpd selective flotation plant and infrastructure as well as continued mining and toll treating ores under an agreement with COMIBOL.

The San Vicente expansion was 92% complete by the end of 2008. During 2009, the Company completed the construction of the flotation plant and the expansion of the mine and announced the commencement of commercial production at the end of the first quarter. Higher than expected grades contribute to attributable production of 2,626,774 ounces of silver and 2,803 tonnes of zinc during 2009.

Geology and Mineralization

San Vicente is a polymetallic vein deposit, located 2.5 kilometres west of a prominent thrust fault. This north-south striking San Vicente fault forms the eastern limit of the intermountain Bolivian Altiplano basin. Mineralization at the mine site is hosted by conglomerates of Late Oligocene age. The clastic sediments are overthrusted by an Ordovician turbidite sequence, outcropping on the east side of the mine. Igneous activity at the site is represented by intermediate to acid volcanism related to a volcanic complex of mid-Miocene age.

The regional sedimentary sequence consists of a basement of Paleozoic marine siliciclastic sediments. This sequence was folded and later unconformably overlain by non-continuous cretaceous continental sediments, and a thick sequence of Tertiary continental clastic sediments (Potoco and San Vicente formations). Sedimentation in the Tertiary basin was controlled during the Upper Oligocene and Lower Miocene by thrust faults to the east and west and contains various thin volcanic flows with an intermediate composition. A sequence of felsic volcanics forms the top of the Tertiary basin in the southern part.

An important lithology in the project area is the fanglomerates of the San Vicente formation which are in contact with Ordovician shales along the strike of the San Vicente fault. The fanglomerate consists of poorly sorted conglomerate with sub angular fragments of Palaeozoic sediments cross cut by younger quartz veins. The matrix is red in colour and consists of iron bearing sandstone.

Mineralization is related to hydrothermal systems associated to repeated calc-alkaline intrusions and their extrusive products forming vein type and disseminated polymetallic deposits.

The structural environment of the mine area consists of a series of pre-mineral faults dipping 50-80 degrees and striking west-northwest. Mineralization in the district is known to cover an area of three by four kilometres to a depth of 300 metres. It consists of replacement veins filling pre-existing faults, brecciated conglomerates in the San Vicente fault and mineralization in dacitic dykes.

Exploration, Drilling, Sampling and Analysis

The PASB exploration program began in 1999 following the execution of the joint venture agreement with COMIBOL. The work started with mapping and sampling the surface and was followed by the construction of drill access roads and platforms. A total of 21 holes (3,831 metres) were drilled from surface using HQ core and a further eight holes (405 metres) from inside the mine using NQ core. These holes targeted the old stoping areas, continuations of the principal veins along strike and at depth, and other veins to the northeast and south of the mine. Since the start of the exploration program, a total of 109 diamond core holes have been drilled, with 2,575 vein intercepts sampled with varying lengths from 0.2 metres to 7.14 metres.

In addition to the diamond drilling, a sampling program was started in the mine. An initial 41 channel samples were taken in four of the principal structures (6 de Agosto, Adela, Litoral and Unión). The results of the surface drilling showed wider intersections than had previously been mined underground and so the channel samples were unable to explore the full width of each vein. After this realization, mining work was undertaken to develop small cross section cross cuts (1.5 metres by 2.0 metres) at a maximum of 75 metres apart along strike in the four veins on levels 0, -30, -70 and -110 in order to explore the full economic width of each vein. Some 5,807 channel samples were taken by COMIBOL and 4,371 of these channel samples taken by COMIBOL remain in the database. The remainder have been excluded due to uncertainties o ver their location or replaced by PASB samples. A further 2,223 channel samples taken by PASB are included in the database. Some of the PASB channel samples replace the COMIBOL channel samples where the vein width is actually greater than was initially thought by COMIBOL.

Exploration activities continued in 2004 with 13,919 metres of surface and underground diamond drilling, 2,983 metres of underground development and resampling of historical reserve blocks for purposes of resource definition and exploration. Mine development and production to supply the Chilcobija mill continued in 2005, 2006 and 2007 and provided additional channel sample data for the resource database.

Exploration drilling restarted at the end of 2009 with surface diamond drilling and will continue during 2010 targeting the vertical and lateral extensions of the main mineralised structures.

Mineral Reserves

Pan American's management estimates that proven and probable mineral reserves at the San Vicente mine, as at December 31, 2009, are as follows:

San Vicente Mineral Reserves[1,2,3]

Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Zn (%)
Proven	1,630	423	2.35
Probable	743	323	2.13
TOTAL	2,373	392	2.28

1 Calculated using a price of $13.00 per ounce of silver and $1,600 per tonne of zinc. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".
2 Mineral reserve estimates for the San Vicente mine were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.
3 Tonnes are shown for 100% of the San Vicente property. Pan American has a 95% interest in PASB.

Mineral Resources

Pan American's management estimates that the measured and indicated mineral resources at the San Vicente mine, as at December 31, 2009, are as follows:

San Vicente Mineral Resource Estimate [1,2,3,4]

Class Reserve Category	Tonnes (000's)	Grams of Silver per tonne	Zn (%)
Measured	1,103	156	2.25
Indicated	599	187	1.81
Inferred	540	302	3.61

1 These resources are in addition to San Vicente mineral reserves.
2 Calculated using a price of $13.00 per ounce of silver and $1,600 per tonne of zinc. See also information in this Annual Information Form under the heading "Mineral Reserve and Mineral Resource Estimate Information".
3 Mineral resource estimates for San Vicente were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., who is a Qualified Person as that term is defined in NI 43-101.
4 Tonnes are shown for 100% of the San Vicente property. Pan American has a 95% interest in PASB.

Feasibility Study and Capital Expenditures

Pan American completed and submitted a feasibility study on the San Vicente mine to COMIBOL in mid-January 2006. The objective of the feasibility study was to identify the optimal configuration to mine and process ore from the San Vicente mine. The feasibility study includes ore reserve calculations, proposed mining methods and rates, milling options, infrastructure requirements, capital and economic estimates, as well as socioeconomic and environmental analyses.

In late 2006, PASB completed an updated feasibility study that projected the costs of the project to be $40.5 million. Pan American revised the estimate in early 2008 to approximately $65.0 million, net of non-recoverable taxes.

As at March 31, 2009, the San Vicente mine expansion project was considered completed. Capital expenditures in 2009 totalled approximately $19.0 million, bringing the total project cost as at the end of March 31, 2009 to approximately $72.0 million excluding recoverable VAT taxes.

Mining

The existing mine was designed and built to extract steeply dipping narrow veins using conventional shrinkage stoping. Levels were established at 30 to 40 metre intervals and includes the +70, +35, 0, -30, -70, and -110 levels. For reference, the 0 level is at an elevation of 4,439 metres above sea level. The main accesses to the mine are via the San Jose adit at the 0 level and the San Juan adit on the -30 level. Track drift dimensions in the majority of the mine are 2.4 by 2.3 metres and therefore mine cars and locomotives are restricted to 40 cubic feet and six tonnes, respectively.

The discovery by diamond drilling of the extension of the Litoral zone has provided a wide and high grade addition to the mine resource base. PASB determined that a significant portion of the reserve was amenable to lower cost longhole mining, warranting the introduction of longhole mining methods. Longhole mining will allow a reduction in mine operating costs and a higher mining recovery of the wider ore zones than could be achieved through shrinkage mining. Going forward, the San Vicente mine will utilize underground mining methods consisting of a combination of shrinkage stoping (continuing with track equipment with ore hoisting through the Pelayo shaft) and longhole mining (mechanized equipment with ore extracted utilizing a ramp to surface). A haulage and services ramp from surface has commen ced development in order to develop and extract the mineral slated for longhole mining. As of December 31, 2008, the ramp had been completed to the -230 level which is the current bottom of the Litoral zone. Longhole mining operations have now been successfully started.

A used hoist was purchased for the Pelayo shaft, and refurbishment of the hoist and replacement of the hoist electrics was conducted in Canada in 2007. The replacement hoist is currently at the mine on stand by pending further evaluation of the ability of the existing hoist to continue to operate.

All of the mobile mining equipment necessary for the introduction of mechanized longhold mining has been purchased and is on site. The equipment suppliers and a mining contractor from Peru have been retained to provide safety and operational training on the equipment to the mine workforce.

PASB has conducted several small scale mining programs with ore being treated under toll milling arrangements at the Chilcobija mill. These programs, conducted under addendums to the original joint-venture contract signed in 1999, have more than offset the project's holding costs. COMIBOL receives benefit from the programs by way of royalties paid on net cash flow generated.

During 2003, a total of 108,809 tonnes of ore were processed under the agreement at an average mill feed grade of 400 g/t silver and 3.45% zinc.

From July 2005 through February 2006, a total of 48,422 tonnes of ore were mined and 25,427 of ore grading 307 g/t silver and 3.97% zinc were tolled. 212,270 ounces of silver and 2,151 tonnes of zinc concentrate were produced (calculated on a 100% basis). 22,995 tonnes of ore were stockpiled at the San Vicente mine.

A 150,000 tonne toll program commenced in August 2006 and was completed in November 2007. A total of 152,303 tonnes grading 296 g/t silver and 2.67% zinc respectively were processed at Chilcobija as of the completion of the program.

Production for the calendar year 2007 totaled 114,645 tonnes processed of silver and zinc grades of 307 g/t and 2.85%, respectively. Production on a 100% basis was 740,541 ounces of silver and 2,224 tonnes of zinc.

Production for 2008 totalled 98,517 tonnes of ore processed, grading 348 g/t silver and 2.72% zinc.

Production for 2009 totalled 175,795 tonnes of ore processed, grading 537 g/t silver and 2.26% zinc.

Milling

The Vetillas processing plant was constructed by COMIBOL in the early 1970s. The plant and mine were designed for the extraction and treatment of 400 tonnes of ore per day. COMIBOL operated the San Vicente mine and Vetillas plant until 1993, at which time mining was suspended pending the privatization of the mine. Since 1993, the Vetillas Mill has received no maintenance and has not been in operation.

In 2007, PASB entered into a 100,000 tonne toll milling agreement with EMUSA in order to process ore at EMUSA's Chilcobija facility in 2008.

In 2009, 5,813 tonnes were milled at Chilcobija under the old agreement.

In 2007, detailed engineering on the new processing plant was performed, and construction of the facility commenced. Orders for processing equipment were placed. The construction of the plant continued throughout 2008 and at the end of the year, construction was approximately 92% complete. Following commissioning, start-up began in March 2009 and commercial production was declared in April 2009.

The 750 tpd plant uses a standard flotation process to produce two concentrates: a zinc-silver concentrate and a copper-silver concentrate. On a daily basis, approximately 40 tonnes of zinc concentrate and 10 tonnes of copper concentrate are produced. The majority of the silver is in the copper concentrate.

Ore from the mine passes through a jaw crusher at the plant, and then is fed into a SAG mil – ball mill grinding circuit. Following the concentration process in the flotation circuit, the concentrates are thickened and dewatered in filter presses process prior to shipping.

Water is recycled from both the tailings thickener overflow and the tailings area. Lock-cycle tests performed in 2007 indicated that this water recycle should not adversely affect the plant recovery. In order to supply the make-up water needs for the plant, as well as for the San Vicente community and the camp, a new water line has been installed from the Angosta Mica water source, approximately 18 kilometres from the plant site. The water pumps required to make this operative were installed in early 2009.

A tailings impoundment area was constructed in 2008 approximately 1.5 kilometres distant from the concentrator. The initial dam height will be sufficient for approximately two full years of operation, following which subsequent dam lifts will be necessary.

In 2009, 169,983 tonnes of ore were milled at the new plant at San Vincente.

A new power transmission line approximately 20 kilometres in length has been constructed from the main grid line at Portugalete to supply sufficient power for the plant, as well as the mining operations. The plant sub-station has been installed and the remaining sub-stations were completed during the first half of 2009**.**

Community

As part of the plant construction and mine expansion project, upgrades to the existing San Vicente community were also necessary. The community is essentially a COMIBOL owned facility. Pan American constructed 10 new houses for employees and their families as well as repaired some of the existing housing in the community. The local school has been expanded with the addition of new classrooms and a laboratory facility, and new domestic water and sewer services were installed throughout the community. PASB will continue to maintain a close relationship with the community during the operation of the plant and the mine.

Environment, Health and Safety

In 2002, in order to conduct small-scale mining and pilot toll milling operations PASB was required to obtain an environmental license by means of the acquisition of a Ficha Ambiental ("FA") and an EIA from the Bolivian Ministry of Environment. This license was valid for a period of up to four years and pertained to the extraction and treatment of up to 334 tonnes of ore per day. In February 2005, PASB filed applications with the Ministry of Environment in order to update the environmental license to allow for an increase in the permitted volume of ore that could be mined and toll milled at the Chilcobija mill. In June 2005, the environmental license was upgraded to allow the mining and processing of 600 tonnes per day.

Compliance with the environmental license requires bi-monthly monitoring of water, soil and air quality in the San Vicente sector and quarterly monitoring of water, soil and air quality in the Vetillas sector.

In compliance with the Environmental Regulation for Mining Activities, PASB commissioned MINCO SRL, a Bolivian consulting firm, to conduct a base line environmental audit ("ALBA") of the San Vicente mine, as well as other environmental studies in satisfaction of Bolivian laws and regulations. The ALBA sets out the present situation of the environment at the project and identifies environmental liabilities regarding pre-existing waste rock dumps and the environmental impact on soil, water, vegetation and solid residues caused by previous mining activities conducted on the property.

The most significant environmental issues currently associated with the San Vicente mine are related to the waste dumps, the need to pump low pH water from the mine, the permanent drainage from the Pelayo waste rock dump that runs into the San Vicente river and water discharge from the San Juan and San Francisco adits. PASB has constructed and put into operation an active chemical treatment system with an alkali material to improve the water quality and comply with its environmental permits.

In order to remediate environmental hazards or concerns caused by previous owners of the San Vicente mine, PASB has focused on the recommendations of MINCO outlined in the EIA, together with the complementary studies of Health and Industrial Safety, the Handling of Solid Residues procedures, the Closure and Rehabilitation Plan and the Contingency Plan. As per the joint venture agreement between COMIBOL and PASB, the equipment, facilities and infrastructure become the property and responsibility of COMIBOL upon the cessation of operations.

Construction of the new processing plant, tailings facility and ancillary facilities at San Vicente required another update to the environmental licence. To this end, PASB presented the FA in 2007 and was advised by the Bolivian authorities that a comprehensive EIA would be required for the proposed projects due to the scope and nature of the proposed changes to the operations. After a public consultation period, PASB submitted a comprehensive EIA in December 2007. Review of the EIA was initiated by the Bolivian authorities and the environmental license was granted for the San Vicente mine in May 2008.

Pan American has estimated the present value of reclamation costs for the San Vicente property to be approximately $3.1 million at December 31, 2009. The Company has not accrued any amounts for any prior existing environmental liabilities. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Marketing

The San Vicente mine produces zinc-silver and copper-silver concentrates. Contracts are currently in place for these concentrates until the end of 2010 with a concentrate trading company. Both the zinc-silver and the copper-silver concentrates are taken by truck and rail to the port of Antofagasta in Chile for shipment.

	Revenue[1]	**Quantity**
Zinc Concentrate	$6.8 million	5,523 tonnes
Copper Concentrate	$29.8 million	2,716 tonnes

[1] Consists of sales to arm's length customers.

To date, Pan American has not had any difficulty in securing contracts for the sale of the San Vicente concentrates, however, there can be no certainty it will always be able to do so or what terms will be available at the time.

Please see "Risks Related to Pan American's Business – Smelter Supply Arrangements" and "Risks Related to Pan American's Business – Trading Activities and Credit Risk".

II. Development Properties

(i) Navidad Property

As a result of the Company's acquisition of Aquiline in January 2010, Pan American obtained the rights to the Navidad property. Certain statements in the following summary of the Navidad property are based on and, in some cases, extracted directly from the Navidad Report.

Property Description and Location

The Navidad property is located in Gastre Department in the Province of Chubut, southern Argentina, at approximately 42°24'54"S and 68°49'12"W.

The Navidad property is flanked by the communities of Gastre to the northwest, Gan Gan to the east and Blancuntre and Lagunita Salada to the southwest. Blancuntre is the closest recognised indigenous community to the Navidad property.

Land tenure

The Navidad property is divided into four property claims (registration numbers 14340/04, 14341/04, 14902/06, and 14903/06), each of which is an MD (as defined below) 2,500 hectares in area. Approximately 120,000 hectares of additional mineral rights are held or have been applied for in the name of Minera Argenta S. A. and Minera Aquiline Argentina S.A. in the Province for exploration in connection with the Navidad property.

In Argentina, exploration concessions are not physically surveyed or staked in the field, but are electronically filed using the Gauss Kruger coordinate system, zone (faja) 2, relative to the WGS 84 datum. There are three levels of mineral rights (which do not include surface rights):

- Cateo – an exploration permit granting any mineral discoveries on the cateo to the applicant. Cateos are measured in units of 500 hectares, with a minimum of one unit (500 hectares) and a maximum of 20 units (10,000 hectares) granted to any holder. Cateo units must be reduced over time relative to the number of units held; the maximum duration for any granted cateo is three years. The holder may conduct prospecting, mapping, sampling, geophysical surveys, drilling and trenching after notifying the mining office of the exploration plan.

- Manifestacion de Discumbrimiento ("MD") – once mineralisation is discovered on a cateo, the cateo lease expires and the permit is upgraded to an MD. The maximum area of an MD is 7,000 hectares. A basic environmental impact assessment, a physical survey, and boundary markers are required at this stage.

- Pertenencia – a lease allowing mining. A physical survey and boundary markers are required.

Pan American's tenements are subject to Argentinean law and policy, which may in the future result in surrender of certain of its tenements outright and/or the reduction in area of its holdings.

Agreements and encumbrances

Silver Wheaton Corp., through its subsidiary, Silverstone Resources (Barbados) Corp., has rights to 12.5% of the eventual silver produced at the Loma de La Plata deposit under a “silver stream” agreement. The Navidad property is not subject to any other royalties, back-in rights, payments, encumbrances or similar agreements.

Environmental liabilities

The Province holds the Navidad property administrator responsible for any potential environmental damage liabilities that may arise.

Environmental and social baseline studies are in the process of being completed for the Navidad property. The bulk of baseline work done to date has been contracted to local Argentine consultants working under the supervision of international firms including Water Management Consultants (WMC)/Schlumberger Water Services, Ground Water International, On Common Ground Consultants Inc., and Klohn Crippen Berger Ltd. An international consultant that will finalise the baseline work and prepare the future Environmental Impact Assessment (“EIA”) for the Navidad property is currently being selected.

Permits

Drilling at the Navidad property requires a separate permit for each affected tenement valid for one year, subject to the approval of an Environmental Impact Statement (“EIS”). An EIS is required to be submitted which covers the impacts and mitigation/monitoring procedures for the exploration activities, in order to obtain environmental permits. The level of the exploration activity dictates the level of study required.

The Navidad property is in an advanced exploration stage involving drilling and trenching activities. The most recent EIS update was submitted in 2008 and was approved in January 2010. Until this EIS update was approved, the Navidad property operated under the existing valid permit which was modified in 2008. As a result of the EIS approval, a new drilling permit was issued for a one year period and this new permit allows for the operation of up to eight drill rigs. Rehabilitation of the drilling platforms and impacted areas is carried out throughout the year.

Water rights are treated separately from environmental permits. Two extraction wells have been permitted for use in exploration activities.

Depending on overall timing of the development of the Navidad property, an Environmental and Social Impact Assessment report for the Navidad property is expected to be completed and presented to the provincial Chubut government in 2010. While the government has publicly indicated its support for the Navidad property proceeding, the status of a provincial law banning open pit mining would need to be clarified before permits for mining can be obtained.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The nearest towns to the Navidad property are Gastre, with a population of about 500, 40 kilometres to the northwest, and Gan Gan, with a population of about 600, about 40 kilometres to the east. Both towns are located on Provincial Route 4, a gravel highway that passes just north of the Navidad property. Offices, accommodation, and facilities for core storage and logging have been established in Gastre and to a lesser degree in Gan Gan. The Navidad property is accessible year round except in very wet conditions.

Daily scheduled flights are available to the city of San Carlos de Bariloche, a tourism centre with a population of approximately 100,000, located about 355 kilometres by road to the northwest. Daily flights are also available to Trelew, located about 390 kilometres by road to the southeast near the coast, with a population of approximately 90,000. The nearest airport, which has regularly scheduled flights, is located in Esquel, about four hours drive to the southwest by gravel road. The provincial capital of Rawson, located 20 kilometres east of Trelew, has a population of approximately 23,000. An office has been established from which to advance the technical

studies of the Navidad property in Trelew. Offices are also maintained in Buenos Aires and in the regional centre of Ingeniero Jacobacci, which has a population of approximately 8,000, located two hour's drive to the north of Gastre.

Climate

The climate is semi-arid with average annual temperatures ranging from 1°C to 20°C. High winds frequently occur from October through December, but may also occur throughout the year. Annual precipitation averages between five millimetres to ten millimetres per month, but during the winter months from May to August, higher accumulations ranging from 15 millimetres to 20 millimetres may occur as either rain or snow. Field activities run throughout the year and are not curtailed by weather conditions.

Infrastructure and local resources

The base of operation for the Navidad property is in Gastre. Facilities include offices, modular living facilities, and core-storage warehouses. Communications are provided by land line telephone service, national mobile phone operator, and a satellite internet dish. The modular living facilities provide lodging and meals for up to 20 people. The warehouses include three drill core storage sheds, a logging and sampling shed, metal shop, vehicle workshop, and a regional exploration office. In the logging shed there are four diamond saws used to cut drill core.

In Gan Gan, two core storage facilities have been built as well as an office on land purchased on the western edge of town in 2007. The office serves as a base of operation for social and community relations personnel, while the warehouses contain older drill core from the Navidad property.

On the Navidad property, a small camp facility has been installed with electrical power provided by several small generators. Communication is provided by a satellite internet uplink. Other infrastructure on site includes storage areas for drill supplies. There are two water bores authorised by the Chubut Province Hydrology Department to pump water for use with diamond drilling. Water pumping is accomplished by one of two company owned water pumps. To provide access for drilling, a total of 26 kilometres of access roads have been constructed on the Navidad property.

During 2008, the drilling contractor, Boart Longyear, installed a transportable 60-person camp in the Yanquetru Valley, on owned land to the south of the Navidad property. A water tank and sewerage facilities have been installed in support of the camp.

Land Access

Access to land for drilling and other exploration activities is allowed through outright surface ownership as well as through a series of easement contracts with the remaining surface owners. Land acquisition activities continue in order to facilitate unimpeded land access to the Navidad property through land swap deals and direct land purchases.

Physiography

The Property is located in the Patagonian Plateau region with steppe vegetation characterised by low and compact bushes of grass and by stocky shrubs of less than a metre high. Elevation ranges from 1,060 metres to 1,460 metres with gentle topographic relief interrupted by local structurally controlled ridges.

History

The first exploration programme that included the Navidad property area consisted of a preliminary regional geochemical sampling programme conducted by Normandy Argentina ("Normandy") in mid 2000 to locate additional deposits to supplement those known at its Calcatreu property, a gold and silver deposit located approximately 80 kilometres from the Navidad property. The programme consisted of 1,200 bulk leach extractable

gold (“BLEG”) stream sediment samples taken from drainage systems overlying Jurassic volcanic rocks in Chubut Province in the general vicinity of Calcatreu, Mina Angela, Gastre, Lagunita Salada, Gan Gan, and other areas. This programme took place on what was then considered open exploration ground, and resulted in the identification by Normandy of various anomalies, including the Flamingo Prospect and Sacanana, which is today known as the Navidad property.

In January and February 2002, Newmont Mining Inc. (“Newmont”) purchased Normandy’s worldwide mining interests, and in March 2002, Newmont decided to sell all of its interests in Argentina. In September 2002, IMA Exploration Inc. (“IMA”) signed a confidentiality agreement (“Confidentiality Agreement”) in order to obtain an information brochure and technical data related to Newmont's Argentinean interests, which included its Calcatreu property. In December 2002, IMA applied for a cateo over the area formerly known as Sacanana and now known as the Navidad property, utilising and relying upon the Normandy BLEG data (known as BLEG A), and began undertaking a regional exploration programme over the Navidad property, including regional mapping and sampling. From December 2002 to July 2006, IMA c onducted diamond drilling, geochemical sampling, geophysical exploration, and mineral resource estimates at the Navidad property.

In January 2003, Aquiline entered into an agreement with Newmont, which was completed in July 2003, to purchase all of the shares of Normandy and Newmont’s 100% interest in Calcatreu, and acquired all of Newmont’s assets including the BLEG A data. In May 2003, Aquiline reviewed the BLEG A data and found that the ground covered by the BLEG A data had already been claimed by IMA. After failure to receive a credible response from IMA as to how they could otherwise have made a legitimate discovery at the Navidad property without having breached the terms of the Confidentiality Agreement, Aquiline went on to file suit in the Supreme Court of British Columbia in March 2004.

The Supreme Court of British Columbia awarded ownership of the Navidad property to Aquiline on July 14, 2006 following a court case where IMA was found to have breached the Confidentiality Agreement. IMA subsequently appealed to the Court of Appeal for British Columbia, but lost the appeal by unanimous decision in June 2007. An Application for Leave to Appeal to the Supreme Court of Canada was filed by IMA in September 2007. Sole ownership rights were granted to Aquiline by the Supreme Court of Canada on December 20, 2007, subject to Aquiline making payment to IMA in reimbursement for its accrued exploration expenditures up to the July 2006 court decision. Aquiline’s final payment to IMA was made on February 8, 2008, giving Aquiline full ownership of the Navidad property.

Since October 2006, Aquiline has undertaken diamond drilling, geophysical and geochemical exploration, metallurgical test work, resource estimates and a preliminary economic assessment for the Loma de La Plata deposit.

Geological Setting

Regional geology

The Navidad property is located on the southwest edge of the Northern Patagonia Massif in southern Argentina. This boundary of the massif is coincident with the “Gastre Fault System”. This mega-structural feature is now believed to be the result of continental-scale northeast to southwest extension that produced through down-faulting a series of northwest to southeast trending half grabens and tectonic basins.

Granitoid rocks of the basement in northern Chubut Province belong to the Palaeozoic age Mamil Choique and Lipetren formations. Locally these rocks are exposed at surface in windows through the overlying Mesozoic age volcanic and sedimentary rocks. At the Navidad property, the Mesozoic sequence consists of the Lonco Trapial Formation and overlying Cañadón Asfalto Formation. The latter of these formations hosts the Navidad mineralisation.

The Province was tectonically active during the Jurassic with abundant evidence of syn-sedimentary faulting observed in the Cañadón Asfalto Formation. Continued post-sediment tectonic activity resulted in the faulting, tilting, and local folding of the Lonco Trapial and Cañadón Asfalto formation stratigraphies. This resulted in the formation of a series of northwest trending half and full horsts and grabens.

Overlying these tilted Jurassic age volcanics and sediments are the generally flat lying sediments and pyroclastic rocks of the Cretaceous age Chubut Group Formation. To the east and south these are covered by Tertiary age plateau basalts.

Local and property geology

The oldest rocks are the crystalline basement rocks of the Mamil Choique Formation located in the southwest corner of the Navidad property area. These basement rocks are overlain by a sequence of pyroclastics, volcanic agglomerates and lavas of the Lonco Trapial Formation.

The welded pyroclastics of the Lonco Trapial Formation exposed to the southwest of the Navidad property area are also found directly north of Calcite Hill and in deep drilling along the Navidad trend below the Sauzal Fault. Here they are interbedded with juvenile volcaniclastics derived from the same flows. A drill hole northeast of Navidad Hill crossed in excess of 500 metres of this volcaniclastic/pyroclastic sequence without encountering the underlying agglomerates or basement rocks. This thick sequence of rock is generally oxidised as denoted by its characteristic red colour.

Stratigraphically above the Lonco Trapial volcanic sequence and forming the base of the Cañadón Asfalto Formation are coarse clastic sediments of arkosic composition. Basal conglomerates of the arkoses may contain boulders up to two metres in diameter. They are composed almost exclusively of angular grains of quartz and feldspar derived from the Mamil Choique Formation. Locally the arkoses contain horizons of limestone, some with stromatolites. Coarser beds include pebble to cobble size clasts of granite and metamorphic rocks. These beds may locally exhibit cross-bedding sedimentary textures. These sediments extend from the valley floor southwest of the Argenta trend to the Esperanza trend. Intersections from drillholes southeast of Loma de La Plata and further south on the Argenta trend indicate the arkoses are interbedded with thick sequences of argillaceous shales. At surface the coarser arkoses horizons are resistive and form extensive exposures. The shales are erosionally recessive and are rarely if ever exposed at surface.

Above the greywackes from Loma de La Plata to Sector Z and between Esperanza and Navidad trends southeast of Calcite NW are argillaceous black shales. These sediments contain limestone horizons and zones with intercalations of coarser grained muddy sediments. They are rich in organic carbon and locally may contain thin coal seams. In the northwest to central portions of the Esperanza Valley the shales may also contain horizons of pyroclastics with varying degrees of re-working with thicknesses that range from one metre up to ten metres. At Galena Hill the shales host massive sulphide replacement bodies at their lower contact with the latite lavas. At several of the Navidad property deposits these shales contain lead and zinc mineralisation distal to the higher grade silver zones.

Contemporaneous with the deposition of the sediments within the Navidad property area, there were a minimum of three distinct extrusive lava and multiple pyroclastic volcanic events. The oldest of the lavas are fine-grained and of intermediate to mafic composition. These are referred to at the Navidad property as andesite. These rocks are believed to been extruded sub-aerially as the auto-brecciated tops of the flows show the effects of thermal oxidation. On the Argenta trend the andesites are inter-bedded with arkoses and on the southern end of the Navidad trend they are inter-bedded with black shales. At the northwestern end of the Navidad trend and north of Provincial Route No. 4 they are overlain by pyroclastics and other latite lava flows with no intervening sediments. The andesite lavas are generally not mineralised; howeve r, locally they can host silver-copper mineralisation. The best known mineralisation hosted in andesite is located at the southern limit of the Connector Zone. Here the tectonically brecciated and hydrothermally altered andesite returns grades of up to 11 kilograms per tonne of silver in surface rock chip samples. There are also mineralised showings in andesites south of the Loma de La Plata deposit on the Argenta trend and at the Fold Zone at the southeast end of the Esperanza trend.

The next extrusive lava event produced what is referred to on the Navidad property as the Lower Latite unit. The Lower Latite was preceded by a pyroclastic eruption that produced pumice bearing ash tuff. At Navidad Hill and Galena Hill the exposed volcanic sequence is andesite, pumice tuff followed by the Lower Latite with no intercalated sediments. The Lower Latite lava is restricted in distribution to the northern end of the Argenta trend and the northern half of the Esperanza and Navidad trends. These lavas host high grade mineralisation at Calcite

Hill, where the Upper Latite lavas are believed to have been removed by erosion prior to the deposition of the black shales. The Lower Latites also host mineralisation together with the Upper Latites at Galena Hill.

The last extrusive volcanic event produced the Upper Latite lava flows. It is believed the initial eruption of the Upper Latite encountered sufficient ground water to create a maar – diatreme complex located at Calcite NW. Evidence supporting this hypothesis is a two kilometres wide zone of milled matrix breccia containing rounded clasts of the welded pyroclastic flows and Lower Latite lavas. Horizons of reworked pyroclastics observed within the sediment sequences at the northern end of the Navidad trend may represent surge deposits. Continued eruption of the Upper Latite lavas led to its distribution over an area minimally 60 kilometres squared in size including the entire length of the Argenta, Esperanza and Navidad trends and north of the Provincial Route No. 4. The Upper Latite lava hosts practically all of t he silver-sopper mineralisation at the Loma de La Plata and Esperanza Valley deposits and a larger portion of the mineralisation at the Navidad Hill and Galena Hill deposits.

Collectively the individual mineralised deposits along the Navidad trend exhibit a strong northwest to southeast lineation. A few observed small mineralised veins and breccia dikes located along the trend also exhibit northwest to southeast to north-northwest to south-southeast orientations. No large potential feeder structure common to all the deposits has yet been discovered. If such a structure exists, it is likely that post-mineral movement on the Sauzal Fault laterally displaced it from beneath the known mineralised bodies.

At the individual deposit scale the mineralisation is clearly controlled by zones of primary or secondary porosity. Examples of this are the upper latite lavas at Esperanza Valley and Loma de La Plata and volcaniclastic horizons at the Connector Zone and Calcite NW. These zones are often capped by impermeable horizons. These aquitards effectively capped the ascending hydrothermal fluids and forced lateral migration outward from the plumes. The result was the formation of mineralised bodies with strataform geometries.

Exploration

Exploration efforts were focused on identifying new exploration targets with diamond drilling, with delineation and infill drilling at the Loma de La Plata deposit, and with minor infill drilling of other previously identified mineralised zones. Exploration for additional deposits through the use of fence drilling across prospective covered areas is feasible, since as is so far known, the occurrence of the latite unit hosting mineralisation is generally of relatively large areal extent that can be measured in units of tens of hectares. Mineralisation is frequently stratiform with relatively shallow dips, and most of the known deposits occur as large roughly tabular bodies.

Geophysical and geochemical methods have proved useful in mapping the distribution of the latite unit and potassic-style alteration, in detecting Galena Hill style sulphide-rich mineralisation, and in interpreting the Navidad property-scale structural regime. The characteristics of the host rock and wall rock units are favourable for diamond drilling, and extensive areas can be rapidly explored by drilling at relatively low cost. As was demonstrated during the 2007 diamond drilling programme, additional mineral resources can be delineated by extension drilling laterally away from known deposit areas.

Aquiline completed 583 diamond drillholes from November 2006 to March 2009, for 127,960 metres drilled.

Mineralization

In all of the deposits and mineral showings the gangue minerals are principally calcite with or without barite and a much lower proportion of silica. Visibly recognisable ore minerals are native silver, grains and clots of black sulphides containing argentite\acanthite and discrete grains of sphalerite, galena, chalcopyrite, cuprite, bornite, native copper and copper carbonates. Distinct styles of mineralisation are reflected in the differences in ore minerals and proportion of gangue between the deposits. Various pulses of mineralisation are observed, principally at Galena Hill. With the exception of the latter, pyrite and sulphides in general are relatively scarce.

The principal mineral association of interest is silver-lead. Other associations of interest are silver-lead-copper and copper-silver or more rarely silver-zinc. Occasionally there is silver only, or copper-lead-zinc or simply

isolated occurrences of these base metals. This further suggests that deposition occurred through successive pulses of mineralisation. So far as it is known to date, gold is totally absent from the system.

Mineralisation is preferentially hosted in lavas with the upper latite containing the dominant proportion, followed by the lower latite and then rarely by the andesite. Deposits with the dominate portion of mineralisation within lavas include Loma de La Plata, Valle Esperanza, Calcite Hill, and Galena Hill. Sedimentary rocks and volcaniclastics can also contain significant mineralisation. Deposits where the mineralisation is dominantly hosted by these rock types include Calcite NW, Navidad Hill, Barite Hill, and the Connector Zone.

To date the general Navidad property is comprised of eight individual mineral deposits in three separate mineralised trends referred to as the Navidad trend, the Esperanza trend, and the Argenta trend. The six deposits in the Navidad trend are essentially contiguous and include, in a 5.8 kilometres alignment from northwest to southeast, Calcite NW, Calcite Hill, Navidad Hill, Connector Zone, Galena Hill, and Barite Hill. The Valle Esperanza deposit occurs on the east flank of the Esperanza trend and is found approximately 370 metres to the south-southwest of Galena Hill. The Loma de La Plata deposit occurs along the northern portion of the Argenta trend and lies approximately 2.2 kilometres southwest from the centre of Calcite Hill.

Calcite NW

Calcite NW is located stratigraphically in the upper sedimentary package found directly above the latite unit. This package is comprised of mudstone, sandy volcanic tuffs, tuffaceous sandstones, lapilli tuffs, and volcaniclastic intervals.

Mineralisation occurs disseminated in the sediments where it is observed as galena with occasional scarce chalcopyrite. Facies with high permeability, such as the tuffaceous sandstones and volcanic tuffs, are preferentially mineralized where it takes the form of three long and tabular to slightly synformal bodies. The main body lies from the surface to a depth of 130 metres below surface and has an average overburden thickness of approximately 60 metres. It has a strike length of 1,825 metres towards the northwest, a width between 350 metres to 500 metres, and a thickness between ten metres and 80 metres. The mineralised body plunges gently to the northeast with a dip between 1º to 5º. The base of the main body is normally identified by the Galena Marker.

Calcite Hill

The mineralisation is hosted principally in the latite with xenoliths unit (lower latite) and occurs upwards for a few metres above the contact with the overlying upper sedimentary or pyroclastic package depending on the sequence. The style of mineralisation is typically banded epithermal vein filling and stockworks in breccias developed in the brittle massive portions of the flow. Where present in the upper sedimentary package, mineralisation occurs as disseminations infilling the primary porosity as well as micro-veinlets that are comprised of argentiferous lead and zinc sulphides along with interstratified galena.

Gangue mineralisation is comprised of calcite, minor silica, and barite either white in colour or as a caramel-coloured variety that occurs almost exclusively at Calcite Hill although it has been occasionally identified on nearby Navidad Hill. High grade mineralisation is comprised of galena, black sulphides, native silver, and occasional chalcopyrite. The overlying geochemical signature is silver-lead with minor copper.

Mineralisation at Calcite Hill forms an irregular body with a narrow upper portion outcropping towards the western end of Calcite Hill, which merges with a larger mineralised lens. Mineralisation outcrops and extends to a depth of around 250 metres below surface. It forms a relatively flat surface 600 metres long, ranging from 270 metres to 600 metres in width. The lower portion of the body has an irregular shape resulting from two nearly separate lenses that merge into one lens having a variable thickness between 150 metres to 20 metres. The body plunges to the southwest with a -5º dip.

Navidad Hill

The Navidad Hill deposit exhibits two different types of mineralisation and control. The first of these outcrops along the crest of the hill where mineralisation related to structural control is most evidently displayed compared to elsewhere on the Navidad property. Here outcropping vein structures exhibit breccias comprised of finely banded crystalline calcite gangue, barite, and finely crystalline to chalcedonic silica. Visually identifiable ore grade minerals include galena, black sulphides, copper and manganese oxides, and lesser quantities of pyrite, chalcopyrite, and rare native copper and silver.

Vein thicknesses are one metres or less with silver values in the 1,000 grams per tonne to 10,000 grams per tonne range. Vein development discontinuity is also evidenced by “rosario” outcrops along strike and by changes in mineralogical composition along strike as well as at depth. The latite wall rock adjacent to the breccia veins is also found mineralised with the development of veinlets, stockworks, and breccia zones. As indicated so far by drilling, the outcropping breccia veins do not extend to a depth exceeding 80 metres where the vein integrity tends to break down into a zone of veinlets comprised principally of chalcedonic silica that increases at depth.

Mineralisation at Navidad Hill trends for 520 metres towards the northwest and forms an irregular globular shape ranging from 270 metres to 470 metres wide and ten metres to 175 metres thick. The mineralised zone has a shallow dip to the southwest and lies at the subsurface along the ridge crest to around 50 metres depth along the southern flank.

Connector Zone

The mineralisation occurs as disseminations and replacement of the matrix in the volcaniclastic rocks. Locally the volcaniclastic rock is crackle brecciated with a matrix of hydrothermal minerals, sulphides and rare native silver.

The mineralisation at Connector forms two intersecting, but distinct bodies, which combined, are 670 metres in strike length, and between 240 metres and 590 metres wide. The mineralisation lies from the surface to a depth of 330 metres.

Galena Hill

Mineralisation at Galena Hill is hosted in a variety of distinct fragmental rock types. These include hyaloclastites at the margins and ends of lava flows and crackle breccias within the massive cores of the flows. Also present are dikes and pipes of hydrothermal breccia. The predominant style of mineralisation is the selective replacement of breccia matrix, or as open space filling. Locally the mineralisation pervasively replaces the matrix of the host lithologies including the mudstones. Where the mudstones are mineralised, they can form massive sulphide-rich stratiform lenses containing galena and marcasite.

The extent of mineralisation is long and wide with a strike length of roughly 900 metres and a width of between 250 metres and 700 metres. In section views orientated at 030° to 210°, the mineralised body forms a roughly strataform body with a slight dip to the southwest.

Mineralisation outcrops in several locations including the upper northwest flank and within the window through the mudstones in the area of the structural horst. The top of mineralisation ranges from surface to 200 metres below surface with an average depth less than 40 metres.

Barite Hill

At Barite Hill two styles of mineralisation are present in distinct stratigraphic units. The first occurrence from surface to depth is a relatively weak silver-lead mineralisation with minor copper and zinc hosted in calcite and lesser barite gangue filling veinlets and breccia matrix within the upper latite unit.

The second style of mineralisation is found in two clastic units below the upper latite flow that is normally found mineralised at the Navidad property. The units are a sedimentary unit comprised of sandstone and mudstone, and a volcaniclastic unit derived from latite.

Observed mineralisation occurs as a matrix gangue filling of calcite, barite and clays that contains sparse chalcopyrite, black sulphides, and native silver.

Mineralisation at Barite Hill forms three lenses. The northern lens is about 230 metres long along strike, between 170 metres and 430 metres wide in the dip direction and between five metres and 30 metres thick. The southwest dip varies between 3° where the body outcrops in the north to 25° in the southwest where the body lies approximately 120 metres below surface. The second lens is found towards the southern end of Barite Hill. Its dimensions are approximately 300 metres long by 350 metres wide with thicknesses ranging from 4 metres to 32 metres. It occurs at the subsurface on the crest of the ridge and plunges to the southwest.

The third mineralised body, characterised by high silver values, forms an irregularly shaped mass around 350 metres long, between 100 metres and 400 metres wide, and between seven metres to 100 metres thick. It lies between 50 metres and 200 metres below the second lens in southern Barite Hill and has a dip of 30° to the west-southwest.

Loma de La Plata

At the Loma de La Plata deposit the stratigraphy consists of basal andesites overlain by greywackes and sandy conglomerates that change laterally to mudstones and arkoses. Autoclastic breccias lay between the lower sedimentary sequence and the volcanic flow units comprised by the two latite units, with and without xenoliths, which are separated by an interbedded sedimentary layer. The sequence is completed by mudstones and fine to very fine sandstones that vary to limestones laterally to the east.

In the west to southwest the sedimentary units are thin or missing due to erosion and the lithology is typically comprised by the latites with and without xenoliths that overlay the andesites. Towards the east the sequence is complete due to down–dropped blocks that are the product of normal faulting with an approximate north-south strike presumably resulting from northwest to southeast orientated compression.

The entire sequence has a 325º strike and dips -20° to -30° to the northeast; the dip tends to flatten somewhat along strike to the northwest.

Mineralisation is hosted primarily in the upper latite unit which outcrops in the southwest part of the deposit area and dips towards the northeast where it has been intercepted up to 300 metres below the surface. Drilling in 2008 demonstrated that the mineralisation tends to be enriched in breccia zones associated with north-south normal faults that have a spacing on the order of 70 metres to 90 metres.

Mineralisation is comprised of acanthite, native silver, argentite, stromeyerite, silver sulphosalts, galena, chalcopyrite and bornite disseminated in the matrix of the breccias and as rims in veinlets. Chalcopyrite is the only mineral that is also disseminated in the host rock. The acanthite and lesser stromeyerite are the principal silver-bearing sulphide minerals that contain approximately 80% of the reported silver.

Two distinct mineralised bodies are present at Loma de La Plata. The main deposit is 850 metres long with a north-south strike, between 600 metres to 1,200 metres wide and 40 metres to 50 metres thick. It covers a surface area of 74 hectares. The second body is considerably lower in grade and is located approximately 60 metres beneath the main deposit. It has approximately the same surface area as the upper main body but with an average thickness of only five metres.

To the southeast of the deposit the latite lava flow continues towards the Bajo del Plomo area but with greatly diminished silver and relatively high lead values. To the east the deposit was expanded by some 400 metres where the mineralised portion of the latite becomes progressively thinner with diminishing silver values and higher lead. Towards the northeast drilling has confirmed that the deposit is cut off by the Esperanza Fault. Towards the

north the 2007 perimeter was expanded 200 metres where generally no further significant silver mineralisation has been encountered despite the presence of the host unit.

Valle Esperanza

At Valle Esperanza the main mineralised deposit is emplaced in the upper latite volcanic unit without xenoliths immediately below the contact with the upper carbon-rich sedimentary package comprised of mudstone, sandstone, and greywacke.

Of less importance, a lower grade mineralisation is hosted in the underlying lower latite with xenoliths that is below the upper latite and overlain by another sedimentary package comprised of mudstones, greywacke and volcaniclastic rocks.

The predominate style of mineralisation is the disseminated occurrence of black sulphides, native silver, chalcopyrite, malachite, pyrite and galena in the breccia matrix and in veinlets up to one centimetres thick. Locally the mineralisation of chalcopyrite and galena pervasively replaces both the matrix and the host lithologies. The silver shows a very good correlation with copper and low correlation with lead.

Drillhole intersections have traced the two mineralised zones from surface to approximately 400 metres below surface. The upper body is about 1,100 metres long and between 130 metres and 700 metres wide. The lower body lies approximately 50 metres below the upper deposit, and is 800 metres long and between 140 metres and 500 metres wide. Both bodies range in thickness between five metres to 30 metres.

The Valle Esperanza deposit is not fully defined as yet and future work will include drilling along strike to the north-west and south-east and down dip to the north of the presently defined deposit.

Drilling

All diamond drilling on the Navidad property since the first drillhole in November 2003 has been completed by Boart Longyear Connors Argentina S.A. of Mendoza, Argentina (subsequently taken over by Boart Longyear in 2007). One rig is employed on a discontinuous basis and is capable of drilling deeper than 400 metres with HQ sized rods. Nearly all holes have been drilled at HQ3 diameter (61 millimetres) with three metre long rods, except for rare instances where the drillhole was collared at HQ size diameter and subsequently reduced to NQ diameter down the drillhole. During 2008, up to three additional drill rigs operated on the Navidad property: one continued with exploration drilling; the other two rigs were dedicated to a programme of in-fill and extensional drilling and orientated-core drilling in support of a geotechnical stu dy of the Loma de La Plata deposit.

To date, 950 diamonds holes have been drilled at Navidad for a total of over 190,000 metres of drilling. Exploration infill and geotechnical drilling is currently underway on most of the deposits.

Sampling and Analysis

Sampling

Drill core is stored and well maintained in wooden core boxes with a nominal capacity of approximately three metres. The drillhole number, box number, and downhole interval are marked in felt tip marker on the side of the box. Wooden downhole core depth markers are placed in the core box by the driller indicating the drillhole number and end of run depth.

Staff geologists log the drill core in detail using standardised logging sheets on handheld computers for: lithology; alteration type, style, and intensity; mineralisation type, style, and intensity; and structural information. The entire drillhole is photographed prior to cutting. Geotechnical information including drill core recovery, rock quality designation, weathering, texture, fracture frequency, type, roughness, infill, shape and angle, hardness, and other notes are recorded on a drill-run basis.

Samples are taken continuously downhole within the prospective lithologies, along geological boundaries rather than by a pre-determined length, which represents best practice.

Samples within geological similar units are selected at three metre intervals. Samples are collected by staff, placed into a previously numbered plastic bag along with a waterproof sample number tag indicating the sample depth interval and the sample number corresponding to the tag stapled to the core box. The plastic sample bag and tag are then sealed with a tamper-proof plastic tie embossed with the sample number.

The remaining drill core is stored under cover at the core storage facilities in Gastre and Gan Gan.

Analysis

All diamond drill core samples at the Navidad property have been analysed by Alex Stewart Assayers Argentina S.A. ("Alex Stewart") of Mendoza, Argentina. Alex Stewart is ISO 9001:2000 accredited for the preparation and chemical analysis of mining exploration samples. On two separate occasions in 2003 and 2007, Smee and Associates conducted a laboratory inspection and considered the laboratory to conform to industry best practice methods for analysis.

All drill core samples at the Navidad property have been analysed by fire assay for silver with gravimetric finish and gold for AAS finish and ICP-ES for 19 elements using the ICP ORE technique.

For silver fire assay, a 30 gram charge is fused with 230 grams of flux in a furnace with temperature control at 1,050°C to produce lead buttons with a weight of at least 30 grams. The lead buttons are weighted and any sample with a button less than 30 grams is repeated. The cupellation of the lead buttons occurs in a furnace with temperature control at 950°C. Two standards of pure metallic silver are included in each cupellation batch to quantify the silver loss during the process. The prills are weighted in a microbalance and silver dissolved with nitric acid and gold with Aqua Regia.

Gold content is determined by AAS and the silver value is calculated as the difference between the weight of the AAS gold and silver. The final silver value considers silver lost by cupellation and adds silver based on the two metallic silver standards. Silver detection limits are two grams per tonne silver and occasionally one grams per tonne silver.

QA/QC and Security of Samples

The QC protocol employed by Alex Stewart consists in batches of 50 samples for fire assay and up to 100 samples for ICP. Fire assay batches include one preparation blank, one analytical blank, one coarse duplicate, four pulp duplicates, one international certified standard for base metal and silver, one uncertified in-house standard, and two standards made from pure silver to calibrate losses in cupellation. ICP batches include two blanks, four standards, and 10% duplicates.

Certified standards, blanks, and field duplicates are routinely inserted with sample submissions as part of their sample assay QA/QC programme, and provided Snowden with the data for review. Analysis of QA/QC data is made to assess the reliability of sample assay data and the confidence in the data used for the resource estimation.

Samples are transported from the drill rig to the storage facilities in Gastre by staff, where a staff geologist logs and photographs the drill core. Drill core is cut and sampled by a staff technician, placed in a plastic bag and sealed with a numbered tamper-proof tag corresponding to the sample number. The sack, generally containing about 50 kilograms of samples, is weighed by a staff technician and transported by an employee or a member of the local community to the Alex Stewart sample preparation facilities in Mendoza, where each individual sample is maintained under the control of Alex Stewart. After sample preparation and analyses are complete, all pulps and coarse rejects are shipped by Alex Stewart to a covered warehouse facility rented in Mendoza, where the samples are stored permanently.

Mineral Resources and Mineral Reserve Estimates

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Navidad property does not currently have any mineral reserves. See "Cautionary Note to United States Investors Concerning Estimates of Measured Indicated and Inferred Resources".

The estimated mineral resources at the Navidad property are[1)(2)(3)]:

Classification	Tonnes (Mt)	Grams of silver per tonne	lead%	copper%	Contained silver (Moz)	Contained lead (Mlb)	Contained copper (Mlb)
Measured	15.4	137	1.44	-	67	489	-
Indicated	139.8	126	0.79	0.05	565	2,425	33
Meas. + Ind.	**155.2**	**127**	**0.85**	**0.05**	**632**	**2,914**	**33**
Inferred	45.9	81	0.57	0.05	119	580	1

Notes:
(1) The most likely cut-off grade for these deposits is not known at this time and must be confirmed by the appropriate economic studies.
(2) The estimated metal content does not include any consideration of mining, mineral processing, or metallurgical recoveries.
(3) Tonnes, ounces, and pounds have been rounded and this may have resulted in minor discrepancies in the totals.

The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. Additional studies will be required to determine technical, economic, legal, environmental, socio-economic, and governmental factors.

Mineral resource estimates are reported for the Calcite NW, Calcite Hill, Navidad Hill, Connector Zone, Galena Hill, Barite Hill, Loma de La Plata, and Valle Esperanza deposits at the Navidad property. To date, no analysis has been made to determine the economic cut-off grade that will ultimately be applied to the Navidad property.

Known issues that materially affect the Mineral Resources

In 2006 the government of Chubut Province decreed a three year moratorium on all mining activities, including exploration, in the western part of the Province. The government asserts this is to enable the completion of a province-wide map of the mineral potential. The Navidad property lies outside of and to the east of these "no- mining" zones. The government of Chubut Province has also decreed a Province-wide ban on the use of cyanide for mining purposes and the development of open pit mines. The law states that the government of Chubut Province will accept and review mining proposals, including open pit and cyanide based mining operations, on a case by case basis and determine at that point whether permits may be issued.

Assumptions, methods and parameters

Mineral resource estimates were prepared in the following steps:

- Data validation was undertaken by Aquiline and reviewed by Snowden.
- Data preparation, including importation to various software packages.
- Analysis of the QAQC data.
- Geological interpretation and modelling of lithological and mineralisation domains was by Snowden based on interpretations provided by Aquiline.
- Coding of drillhole data within mineralised grade estimation domains.
- Samples were composited to three metres lengths.

- Exploratory data analysis of silver and lead grades based on mineralised domains, and also of copper at Loma de La Plata.
- Indicator variogram analysis and modelling.
- Derivation of kriging plan and boundary conditions.
- Creation of block models and application of density values by domain.
- Grade estimation of silver and lead (and copper at Loma de La Plata) into blocks using multiple indicator kriging ("MIK").
- Grade estimation of silver and lead (and copper at Loma de La Plata) into blocks using ordinary kriging ("OK") and nearest neighbour ("NN") for MIK estimation validation.
- Validation of estimated block grades against input sample composite grades.
- Confidence classification of estimates with respect to CIM guidelines.
- Resource tabulation and Resource reporting.

Estimation parameters

A kriging neighbourhood analysis ("KNA") was performed to determine the optimum kriging parameters. KNA is the process of undertaking multiple ordinary kriged estimates using a variety of block sizes and search neighbourhood parameters (such as minimum and maximum sample numbers) and comparing the slope of regression, kriging efficiency, and kriging variance values produced from the estimates. Kriging parameters were selected through examination of the results of the estimates in terms of slope of regression, kriging efficiency, kriging variance, and Snowden's experience with similar deposits.

Block sizes were selected according to the average drillhole spacing, the results of the KNA and the dimensions of the mineralised envelopes. Snowden created block models with dimensions of 12.5 metres Easting, 12.5 metres Northing, and five metres Elevation, except at Barite Hill, where the block models had blocks with dimensions of 25 metres Easting, 25 metres Northing, and five metres Elevation, based on the wider spacing of drillholes at Barite Hill.

Exploration and Development

Approximately US$500,000 was expended per month in Argentina on the exploration programme and related activities for the Navidad property in 2009. Pan American will continue exploration drilling on several open or new targets along the mineralised trends. Infill drilling is planned for Loma de la Plata, Valle Esperanza, Barite Hill, and Galena Hill during 2010. These drillholes will also provide new samples for metallurgical analysis. Additional condemnation and geotechnical drilling is planned for potential future infrastructure sites.

II. Non-Material Properties and Interests

(a) Operations

On January 8, 2009, after a detailed review of all of its mines, Pan American announced its intention to initiate the process necessary to suspend operations at its Quiruvilca mine during 2009. Quiruvilca has become increasingly reliant on base metal production, particularly zinc, and declining base metal prices have resulted in a substantial decrease in its reserves. Pan American has significantly reduced underground development, maximized existing developed ore and prioritized the most cost efficient areas of the mine. Based on the improvement of the price environment for metals in 2009, production continued and the present intention is to operate the mine throughout 2010 The future of the Quiruvilca mine remains dependant in large part on metal prices and the company is still preparing for mine closure. Pan American no longer considers the Quiruvilca mine to be a material property for the purposes of NI 51-102.

The Company does not consider the stockpiles to be a material property for the purposes of NI 51-102.

(b) Exploration, Resource and Investment Properties

In April 2009, Pan American announced that it had reached an agreement with Orko Silver Corp. on the terms under which they may jointly develop the La Preciosa silver project. Pursuant to the agreement, Pan American agreed to act as operator and, in order to retain a 55% interest in the project, to (i) make certain expenditures, (ii) prepare a feasibility study within 36 months, and (iii) contribute 100% of the funds necessary to develop and construct an operating mine. In October 2009, the parties entered into a formal joint venture agreement in respect of the La Preciosa project.

The La Preciosa project is located in Durango State, approximately 47 km northeast of the city of Durango. The property consists of a block of mineral exploitation concessions covering approximately 32,400 hectares. The La Preciosa property covers gold and silver bearing epithermal quartz veins, with barite and lesser quantities of base metals, primarily zinc and lead. In 2009, Pan American completed approximately 28,000 metres of diamond drilling. Pan American plans to continue with its exploration program during 2010 and to progress the project towards permitting and feasibility. Pan American does not consider the La Preciosa property to be material for the purposes of NI 51-102.

Pan American also owns interests in other investment and resource properties in each of the jurisdictions in which it operates, and in Canada and the United States. The Company does not consider these investment and resource properties to be material properties for the purposes of NI 51-102.

Mineral Property Expenditures

The following table sets out Pan American's acquisition, exploration and development expenditures (rounded, in thousands) for the periods indicated:

			2009(1)		**2008**(1)		**2007**(1)	
Acquisition			$ (942)	(2)	$ -		$ 6,245	(3)
Development	Huaron		6,970		13,472		9,895	
	Morococha		8,151		18,809		13,636	
	Quiruvilca		-		5,295		4,438	
	Alamo Dorado		1,266		1,835		10,977	
	La Colorada		3,078		11,929		8,948	
	Manantial Espejo		13,461		134,223		55,233	
	Navidad		-		-		-	
	San Vicente		18,991		56,799		11,550	
	Other		834		1,437		727	
		TOTAL	52,751	*	243,800	*	115,405	
Exploration	Huaron		-		-		-	
	Morococha		-		-		445	
	Quiruvilca		-		-		-	
	Alamo Dorado		762		1,972		660	
	La Colorada		1,223		1,847		1,344	
	Manantial Espejo		1,132		305		194	
	Navidad		631		-		-	
	San Vicente		-		-		-	
	La Preciosa		4,002					
	Other		2,184		1,369		701	
		TOTAL	9,934		5,494		3,344	

Notes:

* Cash based expenditures

(1) Numbers may not add due to rounding.

(2) These numbers relate to the acquisition of net assets of Navidad, net of cash received ($4.3 million).

(3) These numbers relate to the acquisition of net assets of San Vicente, net of cash received (1.9 million).

Metals Trading

Pan American does not engage in any forward sale of its silver production.

In the past, Pan American has engaged in forward sales of base metals production from its mines.

During 2007, the Company did not settle any forward metal contracts.

During 2008, the Company settled 11,933 tonnes of zinc forward sale contracts at an average price of $2,825 per tonne and 1,445 tonnes of lead forward sale contracts at an average price of $2,746 per tonne.

During 2009, the Company settled 9,125 tonnes of zinc forward sales at an average price of $2,177.40 and 6,000 tonnes of zinc forward purchases at an average price of $1,196.50.

During 2009, the Company settled 6,000 tonnes of lead forward sales at an average price of $2,376.78 and 6,000 tonnes of lead forward purchases at an average price of $1,784.75.

The Company realized a gain of $9.8 million from the settlement of zinc and lead contracts during 2009.

At December 31, 2009, Pan American had no open base metal forward sale contracts outstanding.

Please see the discussion below under “Risks Related to Pan American’s Business – Trading Activities and Credit Risk”.

Risks Related to Pan American’s Business

Metal Price Fluctuations

The majority of Pan American’s revenue is derived from the sale of silver, zinc, and, to a lesser degree, copper, lead and gold, and therefore fluctuations in the price of these commodities represents one of the most significant factors affecting Pan American’s operations and profitability. In addition, since base metal and gold sales are treated as a by-product credit for the purposes of calculating cash costs per ounce of silver, this non-GAAP measure is highly sensitive to base metal and gold prices. From time to time, Pan American mitigates the risk associated with its base metal production by committing some of its forecast base metal production to forward sales and options contracts. The Board of Directors of the Company continually assesses the Company’s strategy towards i ts base metal exposure, depending on market conditions.

The price of silver and other metals are affected by numerous factors beyond Pan American’s control, including:

- levels of supply and demand;
- global or regional consumptive patterns;
- sales by government holders;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments and improved mining and production methods;
- speculative activities;
- inventory carrying costs;
- availability and costs of metal substitutes;
- international economic and political conditions;
- interest rates;

- currency values; and
- inflation.

Declining market prices for these metals could materially adversely affect Pan American's operations and profitability.

Foreign Operations

The majority of the Company's current operations are conducted by its subsidiaries in Peru, Mexico, Bolivia and Argentina, and all of the Company's current production and revenue is derived from its operations in, Peru, Mexico, Argentina and Bolivia. As Pan American's business is carried on in a number of foreign countries, it is exposed to a number of risks and uncertainties, including:

- terrorism and hostage taking;
- military repression;
- expropriation or nationalization without adequate compensation;
- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions;
- labour unrest;
- high rates of inflation;
- changes to royalty and tax regimes;
- extreme fluctuations in currency exchange rates;
- volatile local political and economic developments;
- difficulty with understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, mines and mining operations; and
- difficulty obtaining key equipment and components for equipment.

Local opposition to mine development projects has arisen in Peru in the past, and such opposition has at times been violent. In particular, in November 2004, approximately 200 farmers attacked and damaged the La Zanja exploration camp located in Santa Cruz province, Peru, which was owned by Compania de Minas Buenaventura and Newmont Mining Corporation. One person was killed and three injured during the protest. There can be no assurance that such local opposition will not arise in the future with respect to Pan American's foreign operations. If Pan American were to experience resistance or unrest in connection with its foreign operations, it could have a material adverse effect on Pan American's operations or profitability.

In late 2005, a national election in Bolivia resulted in the emergence of a left-wing government. This has caused some concerns amongst foreign companies doing business in Bolivia due to the government's policy objective of nationalizing the oil and gas industries. There is no certainty the government of Bolivia will not take steps to implement such measures targeting the mining industry, and in early 2009, a new constitution was enacted that further entrenches the government's ability to amend or enact laws, including those that may affect mining. Risks of doing business in Bolivia include being subject to higher taxes and mining royalties, some of which have already been proposed or threatened, revision of contracts and threatened expropriation of assets, all of which could have a material adverse impact on Pan American's operations or profitability.

Governmental Regulation

Pan American's operations, exploration and development activities are subject to extensive Canadian, United States, Peruvian, Mexican, Argentinean, Bolivian and other foreign federal, state, provincial, territorial and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development, production, and post-closure reclamation of mines;
- imports and exports;
- price controls;
- taxation;
- mining royalties;
- labour standards, employee profit-sharing and occupational health and safety, including mine safety; and
- historic and cultural preservation.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations (including the imposition of higher taxes and mining royalties which have been implemented or threatened in the countries in which Pan American does business) or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of Pan American's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to pers ons resulting from the environmental, health and safety impacts of Pan American's past and current operations, or possibly even those actions of parties from whom Pan American acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It is difficult to strictly comply with all regulations imposed on Pan American. Pan American retains competent and well trained individuals and consultants in jurisdictions in which it does business, however, even with the application of considerable skill Pan American may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local or foreign parties as joint venture partners with carried or other interests and other material negative impacts on Pan American.

Obtaining and Renewing of Permits

In the ordinary course of business, Pan American is required to obtain and renew governmental permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on Pan American's part. The duration and success of Pan American's efforts to obtain and renew permits are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting authority. Pan American may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what Pan American believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact Pan American's operations and profitability. For example, there are currently laws in the Province of Chubut, Argentina which, among other things, prohibit open pit mining and the use of cyanide in mining and which, as currently enacted, would likely render any future construction and development of the Navidad Project uneconomic or not possible at all. In Peru, Pan American is in the process of obtaining government approval for the expansion of its tailings dam at Huaron and difficulties in obtaining such approval could result in work stoppages and/or significant costs.

Ownership and Operating Hazards and Risks

The ownership, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental hazards;

- industrial accidents, explosions and third party accidents;
- the encountering of unusual or unexpected geological formations;
- ground falls and cave-ins;
- flooding;
- earthquakes; and
- periodic interruptions due to inclement or hazardous weather conditions.

These occurrences could result in:

- environmental damage and liabilities;
- work stoppages, delayed production and resultant losses;
- increased production costs;
- damage to, or destruction of, mineral properties or production facilities and resultant losses;
- personal injury or death and resultant losses;
- asset write downs;
- monetary losses;
- claims for compensation of loss of life and/or damages by third parties in connection with accidents (for loss of life and/or damages and related pain and suffering) that occur on company property, and punitive awards in connection with those claims; and
- other liabilities.

Liabilities that Pan American incurs may exceed the policy limits of its insurance coverage or may not be insurable, in which event Pan American could incur significant costs that could adversely impact its business, operations, profitability or value.

Exploration and Development Risks

The long-term operation of Pan American's business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that Pan American's mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that a mineral property will be brought into commercial production. Development of Pan American's mineral properties will follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, no t the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the control of Pan American. As a result, there can be no assurance that Pan American's acquisition, exploration and development programs will yield new reserves to replace or expand current reserves. Unsuccessful exploration or development programs could have a material adverse impact on Pan American's operations and profitability.

Replacement of Reserves

The Quiruvilca, Huaron, Morococha, La Colorada, Alamo Dorado, Manantial Espejo and San Vicentemines are Pan American's current sources of metals production. In 2009, procedures were initiated at the Quiruvilca mine to suspend operations. Current life-of-mine plans provide for a defined production life for mining at the

remainder of Pan American's mines. If Pan American's mineral reserves are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its current operating mines or through the acquisition or development of an additional producing mine, this could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning.

Imprecision in Mineral Reserve and Resource Estimates

There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral and reserve grades must be considered as estimates only and no assurances can be given that the indicated levels of metals will be produced or that Pan American will receive the price assumed in determining its reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Pan American believes that the reserve and resource estimates included are well established and reflect management's best estim ates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of metals, as well as increased capital or production costs or reduced recovery rates may render ore reserves uneconomic and may ultimately result in a reduction of reserves.The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. No assuran ces can be given that any resource estimate will ultimately be reclassified as proven or probable reserves. If Pan American's reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition.

Inaccuracies in Production and Cost Estimates

Pan American prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour availability; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out Pan American's acti vities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition.

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; risks and hazards associated with mining described above under "-Ownership and Operating Hazards and Risks". In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue. Costs of production may also be affected by a variety of factors, including: changing stripping ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Pan American's future cash flows, earnings, results of operations and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or

more of these items could prevent or delay exploitation or development of Pan American's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of Pan American's projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of Pan American's advanced projects will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Pan American's operations and profitability.

The equipment on site at the Morococha property, particularly the Amistad plant, is old and may require higher capital investment than Pan American has estimated.

Smelter Supply Arrangements

The zinc, lead and copper concentrates produced by Pan American are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, Pan American may incur losses for products already shipped and be forced to sell its concentrates in the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. Further, there can be no assurance that Pan American will be able to renew agreements to sell concentrates when the existing agreements expire, or that Pan American's concentrates will meet the qualitative require ments of existing or future concentrate agreements or the requirements of buyers.

For example, the Doe Run Peru smelter, a significant buyer of Pan American's production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. Pan American continued to sell copper concentrates to other buyers but on inferior terms. The Doe Run Peru smelter remains closed and Pan American is owed approximately $8.8 million under the terms of its contract with Doe Run Peru.

Environmental Hazards

All phases of Pan American's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation in all of the jurisdictions in which Pan American operates is evolving in a manner which will require stricter standards and will be subject to increased enforcement, fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact Pan American's operations and profitability. In addition, environmental hazards may exist on Pan American's properties whi ch are currently unknown to Pan American. Pan American may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanup actions, even in cases where such hazards have been caused by previous or existing owners or operators of the property, or by the past or present owners of adjacent properties or natural conditions. The costs of such cleanup actions may have a material adverse impact on Pan American's operations and profitability.

Responsibility for construction of a water treatment plant for the Kingsmill Tunnel and tailings mitigation program at Huascacocha Lake, near the Morococha mine, has been apportioned by Water Management Consultants Inc. in environmental studies among the Morococha mine and mining companies operating neighbouring projects. The proposed development of the Toromocho Project by Peru Copper Inc. ("Peru Copper") may alleviate some of Pan American's funding requirements. There can be no guarantee, however, that Pan American's proportionate share of the costs of such environmental projects will not change and this may affect cash flow from Morococha operations.

Reclamation Obligations

Reclamation requirements vary depending on the location of the property and the managing governmental agency, but they are similar in that they aim to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some

degree pre-disturbance land forms and vegetation. Pan American is actively providing for or has carried out any required reclamation activities on its properties. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and have a material adverse impact on Pan American's financial resources.

In accordance with an August 15, 2005 Supreme Decree of the Peruvian Government, Pan American has submitted closure plans to the Peruvian Ministry of Mines for three of its Peruvian mines. Review comments have been received from the Ministry for each of the three mine closure plans submitted. Pan American is currently reviewing and addressing these comments.

Trading Activities and Credit Rick

Approximately one-third of Pan American's operating and capital expenditures are denominated in local currencies other than the U.S. dollar. These expenditures are exposed to fluctuations in U.S. dollar exchange rates relative to the local currencies. From time to time, Pan American mitigates part of this currency exposure by entering into contracts designed to fix or limit Pan American's exposure to changes in the value of local currencies relative to U.S. dollars.

In addition, Pan American may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity. Pan American's current policy is to not hedge the price of silver and therefore it is fully exposed to fluctuations in the price of silver.

The zinc, lead and copper concentrates produced by Pan American are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require Pan American to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing Pan American to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, Pan American may incur losses for products already shipped and be forced to sell its concentrates in the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. For example, the DRP smelter, a significant bu yer of Pan American's production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. Pan American continued to sell copper concentrates to other buyers but on inferior terms. The DRP smelter remains closed and Pan American is owed approximately $8.8 million under the terms of its contract with DRP.

At December 31, 2009 the Pan American had receivable balances associated with buyers of our concentrates of $54.0 million (2008 - $11.8 million). Approximately 86% of this receivable balance is owed by five well known concentrate buyers and the vast majority of our concentrate is sold to those same counterparts.

Silver doré production is refined under long term agreements with fixed refining terms at four separate refineries worldwide. Pan American generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that Pan American may not be able to fully recover its precious metals in such circumstances. At December 31, 2009 Pan American had approximately $15.1 million of value contained in precious metal inventory at refineries (2008 - $6 million). Pan American maintains insurance coverage against the loss of precious metals at our mine sites, in-transit to refineries and while at the refineries.

Refined silver and gold is sold in the spot market to various bullion traders and banks. Credit risk may arise from these activities if we are not paid for metal at the time it is delivered, as required by spot sale contracts.

Pan American maintains trading facilities with several banks and bullion dealers for the purposes of transacting the Pan American's trading activities. None of these facilities are subject to margin arrangements. Pan

American's trading activities can expose us to the credit risk of our counterparties to the extent that our trading positions have a positive mark-to-market value.

Management constantly monitors and assesses the credit risk resulting from its concentrate sales, refining arrangements and commodity contracts. Furthermore, management carefully considers credit risk when allocating prospective sales and refining business to counterparties. In making allocation decisions, Management attempts to avoid unacceptable concentration of credit risk to any single counterparty.

From time to time, Pan American may invest in equity securities of other companies. Just as investing in the Company is inherent with risks such as those set out in this Prospectus, by investing in other companies Pan American will be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Employee Recruitment, Retention and Human Error

Recruiting and retaining qualified personnel is critical to Pan American's success. Pan American is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing Pan American's interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Pan American's business activity grows, Pan American will require additional key financial, administrative and mining personnel as well as additional operations staff. There can be no assurance that Pan American will be successful in attra cting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Pan American is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition.

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage Pan American's interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to Pan American. These could include loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort Pan American might undertake and legal claims for errors or mistakes by Pan American personnel.

Employee Relations

Certain of Pan American's employees and the employees of Peruvian mining contractors indirectly employed by Pan American are represented by unions. Pan American has experienced labour strikes and work stoppages in the past. There can be no assurance that Pan American will not experience future labour strikes or work stoppages.

Title to Assets

The validity of mining or exploration titles or claims or rights, which constitute most of Pan American's property holdings, can be uncertain and may be contested. Pan American has used its reasonable commercial efforts to investigate its title or claims to its various properties and, to its knowledge, except where Pan American has otherwise identified, those titles or claims to material properties are in good standing. However, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties. Pan American operates in countries with developing mining laws and changes in such laws could materially impact Pan American7;s rights to its various properties or interests therein.

Although Pan American has received title opinions for those material properties in which it has an material interest (or if it has not been able to obtain such opinions, has made a determination, which Pan American believes is reasonable in the circumstances, to accept the risks associated with the subject property which determination Pan American believes is reasonable in the circumstances), there is no guarantee that title to such properties will not be challenged or impugned. Pan American has not conducted surveys of all the claims in which it holds direct or

indirect interests and therefore, the precise area and location of such claims may be in doubt. Pan American's properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects.

In many jurisdictions in which Pan American operates, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions in many jurisdictions must agree with surface land owners on compensation in respect of mining activities conducted on such land.

Pan American does not hold ownership title to most of the surface lands in the areas that overlie its mining concessions comprising the Morococha property, nor in the areas where administration and operations are taking place therein. Most of these rights were previously held by Centromin S.A. ("Centromin"). In May 2003, Centromin granted an Easement, Usufruct and Superficiary Rights Agreement in favour of Empresa Minera Natividad S.A. (which merged with the Company's subsidiary, Compania Minera Argentum S.A. ("Argentum"), in 2005) in respect of these surface lands.

In May 2008, Peru Copper (promoter of the Toromocho disseminated copper system) acquired certain surface rights from Centromin covering the main Morococha area that had been reserved for the Toromocho project by the Government of Peru. In addition, Peru Copper acquired rights including surface lands in the Morococha area where the Morococha mine administration and operations are taking place, as well as certain underground areas. Certain of the underground areas acquired by Peru Copper would also provide Pan American with easier and less costly underground access to some areas of the Morococha concessions.

Since 2005, Pan American, with the opposition of Centromin (currently, Activos Mineros S.A.), has engaged in administrative and judicial proceedings to obtain legal title to surface lands and underground access that may comprise part of the rights recently acquired by Peru Copper from Centromin. These actions have not been definitively resolved.

Peru Copper may begin development of the Toromocho project and there is no assurance that Peru Copper will not take action and seek to extinguish the rights granted under the May 2003 Easement, Usufruct and Superficiary Rights Agreement, thereby impeding use of these surface lands and underground rights at the Morococha property. In said circumstances, or if the parties are able to resolve their disputes amicably, Pan American may need to incur potentially significant costs and expenses in order to acquire and/or obtain surface and underground rights at the Morococha property and to relocate some or all of its facilities and infrastructures, and could ultimately be required to cease certain operations at the Morococha property altogether if such surface lands and underground rights cannot be obtained for reasonable consideration or if relocation costs become too burdensome.

Pan American acquired its interest in the Manantial Espejo project on the understanding that while strict compliance with the mining law had not occurred, prior owners had reached an agreement with the mining authorities to bring the property, to the extent possible under existing law, into compliance. With respect to the required minimum expenditure threshold originally applicable to Barrick Gold Corp.'s operations at Manantial Espejo, Pan American was able to secure a different expenditure threshold with the Argentine government. Until recently, although Pan American had always complied with the terms of this agreement, it could never be certain that the original non-compliance of previous owners would not impair title to the properties. On March 23, 2006 the Argentine government approved the Environmental Impact Statemen t submitted to it by Pan American, effectively authorizing construction of the mine. While management of Pan American believes that this approval waives a significant amount of uncertainty and confirms that the government recognizes and will abide by Pan American's title to the properties, there can be no guarantee.

Acquisitions

An element of Pan American's business strategy is to make selected acquisitions. For example, Pan American completed the acquisition of Corner Bay Silver Inc. in February 2003, the acquisition of Argentum and the Morococha mine in August 2004, the acquisition from Silver Standard Resources Inc. in 2006 of a 50% interest in the Manantial Espejo project, in May 2007 a 40% interest in the San Vicente mine, and the acquisition of Aquiline

in January 2010. Pan American expects to continue to evaluate acquisition opportunities on a regular basis and intends to pursue those opportunities that it believes are in its long-term best interests. The success of Pan American's acquisitions will depend upon Pan American's ability to effectively manage the operations of entities it acquires and to realize other anticipated benefits. The process of managing acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of management resources. There can be no assurance that Pan American will be able to successfully manage the operations of businesses it acquires or that the anticipated benefits of its acquisitions will be realized.

Competition for New Properties

Mines have limited lives and, as a result, Pan American continually seeks to replace and expand reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where Pan American would consider conducting exploration and/or production activities. Because the Company faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, Pan American may be unable to acquire attractive new mining properties on terms that it considers acceptable. Competition in the mining business for limited sources of capital could adversely impact Pan American's ability to acquire and develop suitable silver mines, silver developmental projects, silver producing companies or properties having significant exploration potential. As a result, there can be no assurance that Pan American's acquisition and exploration programs will yield new mineral reserves to replace or expand current mineral reserves.

Shortages of Critical Parts, Equipment and Skilled Labour

Pan American's ability to acquire critical resources such as input commodities, drilling equipment, tires and skilled labour due to increased worldwide demand, may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Foreign Exchange Rate Fluctuations

Fluctuations in currency exchange rates, particularly the weakening or strengthening of the U.S. dollar (being the currency in which Pan American's products are sold) against the Canadian dollar (used to pay corporate head office costs), the Peruvian sol, the Mexican peso, the Argentinean peso and the Bolivian boliviano (being the currencies in which a significant portion of Pan American's capital and operating costs are incurred), could have a significant effect on Pan American's results of operations. From time to time, Pan American engages in trading activities in connection with foreign currency requirements in order to minimize the effect of strengthening of foreign currencies on Pan American's operating results.

Developments regarding Aboriginal and Indigenous Peoples

Pan American operates in areas inhabited by aboriginal and indigenous people. Developing laws and movements respecting the acquisition of lands and other rights from such people and communities may alter decades old arrangements made by prior owners of Pan American's mines and properties or even those made by Pan American in more recent years. Pan American has used commercially reasonable efforts in its dealing with all aboriginal and indigenous people to ensure all agreements are entered into in accordance with the laws governing aboriginal and indigenous peoples and their communities but there is no guarantee that future laws and actions will not have a material adverse effect on Pan American's financial position, cash flow and results of operations.

Community Action

In recent years communities and non-governmental organizations ("NGO's") have become more vocal and active with respect to mining activities at or near their communities. These communities and NGO's have taken such actions as road closures, work stoppages, and law suits for damages. These actions relate not only to current activities but often in respect of decades old mining activities by prior owners of mining properties. Such actions by communities and NGO's may have a material adverse effect on Pan American's financial position, cash flow and results of operations.

Internal Control over Financial Reporting

The Company documented and tested during its most recent fiscal year its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management and an independent assessment by the Company's independent auditors of the effectiveness of the Company's internal control over financial reporting. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Sec tion 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly trade d companies. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX.

Claims and Legal Proceedings

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex-employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. Pan American carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future that may result in litigation, which may result in a material adverse impact on Pan American's financial position, cash flow and results of operations.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Information

Selected audited consolidated financial information of the Company for each of the last five completed financial years is as follows:

	2009[1]	2008[1]	2007[1]	2006[1]	2005[1]
Sales	$ 454,812	$ 338,600	$ 301,064	$ 255,447	$ 122,401
Mine operating earnings/(loss)	126,006	93,219	104,275	93,650	(20,970)
Net income/(loss)	61,998	24,602	88,860	58,206	(28,594)
Net earnings/(loss) per share - basic	$ 0.71	$ 0.31	$ 1.16	$ 0.79	$ (0.43)
- diluted	$ 0.71	$ 0.30	$ 1.12	$ 0.76	$ (0.43)
Cash and short-term investments	193,097	30,139	107,315	171,948	55,322
Total assets	1,848,609	873,383	762,903	679,995	362,280
Total long-term financial liabilities	389,383	102,715	99,219	92,808	73,794
Total shareholder's equity	1,343,790	685,641	599,617	512,026	257,322

[1] In thousands, except per share amounts

Selected unaudited consolidated financial information of the Company for each of the last eight quarterly periods is as follows:

	2009				2008			
	Three months ended March 31	Three months ended June 30	Three months ended Sept. 30	Three months ended Dec. 31	Three months ended March 31	Three months ended June 30	Three months ended Sept. 30	Three months ended Dec. 31
	(in thousands, except per share amounts)				(in thousands, except per share amounts)			
Sales	$70,406	$111,392	$118,608	$154,406	$108,750	$104,079	$79,493	$46,278
Cost of sales	45,117	66,046	61,777	72,697	50,511	52,101	52,807	43,613
Depreciation and depletion	14,815	21,856	22,123	24,375	9,864	12,719	11,216	12,549
Mine operating earnings (losses)	10,474	23,490	34,708	57,334	48,375	39,259	15,469	(9,884)
General & Administrative	2,267	2,498	4,433	3,571	1,596	3,751	2,306	2,783
Exploration and Project Development	641	2,161	2,523	4,609	714	1,008	1,507	2,265
Accretion of asset retirement obligation	693	754	798	753	672	671	672	672
Doubtful accounts provision	-	4,375	-	-	-	-	-	-
Write-down of non-producing property	-	-	-	-	-	-	-	15,117
Operating earnings (losses)	6,873	13,702	26,954	48,401	45,393	33,829	10,985	(30,721)
Interest and financing expenses	(426)	(1,121)	(273)	(2,472)	(463)	(155)	(165)	(168)

	2009				2008			
	Three months ended March 31	Three months ended June 30	Three months ended Sept. 30	Three months ended Dec. 31	Three months ended March 31	Three months ended June 30	Three months ended Sept. 30	Three months ended Dec. 31
	(in thousands, except per share amounts)				(in thousands, except per share amounts)			
Investment and other (expenses) income, net	1,411	(1,069)	1,598	(3,407)	263	1,214	949	(4,396)
Foreign exchange gain (loss)	834	(1,152)	(2,481)	1,781	(2,173)	(29)	(2,900)	(1,045)
Net (losses) gains on commodity and foreign currency contracts	283	2,442	(393)	(414)	1,554	(1,077)	3,718	(5,814)
Net (losses) gains on sale of assets	16	37	(281)	8	1,100	(2)	(94)	(6)
Income (Loss) before taxes and non-controlling interest	8,991	12,839	25,124	43,897	45,674	33,780	12,493	(42,150)
Non-controlling interest	(31)	63	(266)	(863)	(1,020)	28	(101)	328
Income tax (provision) recovery	(2,350)	(2,694)	(7,483)	(15,229)	(14,497)	(12,451)	(5,988)	8,506
Net income (loss) for the period	**$ 6,610**	**$ 10,208**	**$ 17,375**	**$ 27,805**	**$ 30,157**	**$ 21,357**	**$ 6,404**	**$(33,316)**
Earnings (loss) per share								
Basic	$ 0.08	$ 0.12	$ 0.20	$ 0.31	$ 0.38	$ 0.26	$ 0.08	$ (0.41)
Fully Diluted	$ 0.08	$ 0.12	$ 0.20	$ 0.31	$ 0.38	$ 0.26	$ 0.08	$ (0.41)

Quarterly per share amounts have been adjusted to reflect the weighted average common shares of the Company outstanding for the full year.

Further discussion of the Company's financial results is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2009, incorporated by reference into this Annual Information Form.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company for the years ended December 31, 2009 and 2008, which are incorporated by reference herein.

DIRECTORS AND OFFICERS

The names and municipalities of residences of the directors and officers of the Company as at December 31, 2009, the positions held by them with the Company and their principal occupations for the past five years are set forth below:

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
Ross J. Beaty Vancouver, B.C. Canada	Director and Chairman (director of the Company since September 30, 1988)	Chairman of the Company since April 1994; former CEO of the Company.

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
Geoffrey A. Burns [4] North Vancouver, B.C. Canada	Director, President and Chief Executive Officer (director of the Company since July 1, 2003)	President of the Company since July 1, 2003, Chief Executive Officer of the Company since May 11, 2004; and Chief Operating Officer from July 1, 2003 to May 11, 2004 and prior thereto CFO of Coeur D'Alene Mines Corporation.
William A. Fleckenstein [3,5] Seattle, Washington, U.S.A.	Director of the Company since May 9, 1997	President of Fleckenstein Capital, Inc. (an investment counselling firm).
Michael Larson [1] Seattle, Washington, U.S.A.	Director of the Company since November 29, 1999	Chief Investment Officer of BGI (a private investment company).
Michael J.J. Maloney [1, 2, 3] Seattle, Washington, U.S.A.	Director of the Company from Sept. 25, 1995 to Nov. 29, 1999 and then re-elected on March 2, 2000	Private Investor.
Robert P. Pirooz [4] Vancouver, B.C. Canada	Director, General Counsel and Secretary (director of the Company since April 30, 2007)	General Counsel and Secretary of the Company.
David Press [2, 4] West Vancouver, B.C. Canada	Director of the Company since May 13, 2008	President, Press Mining Consulting Inc.
Walter T. Segsworth [2, 4] West Vancouver, B.C. Canada	Director of the Company since May 12, 2009	Corporate Director.
Paul B. Sweeney [1, 2] Surrey, B.C. Canada	Director of the Company since August 5, 1999	President of Plutonic Power Corporation (hydroelectric company) since August 2009; prior thereto, Executive Vice President, Corporate Development of Plutonic Power Corporation since January 1, 2007 and prior to that, Vice President and Chief Financial Officer of Canico Resource Corp.
Steven Busby Vancouver, B.C. Canada	Chief Operating Officer	Chief Operating Officer since May 13, 2008; Senior Vice President, Project Development & Technical Services of the Company from August 2003 to May 13, 2008.
Andres Dasso Vancouver, B.C. Canada	Senior Vice President, Mining Operations	Senior Vice President, Mining Operations since December 1, 2008; Country Manager-Peru for the Company since 1995.
Robert G. Doyle North Vancouver, B.C. Canada	Chief Financial Officer	Chief Financial Officer of the Company since January 2004; and prior thereto Senior Vice President-Mining Finance and Metals Marketing with Standard Bank.

Name and Municipality of Residence	Position with the Company	Principal Occupation During the Past Five Years
JOE PHILLIPS North Vancouver, B.C. Canada	Senior Vice President, Project Development	Senior Vice President, Project Development since September 2008; Country Manager-Mexico for the Company from June 2006 to August 2008; President, MCB, from September 2004 to May 2006.
MICHAEL STEINMANN North Vancouver, B.C. Canada	Executive Vice President, Geology & Exploration	Executive Vice President, Geology & Exploration since September 1, 2008; Senior Vice President, Geology & Exploration of the Company from November 2005 to August 2008; Vice President Geology of the Company from March 2004 to October 2005; prior thereto Manager of Geology for Glencore, South American operations and projects.
WAYNE VINCENT Blaine, WA, USA	Vice President, Accounting and Financial Reporting	Vice President, Accounting and Financial Reporting of the Company since May 13, 2008; Controller of the Company from April 2005 to May 13, 2008, prior thereto Controller for Coeur D'Alene Mines Corporation.
MARTIN WAFFORN Coquitlam, B.C. Canada	Vice President, Technical Services	Vice President, Technical Services since May 13, 2008; prior thereto Vice President, Mine Engineering for the Company, and prior thereto Director of Mine Engineering of the Company since February 2004; Prior thereto Manager of Mine-Engineering with Barrick Gold Corporation.

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1 Member of the Audit Committee
2 Member of the Human Resources and Compensation Committee
3 Member of the Nominating and Governance Committee
4 Member of the Health, Safety and Environment Committee
5 Lead Independent Director

The directors of the Company are elected at each annual general meeting to hold office until the next annual general meeting or until their successors are elected or appointed. The board currently consists of nine directors seven of whom, Ross J. Beaty, William A. Fleckenstein, Michael Larson, Michael J.J. Maloney, Paul B. Sweeney, David Press and Walter Segsworth, qualify as unrelated directors who are independent of management. The board has established four committees: the Audit Committee, the Human Resources and Compensation Committee, the Health, Safety and Environment Committee and the Nominating and Governance Committee. Detailed information regarding the duties and obligations of the Audit Committee is annexed as Appendix "A" to this Annual Information Form. 0; The board does not have an Executive Committee. The composition of the various committees as at December 31, 2009 is set forth in the preceding table.

As at March 26, 2010, the directors and officers of the Company named above as a group exercised control or direction or beneficially owned, directly or indirectly, 3,684,797 common shares of the Company representing approximately 3.4% of the issued and outstanding common shares of the Company.

Except as noted below, none of the Company's directors or executive officers:

(a) are, as at the date of this Annual Information Form, or have been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that,

(i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) are, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) have, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Robert Pirooz was formerly a director of Pacific Ballet British Columbia Society (the “Ballet”). On December 23, 2008, within a year following Mr. Pirooz’s resignation from the board of directors of the Ballet, the Ballet filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act*. Subsequently, on January 9, 2009, the proposal was unanimously accepted by the creditors of the Ballet.

In addition, none of the Company’s directors and executive officers has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a nominee as director.

Audit Committee

The members of the Audit Committee are Paul B. Sweeney (Chair), Michael J. J. Maloney and Michael Larson. The board of directors has determined based on the information provided by each director that all members of the Audit Committee meet the independence requirements set out in Multilateral Instrument 52-110 – *Audit Committees*, and as defined under the rules and regulations of the Nasdaq Stock Market. All members of the Audit Committee are financially literate and Paul B. Sweeney, an individual serving on the audit committee of the board of directors, is an audit committee financial expert, as that term is defined in General Instruction B(8)(a) of Form 40-F.

The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liabilities on such person that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

Relevant Education and Experience of Audit Committee Members

The relevant education and experience of each member of the Audit Committee that is relevant to the performance of the Audit Committee responsibilities are as follows:

Paul B. Sweeney (Chair) was a member of the Certified General Accountants Association of Canada, and has experience serving on public boards and their audit committees. He is currently the President of Plutonic Power Corporation and was formerly the Chief Financial Officer of Canico Resources Corp. from February 2002 to November 2005 and Manhattan Minerals Inc. from December 1999 to May 2001. Mr. Sweeney has also held senior officer positions in other companies.

Michael J.J. Maloney holds a Bachelor of Science degree from the University of California, Berkeley and a J.D. from Hastings College, University of California at San Francisco, and has approximately 40 years of experience as an officer of a company.

Michael Larson holds a Bachelor of Arts degree from Claremont McKenna College and an MBA from the University of Chicago. He has over 25 years of experience in financial analysis and serves as director or officer in several organizations.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by Deloitte & Touche LLP, the Company's Independent Registered Chartered Accountant for the fiscal years ended December 31, 2008 and 2009 for professional services rendered by Deloitte & Touche LLP for the audit of the Company's annual financial statements or services that are normally provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements for such years were $1,194,200 and $1,813,000, respectively.

Audit-Related Fees

The aggregate fees billed by Deloitte & Touche LLP for the fiscal years ended December 31, 2008 and 2009 for assurance and related services rendered by it that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported above as audit fees were NIL and NIL, respectively.

Tax Fees

The aggregate fees billed by Deloitte & Touche LLP for the fiscal years ended December 31, 2008 and 2009 for professional services rendered by it for tax compliance, tax advice, tax planning and other services were $45,200 and $113,000, respectively.

All Other Fees

The aggregate fees billed by Deloitte & Touche LLP for the fiscal years ended December 31, 2008 and 2009 for products and services provided by Deloitte & Touche LLP, other than the services reported in the preceding three paragraphs, were NIL and NIL, respectively.

Audit Committee Pre-Approval Policies

Since the enactment of SOX on July 30, 2002, all audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. However, the directors are required by law to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

EXCEPTIONS FROM NASDAQ CORPORATE GOVERNANCE REQUIREMENTS

Under Rule 4350(a) of the Nasdaq Stock Market Rules (the "Nasdaq Rules"), a foreign private issuer (as defined in Rule 12b-2 under the U.S. Securities Exchange Act of 1934, as amended) may follow its home country practice in lieu of certain of the corporate governance requirements of the Nasdaq Rules. Pursuant to Rule 4350(a), the Company follows British Columbia practice with respect to quorum requirements in lieu of Nasdaq Rule 4350(f).

Nasdaq Rule 4350(f) requires that the minimum quorum for a shareholder meeting is 33-1/3% of the outstanding common shares, whereas the Company's articles provide that the minimum quorum for a meeting of the holders of its common shares is two individuals who are shareholders, proxy holders representing shareholders or duly authorized representatives of corporate shareholders personally present and representing shares aggregating not less than 25% of the issued shares of the Company carrying the right to vote at that meeting. In the event there is only one shareholder, the quorum is one person personally present and being, or representing by proxy, that shareholder, or in the case of a corporate shareholder, a duly authorized representative of that shareholder. The Company's quorum requirem ent complies with the *Business Corporations Act* (British Columbia), which requires that unless the memorandum or articles otherwise provide, two shareholders entitled to vote at a meeting of shareholders, whether in person or represented by proxy, constitute a quorum. Furthermore, the rules of the Toronto Stock Exchange, upon which the Company's common shares are also listed, do not contain specific quorum requirements.

DIVIDENDS

On February 15, 2010, the Company announced that its Board of Directors had approved a semi-annual cash dividend to holders of its common shares. In conjunction with this approval, the Board declared its first cash dividend of $0.025 per common share to holders of record of its common shares as of the close of business on February 26, 2010. This dividend was paid to shareholders on or about March 12, 2010 and is designated to be an eligible dividend for the purposes of the *Income Tax Act* (Canada). Specific dates and amounts of future dividends will be determined by the Board on an ongoing basis. The Board will consider, among other things, present economic conditions and the then current activit ies of Pan American when determining the amount and timing of future dividends.

MARKET FOR SECURITIES

The Company's common shares are listed and posted for trading on the Toronto Stock Exchange (under the symbol PAA) and the Nasdaq stock market (under the symbol PAAS). The majority of trading of Pan American's common shares takes place on the Nasdaq exchange. The following table outlines the closing share price trading range and volume of shares traded by month in 2009:

	Toronto Stock Exchange (C$)			Nasdaq Stock Market (US$)			
Month	**High**	**Low**	**Volume**	**Month**	**High**	**Low**	**Volume**
January	$23.47	$17.00	4,260,800	January	$19.00	$13.48	35,149,495
February	$23.23	$17.50	6,021,000	February	$18.53	$14.06	42,237,335
March	$23.41	$16.19	4,436,800	March	$19.08	$12.62	29,277,732
April	$23.04	$18.58	3,548,700	April	$18.14	$15.02	20,423,497
May	$26.67	$19.54	3,609,100	May	$24.32	$16.36	27,448,166
June	$26.05	$20.19	3,935,800	June	$24.14	$17.45	33,703,486
July	$22.29	$19.45	2,660,400	July	$20.30	$16.64	21,495,859
August	$23.00	$19.50	4,212,600	August	$21.50	$18.11	22,060,656
September	$26.68	$20.44	5,158,400	September	$24.66	$18.85	43,521,749
October	$27.42	$21.96	6,626,300	October	$26.70	$20.28	44,307,441
November	$27.58	$22.17	6,863,900	November	$26.26	$20.50	37,388,904
December	$28.73	$24.32	6,572,600	December	$27.31	$22.91	33,439,891

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

A description of certain legal proceedings to which the Company is a party appear under the heading “Commitments and Contingencies” in Note 17 to the Company’s consolidated financial statements for the year ended December 31, 2009, which note is incorporated by reference.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Company’s knowledge, there were no directors or executive officers or any associate or affiliate of a director or executive officer with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia, and Computershare Trust Company, N. A. at its office in Denver, Colorado, USA.

MATERIAL CONTRACTS

No contracts, other than material contracts entered into in the ordinary course of business, that are material to the Company were entered into during the most recently completed financial year.

INTERESTS OF EXPERTS

Deloitte & Touche LLP, Chartered Accountants, are the auditors of the Company and are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and have prepared the Report of Independent Registered Chartered Accountants in respect of the Company’s audited consolidated financial statements and the Report of Independent Registered Chartered Accountants in respect of internal control over financial reporting.

The qualified persons as defined by NI 43-101 who have prepared or supervised the preparation of the Company’s mineral reserve and mineral resource estimates as at December 31, 2009 and disclosed in this Annual

Information Form are Michael Steinmann, Senior Vice President, Geology and Exploration of Pan American and Martin Wafforn, Vice President, Mine Engineering of Pan American who are both employees of the Company.

Deloitte & Touche LLP, Michael Steinmann, P. Geo., Martin Wafforn, P. Eng., Pamela De Mark; Damian Spring, John Wells, John Chulick, and Dean Williams are companies or persons who have prepared or certified a statement, report or valuation described in this Annual Information Form.

None of Michael Steinmann, P. Geo., Martin Wafforn, P. Eng., Pamela De Mark, Damian Spring, John Wells, John Chulick and Dean Williams beneficially owns, directly or indirectly, 1% or more of any class of the Company's outstanding securities.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular for the most recent annual meeting of shareholders. Additional financial information is also provided in the Company's Audited Consolidated Financial Statements for the years ended December 31, 2009 and 2008, and Management Discussion and Analysis. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

"*adit*" - a horizontal or nearly horizontal passage driven from the surface for the working of a mine.

"*adularia*" - a very low-temperature monoclinic potassium feldspar.

"*andesite*" - a dark-coloured, fine-grained extrusive rock that, when porphyritic, contains phenocrysts composed primarily of zoned sodic plagioclase (esp. andesine) and one or more of the mafic minerals (e.g. biotite, horneblend, pyroxene), with a ground-mass composed generally of the same minerals as the phenocrysts; the extrusive equivalent of diorite.

"*argillic*" - pertaining to clay or clay minerals, e.g. in "argillic alternation" in which certain minerals are converted to minerals of the clay group.

"*arroyo*" - a term applied in the arid and semi-arid southwestern U.S. to a small deep flat-floored channel or gully of an ephemeral or intermittent stream. It is usually dry and has steep or vertical banks of unconsolidated material.

"*AVR*" - acidification, volatilization and neutralization circuit, used to recover cyanide from barren solution resulting from the electrowinning process.

"*basalt*" - a dark-coloured igneous rock, commonly extrusive, composed primarily of calcic plagioclase and pyroxene.

"*berm*" - the space left between the upper edge of a cut and the toe of an embankment.

"*breccia*", "*brecciation*" - rock broken up by geological forces.

"*calcareous*" - containing calcium carbonate. When applied to a rock name, it implies that as much as 50% of the rock is calcium carbonate.

"*chalcopyrite*" - a bright brass-yellow tetragonal mineral; generally found massive and constitutes the most important ore of copper.

"*chert*" - a hard, dense, dull to semivitreous, microcrystalline or cryptocrystalline sedimentary rock, consisting dominantly of interlocking crystals of quartz less than about 30mu m in diameter; it may contain amorphous silica (opal). It sometimes contains impurities such as calcite, iron oxide, and the remains of siliceous and other organisms. Chert occurs principally as nodular or concretionary nodules in limestone and dolomites, and less commonly as layered deposits (bedded chert).

"*conglomerate*" - a coarse-grained clastic sedimentary rock, composed of rounded to sub-angular fragments larger than 2mm in diameter (granules, pebbles, cobbles, boulders) set in fine-grained matrix of sand or silt and commonly cemented by calcium carbonate, iron oxide, silica or hardened clay.

"*cut-and-fill*" - a method of stoping in which ore is removed in slices, or lifts, following which the excavation is filled with rock or other waste material known as back fill, before the subsequent slice is mined. The back fill supports the walls of the stope.

"*dacite*" - a fine-grained extrusive rock with the same general composition as andesite, but having less calcic plagioclase and more quartz.

"*diamond drill*" - a type of rotary drill in which the cutting is done by abrasion rather than by percussion. The drill cuts a core of rock which is recovered in long cylindrical sections.

"*doré*" - unrefined gold and silver in bullion form.

"*drift*" - a horizontal passage underground that follows along the length of a vein or rock formation.

"*enargite*" - a grayish-black or iron-black orthorhombic mineral. It is an important ore of copper.

"*epidote*" - a basic silicate of aluminum, calcium and iron.

"*epithermal*" - formed by low-temperature (100 - 200° C.) hydrothermal processes.

"*fault*" - a fracture in a rock where there has been displacement of the two sides.

"*feldspar*" - a prominent group of rock-forming silicate minerals.

"*fracture*" - breaks in a rock, usually due to intensive folding or faulting.

"*galena*" - the most important ore of lead, found in hydro-thermal veins and as a replacement mineral.

"*gangue*" - that part of an ore deposit from which a metal or metals is not extracted.

"*gneiss*" - a foliated rock formed by regional metamorphism, in which bands or lenticles of granular minerals alternate with bands or lenticles in which minerals having flaky or elongated prismatic habits predominate.

"*granodioritic*" - similar to granitic, except that graphic texture does not seem to occur, and a lower percentage of silicon, and a higher calcium and magnesium content is present.

"*indicated mineral resource*" - mineral resources for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"*inferred mineral resource*" - mineral resources for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological grade and continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"*lacustrine*" - pertaining to, produced by, or inhabiting a lake or lakes.

"*loop*" - a pattern of field observations that begin and end at the same point with a number of intervening observations.

"*manto*" - a blanket-like replacement of rock (commonly limestone) by ore. In some districts, the term has been modified to designate a pipe-shaped deposit confined within a single stratigraphic horizon.

"*marls*" - a variety of materials, most of which occur as loose, earthy deposits consisting chiefly of an intimate mixture of clay and calcium carbonate.

"measured mineral resource" –the part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"*mineral reserve*" – the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"*mineralization*" or "*resources*" or "*mineral resources*" – is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

"*monzonite*" - a granular plutonic rock containing approximately equal amounts of orthoclase and plagioclase, and thus intermediate between syenite and diorite. Quartz is minor or absent.

"*muck*" - ore or rock that has been broken by blasting.

"*open pit*" - a surface working open to daylight, such as a quarry.

"*ore shoot*" - a pipelike, ribbonlike or chimneylike mass of ore within a deposit (usually a vein), representing the more valuable part of a deposit.

"*orogeny*" - a period of mountain building.

"*pearceite*" - a monoclinic mineral $Ag_{16}As_2S_{11}$, having copper as an apparent necessary minor component which is metallic black, brittle and occurs in low-to moderate-temperature silver and base-metal ores.

"*pinch*" - a compression of the walls of a vein, or the roof and floor of a coal bed, which more or less completely displaces the ore or coal.

"*polybasite*" - a monoclinic mineral $(Ag,Cu)_{16}Sb_2S_{11}$ that is soft, metallic and grey to black occurring in low-temperature veins. A source of silver.

"*porphyry*" - an igneous rock of any composition that contains conspicuous phenocrysts in a fine-grained ground mass.

"probable mineral reserve" - is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"*proustite*" - a triangle mineral, Ag_3AsS_3, with rhombohedral cleavage that is soft, ruby red and occurs in low temperature or secondary enrichment veins. A minor source of silver.

"proven mineral reserve" - is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"*pyrite*" - a mineral containing iron sulphide.

"*pyroclastic*" - rock formed by the mechanical combination of volcanic fragments.

"*pyrrhotite*" - a monoclinic and hexagonal mineral, FeS, invariably deficient in iron, variably ferrimaganetic, which is metallic, bronze yellow with iridescent tarnish and occurs in mafic igneous rocks, contact metamorphic deposits, high temperature veins and granite pegmatites.

"qualified person" - is an individual who is an engineer or geoscientist with at least five years experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; and has experience relevant to the subject matter of the mineral project; and who is a member in good standing of a recognized self-regulatory organization of engineers or geoscientists.

"*raise*" - a vertical or inclined underground working that has been excavated from the bottom upward.

"*resuing*" - a method of stoping wherein the wall rock on one side of the vein has been blasted after the ore itself is broken, with the waste rock used as fill. Resuing is employed on narrow veins and permits a recovery with a minimum of dilution.

"*rhodochrosite*" - a hexagonal carbonate mineral, found in lead and silver-lead ore veins and in metasomatic deposits.

"*schist*" - a strongly foliated crystalline rock formed by dynamic metamorphism, that can be readily split into thin flakes or slabs due to the well developed parallelism of more than 50% of the minerals present, particularly those of lamellar or elongate prismatic habit (*e.g.*, mica and hornblende).

"*shrinkage stoping*" - a method of stoping which utilizes part of the broken ore as a working platform and as support for the walls.

"*silicified*" - a rock altered by a silica hydrothermal solution.

"*skarn*" - rocks composed nearly entirely of lime-bearing silicates and derived from nearly pure limestones and dolomites in which large amounts of silicon, aluminum, iron and magnesium has been introduced.

"*sphalerite*" - the main zinc ore, found in metasomatic deposits with galena, in hydro-thermal vein deposits, and in replacement deposits.

"*split*" - a coal seam that is separated from the main seam by a thick parting of other sedimentary rock.

"*stope*" - an excavation in a mine from which ore is being or has been extracted.

"*strike*" - the course or bearing of a layer of rock.

"*stripping ratio*" - the ratio of waste material to ore experienced in mining an ore body by open pit.

"*supergene*" - said of a mineral deposit or enrichment formed near the surface, commonly by descending solutions; also, said of the solutions and of that environment.

"*swell*" - an enlarged place in an orebody, as opposed to a *pinch.*

"*tailings*" - material rejected from a mill after recoverable valuable minerals have been extracted.

"*tennantite*" - a blackish lead-gray isometric mineral. It is isomorphous with tetrahedrite, and sometimes contains zinc, silver, or cobalt replacing part of the copper. It is an important ore of copper.

"*tetrahedrite*" - a metallic isometric mineral. It is isomorphous with tennantite, and often contains silver or other metals replacing part of the copper. Tetrahedrite is an important ore of copper and sometimes an ore of silver.

"*trachytes*" - fine-grained, alkali, intermediate igneous rocks.

"*tuff*" - a general term for all consolidated pyroclastic rocks. Adj: *tuffaceous*.

"*tuffs*" - upon consolidation, the general name for the material derived from solid volcanic material which has been blown into the atmosphere by explosive activity.

"*vein*" - an epigenetic mineral filling of a fault or other fracture, in tabular or sheetlike form, often with associated replacement of the host rock; a mineral deposit of this form and origin.

APPENDIX "A"

PAN AMERICAN SILVER CORP.
(the "Company")

AUDIT COMMITTEE CHARTER

MISSION

Senior management of Pan American Silver Corp. (the "Company"), as overseen by its Board of Directors (the "Board"), has primary responsibility for the Company's financial reporting, accounting systems and internal controls. The Audit Committee (the "Committee") is a standing committee of the Board established for the purposes of: (i) overseeing the integrity of the Company's financial statements and accounting processes of the Company; and (ii) overseeing the external auditor's qualifications and independence. The external auditors of the Company will report directly to the Committee.

COMPOSITION AND MEETINGS

1. The Committee shall be composed of at least three independent directors[1].
2. All members of the Committee shall, to the satisfaction of the Board, be Financially Literate and at least one member will be a Committee Financial Expert ("Financially Literate" and "Committee Financial Expert" are defined in the Definitions section of this Charter).
3. The members of the Committee shall be appointed by the Board, based on the recommendation of the Nominating and Governance Committee, to serve one year terms and are permitted to serve an unlimited number of consecutive terms.
4. The Committee shall appoint a chair (the "Chair") from among its members who shall be an unrelated director.
5. The Committee will make every effort to meet at least four times per year and each member is entitled to request that an additional meeting be called, which will be held within one week of the request for such meeting. A quorum at meetings of the Committee shall be two members.
6. The external auditor may request the Chair to call a meeting of the Committee to consider any matter that the auditor believes should be brought to the attention of the directors or the shareholders of the Company.
7. The Committee will make every effort to ensure that minutes of the Committee meetings be distributed to all members of the Committee with copies to the chief financial officer and the external auditor.

[1] In order to be considered "independent", the following applies:
(a) Pursuant to the Canadian Securities Administrators' Multilateral Instrument 52-110 "Audit Committees", a member of the Committee must not have a direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board, be reasonably expected to interfere with the exercise of a member's independent judgment.
(b) Pursuant to United States securities laws, a member of the Committee may not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries; nor be an affiliated person, as such term is defined in Rule 10A-3 of the Securities and Exchange Act of 1934, of the Company or any of its subsidiaries.

RESPONSIBILITIES

Charter.

The Committee will review this Charter periodically, but at least once per annum, and recommend to the Board any necessary amendments.

Financial Information

The Committee will review and discuss with the external auditors:

1. the audited annual financial statements, and recommend to the Board they be approved for inclusion in the Company's annual report;
2. interim financial statements, and the notes related thereto, and recommend to the Board they be approved for inclusion in the Company's quarterly financial release;
3. other financial information included in the Company's annual report;
4. quarterly and annual Management Discussion and Analysis;
5. the annual and interim earnings press releases before the Company publicly discloses the information contained therein;
6. any press release to be publicly disseminated which contains material information of a financial nature; and
7. the Annual Information Form.

External Auditors

1. The Committee will recommend to the Board the external auditor to be nominated for appointment by shareholders at each annual general meeting of the Company.
2. The Committee will review the performance of the external auditor and, where appropriate, recommend to the Board the removal of the external auditor.
3. The Committee will confirm the independence and effectiveness of the external auditor, which will require receipt from the external auditor of a formal written statement delineating all relationships between the auditor and the Company and any other factors that might affect the independence of the auditor.
4. The external Auditor will report directly to the Audit Committee.
5. The Committee will oversee the work of the external auditor generally, and review and report to the Board on the planning and results of external audit work, including:

   (a) the external auditor's engagement letter or other reports of the auditor;

   (b) the reasonableness of the estimated fees and other compensation to be paid to the external auditor;

   (c) the form and content of the quarterly and annual audit report, which should include, *inter alia*:

      (i) a summary of the Company's internal controls and procedures;

      (ii) any material issues raised in the most recent meeting of the Committee;

(d) any other related audit, review or attestation services performed for the Company by the external auditors; and

(e) an assessment of the external auditor's performance.

6. The Committee will actively engage in dialogue with the external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the external auditor and take, or recommend the Board take, appropriate actions to oversee the independence of the external auditor.

7. The Committee will review and pre-approve all non-audit services provided to the Company or its subsidiaries by the external auditor prior to the commencement of such services. Pre-approval of non-audit services will be satisfied only if the requirements as set out in National Instrument 52-110 "Audit Committees" are satisfied.

8. The Committee will monitor the relationship between management and the external auditor and resolve any disagreements between them regarding financial reporting.

Accounting System and Internal Controls

The Committee will:

1. Obtain reasonable assurance from discussions with (and/or reports from) management, and reports from external and internal auditors that the Company's financial and accounting systems are reliable and that the prescribed internal controls are operating effectively.

2. In consultation with the external auditor and the Disclosure Committee of the Board, review the integrity of the Company's financial reporting process and the internal control structure.

3. Review the acceptability of the Company's accounting principles and direct the auditors' examinations to particular areas of question or concern, as required.

4. Request the auditors to undertake special examinations (e.g., review compliance with conflict of interest policies).

5. Together with management, review control weaknesses identified by the external and internal auditors.

6. Review the appointments of the chief financial officer and key financial executives.

Internal Audit

The Committee will:

1. Review activities, organization structure and qualifications of the internal audit function.

2. Review the resources, budget, reporting relationships and planned activities of the internal audit function.

3. Review internal audit findings and determine that they are being properly followed up.

4. Annually review and recommend changes, if any, to the internal audit procedures.

5. Review with the Company's legal counsel any legal matter that could have a significant impact on the Company's financial statements.

Ethical and Legal Responsibilities

1. The Committee will review and monitor the Company's compliance with applicable legal and regulatory requirements, particularly those related to financial reporting and disclosure.

2. The Committee will review all related-party transactions.

Complaints

The Committee will establish procedures for:

1. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

2. the confidential, anonymous submission by employees of the Company and its subsidiaries of similar concerns.

AUTHORITY

1. The Committee shall have the authority to:

   (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

   (b) set and pay the compensation for any advisors employed by the Committee; and

   (c) communicate directly with the internal and external auditors.

2. The Committee shall have the power, authority and discretion delegated to it by the Board which shall not include the power to change the membership of or fill vacancies in the Committee.

3. A resolution approved in writing by the members of the Committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.

4. The Board shall have the power at any time to revoke or override the authority given to or acts done by the Committee except as to acts done before such revocation or act of overriding and to terminate the appointment or change the membership of the Committee or fill vacancies in it as it shall see fit.

5. The Committee shall have unrestricted and unfettered access to all Company personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised in the Company's financial statements.

"**Committee Financial Expert**" means a person who has the following attributes:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised in the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls and procedures for financial reporting; and

(e) an understanding of audit committee functions;

acquired through any one or more of the following:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; or

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience.

Exhibit 1.2



Pan American
SILVER CORP.

Management's Discussion and Analysis
for the Year Ended December 31, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

March 22, 2010

INTRODUCTION

Management's discussion and analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Pan American Silver Corp.'s and its subsidiaries' ("Pan American" or the "Company") performance and such factors that may affect its future performance. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009 and the related notes contained therein. All amounts in this MD&A and in the consolidated financial statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Pan American's significant accounting policies are set out in Note 2 of the Audited Consolidated Financial Statements. Differences between Canadian and United States generally accepted accounting principles ("US GAAP") that would have affected the Company's reported financial results are set out in Note 20 of the Audited Consolidated Financial Statements. This MD&A refers to various non-GAAP measures, such as "cash and total cost per ounce of silver", which are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the silver mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of thes e measures as calculated by the Company, we have provided detailed descriptions and reconciliations where applicable.

Except for historical information contained in this MD&A, the following disclosures are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 or are future oriented financial information and as such are based on an assumed set of economic conditions and courses of action. Please refer to the cautionary note regarding the risks associated with forward looking statements at the back of this MD&A and the "Risks Related to Pan American's Business" contained in the Company's most recent Form 40F and Annual Information Form on file with the US Securities and Exchange Commission and the Canadian provincial secur ities regulatory authorities. Additional information about Pan American and its business activities, including its Annual Information Form, is available on SEDAR at www.sedar.com

The scientific or technical information in this MD&A, which includes reserve estimates for the Huaron, Morococha, Quiruvilca, Alamo Dorado, La Colorada, Manantial Espejo, and San Vicente properties were based upon information prepared by or under the supervision of Michael Steinmann, P.Geo., Executive Vice President Geology & Exploration and Martin G. Wafforn, P.Eng., Vice President Technical Services, who are "Qualified Persons" for purposes of National Instrument 43-101. The resource estimates for Navidad were prepared by Snowden under the supervision of Pamela De Mark, P.Geo., Sr. Consultant Snowden Mining Industry Consultants, John J. Chulick, P. Geo., Dean K. Williams, Licensed Professional Geologist, Damian Spring, Mining Engineer, and John A. Wells, Independent Metallurgical Consultant. Mineral resource estimates for Hog Heaven and Waterloo are based on historical third party estimates.

The Company's 2010 budget and the resultant forecast numbers contained in this MD&A include estimates of future production rates for silver and other metals and future cash and total costs of production at each of the Company's properties, which are forward-looking estimates. These forecasts are based on the following key assumptions: (i) silver: $15 per ounce, gold: $975 per ounce, zinc: $1,875 per tonne ($0.85 per lb), lead: $1,875 per tonne ($0.85 per lb), and copper: $5,600 per tonne ($2.54 per lb), (ii) that we are able to ship and sell all of our 2010 production in the 2010 financial year; (iii) the Company's forecast production for each individual mine is achieved; (iv) there is no disruption in production, increase in costs or disruption due to, among other things: natural phenomena and hazards; technological, mechanical or operational disruptions; changes in local governments, legislation, taxation or the political or economic environment; fluctuations in the price of silver, gold or base metals; fluctuations in the local currencies of those countries in which the Company carries on business; unexpected work stoppages or labour disputes; fluctuations in the price for electricity, natural gas, fuel oil, and other key supplies; or transportation disruptions.

No assurance can be given that the indicated quantities of silver and other metals will be produced, or that projected cash costs or forecast capital costs will be achieved. Expected future production, cash costs and capital costs are inherently uncertain and could materially change over time. If actual results differ from the assumptions set out above, the Company's mineral production and cash costs may differ materially from the forecasts in this MD&A. Readers should review those matters discussed herein under the heading "Risks and Uncertainties" and are advised to read the "Cautionary Note regarding forward looking statements" containe d herein.

CORE BUSINESS AND STRATEGY

Pan American engages in silver mining and related activities, including exploration, mine development, extraction, processing, refining and reclamation. The Company owns and operates silver mines located in Peru, Mexico, Argentina, and Bolivia. In addition, the Company is exploring for new silver deposits throughout South America and Mexico. The Company is listed on the Toronto Stock Exchange (Symbol: PAA) and on the NASDAQ Exchange in New York (Symbol: PAAS).

Pan American was founded in 1994 with the specific intention of providing investors with the best investment opportunity to gain real exposure to silver prices. The Company's mission is to be the largest and lowest cost primary silver mining company globally. To realize this mission, Pan American's strategy is to focus on growing its base of low cost silver production and silver reserves by constantly optimizing its production methods, and developing new silver deposits through acquisition and exploration.

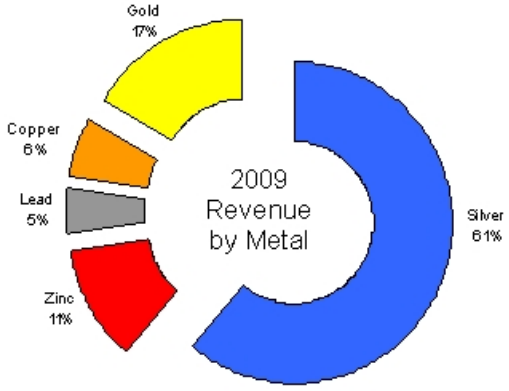
To execute this strategy, Pan American has assembled a sector leading team of mining professionals with a depth of exploration, construction, operating, and financing knowledge that allows the Company to confidently advance early stage projects through construction and into operation.

Pan American is determined to conduct its business in a responsible and sustainable manner. The Company is focused on health and safety standards at all of our operations and we are constantly striving to improve our safety record. We have a proactive approach to minimizing and mitigating the environmental impacts of our activities by applying prudent design and operating practices and by continuing environmental education for employees and contractors. Pan American is committed to maintaining positive relations with its employees, the local communities and government agencies, whom we view as partners in our enterprise.

Pan American's operational track record and strong financial position has positioned the Company to take full advantage of strategic opportunities in the silver market, when and if they arise.

Pan American's silver production has grown for 14 consecutive years. At the end of 2009, Pan American had seven operating mines plus production from pyrite stockpiles - a considerable portfolio of quality silver producing assets providing diversification of political and operational risk. Pan American also produces significant quantities of gold and base metals as by-products to its silver mining activities. The following charts reflect the geographic diversity of our silver production and the breakdown of our revenue, by metal type, for 2009:





HIGHLIGHTS OF 2009

OPERATIONAL

Increased Silver Production to New Record

Silver production was 23.0 million ounces in 2009, an increase of 23% (4.4 million ounces) over 2008. This new record is directly attributable to smooth start-ups at the recently completed Manantial Espejo mine in Argentina and the San Vicente mine expansion in Bolivia.

Increased Gold, Zinc and Copper Production to New Records

Gold production increased to over 100,000 ounces, an increase of 297% over 2008. Zinc and copper production increased by 11% and 6%, respectively, in 2009. These new production records for the Company were primarily a result of the additional production from Manantial Espejo and San Vicente.

Decreased Cash Costs per Ounce of Silver by 7%

Consolidated cash costs in 2009 of $5.53 per ounce of silver were 7% lower than $5.97 per ounce in 2008, and well below the Company's annual guidance of $6.00 per ounce for 2009. This decrease in cash costs was primarily a result of ongoing cost-saving programs implemented in late 2008 and the inclusion of low-cost production from Manantial Espejo.

Robust Proven and Probable Silver Reserves

A successful exploration and resource conversion program in 2009 replaced reserves that were mined during the year and added additional reserves. As at December 31, 2009, proven and probable reserves totaled 233.9 million ounces, an increase of 5% over the previous year (223.7 million ounces), after replacing ounces mined during 2009. For the complete breakdown of reserves and resources by property and category, refer to Section Mineral Reserves and Resources of this MD&A.

Commercial Production at Manantial Espejo

Pan American officially inaugurated the 2,000 tonne per day Manantial Espejo silver and gold mine in mid-March 2009. Commercial production was declared in January 2009 during the first month of its operation.

Exceptional Success in Commissioning Activities at San Vicente

A smooth ramp-up of operations led to the declaring of commercial production at San Vicente in the first month of its operation, April 2009. The new 750 tonne-per day processing facility, constructed due to the discovery of the high grade Litoral vein system, contributed 2.6 million ounces of silver in 2009. San Vicente was Pan American's largest producer of silver in the fourth quarter of 2009, producing 1.1 million ounces.

FINANCIAL

Record Sales

Annual sales in 2009 were a record $454.8 million, an increase of 34% over 2008 sales, driven primarily by increased quantities of silver and gold sold, partially offset by lower realized base metal prices.

Record Operating Cash Flow

Cash flow from operations grew by 25% to $116.0 million in 2009. Operating cash flow before changes in non-cash working capital was $151.7 million in 2009, a $51.8 million improvement on the comparable cash

flow from 2008. The additional operating cash flow was attributable to Manantial Espejo and San Vicente, which combined to generate $50.6 million of cash flow from operations.

Record Mine Operating Earnings

Mine operating earnings in 2009 jumped to $126.0 million, an increase of 35% over the prior year, again primarily due to the contributions from Manantial Espejo and San Vicente, which combined for $45.3 million of mine operating earnings.

Equity Offering Enhances Pan American's Financial Position

An equity offering which closed on February 12, 2009 yielded proceeds, net of underwriting fees and issue expenses, of $97.9 million, including the exercise in full of the underwriters' over-allotment option. The Company closed this public offering of 6,371,000 common shares at a price of $16.25 per share. The Company expects to use the net proceeds to fund acquisitions, development programs on acquired mineral properties, working capital requirements and for other general corporate purposes.

Record Liquidity and Working Capital Position

The Company had a record cash and short term investment balance of $193.1 million and a working capital position at a record $272.3 million at December 31, 2009. This was driven by operating cash flows and the proceeds of the equity offering described above.

BUSINESS DEVELOPMENT

The Aquiline Transaction

On October 14, 2009, Pan American and Aquiline Resources Inc. ("Aquiline") announced that they had signed a support agreement pursuant to which Pan American would make a formal take-over bid to acquire all of the issued and outstanding shares of Aquiline and make formal take-over bids for each outstanding series of Aquiline warrants and the Aquiline convertible debenture. Pan American's bid for the issued and outstanding Aquiline shares was made on the basis of 0.2495 of a Pan American common share, plus 0.1 of a Pan American common share purchase warrant for each Aquiline common share. Each of these whole consideration warrants will entitle the holder to acquire on e Pan American common share at a price of CAD$35.00 per Pan American common share for a period of five years.

Pan American's bid was overwhelmingly well received by Aquiline security holders and Pan American completed the acquisition of 100% of the outstanding common shares in January 2010.

The acquisition added the world class Navidad silver development project in Chubut, Argentina to Pan American's portfolio and will provide an opportunity for the Company to build on its recent successful mine development experience in Argentina. There is currently a law in Chubut prohibiting open-pit mining and the use of cyanide in mining that, as currently enacted, would prohibit the economic construction and development of Navidad. Pan American believes that it is uniquely positioned to develop Navidad because of our proven development and operating team, our exemplary community and government relations, our strong environmental and safety record, and our outstand ing financial strength. The Company intends to leverage these attributes to demonstrate to the government of Chubut that it can develop Navidad in a socially and environmentally responsible manner.

La Preciosa Joint Venture

On April 14, 2009, Pan American and Orko Silver Corp. ("Orko") announced that they had reached an agreement outlining the terms under which they may jointly develop the La Preciosa silver project in the state of Durango, Mexico. Pan American agreed to spend a minimum of $5.0 million in the first 12 months of the development program to maintain its interest in the joint venture, of which a minimum of $2.5 million will be spent to continue to explore the highly prospective land package that Orko brought to the joint venture. At

the date of this MD&A, Pan American has already spent 5.6 million. In order to maintain its 55% interest in the joint venture, Pan American has agreed to conduct resource definition drilling, acquire necessary surface rights, obtain permits, prepare and deliver a feasibility study within 36 months and ultimately be responsible for capital expenditures required for the construction of a mine at La Preciosa.

2010 OPERATING OUTLOOK

This section of the MD&A provides management's production and costs forecasts for 2010. We also discuss the major capital projects planned for each of the operations in 2010. These are forward-looking estimates and subject to the cautionary note regarding the risks associated with forward looking statements at the end of this MD&A.

Production Forecasts

Silver production is expected to increase 2% in 2010 to 23.4 million ounces, as compared to 2009's production. The planned increase is primarily due to a full year of production at the new processing facility at San Vicente and higher throughput rates at Manantial Espejo, partially offset by lower silver production at Alamo Dorado due to an expected decrease in grades.

The expected reductions in gold grades at Manantial Espejo and Alamo Dorado will likely result in lower gold production in 2010. Zinc, lead and copper production are expected to increase in 2010 as compared to 2009's production, due to a full year of production at San Vicente and higher throughput at Huaron.

Precious metals are expected to account for 75% of our sales in 2010, down from 79% in 2009 as base metal production is expected to increase while gold production is expected to be lower. Our sales base will continue to be geographically diversified in 2010 with the Peruvian operations contributing 37% of expected sales, the Mexican operations 35%, Argentina 21% and Bolivia 7%.

	HUARON	MOROCOCHA	QUIRUVILCA	PYRITE STOCKPILES	ALAMO DORADO	LA COLORADA	SAN VICENTE	MANANTIAL ESPEJO	CONSOLIDATED TOTAL
PRODUCTION									
Silver ounces (000's)	3,700	2,700	1,400	200	4,200	3,600	3,000	4,600	23,400
Gold ounces	1,200	1,300	1,600	-	13,700	5,300	-	62,500	85,600
Zinc tonnes	12,000	16,000	10,000	-	-	3,000	5,000	-	46,000
Lead tonnes	5,600	5,700	3,000	-	-	1,500	-	-	15,800
Copper tonnes	2,600	2,300	1,600	-	100	-	700	-	7,300
COSTS[1]									
Cash costs per ounce	$ 8.75	$ 4.25	$ 7.00	$ 4.00	$ 6.75	$ 8.75	$ 7.00	$ 3.25	$ 6.40
Non-cash costs per ounce	$ 1.41	$ 2.63	$ 0.63	$ -	$ 4.69	$ 2.68	$ 3.63	$ 8.88	$ 4.13
Total costs per ounce	$ 10.16	$ 6.88	$ 7.63	$ 4.00	$ 11.44	$ 11.43	$ 10.63	$ 12.13	$ 10.53

(1) Cash costs per ounce, non-cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

Cash and Total Costs Forecasts

Cash costs are expected to increase to $6.40 per ounce in 2010 compared to the 2009 cash costs of $5.53 per ounce. The increase is primarily due to lower gold production, higher energy and fuel costs, stronger local currencies and increased royalties and treatment charges which outweigh forecast increases in by-product credits due to anticipated increases in zinc, lead and copper production. The non-cash component of our total cost per ounce is expected to remain similar to 2009 at approximately $4.13 per ounce as higher

depreciation charges related to a full year of production from San Vicente are expected to be offset by a reduction in depreciation charges at La Colorada.

Capital Expenditure Forecasts

We are planning to invest $45.9 million in sustaining capital in 2010.

	Capital budget (in millions)
Huaron	$8.2
Morococha	$8.6
Alamo Dorado	$1.8
La Colorada	$6.3
Manantial Espejo	$10.9
San Vicente	$7.9
La Preciosa	$1.7
Other	$0.5
Total	**$45.9**

In addition to sustaining capital, we also expect to invest a minimum of $5 million on infrastructure development at Morococha in 2010.

Management's forecast for each mine's operating performance and capital requirements in 2010 follows:

Huaron Mine

In 2010, we expect to produce 3.7 million ounces of silver at a cash cost of $8.75 per ounce. Huaron plans to increase mining and milling rates by 10% from its 2009 levels by accessing additional ore zones deeper in the mine. However, the increased throughput is expected to be offset by lower silver grades, resulting in similar silver production as achieved in 2009. The expected increase in throughput rates is expected to result in higher zinc, lead and copper production. Despite higher throughput, production costs per dry metric tonne milled are budgeted to remain steady as compared to 2009 primarily as a result of the stronger local currency and higher mining costs. Cash costs per ounce are expected to reduce by 12% from 2009 due to higher zinc and copper metal prices, partially offset by an increase in smelting and refining costs.

Capital spending of $8.2 million at Huaron in 2010 will allow for further development on the new 180 level, completion of the shaft "D" rehabilitation, improvements in the plant, and exploration.

Morococha Mine

In 2010, we expect to produce 2.7 million ounces of silver at a cash cost of $4.25 per ounce for Pan American 92.18% interest in Morococha. Tonnes milled, silver and base metal grades and recoveries at Morococha in 2010 are all expected to remain similar to 2009 levels, resulting in a steady production profile. Operating costs per dry metric tonne milled are expected to increase by 2% over 2009 costs primarily as a result of a stronger local currency in 2010. We anticipate cash costs per ounce in 2010 to decrease to $4.25 compared to 2009's actual cost of $6.58 due to higher zinc and copper metal by-product credits.

Morococha's capital budget totals $8.6 million in 2010 and is largely comprised of $5.0 million planned for mine development in the Alapampa area (containing the high grade Morro Solar vein) and continuing development to the deeper zones of the Yacumina zone in addition to sustaining capital and exploration.

Quiruvilca Mine

In 2010, we expect to produce 1.4 million ounces of silver at a cash cost of $7.00 per ounce. Our plan to initiate the process necessary to suspend operations at the Quiruvilca mine in 2009 has been deferred based

on the improvement in the price environment for metals in 2009. Our intention now is to operate the Quiruvilca mine throughout 2010 while still continuing to prepare for mine closure. The production profile is expected to be similar to that achieved in 2009. Higher by-product credits and lower project costs are expected to more than offset the effects of a stronger local currency. This will result in cash costs per ounce decreasing by 19% as compared to 2009.

We plan to continue short-term development to maintain operations throughout 2010, anticipating the continuation of operations beyond 2010 depending on metal prices. As we did in 2009, we plan to expense all project expenditures at Quiruvilca in 2010. We also plan concurrent reclamation spending of approximately $0.8 million which will be recorded against the existing asset retirement obligation on our balance sheet.



Pyrite Stockpile

In 2010, we expect to produce 0.2 million ounces of silver at a cash cost of $4.00 per ounce. Our outlook for 2010 is based on the assumption that the La Oroya smelter restarts operations in the second quarter of 2010 and resumes the purchase of our Pyrite Stockpile material. As there are no other likely buyers of this material, we are dependent on sales to the La Oroya smelter to report silver production from this operation.



Alamo Dorado Mine

In 2010, we expect to produce 4.2 million ounces of silver at a cash cost of $6.75 per ounce. While we expect that Alamo Dorado will continue to process an average of 4,500 tonnes per day of ore in 2010, we anticipate a decrease in the silver and gold grades, with silver recoveries stable around 88%. Based on these assumptions, the mine is expected to produce approximately 20% less silver and gold than it did in 2009. We plan to decrease the mining rate from 6.0 million tonnes in 2009 to 4.8 million tonnes in 2010, of which 1.7 million tonnes are expected to be ore (strip ratio of 1.8:1). Cash costs per ounce are expected to increase to $6.75, as lowe r silver grades, higher costs of caustic soda and sulphuric acid, stronger local currency and lower by-product credits from gold revenues all contribute to higher cash costs.

Capital expenditures are expected to be $1.8 million, primarily for a spare grinding mill motor and a haul truck.



La Colorada Mine

In 2010, we expect to produce 3.6 million ounces of silver at a cash cost of $8.75 per ounce. We plan to continue shifting production from the lower-grade oxide zone in Estrella and Candelaria and expand production from the sulphide zone in Recompensa and Candelaria in 2010. This shift, combined with the higher recovery rates in the sulphide plant are expected to result in a 4% increase in silver production, as well as increases in the production of zinc and lead, offset by lower gold production from the oxide plant. Overall, throughput rates are expected to increase by 6% relative to 2009 as investments in mine development, particularly related to ventilation a nd dewatering, are enabling access to ore deeper in the mine. Operating costs per tonne in 2010 are expected to increase over 2009's costs due to the implications of mining deeper sulphide reserves, increased mine development for the increased throughput, a stronger local currency and expected increases in diesel fuel and energy costs. Cash costs per ounce are expected to increase by 16% from 2009's cash costs as a result of the higher expected operating costs, somewhat offset by higher by-product credits.

Capital expenditures at La Colorada in 2010 are expected to be $6.3 million, and are comprised mostly of expenditures related to underground mining equipment, work to complete a tailings dam raise and exploration drilling.



San Vicente Mine

In 2010, we expect to produce 3.0 million ounces of silver at a cash cost of $7.00 per ounce for Pan American's 95% interest in San Vicente. The 2010 plan for San Vicente contemplates the new mill operating close to design capacity of 750 tonnes per day. Continued development of the high-grade Litoral vein is

expected to deliver ore with silver grades of 417 grams per tonne and zinc grades are expected to increase to 2.65%. Mining activities at San Vicente in 2010 are expected to contribute 14% more silver and zinc production is expected to more than double from 2009 levels. Stabilization of throughput rates near design capacity is expected to result in a 12% decrease in operating costs per tonne. Cash costs per ounce are expected to be similar to 2009 as the negative impact of lower silver grades is expected to be entirely offset by lower costs per tonne and higher zinc by-product credits.

The capital budget for 2010 at San Vicente is $7.9 million. The main capital projects include $3.5 million for a tailings dam raise, $0.9 million to complete the installation of the hoist and head frame and $0.8 million for a shaft deepening.

Manantial Espejo Mine

In 2010, we expect to produce 4.6 million ounces of silver at a cash cost of $3.25 per ounce. The key objectives in 2010 for Manantial Espejo are to maintain design throughput of 2,000 tonnes per day of ore averaging 225 grams per tonne of silver and to improve silver recoveries to 89%, thereby becoming Pan American's largest silver producer in 2010.

The 2010 mine plan calls for a total of 8.4 million tonnes to be mined from open pits, including 0.5 million tonnes of ore and an additional 0.16 million ore tonnes to be mined from underground.

Despite the expected 15% increase in throughput rates, gold head grades are expected to decrease by 22%, which will result in an 11% decline in gold production. The drop in gold production and the resultant decline in by-product credits is the principal reason for the increase in cash costs to $3.25 per ounce.

The capital budget for 2010 totals $10.9 million with the largest capital item being $5.4 million to be spent on advancing an electrical power line. This is an important capital project as we strive to relieve the need for relatively high-cost onsite diesel generated power. Additional capital expenditures include completing a tailings dam raise and exploration drilling.

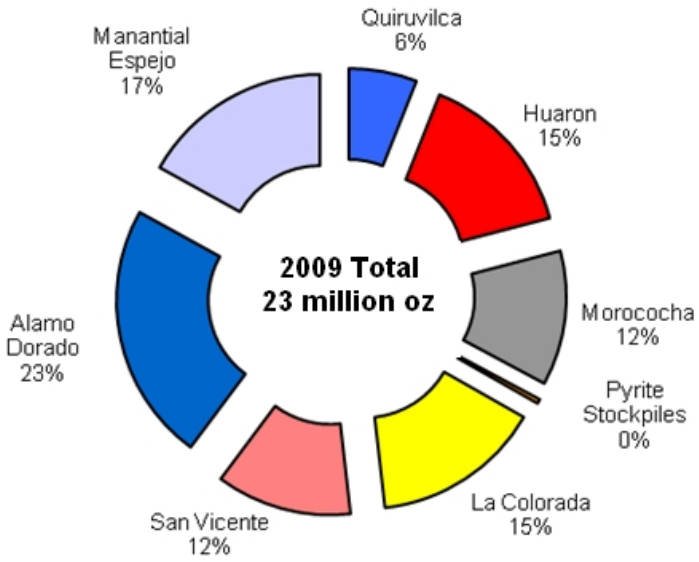
2009 OPERATING PERFORMANCE

The following table reflects silver production and cash costs at each of Pan American's operations for 2009, as compared to 2008 and 2007.

	Silver Production (ounces '000s)			Cash Costs[1] ($ per ounce)		
	2009	2008	2007	2009	2008	2007
Manantial Espejo	**3,783**	-	-	**$ (0.84)**	-	-
Huaron	**3,563**	3,628	3,827	**$ 9.95**	$ 8.06	$ 2.78
Morococha[2]	**2,762**	2,476	2,870	**$ 5.86**	$ 2.84	$ (2.16)
Quiruvilca	**1,422**	1,383	1,569	**$ 8.64**	$ 6.61	$ 2.43
Pyrites Stockpiles	**98**	284	454	**$ 3.78**	$ 4.41	$ 3.24
Alamo Dorado	**5,321**	6,116	3,809	**$ 4.51**	$ 4.38	$ 4.41
La Colorada	**3,468**	3,911	3,964	**$ 7.55**	$ 8.06	$ 6.88
San Vicente[3]	**2,627**	875	619	**$ 7.07**	$ 7.57	$ 5.41
Consolidated Total	**23,044**	**18,673**	**17,113**	**$ 5.53**	**$ 5.96**	**$ 3.42**

(1) Cash costs per ounce is a non-GAAP measurement. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.
(2) Morococha data represents Pan American's 92.18% interest in the mine's production.
(3) San Vicente data represents Pan American's 95% interest in the mine's production.

The graph below pictorially presents silver production by mine in 2009 and highlights the diverse nature of Pan American's silver production.



Pan American's silver production increased by 4.4 million ounces to 23 million ounces in 2009 primarily driven by new production from Manantial Espejo and San Vicente, partially offset by decreases at our Mexican operations. Silver production in 2009 was slightly above our forecast of 22.9 million ounces, including production from Quiruvilca. Quiruvilca operated for the full year in 2009 and contributed 1.4 million ounces to our consolidated silver production. Higher than forecast silver production at San Vicente, Alamo Dorado, La Colorada and Morococha outweighed shortfalls relative to management's expectations at Huaron and Manantial Espejo.

Consolidated cash costs per ounce of silver were $5.53 in 2009, a 7% decline from 2008's cash costs per ounce of $5.96. The lower cash costs in 2009 primarily reflected the positive results of cost-saving initiatives implemented in late 2008 and the impact of adding negative cash costs at the new Manantial Espejo mine, partially offset by a drop in by-product credits at other operations as a result of the lower base metal prices in 2009.

The following table sets out the Company's by-product production over the past three years:

	By-Product Production		
	2009	2008	2007
Gold ounces	**100,704**	25,146	23,580
Zinc tonnes	**44,246**	39,811	39,074
Lead tonnes	**14,328**	15,974	16,284
Copper tonnes	**6,446**	6,069	5,650

Pan American achieved increases in gold, zinc and copper production relative to 2008, while lead production declined slightly. Actual production in 2009 (excluding Quiruvilca), exceeded management's forecasts in the case of gold by 18%, while zinc, lead and copper production fell short of management's expectations (by 8%, 13% and 4%, respectively) due primarily to variations in actual grades relative to forecast grades.

A description of each mine and an analysis of their 2009 operating performance, measured against 2008 operating performance and management's forecasts follows:

Huaron Mine

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	177,447	159,066	699,420	732,146
Average silver grade – grams per tonne	182	206	200	194
Average zinc grade	2.56%	2.52%	2.48%	2.31%
Average silver recovery	77.9%	79.2%	79.2%	79.3%
Silver – ounces	810,358	832,556	3,562,893	3,628,490
Gold – ounces	275	287	1,235	1,552
Zinc – tones	2,844	2,591	11,198	11,047
Lead – tones	1,062	1,254	4,372	5,903
Copper – tones	531	472	2,166	1,707
Cash costs per ounce (1)	$ 10.73	$ 10.73	$ 9.95	$ 8.06
Total costs per ounce (1)	$ 12.27	$ 12.00	$ 11.33	$ 9.38
Payable ounces of silver	731,223	754,718	3,225,928	3,280,053

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

The Huaron silver-zinc underground polymetallic mine is located 320 km northeast of Lima in the heart of the Cerro de Pasco district. This is one of Peru's most important mining districts, accounting for more than half of the country's silver production. Since operations began in 1912, Huaron has produced more than 228 million ounces of silver.

Pan American acquired a majority interest in Huaron in March 2000. The Company fast-tracked the project through feasibility, financing and rehabilitation to re-open the mine and commence full-scale operation in April 2001. Productivity improvements in recent years have increased available tonnage capacity to over 60,000 tonnes per month.

In 2009, Huaron's silver production remained similar to 2008 production, however cash costs increased by 22% over the previous year. Production rates remained steady as lower throughput was largely offset by higher silver grades.

Cash costs at Huaron increased primarily due to (i) additional costs for dewatering the mine below the drainage tunnel, (ii) the impact of the closure of the La Oroya smelter, which resulted in increased treatment charges for copper concentrate, and (iii) lower by-product credits resulting from weaker base metal prices in 2009.

Silver production in 2009 was 15% below management's forecast of 4.2 million ounces and actual cash costs were 22% higher than our forecast of $8.14 per ounce. The reasons for the shortfall in production relative to management's forecast were lower than planned throughput combined with lower grade ore, which were a consequence of the mine development difficulties encountered, including poor ground conditions and increased water flows. As a result, access to higher grade ore deeper in the mine, which was anticipated in our forecast, was not fully realized in 2009. The actual cash costs in 2009 relative to forecast cash costs were negatively impacted by the devel opment difficulties described above and by the unanticipated closure of the La Oroya smelter, partially offset by better realized by-product prices than expected.

*Morococha Mine**

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	169,003	148,867	638,805	599,174
Average silver grade – grams per tonne	155	153	156	153
Average zinc grade	3.16%	3.84%	3.24%	3.34%
Average silver recovery	87.2%	82.7%	86.1%	83.9%
Silver – ounces	733,283	605,245	2,762,064	2,475,516
Gold – ounces	320	248	1,291	1,191
Zinc – tonnes	4,499	4,749	16,942	16,677
Lead – tonnes	1,339	1,365	5,520	6,266
Copper – tonnes	470	576	2,030	2,026
Cash costs per ounce (1)	$ 2.36	$ 8.17	$ 5.86	$ 2.84
Total costs per ounce (1)	$ 4.98	$ 10.37	$ 8.49	$ 4.98
Payable ounces of silver	654,293	539,108	2,469,949	2,214,316

* *Production and cost figures are for Pan American's share only. Pan American's ownership changed from 89.4% to 92.18% in December 2008.*

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

Pan American acquired the Morococha mine in Peru in August 2004. Morococha is an underground, polymetallic vein mine located 50 kilometres southwest of the Company's Huaron mine.

The Morococha district has been mined continuously for more than 100 years and lies within one of the world's most prolific mineral belts for polymetallic vein systems. Morococha hosts a very large and prolific network of veins, mantos, skarns, and other replacement ore bodies within a mineral rights package covering 110 square kilometres of concessions.

In 2009, Morococha's silver production increased by 12% compared to 2008 production, however, cash costs increased by 108% over the previous year. The increase achieved in silver production was a combined result of higher throughput rates, silver grades and recoveries.

Cash costs at Morococha increased primarily due to the impact of the closure of the La Oroya smelter, which resulted in increased treatment charges for copper concentrate and lower by-product credits resulting from weaker base metal prices in 2009.

Silver production in 2009 was 2% above management's forecast of 2.7 million ounces and actual cash costs were 25% lower than our forecast of $7.82 per ounce. The reasons for the higher than expected silver production relative to management's forecast were higher throughput and better recoveries than planned, partially offset by lower silver grades, which were a consequence of the timing of mine development around the higher-grade Morro Solar zone. The actual cash costs in 2009 relative to forecast cash costs benefited from better realized by-product prices, higher throughput and recovery rates than expected, partially offset by the unanticipated closure of the La Oroya smelter.

Quiruvilca Mine

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	82,357	82,707	330,030	349,022
Average silver grade – grams per tonne	159	148	155	145
Average zinc grade	3.84%	3.25%	3.80%	2.84%
Average silver recovery	86.5%	86.3%	86.3%	85.2%
Silver – ounces	364,176	339,172	1,421,897	1,382,990
Gold – ounces	424	384	1,522	1,807
Zinc – tonnes	2,774	2,307	10,993	8,263
Lead – tonnes	784	815	3,230	2,793
Copper – tonnes	407	512	1,643	2,185
Cash costs per ounce [1]	$ 6.26	$ 13.88	$ 8.64	$ 6.61
Total costs per ounce [1]	$ 6.85	$ 16.30	$ 9.25	$ 9.05
Payable ounces of silver	332,568	309,476	1,288,720	1,267,679

[1] Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

The Quiruvilca mine is located approximately 130 kilometres inland from the coastal city of Trujillo. Mineralization was first reported in the area in 1789, and the mine has been in continuous operation since 1926. The underground workings cover an area four kilometres long by three kilometres wide and extend more than 400 meters in depth. Pan American has operated Quiruvilca since late 1995.

Quiruvilca's 2009 silver production and recovery were similar to 2008 levels. Silver production remained steady as the impact of processing 5% less tonnage was offset by the benefit of higher silver grades.

Cash costs for 2009 were $8.64 per ounce, up from $6.61 per ounce a year ago, primarily reflecting the fact that all expenditures at Quiruvilca were expensed (including items that would normally have been capitalized if the operation were not being prepared for care and maintenance). Quiruvilca's cash costs were also negatively impacted by the closure of the La Oroya smelter as treatment charges for copper concentrate increased significantly.

As reported previously, management has activated plans to place Quiruvilca on care and maintenance and therefore management did not include any production from the mine in the Company's consolidated 2009 forecasts. Based on the improvement in the price environment for metals in 2009, our intention is to operate the Quiruvilca mine throughout 2010 while still continuing to prepare for mine closure depending on metal prices.

Pyrite Stockpiles

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes sold	-	9,353	13,984	38,712
Average silver grade – grams per tonne	-	210	218	228
Silver – ounces	-	63,226	98,235	284,194
Cash costs per ounce [1]	$ -	$ 3.03	$ 3.78	$ 4.41
Total costs per ounce [1]	$ -	$ 3.03	$ 3.78	$ 4.41
Payable ounces of silver	-	31,977	50,218	146,982

[1] Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

The silver-rich stockpiles are located in the Cerro de Pasco mining district of Peru. Volcan Compañía Minera, a Peruvian mining company, is the largest ore producer in this district. For many decades, Volcan's Cerro de Pasco mine accumulated silver-rich stockpiles from which the silver could not be extracted by standard metallurgical processes. In November 2002, Pan American acquired the stockpiles and entered into an agreement to mine and sell 600,000 tonnes of the highest grade silver stockpiles to the La Oroya smelter, where the ore is used as a process flux.

In 2009, silver production from the Stockpiles was significantly below 2008 production and management's forecast for 2009 as a direct consequence of the closure of the La Oroya smelter, which is the only buyer of this material.

Alamo Dorado Mine

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	432,944	339,236	1,671,257	1,478,423
Average silver grade – grams per tonne	97	149	111	149
Average gold grade – grams per tonne	0.36	0.30	0.39	0.42
Average silver recovery	85.4%	89.4%	87.7%	89.0%
Silver – ounces	1,062,582	1,441,797	5,320,637	6,115,836
Gold – ounces	4,332	3,180	18,211	16,822
Copper – tonnes	4	-	206	-
Cash costs per ounce (1)	5.07	6.18	4.51	4.38
Total costs per ounce (1)	9.81	10.80	9.12	9.02
Payable ounces of silver	1,058,770	1,438,193	5,284,037	6,100,546

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

Alamo Dorado is an open-pit mine located in the Mexican state of Sonora, approximately 320 km from the state capital of Hermosillo. Corner Bay Silver, a Toronto-listed exploration company, began grassroots reconnaissance of the area in 1997. Pan American acquired Corner Bay and the Alamo Dorado project in February 2003. The mine began commercial production on April 1, 2007 after the construction of the mine, plant and related infrastructure was completed substantially on schedule and on budget by the end of 2006. The capital expenditures required for the construction of Alamo Dorado totaled approximately $80 million.

Although mill tonnage at Alamo Dorado increased by 13% in 2009 to 1.7 million tonnes, silver production decreased by 13% from 2008 production levels due to lower silver grades and recovery.

Alamo Dorado's cash costs per ounce were $4.51 in 2009, a 3% increase from 2008's cash costs of $4.38, due mainly to lower silver grades and recovery.

Silver production in 2009 was 11% above management's forecast of 4.8 million ounces and actual cash costs were 29% lower than our forecast of $6.32 per ounce. The primary reason for the higher than expected silver production relative to management's forecast were higher throughput than planned, partially offset by slightly lower silver grades and recoveries. The higher throughput also contributed to a 57% increase in gold production from the forecast of 11,610 ounces to 18,211 ounces produced in 2009. The actual cash costs in 2009 relative to forecast cash costs benefited from higher realized by-product prices, higher throughput rates and a weaker lo cal currency than expected.

La Colorada Mine

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	83,460	93,518	324,916	377,844
Average silver grade – grams per tonne	408	370	384	371
Average silver recovery	86.2%	86.9%	86.2%	86.4%
Silver – ounces	945,933	961,720	3,467,856	3,910,830
Gold – ounces	1,741	969	6,554	3,773
Zinc – tonnes	638	586	2,311	1,835
Lead – tonnes	288	299	1,205	1,012
Cash costs per ounce [(1)]	$ 7.66	$ 8.50	$ 7.55	$ 8.06
Total costs per ounce [(1)]	$ 11.31	$ 10.54	$ 11.21	$ 10.09
Payable ounces of silver	909,623	923,422	3,333,170	3,742,934

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

Pan American acquired the La Colorada mine in 1998. It consists of six contiguous blocks of exploration permits and exploitation claims totalling 2,230 hectares.

The project lies within a geologic belt known as the "faja de plata" (silver belt) that extends for 800 km along the Sierra Madre Mountains and is defined by prolific silver deposits that make Mexico the largest silver producing country in the world. The exploration success achieved at La Colorada in 2009 illustrates the excellent potential for extending reserves through discovery and additional development.

In 2009, La Colorada's silver production decreased by 11% compared to 2008 production, however, cash costs declined by 6% over the previous year. The decrease in silver production levels was a result of a 14% drop in throughput rates, partially offset by slightly higher silver grades.

Cash costs at La Colorada declined in 2009 primarily due to higher by-product credits as a result of increased gold and base metal production.

Silver production in 2009 was 4% above management's forecast of 3.35 million ounces and actual cash costs were 6% lower than our forecast of $8.01 per ounce. The reason for the higher than expected silver production relative to management's forecast was higher throughput than planned, partially offset by lower silver grades and recoveries. The actual cash costs in 2009 relative to forecast cash costs benefited from higher realized by-product prices, higher throughput rates and a weaker local currency than expected.

*San Vicente Mine**

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	60,747	26,977	167,006	93,591
Average silver grade – grams per tonne	595	472	537	348
Average zinc grade	2.42%	2.74%	2.26%	2.72%
Average silver recovery	92.0%	89.8%	91.0%	83.6%
Silver – ounces	1,069,572	360,846	2,626,774	875,083
Zinc – tonnes	1,135	576	2,803	1,989
Copper – tonnes	170	48	401	152
Cash costs per ounce (1)	$ 6.56	$ 6.10	$ 7.07	$ 7.57
Total costs per ounce (1)	$ 8.72	$ 6.99	$ 9.51	$ 8.75
Payable ounces of silver	1,005,014	330,319	2,458,600	790,320

* *Commercial production from the new processing facility commenced on April 1, 2009.*

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

The San Vicente silver-zinc mine is located in the Bolivian Andes. More than 20 bonanza type silver-zinc veins are known to occur over an area of 1.5 kilometres on surface and extend to at least 200 meters in depth. The project consists of 15 mining concessions totalling 8,159 hectares.

San Vicente was operated from 1972 to 1993 by COMIBOL, the Bolivian state mining company. In 1999 Pan American optioned the project from COMIBOL under a joint venture agreement. In June 2007 Pan American increased its ownership interest by 40% to 95%. Over the past several years, mining operations at San Vicente were conducted on a limited basis, where ore was trucked to a small third party mill for processing. Given the discovery of the high grade Litoral vein system, Pan American decided in mid-2007 to invest in constructing its own 750 tonne-per-day processing facility and to increase the production rates. Commissioning activities proceeded smoothl y since the April 2009 start-up leading the Company to declare commercial production in the very first month of operation. The total investment to expand San Vicente and build the new processing facility was approximately $72 million, excluding recoverable VAT taxes. The San Vicente mine performed exceptionally well in 2009 and became Pan American Silver's largest silver producer for the fourth quarter of 2009.

In 2009, San Vicente's silver production increased by 200% compared to 2008 production, and cash costs declined by 7% over the previous year. The increase achieved in silver production levels were a combined result of much higher throughput rates, silver grades and recoveries as the new processing facility ramped up successfully. Cash costs at San Vicente decreased due to better efficiencies in the new mill, partially offset by lower by-product credits per ounce resulting from weaker base metal prices in 2009.

Silver production in 2009 was 38% above management's forecast of 1.9 million ounces and actual cash costs were in line with the forecasted costs of $6.98 per ounce. The reasons for the higher than expected silver production relative to management's forecast were significantly higher grades and recoveries than planned, partially offset by lower throughput, which was a consequence of the timing of completion of construction relative to mine ore extraction sequencing. The actual cash costs in 2009 relative to forecast cash costs benefited from better realized by-product prices offset by lower than expected zinc production on account of lower grades, recovery and t hroughput than expected.

*Manantial Espejo Mine**

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Tonnes milled	188,149	-	632,949	-
Average silver grade – grams per tonne	186	-	209	-
Average gold grade – grams per tonne	3.63	-	3.79	-
Average silver recovery	87.9%	-	87.6%	-
Silver – ounces	1,006,823	-	3,783,183	-
Gold – ounces	19,533	-	71,892	-
Cash costs per ounce (1)	0.11	-	(0.84)	-
Total costs per ounce (1)	9.12	-	8.19	-
Payable ounces of silver	1,005,313	-	3,777,508	

* *Commercial production commenced on January 1, 2009.*

(1) Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Non-GAAP Measures for a detailed reconciliation of these measures to our cost of sales.

Reconnaissance exploration on the Manantial Espejo property was first carried out in the 1970s by the Argentinean government. In 2002, the Company acquired a 50% interest in the project and in March 2006, the Company negotiated and entered into a purchase agreement for the remaining 50% interest, thus becoming a 100% owner of the Manantial Espejo project.

In March 2006, Pan American completed a feasibility study and the 43-101 Technical Report for the Manantial Espejo Project, based upon a combination open pit and underground mine plan, and a conventional milling and leaching circuit with a design capacity of 2,000 tonnes per day. In the same month, the Company's board of directors approved a project to construct the Manantial Espejo mine, which was completed in December 2008. The mine achieved an outstanding start-up performance and in its first full year of commercial production, produced 3.8 million ounces of silver and over 70 thousand ounces of gold. Cash costs for 2009 were negative $0.84 per ounce.

Silver production in 2009 was 12% below management's forecast of 4.3 million ounces, however, gold production exceeded management's forecast of 62 thousand ounces by 16% and resulted in cash costs that were significantly below management's forecast of $2.25 per ounce. The reasons for the lower silver production but higher gold production were lower silver grades and recoveries, while the reverse was true of actual gold production compared to management's forecast. The actual cash costs in 2009 relative to forecasted cash costs benefited from higher realized gold prices and higher gold production than expected.

OVERVIEW OF 2009 FINANCIAL RESULTS

The table below sets out highlights of Pan American's quarterly results, expressed in thousands of US dollars (except for per share detail), for the past 12 quarters, together with select balance sheet information for the prior three years.

	QUARTERS ENDED *(UNAUDITED)*				YEARS ENDED
2009	**MARCH 31**	**JUNE 30**	**SEPT. 30**	**DEC. 31**	**DEC. 31**
Net income (loss) for the period	$ 6,610	$ 10,208	$ 17,375	$ 27,805	$ 61,998
Net income (loss) per share - Basic	$ 0.08	$ 0.12	$ 0.20	$ 0.31	$ 0.71
- Diluted	$ 0.08	$ 0.12	$ 0.20	$ 0.31	$ 0.71
Sales	$ 70,406	$ 111,392	$ 118,608	$ 154,406	$ 454,812
Mine operating earnings*	$ 10,474	$ 23,490	$ 34,708	$ 57,334	$ 126,006
Income tax provision	$ (2,350)	$ (2,694)	$ (7,483)	$ (15,229)	$ (27,756)
Cash Flow from (used in) operations	$ (5,375)	$ 32,034	$ 37,099	$ 52,210	$ 115,968
Other financial information:					
Total Assets					$ 1,848,609
Total long-term financial liabilities					$ 389,383
Total Shareholders Equity					$ 1,343,790

2008	**MARCH 31**	**JUNE 30**	**SEPT. 30**	**DEC. 31**	**DEC. 31**
Net income (loss) for the period	$ 30,157	$ 21,357	$ 6,404	$ (33,316)	$ 24,602
Net income (loss) per share - Basic	$ 0.38	$ 0.26	$ 0.08	$ (0.41)	$ 0.31
- Diluted	$ 0.38	$ 0.26	$ 0.08	$ (0.41)	$ 0.30
Sales	$ 108,750	$ 104,079	$ 79,493	$ 46,278	$ 338,600
Mine operating earnings (losses)*	$ 48,375	$ 39,259	$ 15,469	$ (9,884)	$ 93,219
Income tax (provision) recovery	$ (14,497)	$ (12,451)	$ (5,988)	$ 8,506	$ (24,430)
Cash Flow from (used in) operations	$ 20,964	$ 52,654	$ 24,262	$ (4,895)	$ 92,985
Other financial information:					
Total Assets					$ 873,383
Total long-term financial liabilities					$ 102,715
Total Shareholders Equity					$ 685,641

2007	**MARCH 31**	**JUNE 30**	**SEPT. 30**	**DEC. 31**	**DEC. 31**
Net income for the period	$ 20,435	$ 18,472	$ 23,891	$ 26,062	$ 88,860
Net income per share - Basic	$ 0.27	$ 0.24	$ 0.31	$ 0.34	$ 1.16
- Diluted	$ 0.26	$ 0.23	$ 0.30	$ 0.33	$ 1.12
Sales	$ 48,057	$ 79,211	$ 87,907	$ 85,889	$ 301,064
Mine operating earnings*	$ 14,874	$ 31,417	$ 29,125	$ 28,859	$ 104,275
Income tax provision	$ (2,600)	$ (10,160)	$ (6,246)	$ (599)	$ (19,605)
Cash Flow from operations	$ 2,262	$ 18,168	$ 20,223	$ 26,708	$ 67,361
Other financial information:					
Total Assets					$ 762,903
Total long-term financial liabilities					$ 99,219
Total Shareholders Equity					$ 599,617

* Mine operating earnings/(losses) is equal to sales less cost of sales less depreciation and amortization, which is considered to be substantially the same as gross margin.

Note: The Company did not declare or pay any dividends during the historic periods under review. The Company announced its first dividend on February 15, 2010.

Statement of Operations

Net income for 2009 was $62 million, compared to net income of $24.6 million for 2008. Basic earnings per share for 2009 were $0.71 compared to $0.31 in 2008. The significant increase in net income was primarily due to improved operating results which were attributable to the commencement of production at Manantial Espejo and San Vicente in 2009.

Earnings for 2009 were reduced by the following items: (i) a non-cash, doubtful debt provision of $4.4 million due to the uncertainty in collecting a long term receivable from Doe Run Peru, (ii) a non-cash fair value charge of $2.2 million for a delay in recovery of the long-term VAT receivable in Argentina, and (iii) a donation of $2.3 million to the University of British Columbia for the construction of an earth science building. Earnings for 2008 included the following material items: (i) a write-down of the Quiruvilca mine of $15.1 million, (ii) foreign exchange losses of $8.8 million, and (iii) other expenses of $4.7 million related to reductions in personn el.

Sales in 2009 were a record $454.8 million, an increase of 34% over the 2008 sales. This increase was driven primarily by increased quantities of silver and gold sold, with a partial offset from lower base metal prices.

Mine operating earnings, defined as sales less cost of sales and depreciation and amortization, jumped to $126.0 million in 2009, an increase of 35% over the prior year. This change was from the combined effect of an increase in sales, as described above, partially offset by higher cost of sales and depreciation and amortization charges.

Cost of sales for the year was $245.6 million, a 23% increase from the $199.0 million realized in the same period last year. This increase was a result of greater quantities of silver and gold production sold. The Company continued to focus on cost control initiatives implemented in 2008 and benefited from general reductions in the cost to purchase energy, local currencies, and consumables at all operations.

Depreciation and amortization charges of $83.2 million in 2009 were 79% higher than the $46.3 million recorded in 2008. This increase was attributable to the additional depreciation charges that resulted from the commencement of commercial production at Manantial Espejo and San Vicente.

Income tax provision for 2009 amounted to $27.8 million compared to $24.4 million in 2008. The increased income tax provision was due to higher taxable income generated in Peru and Argentina relative to the prior year.

At the end of 2009 and at the date of this MD&A, the amount owed to the Company by Doe Run Peru (“DRP”) was approximately $8.8 million. The Company established a doubtful debt provision of $4.4 million of the amount receivable in Q2 2009 and, in addition, reclassified the remaining receivable balance of $4.4 million from current assets into long term assets on its consolidated balance sheet. This reclassification reflects the Company’s current expectation that the remaining receivable balance of $4.4 million owed by DRP may not be recovered within the next twelve months, and in recognition of that expectation, the Company recorded an additional charge of $0.6 million in Q2 2009 related to the negative present value impact of the expected delay in the recovery of the DRP receivable. The Company believes that the circumstances surrounding DRP do not warrant any further changes to the accounting treatment in 2009 and the Company remains optimistic that the La Oroya smelter will resume operations in the first half of 2010.

Cash Flow

Operating activities generated $116.0 million in 2009, a new record for the Company, compared to $93.0 million generated by operations in 2008, which was the previous record operating cash flow. Before changes in non-cash working capital items, which used $35.7 million in 2009 (2008 - $6.9 million), cash flow from operations in 2009 was $151.7 million (2008 - $99.9 million). The increase in operating cash flow in 2009 was primarily due to the additional operating cash flow from Manantial Espejo and San Vicente, which

contributed operating cash flow, before changes in non-cash working capital items of $45.5 million and $21.9 million, respectively.

Investing activities used $146.3 million in 2009, inclusive of $80.1 million invested in short term investments. The balance of investing activities primarily consisted of final construction related expenditures at Manantial Espejo of $13.5 million, while $19.0 million was spent to complete the expansion at San Vicente. Sustaining investments in property, plant, and equipment were made at Morococha, Huaron, and La Colorada where $8.1 million, $7.0 million and $3.1 million were spent, respectively. In addition, $12.4 million was paid as refundable VAT tax in Argentina and Bolivia.**< /font>**

Investing activities used $168.8 million in 2008 and were dominated by construction expenditures at Manantial Espejo of $126.4 million, while $54.6 million was spent on the expansion at San Vicente. In addition, significant investments in property, plant, and equipment were made at Morococha, La Colorada, Huaron, and Quiruvilca where $18.8 million, $11.9 million, $13.5 million, and $5.3 million were spent, respectively. Partly funding these expenditures and included in investing activities in 2008 was the sale of $62.8 million of short-term investments and the receipt of $12.2 million from the sale of our interest in other mineral assets.

Financing activities in 2009 generated $104.1 million, primarily from proceeds of the public offering of common shares in February 2009 when the Company issued 6.37 million common shares at a price of $16.25 per share, for proceeds of $98.3 million, net of underwriting fees and issue expenses. Financing activities also included contributions from minority shareholders in the San Vicente project and short term concentrate advances of $5.7 million.

Financing activities in 2008 generated $50.7 million including proceeds from the exercise of warrants and share options of $50.8 million. Also included are contributions from minority shareholders in the San Vicente project and short term loans of $2.5 million, partially offset by $2.6 million in dividends paid to minority shareholders of the entity that operates the Morococha mine in Peru.



Statement of Operations: Q4 2009

Net income during the fourth quarter of 2009 (Q4 2009) was $27.8 million or $0.31 per share compared to a net loss of $33.3 million or $0.41 per share for the comparable period in 2008. The improvement in earnings was a result of significantly better operating results resulting from higher quantities of silver and gold sold at increased metal prices.

Earnings for the period were negatively impacted by the following items: (i) a non-cash fair value charge of $2.2 million for a delay in recovery of the long-term VAT receivable in Argentina; (ii) a donation of $2.3 million to the University of British Columbia for the construction of an earth science building; and (iii) $4.6 million in exploration activities, mainly at La Preciosa.

Sales during Q4 2009 were $154.4 million, a significant increase from the $46.3 million of sales in the same period last year. This 234% increase in sales was driven primarily by increased quantities of silver and gold sold and considerably higher metal prices.

Mine operating earnings rose to $57.3 million, a dramatic improvement from a $9.9 million loss in the same quarter last year. This increase was a result of increased sales in Q4 2009, as described above, and partially offset by increases in the cost of sales and the charges for depreciation and amortization.

Cost of sales for Q4 2009 of $72.7 million increased by 67% from $43.6 million in the comparable period last year. This increase was a result of greater quantities of silver and gold production sold.

Depreciation and amortization charges for Q4 2009 increased to $24.4 million from $12.5 million in Q4 2008. Production from Manantial Espejo and increased production from San Vicente were again the primary reason for this upward trend.

Income tax provision during Q4 2009 amounted to $15.2 million compared to a $8.5 million benefit in Q4 2008. The income tax expense resulted primarily from taxable income generated in all the jurisdictions the Company operates in and a $1.9 million adjustment resulting from a Mexican tax legislation change in Q4 2009.



Cash Flow: Q4 2009

Cash flow generated from **operating activities** in Q4 of 2009 was $52.2 million compared to cash used in operating activities of $4.9 million in the comparable quarter of 2008. Operating cash flow in Q4 of 2009 was positively impacted by significantly higher metal prices and by operating cash flow from Manantial Espejo and San Vicente, neither of which were in operation in Q4 of 2008.

Investing activities in Q4 of 2009 used $17.9 million, including the investment of $6.3 million in short term investments. Aggregate sustaining capital expenditures of $7.6 million were spent during the quarter at all operations and an additional $1.9 million was paid as refundable VAT in Argentina and Bolivia. The Company also spent approximately $3.3 million on cost associated with closing the Aquiline transaction in the quarter. Cash used in investing activities in Q4 of 2008 was $34.3 million, mainly to complete the construction of Manantial Espejo, where $26.4 million was spent, and to adv ance the expansion of San Vicente, where $22.6 million was spent during the quarter. The Company also invested approximately $11.5 million at the other operations in Q4, offset in part by sales of short term investments of $23.3 million.

In Q4 of 2009, cash generated by **financing activities** totalled $1.0 million and was comprised of advances against concentrate shipments.

LIQUIDITY POSITION

The Company's cash balance at December 31, 2009 was $100.5 million, which was an increase of $73.7 million from the balance at December 31, 2008. The balance of the Company's short-term investments at December 31, 2009 was $92.6 million, an increase of $89.3 million from a year ago. This increase in liquidity in 2009 resulted primarily from cash generated by operating activities of $116.0 million in addition to net proceeds of $98.0 million from the public offering of common shares in February, partially offset by capital expenditures on property plant and equipment of $67.3 million which includes $14.6 million in refundable VAT payments. The Company does not o wn any asset-backed commercial paper in its investment portfolio.

Working capital at December 31, 2009 was $272.3 million, an increase of $177.2 million from the prior year-end's working capital of $95.1 million. The increase in working capital was mainly due to the $163 million increase in cash and short-term investments, plus a net increase in inventories and other current asset accounts of $35.1 million, partially off-set by increases in accounts payable and other current liabilities of $20.9 million. The increase in inventories is mainly a result of additions at Manantial Espejo and San Vicente as a consequence of commercial production at those mines. The increase in current liabilities is also primarily a result of operating activities at Manantial Espejo and San Vicente as well as significantly higher taxes payable as a result of an increase in current taxable income generated.

On October 10, 2008, Pan American entered into a $70 million revolving credit facility ("the Facility") with Scotia Capital and Standard Bank Plc ("the Lenders"). The purpose of the Facility is for general corporate purposes, including acquisitions. The Facility, which is principally secured by a pledge of Pan American's equity interests in its material subsidiaries, has a term of four years. The interest margin on drawings under the Facility ranges from 1.25% to 2.00% over LIBOR, based on the Company's net debt to EBITDA ratio. Pan American has agreed to pay a commitment fee of between 0.55% and 0.375% on undrawn amounts unde r the Facility, depending on the level of drawings and the Company's net debt to EBITDA ratio. Pan American has the ability to increase the Facility amount to $100 million by receiving additional commitments from one or more banks acceptable to the Lenders. To the date of this MD&A, the Company has not made any drawings under the Facility.

Pan American plans to invest $50.9 million in capital projects in 2010, split between sustaining capital of $45.9 million and $5.0 million in capital for infrastructure development at Morococha. Please refer to the "2010

Operating Outlook" section of this MD&A for a more detailed description of the capital expenditures planned for each mine in 2010. Alternatives for financing our future capital needs include our significant liquidity position, future operating cash flow, unutilized credit facility and the proceeds of exercised share options. In the opinion of management, based on the Company's current liquidity position and the operating cash flows that are expected in 2010 of approximately $130 million, the Company's liquid assets will be sufficient to discharge liabilities as they come due and to fund planned project development and sustaining capital expenditures i n 2010.

The impact of inflation on the Company's financial position, operational performance, or cash flows over the next twelve months cannot be determined with any degree of certainty.

INVESTMENTS AND INVESTMENT INCOME

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize return. The Company's strategy to achieve these objectives is to invest excess cash balances in a portfolio of primarily fixed income instruments. Market conditions are reviewed constantly and value is added through interest rate anticipation, sector allocation, and security specific valuation. Custody of securities and cash balances, as well as trading activities may be delegated to various financial institutions.

Investment income for 2009 totalled $6.8 million (2008: $2.7 million) and was primarily made up of interest generated by the Company's short-term investment portfolio.

CAPITAL RESOURCES

Shareholders' equity at December 31, 2009 had a balance of $1,343.8 million (2008: $685.6 million). The Company issued 24.3 million shares during the year, 17.9 million of which were related to the Aquiline transaction and an additional 6.4 million shares in connection with a public offering. During 2009, Shareholders' equity was increased by net income for the period of $62.0 million. Shareholders' equity was further increased in 2009 by the issuance of warrants in connection with the Aquiline acquisition, which resulted in a $43.2 million increase in contributed surplus.

The following table sets out the common shares, warrants and options outstanding as at December 31, 2009:

	Outstanding as at December 31, 2009 *(in thousands)*
Common shares	105,117
Warrants	7,703
Options	1,469
Total	**114,289**

As at December 31, 2009, the Company had 105.1 million common shares outstanding for a share capital of $1,206.6 million. The basic weighted average number of common shares outstanding was 87.6 million shares for the year and 88.3 million shares for the quarter ended December 31, 2009.

As of March 19, 2010, the total number of shares outstanding was 106,903,990.

Expiry dates on the warrants range from October 2011 to December 2014, and exercise prices range from CAD$10.02 to CAD$52.10. All outstanding warrants were exercisable at an average weighted exercise price of CAD$33.56 and the weighted average remaining life of the warrants was 57 months.

As at December 31, 2009, the Company had 1.5 million stock options outstanding, with exercise prices in the range of $5.00 and $48.10. All vested stock options were exercisable at an average weighted exercise price of $29.66 per share and a weighted average life of 27 months.

FINANCIAL INSTRUMENTS

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted production under forward sales or option contracts. At December 31, 2009, the Company had no outstanding base metal positions. During January and February 2010, the Company entered into zinc option contracts for 3,850 tonnes, which have the effect of ensuring a price between $2,000 and $2,600 per tonne on that quantity of zinc, settling monthly during 2010. For the same period, the Company has also entered into lead option contracts for 1,375 tonnes, which have the effect of ensuring a price between $1,800 and $2,100 per tonne o n that quantity of lead, settling monthly during 2010. At the date of this MD&A, the positions had a negative mark-to-market valuation of $0.3 million.

Approximately half of the Company's operating and capital expenditures are denominated in local currencies other than the US dollar. These expenditures are exposed to fluctuations in US dollar exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies or by entering into contracts designed to fix or limit the Company's exposure to changes in the value of local currencies relative to US dollars. At December 31, 2009 and at the date of this MD&A, the Company had no outstanding foreign currency contracts.

The Company recorded a *gain on commodity and currency contracts* of $1.9 million in 2009, compared to a loss of $1.6 million in 2008. The gain in 2009 was comprised of a mark-to-market unrealized gain of $3.6 million, offset by a realized loss of $1.7 million. The loss in 2008 was attributed to the net impact from the strengthening of the US dollar relative to MXN and PEN and the Company's base metal positions resulting from declines in the prices of zinc and lead.

ASSET RETIREMENT OBLIGATIONS

The estimated future reclamation and remediation costs are based principally on legal and regulatory requirements. The asset retirement obligation is measured using management's assumptions and estimates for cash outflows. The Company accrues these costs initially at their fair value, which are determined by discounting costs using the credit adjusted risk-free interest rate. Upon recognition of a liability for an asset retirement obligation, the Company capitalizes these costs to the related mine and amortizes it over the life of each mine on a unit-of-production basis. Changes due to the passage of time are recognized as an increase in the liability and an accretion ex pense.

At December 31, 2009 the amount accrued to settle the Company's asset retirement obligation was $62.8 million (2008 – $57.3 million, 2007 - $50.4 million). This includes reclamation obligations of $19.9 million related to the Quiruvilca mine with an expected payment starting in two to five years. Revisions of $2.2 million to the reclamation obligation in 2009 (2008 – 4.4 million, 2007 – 4.0 million) were primarily a result of increased site disturbance and development at Manantial Espejo and from the ordinary course of operations at the Huaron and Alamo Dorado mines.

Accretion charged to 2009 earnings was $3.0 million compared to $2.7 million in 2008 (2007 -$2.9 million). Reclamation expenditures during the year were $1.0 million compared to $0.2 million in 2008 (2007 - $0.8 million).

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company does not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material, other than those disclosed in this MD&A and the Audited Consolidated Financial Statements and the related notes.

An outstanding convertible debenture with a fair value of $20.8 million was issued as part of the Aquiline transaction and could be converted into either (i) 363,854 common shares at a conversion price of CAD$48.10 per common share; or (ii) a contract granting the holder the right to purchase 12.5% of the life of

the mine payable silver from the Loma de La Plata deposit of the Navidad property. The holder was required to make this election on February 28, 2010 and elected alternative (ii) above.

The Company had the following contractual obligations at the end of 2009:

PAYMENTS DUE BY PERIOD (*IN THOUSANDS OF DOLLARS*)					
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Capital Lease Obligations	$ 669	$ 620	$ 49	-	-
Current Liabilities	97,446	97,446	-	-	-
Contribution Plan[1]	8,205	2,735	5,470	-	-
Total contractual obligations[2]	$ 106,320	$ 100,801	$ 5,519	-	-

[1] In June 2008 the Company initiated a 4 year contractual retention plan for key officers and management, further discussed in Note 13. Contract commitments for the plan, payable in CAD, represent minimum payments expected to be paid out, presented above in USD at the year-end rate.

[2] Amounts above do not include payments related to the Company's anticipated asset retirement obligation (Note 11 in the Consolidated Financial Statements).

GENERAL AND ADMINISTRATIVE

General and administrative costs, including stock based compensation, increased by 22% in 2009 to $12.8 million (2008: $10.4 million). These costs increased primarily as a result of an accrual related to the Company's annual incentive plan in 2009, while in 2008 the Company did not make any awards under the annual incentive plan as part of its cost cutting measures.

Our general and administrative costs are expected to increase by $3.2 million or 25% in 2010 over our 2009 costs. The increase is expected to result primarily from the following factors: (i) the addition of several new professional and administrative positions in 2010, (ii) various expenses related to the integration of Aquiline, including increased travel and (iii) a stronger CAD exchange rate with the USD (1.05 assumed for 2010 versus 1.14 averaged in 2009).

The following table compares our general and administrative budget for 2010 against the general and administrative costs incurred over the previous three years, on a per ounce of silver produced basis.

	Actual			Forecast
	2007	2008	2009	2010
General and administrative costs (in '000s of US Dollars)	$ 9,522	$ 10,435	$ 12,769	$ 15,971
Silver production (in '000s of ounces)	17,113	18,673	23,044	23,400
General and administrative costs per silver ounce produced	$ 0.56	$ 0.55	$ 0.55	$ 0.68

EXPLORATION AND PROJECT DEVELOPMENT

Exploration and project development expenses in 2009 were $9.9 million compared to $5.5 million incurred in 2008. The expenses recorded in 2009 primarily represented the costs associated with exploration activities at the La Preciosa project, drilling at La Colorada and Manantial Espejo and the Company's business development activities. 2008's expenses related mostly to due diligence expenses associated with the Company's business development activities and drilling expenses at La Colorada and Alamo Dorado.

Pan American's project exploration activities in 2010 will be focused primarily on our development properties; Navidad and La Preciosa. We are budgeting to drill approximately 94,000 meters in our project exploration

program for 2010, of which 80,000 meters will be at La Preciosa and Navidad. The budget for project exploration in 2010 is expected to be $15.4 million, which will be expensed.

In addition to exploration activities at Navidad and La Preciosa, we plan to progress both projects towards permitting and feasibility in 2010. Major areas of activity include environmental baseline work, permit preparation, geology evaluation, metallurgical studies, government relations, tailings site and geotechnical evaluation, water exploration and land reviews. We anticipate spending approximately $10 million on these activities at Navidad and an additional $3.9 million at La Preciosa in 2010. The majority of these expenditures will be expensed.

The Company's mine site exploration program will continue to be very active in 2010 with approximately 89,000 meters of drilling planned. The cost of these programs is included as part of each mine's capital budget or included in its operating costs. The total amount expected to be spent on mine site exploration drilling in 2010 is approximately $8.2 million. The main objective of this program is to replace reserves and resources mined. The main targets include the deep Candelaria and Recompensa zones at La Colorada, the Litoral extension at San Vicente, Maria and P veins at Manantial Espejo and multiple structures at Morococha and Huaron.

NON-GAAP MEASURES

Cash and Total Costs per Ounce of Silver

The non-GAAP measures of cash and total cost per ounce of silver are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the silver mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these measures as calculated by the Company, we have provided a detailed reconciliation of these measures to our cost of sales, as reported in our audited Consolidated Statement of Operations for 2009, 2008, and 2007.

Cash and Total Cost per Ounce Reconciliation (in thousands of US dollars)		**2009**	**2008**	**2007**
Cost of Sales		**$ 245,637**	**$ 199,032**	**$ 167,797**
Add / (Subtract)				
Smelting, refining, & transportation charges		64,118	58,378	87,019
By-product credits		(215,657)	(160,276)	(210,701)
Mining royalties		11,867	4,843	5,761
Worker's participation and voluntary payments		(1,151)	(1,700)	(6,304)
Change in inventories		15,068	1,419	8,595
Other		3,368	3,980	(579)
Non-controlling interest adjustment		(2,144)	(1,043)	172
Alamo Dorado Commissioning costs				2,719
Cash Operating Costs	**A**	**121,106**	**104,633**	**54,478**
Add / (Subtract)				
Depreciation & amortization		83,169	46,349	28,992
Accretion of asset retirement obligation		2,998	2,687	2,860
Change in inventories		3,388	839	4,081
Other		(271)	(232)	(175)
Non-controlling interest adjustment		(867)	(605)	(933)
Alamo Dorado Commissioning costs				1,304
Total Costs	**B**	**$ 209,525**	**$ 153,671**	**$ 90,607**
Payable Silver Production (000's ounces)	**C**	**21,888**	**17,543**	**15,912**
Cash Costs per ounce	**A/C**	**$ 5.53**	**$ 5.96**	**$ 3.42**
Total Costs per ounce	**B/C**	**$ 9.57**	**$ 8.76**	**$ 5.69**

RISKS AND UNCERTAINTIES

Metal Price Risk

Pan American derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown extreme volatility and are beyond the Company's control. Table 1 below illustrates the effect of changes in silver and gold prices on anticipated sales for 2010: This analysis assumes that quantities of silver and gold produced and sold remain constant under all price scenarios presented.

Table 1		Gold Price					
		$ 800	$ 900	$ 975	$ 1,100	$ 1,200
	$ 13.00	$ 419,864	$ 427,742	$ 433,650	$ 443,496	$ 451,374
Silver	$ 14.00	$ 441,610	$ 449,487	$ 455,395	$ 465,242	$ 473,119
Price	$ 15.00	$ 463,438	$ 471,315	**$ 477,223**	$ 487,070	$ 494,947
	$ 16.00	$ 485,266	$ 493,144	$ 499,052	$ 508,898	$ 516,776
	$ 17.00	$ 507,094	$ 514,972	$ 520,880	$ 530,726	$ 538,604

Consistent with the Company's mission to provide equity investors with exposure to changes in silver prices, our policy is not to hedge the price of silver.

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production under forward sales and option contracts, as described under the "Financial Instruments" section of this MD&A. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions.

Since base metal and gold sales are treated as a by-product credit for purposes of calculating cash costs per ounce of silver, this non-GAAP measure is highly sensitive to base metal and gold prices. Table 2 illustrates this point by plotting the expected cash cost per ounce according to the 2010 budget against various price assumptions for the Company's two main by-product credits, zinc and gold.

Table 2		Gold Price				
		$ 800	$ 900	$ 975	$ 1,100	$ 1,200
	$ 1,600	$ 7.36	$ 7.01	$ 6.75	$ 6.31	$ 5.95
Zinc	$ 1,800	$ 7.12	$ 6.76	$ 6.50	$ 6.06	$ 5.71
Price	$ 1,875	$ 7.02	$ 6.67	**$ 6.40**	$ 5.96	$ 5.61
	$ 2,000	$ 6.86	$ 6.51	$ 6.25	$ 5.81	$ 5.45
	$ 2,200	$ 6.61	$ 6.26	$ 5.99	$ 5.55	$ 5.20

The Company has long-term contracts to sell the zinc, lead and copper concentrates produced by the Quiruvilca, Huaron, Morococha, San Vicente and La Colorada mines. These contracts include provisions for pricing the contained metals, including silver, based on average spot prices over defined 30-day periods that may differ from the month in which the concentrate was produced. Under these circumstances, the Company may, from time to time, fix the price for a portion of the payable metal content during the month that the concentrates are produced.

Credit Risk

The zinc, lead and copper concentrates produced by Pan American are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply arrangements, or should any of them

become insolvent, Pan American may incur losses for products already shipped and be forced to sell its concentrates in the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. For example, the DRP smelter, a significant buyer of Pan American's production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. Pan American continued to sell copper concentrates to other buyers but on inferior terms. The DRP smelter remains closed and Pan American is owed approximately $8.8 million under the terms of its contract with DRP.

At December 31, 2009 the Company had receivable balances associated with buyers of our concentrates of $54.0 million (2008 - $11.8 million). Approximately 86% of this receivable balance is owed by five well known concentrate buyers and the vast majority of our concentrate is sold to those same counterparts.

Silver doré production is refined under long term agreements with fixed refining terms at four separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover our precious metals in such circumstances. At December 31, 2009 the Company had approximately $15.1 million of value contained in precious metal inventory at refineries (2008 - $6 million). The Company maintains insurance coverage against the loss of precious met als at our mine sites, in-transit to refineries and while at the refineries.

Refined silver and gold is sold in the spot market to various bullion traders and banks. Credit risk may arise from these activities if we are not paid for metal at the time it is delivered, as required by spot sale contracts.

The Company maintains trading facilities with several banks and bullion dealers for the purposes of transacting the Company's trading activities. None of these facilities are subject to margin arrangements. The Company's trading activities can expose us to the credit risk of our counterparties to the extent that our trading positions have a positive mark-to-market value.

Management constantly monitors and assesses the credit risk resulting from its concentrate sales, refining arrangements and commodity contracts. Furthermore, management carefully considers credit risk when allocating prospective sales and refining business to counterparties. In making allocation decisions, Management attempts to avoid unacceptable concentration of credit risk to any single counterparty.

Exchange Rate Risk

Pan American reports its financial statements in USD; however the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations, as reported in USD, are subject to changes in the value of the USD relative to local currencies. Since the Company's sales are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse. The local currencies that we have the most exposure to are the PEN, MXN and ARS. 0; The following table illustrates the effect of changes in the exchange rate of PEN and MXN against the USD on anticipated cost of sales for 2010, expressed in percentage terms:

		MXN						
		10	11	12	13	14	15	16
PEN	2.30	111%	109%	107%	106%	105%	104%	103%
	2.50	109%	107%	105%	104%	103%	101%	101%
	2.70	107%	105%	103%	102%	101%	99%	99%
	2.90	105%	103%	101%	100%	99%	98%	97%
	3.10	104%	102%	100%	99%	97%	96%	95%
	3.30	102%	100%	99%	97%	96%	95%	94%
	3.50	101%	99%	97%	96%	95%	94%	93%

Under this analysis, our cost of sales is reflected at 100% at our budget foreign exchange assumptions for the PEN and MXN of 2.90 and 13.00 per one USD, respectively. Devaluation of the USD relative to the PEN and MXN has the effect of increasing our anticipated cost of sales above 100%, and vice versa.

In order to mitigate this exposure, the Company maintains a portion of its cash balances in PEN, MXN and Canadian dollars and, from time to time, enters into forward currency positions to match anticipated spending. At December 31, 2009, the Company did not have any open currency forward positions, and was holding approximately 26% of its cash balances in currencies other than USD.

The Company's balance sheet contains various monetary assets and liabilities, some of which are denominated in foreign currencies. Accounting convention dictates that these balances are fair valued at the end of each period, with resulting adjustments being reflected as foreign exchange gains or losses on the Company's statement of operations. More specifically, the preliminary purchase price accounting related to the Aquiline acquisition required the Company to establish a future income tax liability of $255.6 million to reflect the difference between the tax values and the accounting book values of the assets purchased. As this balance is deemed to be a monetary liability, denominated primarily in Argentine pesos, the Company will be required to mark-to-market this liability for any movements in the exchange rate of that currency against the USD. This requirement is expected to introduce large foreign exchange gains and losses to the Company's earnings in the future. Gains will be recognized to the extent the Argentine peso weakens relative to the USD and vice versa will create losses.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The volatility of the metals markets can impact the Company's ability to forecast cash flow from operations.

The Company must maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and cash equivalents and committed loan facilities.

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous reporting, planning and budgeting process to help determine the funds required to support its normal operating requirements on an ongoing basis and its expansion plans. The Company continually evaluates and reviews capital and operating expenditures in order to identify, decrease and limit all non-essential expenditures. Pan American expects to generate positive cash flow from operations in 2010 and to further strengthen its liquidity position.

Political and Country Risk

Pan American currently conducts operations in Peru, Mexico, Argentina and Bolivia. All of these jurisdictions are potentially subject to a number of political and economic risks. The Company is not able to determine the impact of these risks on its future financial position or results of operations and the Company's exploration, development and production activities may be substantially affected by factors outside of Pan American's control. These potential factors include, but are not limited to: royalty and tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, import and export regulations, canc ellation or renegotiation of contracts and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

Environmental Risks

Pan American's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. Pan American is required to obtain governmental permits and in some instances provide bonding requirements under federal, state, or provincial air, water quality, and mine reclamation rules and permits. Although Pan American makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs.

Failure to comply with applicable environmental health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that Pan American has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect Pan American's business, results of operations or financial condition.

Employee Relations

Pan American's business depends on good relations with its employees. At December 31, 2009 the Company had approximately 6,729 employees and the employees of mining contractors, of which approximately 2,170 were represented by unions in Peru, 422 by a union in Argentina and a further 276 by a union in Bolivia. The Company has experienced short-duration labour strikes and work stoppages in the past and may experience future labour related events.

The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Pan American's business activity grows, Pan American will require additional key mining personnel as well as additional financial and administrative staff. There can be no assurance that Pan American will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Pan American is not successful in this regard, the efficiency of its operations could be impaired, which could have an adverse impact on Pan American's future cash flows, earn ings, results of operations and financial condition.

Claims and Legal Proceedings

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex-employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. The Company carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future which may result in a material adverse impact on our financial condition, cash flow and results of operations. Please refer to Note 17 Commitments and Contingencies of the audited consolidated financial statements for further information.

Corporate Development Activities

An element of the Company's business strategy is to make selected acquisitions. The Company expects to continue to evaluate acquisition opportunities on a regular basis and intends to pursue those opportunities that it believes are in its long-term best interests. The success of the Company's acquisitions will depend upon the Company's ability to effectively manage the operations of entities it acquires and to realize other anticipated benefits. The process of managing acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of management resources. There can be no assurance that the Company w ill be able to successfully manage the operations of businesses it acquires or that the anticipated benefits of its acquisitions will be realized.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of sales and expenditures during the reporting period. Management has identified (i) Mineral property, plant, and equipment, Construction in progress and Investments in non-producing property (ii) Future income tax provision, (iii) Provision for reclamation and closure, (iv) Stock based compensation and (v) accounting for derivative instruments as the main estimates for the following discussion. P lease refer to Note 2 of the Company's consolidated financial statements for a description of all of the significant accounting policies.

Mineral property, plant and equipment, Construction in progress, and Investment in non-producing properties are the most significant assets of the Company, representing assets in aggregate of $1.5 billion at December 31, 2009. This amount represents the capitalized expenditures related to the acquisition, exploration, construction and development of mineral deposits. Construction costs on development projects are capitalized until the mine is substantially complete and ready for production. The Company estimates its reserves and resources and the eco nomic life of its mines and utilizes this information to calculate depletion and amortization expense. Annually, or more frequently as circumstances require, Pan American assesses the recoverability of the carrying values of its mining properties and investments by performing impairment evaluations. These evaluations consist of comparing each asset's carrying value with the estimated undiscounted future net cash flows. Future cash flows are estimated based on production, metal prices, capital and operating costs. Where those estimated cash flows are less than the carrying value, the Company records a write-down of the asset to the estimated fair value.

No impairments were recorded in 2009, based on impairment analyses using an average silver price of $12.50 per ounce, which is consistent with the long-term silver price assumption utilized by the Company for the estimate of reserves and resources. Other estimates incorporated in the impairment evaluations include processing and mining costs, mining tonnage, ore grades and recoveries, which are all subject to uncertainty. If silver prices fall below $10.05 per ounce for a sustained period of time or some of the other assumptions prove inaccurate, material asset impairment charges may be required in the future.

The future income tax provision is based on the liability method. Future taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those future income tax assets that it estimates will, more likely than not, fail to be realized. The future income tax provision also incorporates management's estimates regarding the utilization of tax loss carry forwards, which are dependent on future o perating performance and transactions. Please refer to note 18 of the Company's consolidated financial statements for a description of our future income tax provision.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however, changes in regulatory requirements and new information may result in revisions to the estimates. The Company recognizes the present value of liabilities for reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset. Accordingly, at December 31, 2009 the expected present value of future site restoration costs for the Huaron, Morococha, Quiruvilca, La Colorada, Alamo Dorado, Manantial Espejo and San Vicente mines were estimated using discount rates between 5% and 19% at $62.8 million (2008 - $57.3 million). This estimate was increased in 2009 primarily as a result of accretion of the liability of $3.0 million and the recognition of an additional $2.2 million related to the increased site disturbance and development at Manantial Espejo and from the ordinary course of operations at the Huaron and Alamo Dorado mines. Finally $1.2 million was added from the acquisition of Aquiline. The reclamation provision was reduced in 2009 by $1.0 million of closure expenditures.

Pan American estimates expenses related to **stock-based compensation** on the fair value method of accounting. Under this method, Pan American is required to recognize a charge to the income statement based on an option-pricing model for all stock options that were granted and vested in each period, with a corresponding credit to Contributed Surplus under the Shareholders' Equity section of the balance sheet. In 2009, the fair value of the stock options granted was calculated using an option-pricing model based on the following assumptions – no dividends w ill be paid, a weighted average volatility of the Company's share price of 54%, a weighted average annual risk free rate of 1.2% and an expected life of between 1.5 and 3 years. The resulting weighted average option valuation was $CDN 5.37 per share and a total expense related to stock options in 2009 of $1.7 million (2008 - $1.7 million). The charge to the Company's income statement is incorporated as part of the general and administrative expenses.

The Company has considered **CICA 3865 – Hedges**, which specifies the conditions under which hedge accounting is appropriate and includes requirements for the identification, documentation and designation of hedging relationships, sets standards for determining hedge effectiveness, and establishes criteria for the

discontinuance of hedge accounting. Based on CICA 3865, the Company's conclusion is that its forward contracts for the sale of base metals (lead and zinc), its forward contracts for purchasing PEN and MXN with US dollars, and its silver fixing contracts do not qualify for hedge accounting. As a result, Pan American is required to recognize mark-to-market valuations of its open forward contract positions through its income at the end of each period.

Goodwill and Intangible assets – On January 1, 2009, the Company adopted one new Section of the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 3064, "Goodwill and Intangible Assets", which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and, as a result, start-up costs must be expensed as incurred. The adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

Additionally, in 2009 the Accounting Standards Board ("AcSB") also amended the Handbook Section 3862, "Financial Instruments – Disclosures", to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009, and accordingly, such disclosure has been adopted by the Company in Note 5 in the financial statements.

In addition, two new Emerging Issues Committee ("EIC") Abstracts, EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities and EIC 174, Mining Exploration Costs, were adopted in the first quarter of 2009. The adoption of these new CICA pronouncements did not have a material effect on the Company.

Lastly, in December, 2009, the EIC issued EIC Abstract 175, Multiple Deliverable Revenue Arrangements. This EIC addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how such a multiple deliverable revenue arrangement consideration should be measured and allocated to the separate units of accounting. This EIC should be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Early adoption is permitted. The Company did not adopt this EIC and upon adoptio n does not expect it to have a material impact on the Company's financial position or results of operations.

FUTURE ACCOUNTING CHANGES

The Company has evaluated the adoption of 3 other standards: Section 1582 "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These new standards align Canadian GAAP with International Financial Reporting Standards. The effective date for these standards is January 1, 2011, but earlier application is permitted starting January 1, 2009. The Company has not adopted these standards as at December 31, 2009 and does not expect the adoption of these standards to have a material effect on the Company.

International Financial Reporting Standards

The CICA has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for fiscal years beginning on or after January 1, 2011. The Company will begin reporting our consolidated financial statements in accordance with IFRS on January 1, 2011, with comparative figures for 2010.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ending December 31, 2010, and of the opening balance sheet as at January 1, 2010.

The Company is continuing to assess the financial reporting impact of the adoption of IFRS and, at this time, the quantitative impact on future financial position and results of operations is not reasonably determinable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS.

The Company continues to advance through the IFRS transition project plan and has progressed through the three phases as described below:

Phase One: Scoping and Diagnostics, which involved project planning and identification of differences between current Canadian GAAP and IFRS, was completed in quarter 2. The resulting identified areas of accounting difference of highest potential impact to the Company, based on existing IFRS, are business combinations, impairment of assets, property plant and equipment, provisions and contingent liabilities, exploration and evaluation expenditures, income taxes, and initial adoption of IFRS under the provisions of IFRS 1 First-Time Adoption of IFRS.

Phase Two: Analysis and Development involves detailed diagnostics and evaluation of the financial impacts of various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues. The Company expects to comp lete this phase in Q2 2010, which is in line with our project plan.

The progress made in this phase is detailed below:

IFRS 1

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for a first-time adopter with the objective to ensure that an entity's first IFRS financial statements contain high quality information that:

- is transparent for users and comparable over all periods presented;
- provides a suitable starting point for accounting in accordance with IFRSs; and
- can be generated at a cost that does not exceed the benefits.

Under IFRS 1, transition to IFRS requires retrospective application of IFRSs with all adjustments applied from the date of the Company's inception, unless certain exemptions are applied. In absence of an exemption, all such adjustments to assets and liabilities are taken to retained earnings. The Company expects to apply the following exemptions to its opening statement of financial position dated January 1, 2010:

a. *Decommissioning Liability Exemption*
IFRS 1 indicates that a first-time adopter may elect not to apply IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities retrospectively. The Company plans to apply this election. Accordingly, the Company will measure the decommissioning liability as at the date of transition to IFRSs in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimate the amounts that would have been included in the cost of the related mining property, plant and equipment and recalculate the accumulated depreciation for those assets at January 1, 2010.

b. *Business Combination Exemption*
IFRS 1 allows a first-time adopter to avoid application of IFRS 3R *Business Combinations* retrospectively to business combinations that occurred before either the date of transition to IFRS or an alternative pre-transition date. The Company will be applying this exemption to business combinations that occurred prior to January 1, 2010.

c. *Employee Benefits Exemption*
IFRS 1 gives a first-time adopter the option to recognize all cumulative actuarial gains and losses in equity at the date of transition. The Company expects to elect this exemption.

d. *Leases*
IFRS 1 provides a first-time adopter with an option to not apply certain requirements under IAS 17 *Leases* retrospectively. The Company plans to apply two exemptions and accordingly will assess whether an arrangement contains a lease on the basis of facts and circumstances existing at the date of transition to IFRS. Secondly, the Company will not reassess the determination of whether an arrangement contains a lease under IFRS if the determination made under Canadian GAAP gives the same outcome as that from the application of IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease.*

e. *Assets and Liabilities of Subsidiaries, Associates and Joint Ventures Exemption*
IFRS 1 mandates that when a parent becomes a first-time adopter of IFRS later than its subsidiary, the parent will include the assets and liabilities of the subsidiary in the consolidated financial statements at the same carrying amounts as in the financial statements of the subsidiary. The Company will apply this exemption to its Peruvian subsidiaries, as they are already reporting under IFRS.

f. *Designation of Previously Recognized Financial Instruments Exemption*
IFRS 1 allows an entity to designate any financial asset, other than those required to be classified at 'fair value through profit or loss', as available for sale at the transition date. The Company will apply this exemption at date of transition to IFRS.

g. *Borrowing Costs*
This exemption in IFRS 1 allows a first-time adopter to apply the transitional provisions set out in IAS 23 *Borrowing Costs* at July 1, 2009 or the date of transition to IFRS, whichever is later. IAS 23 requires the capitalization of borrowing costs related to all qualifying assets. The Company will elect to apply IAS 23 *Borrowing* Costs to qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

Canadian GAAP and IFRS Differences

Significant differences exist in certain areas of recognition, measurement and disclosure between IFRS and Canadian GAAP ('CGAAP'). Accordingly, the Company has identified the following significant changes to our accounting policies upon adoption of IFRS:

(i) IAS 37 *Provisions, Contingent Assets and Contingent Liabilities*
Unlike Canadian GAAP, there is no specific IFRS that deals with closure costs. Rather, the general principles set out in IAS 37 apply to all provisions, including those for site closures. Under IFRS, the closure provision is measured based on the best estimate of expenditure required to settle the obligation at the balance sheet date using current discount rate and inflation assumptions; thus simplifying the calculation by removing the 'layering' concept used for CGAAP. In addition, IFRS requires that the liability be re-measured at each reporting date versus the passive requirement in CGAAP to re-measure in the event of changes in the amount or timing of cash flows required to settle the obligation.

(ii) IAS 36 *Impairment of Assets*
Under IFRS, both the testing for impairment of assets and the determination of impairment losses differ from CGAAP. In addition, under IFRS, an entity must assess assets for impairment indicators each reporting period (i.e. quarterly) whereas under CGAAP there is only a passive requirement to make such an assessment. The requirement for testing goodwill and indefinite life intangibles remains unchanged with an annual impairment test performed, regardless of whether impairment indicators exist.

IFRS removes the undiscounted cash flow test under CGAAP for impairment testing, and instead uses a one-step process based on discounted cash flows. In addition, impairment losses are required to be assessed for reversal or reduction under IFRS, if certain criteria are met. Finally, management will have to track both impaired and unimpaired balances over life of the asset. The reversal of impairment losses related to goodwill is prohibited under IFRS.

(iii) IAS 12 Income Taxes
There are some significant differences between CGAAP and IFRS. Firstly, IAS 12 requires recognition of deferred taxes for temporary differences that arise on translation of non-monetary assets denominated in currencies other than US dollars. These non-monetary items are re-measured from the local currency to the functional currency using historical rates and differences result from changes in exchange rates and indexing for income tax purposes. Under CGAAP, this was not permitted. The Company has mining properties in Argentina, Peru, Mexico and Bolivia with costs denominated in local currencies. Therefore, movement between the US dollar and these local currencies will give rise to changes in deferred tax. Secondly, unlike CGAAP, IFRS prohibits the recognition of deferred taxes at

the time of acquisition where the acquisition is not a business combination. Finally, IFRS requires recognition of deferred taxes for unrealized profits on intergroup transactions.

Financial Reporting Expertise in IFRS

The Company has identified resource requirements to establish appropriate IFRS financial reporting expertise at all levels of the business. The Company is maintaining its financial reporting expertise and competencies by addressing training requirements through ongoing IFRS sessions provided by external advisors. The training is targeted to key finance and operational staff and will continue to be delivered in 2010 and 2011.

The Company also held an IFRS information session with members of the Audit Committee members. During this session, management and external consultants provided the Audit Committee with a review of the timeline for implementation, the implications of specific IFRS standards to the Company's business and a high-level overview of the expected potential impact to the financial statements. The Company's management will continue to provide quarterly presentations and project status updates to the Audit Committee.

IT systems

The extent of the impact on the Company's information systems for transitioning to IFRS has been determined. The adoption of IFRS will not have a significant impact on the Company's information systems and it is in the process of implementing minor modifications to ensure an efficient conversion to IFRS.

Phase Three: Implementation and Review, will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; integration of appropriate changes to maintain the integrity of internal control over financial reporting and disclosure controls and procedures; and further training programs across the Company's finance and other affected areas, as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and, audit committee approval of IFRS-compliant financial statements. This phase is currently in progress.

All analysis and conclusions are based on the IFRSs effective at December 31, 2009. As the IASB currently has various projects on its work plan that might affect the Company's decisions at transition date, the Company continues to monitor these ongoing changes and adjust its transition plans accordingly. The Company's transition status is currently on track with its implementation schedule.

SUBSEQUENT EVENTS

During January 2010, the Company issued further common shares and share purchase warrants (1.7 million and 0.7 million, respectively) to bring its ownership interest in Aquiline Resources Inc. to 100% by January 22, 2010. The final step of the acquisition was achieved through Compulsory Acquisition. Refer to Note 3 of the Consolidated Audited Financial Statements for further information.

In addition, a convertible debenture with a fair value of $20.8 million was issued as part of the Aquiline transaction and had the option to be converted into either (i) 363,854 common shares at a conversion price of CAD$48.10 per common share; or (ii) a contract granting the holder the right to purchase 12.5% of the life of the mine payable silver from the Loma de La Plata deposit of the Navidad property. The holder was required to make this election on February 28, 2010 and elected alternative (ii) above.

Lastly, on February 15, 2010, the Company announced that its Board of Directors has approved a semi-annual cash dividend to holders of its common shares. In conjunction with this approval, the Board declared its first cash dividend of $0.025 per common share to holders of record of its common shares as of the close of business on Friday, February 26, 2010. This dividend was paid to shareholders on or about March 12, 2010 and is designated to be an eligible dividend for the purposes of the Income Tax Act (Canada). Specific dates and amounts of future dividends will be determined by the Board on an ongoing basis.

DISCLOSURE CONTROLS AND PROCEDURES

Pan American's management considers the meaning of internal control to be the processes established by management to provide reasonable assurance about the achievement of the Company's objectives regarding operations, reporting and compliance. Internal control is designed to address identified risks that threaten any of these objectives.

As of December 31, 2009, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2009, the Company's disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits is (i) recorded, processed, s ummarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of Pan American is responsible for establishing and maintaining an adequate system of internal control, including internal controls over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. It includes those policies and procedures that:

a) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to the acquisition and dispositions of Pan American's assets,

b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and receipts and expenditures are made only in accordance with authorizations of management and Pan American's directors, and

c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Pan American's assets that could have a material effect on the financial statements.

The Company's management, including its President and Chief Executive Officer and Chief Financial Officer, believe that due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Pan American's internal control over financial reporting as at December 31, 2009, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2009, Pan American's internal control over financial reporting is

effective. Also, management did not identify any material weaknesses in conducting their evaluation of Pan American's internal control over financial reporting as at December 31, 2009.

The Company was unable to conduct an assessment of Aquiline's internal control over financial reporting in the period between the acquisition date and the date of management's internal control assessment, due to the timing of the acquisition. Accordingly, management excluded from its assessment the internal control over financial reporting of Aquiline, which was acquired on December 7, 2009, and whose financial statements constitute 44% of total assets, 40% of net assets, 0% of revenues and 0% of net income of the consolidated financial statement amounts as at and for the year ended December 31, 2009. As permitted under National Instrument 52-109 Certification of Disclos ure, the Company will include its assessment of Aquiline's internal control over financial reporting in its 2010 annual management report on internal control.

Management reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors. Deloitte & Touche LLP, independent registered accountants, were engaged, as approved by a vote of the Company's shareholders, to audit and provide independent opinions on the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. Deloitte & Touche LLP has provided such opinions.

Mineral Reserves and Resources

As of December 31, 2009

MINERAL RESERVES - PROVEN AND PROBABLE

	Location	Type	Classification	Tonnes (000's)	Ag (g/mt)	Ag Cont. (000's oz)	Au (g/mt)	Au Cont (oz)
Huaron	Peru	Vein	Proven	6,471	185	38,385	N/A	N/A
		Vein	Probable	4,371	184	25,845	N/A	N/A
Morococha (92.2%)	Peru	Vein/Mantos	Proven	4,079	166	21,709	N/A	N/A
		Vein /Mantos	Probable	2,707	187	16,267	N/A	N/A
La Colorada	Mexico	Vein	Proven	1,106	400	14,236	0.55	19,496
		Vein	Probable	1,176	429	16,199	0.47	17,935
Quiruvilca	Peru	Vein	Proven	407	168	2,201	0.77	10,103
		Vein	Probable	363	148	1,725	0.56	6,503
Silver Stockpiles	Peru	Flux Material	Proven	189	318	1,935	N/A	N/A
Alamo Dorado	Mexico	Disseminated	Proven	6,468	100	20,779	0.34	70,491
		Disseminated	Probable	3,678	86	10,116	0.31	36,656
Manantial Espejo	Argentina	Vein	Proven	4,308	163	22,631	2.33	322,749
		Vein	Probable	3,033	138	13,501	2.00	195,032
San Vicente (95%)	Bolivia	Vein	Proven	1,548	423	21,059	N/A	N/A
		Vein	Probable	706	323	7,329	N/A	N/A
TOTALS			**Proven + Probable**	**40,609**	**179**	**233,916**	**+-**	**678,966**

MINERAL RESOURCES - MEASURED AND INDICATED

	Location	Type	Classification	Tonnes (000's)	Ag (g/mt)	Ag Cont. (000's oz)	Au (g/mt)	Au Cont (oz)
Huaron	Peru	Vein	Measured	819	159	4,179	N/A	N/A
		Vein	Indicated	521	157	2,638	N/A	N/A
Morococha (92.2%)	Peru	Vein/Mantos	Measured	1,091	145	5,098	N/A	N/A
		Vein /Mantos	Indicated	1,409	213	9,667	N/A	N/A
La Colorada	Mexico	Vein	Measured	129	232	960	0.26	1,088
		Vein	Indicated	1,259	215	8,700	0.19	7,839
Quiruvilca	Peru	Vein	Measured	2,386	135	10,392	0.76	58,163
		Vein	Indicated	986	124	3,923	0.80	25,381
Alamo Dorado	Mexico	Disseminated	Measured	1,468	73	3,466	0.36	17,138
		Disseminated	Indicated	2,229	59	4,203	0.52	37,550
Manantial Espejo	Argentina	Vein	Measured	815	100	2,618	1.02	26,723
		Vein	Indicated	2,154	103	7,099	0.98	67,866
San Vicente (95%)	Bolivia	Vein	Measured	1,048	156	5,256	N/A	N/A
		Vein	Indicated	569	187	3,422	N/A	N/A
Navidad	Argentina	Mantos, Diss.	Measured	15,400	137	67,832	N/A	N/A
		Mantos, Diss.	Indicated	139,800	126	564,531	N/A	N/A
Pico Machay	Peru	Disseminated	Measured	4,700	N/A	N/A	0.91	137,509
		Disseminated	Indicated	5,900	N/A	N/A	0.67	127,092
Calcatreu	Argentina	Vein	Indicated	7,995	26	6,606	2.63	676,028
TOTALS			**Measured + Indicated**	**190,678**	**116**	**710,590**	**--**	**1,182,377**

MINERAL RESOURCES – INFERRED

	Location	Type	Classification	Tonnes (000's)	Ag (g/mt)	Ag Cont. (000's oz)	Au (g/mt)	Au Cont (oz)
Huaron	Peru	Vein	Inferred	5,416	177	30,754	N/A	N/A
Morococha (92.2%)	Peru	Vein/Mantos	Inferred	6,260	177	35,621	N/A	N/A
La Colorada	Mexico	Vein	Inferred	2,750	308	27,245	0.35	31,113
Quiruvilca	Peru	Vein	Inferred	923	113	3,368	0.44	12,951
Alamo Dorado	Mexico	Disseminated	Inferred	1,146	44	1,622	0.59	21,885
Manantial Espejo	Argentina	Vein	Inferred	1,410	103	4,685	1.09	49,419
San Vicente (95%)	Bolivia	Vein	Inferred	513	302	4,977	N/A	N/A
Navidad	Argentina	Mantos, Diss.	Inferred	45,900	81	119,386	N/A	N/A
Pico Machay	Peru	Disseminated	Inferred	23,900	N/A	NA	0.58	445,673
Calcatreu	Argentina	Vein	Inferred	3,413	17	1,822	2.06	226,045
TOTALS			**Inferred**	**91,631**	**78**	**229,479**	**--**	**787,086**

HISTORICAL ESTIMATES

	Location	Unclassified	Tonnes (000's)	Ag (g/mt)	Ag Cont. (000's oz)	Au (g/mt)	Pb (%)	Au Cont (oz)
Hog Heaven [iii]	USA	Historical [iii] [iv]	2,705	167	14,550	0.62	N/A	N/A
Hog Heaven [iii]	USA	Historical [ii] [v]	7,639	133	32,730	0.70	N/A	N/A
Waterloo [iv]	USA	Historical	33,758	93	100,937	N/A	N/A	N/A
TOTAL		**Historical**	**44,102**	**104**	**148,217**			

Notes:

Mineral resources are in addition to reserves. Mineral reserves and resources are as defined by the Canandian Institute of Mining Definition Standards on Mineral Resources and Mineral Reserves.

Mineral resources do not have demonstrated economic viability.

This table illustrates Pan American Silver Corp's share of mineral reserves and resources. Properties in which Pan American has less than 100% interest are noted next to the property name.

Environmental, permitting, legal, title, taxation, socio-economic, political, marketing or other issues are not expected to materially affect the above estimates of mineral reserves.

Prices used to calculate December 31, 2009 ore reserves for all mines were Ag: $13.00/oz, Au: $875/oz, Pb: $1,600/tonne, Cu: $5,000/tonne, Zn: $1,600/tonne.

Prices used for Navidad were Ag: $12.52/oz and Pb: $1,100/tonne.

Prices used for Calcatreu were Ag: $12.50/oz and Au: $650/oz.

(ii) The historical estimate for Hog Heaven was calculated by Gregory Hahn, Chief Geological Engineer for CoCa Mines Inc., a previous owner of the property, in a report titled "Hog Heaven Project Optimization Study" dated May 1989, prior to implementation of NI 43-101. The historical estimate was based on extensive diamond drilling, and was calculated using a silver price of $6.50 per ounce and a gold price of $400 per ounce (these were relevant prices at the time of the calculation). Michael Steinmann, P.Geo., Qualified Person ("QP") for the Company, has reviewed the available data, including drill sections, surface maps, and additional supporting information sources, and believes that the historic calculation was conducted in a professional and competent manner and is relevant for the purposes of the Company's decision to maintain its interest in this property. In the study, the historic estimate was sub-categorized as follows:

Category	Tons	oz/ton Ag	oz/ton Au
Proven reserves	2,981,690	4.88	0.018
Probable & possible reserves	904,200	10.40	0.020
Heap leach ore	316,100	1.56	0.014
Possible resources	4,500,000	2.41	0.020
Inferred resources	2,700,000	4.44	0.022

However, the Company has not completed the work necessary to verify the historical estimate. Accordingly, the Company is not treating the historical estimate as NI 43-101 compliant categories of mineral resources based on information prepared by or under the supervision of a QP. These historical estimates should not be relied upon.

(iii) The Company believes that the historical estimate category of "proven reserves" for Hog Heaven most closely corresponds to 2,705,000 tonnes in the NI 43-101 category of "indicated resources".

(iv) The Company believes that the historical estimate categories of "proven & possible reserves", "heap leach ore stockpile", "possible resources" and "inferred resources" most closely correspond to 7,639,000 tonnes in the NI 43-101 category of "inferred resources."

(v) The historical estimate for Waterloo was initially calculated by Asarco Inc. in 1968. In September 1994 Robert J. Rodger, P.Eng., reviewed the Asarco reports and prepared a Technical Evaluation Report on the Waterloo property, prior to the implementation of NI 43-101. The Technical Evaluation Report confirmed that the historical estimate was based on reverse circulation drilling and underground sampling, and concluded the estimate was based on sound methodology. The historical estimate at Waterloo was calculated using a silver price of $5.00 per ounce (the relevant price at the time of the calculation). Michael Steinmann, P.Geo., QP for the Company, has reviewed the Technical Evaluation Report and believes the historic calculation was conducted in a professional and competent manner and is relevant for purposes of the Company's decision to maintain its interest in the property. The Company believes that the historical estimate category of 37,235,000 tons (at 2.71 ounces per ton silver) of "measured and indicated reserves" most closely correspond to 33,758,000 tonnes in the NI 43-101 category of "indicated resource." However, the Company has not completed the work necessary to verify the historical estimate. Accordingly, the Company is not treating the historical estimate as NI 43-101 compliant categories of mineral resources based on information prepared by or under the supervision of a QP. These historical estimates should not be relied upon.

Mineral resource and reserve estimates for Huaron, Quiruvilca, San Vicente, La Colorada, Manantial Espejo, Alamo Dorado and Morococha were prepared under the supervision of Michael Steinmann, P. Geo., Executive Vice-President Geology & Exploration and Martin G. Wafforn, P. Eng., Vice-President Technical Services as Qualified Persons as that term is defined in NI 43-101. Navidad resource estimates were prepared by Snowden under the supervision of Pamela De Mark, P. Geo., Sr. Consultant Snowden Mining Industry Consultants, John J. Chulick, P. Geo., Dean K. Williams, Licensed Professional Geologist, Damian Spring, Mining Engineer, and John. A. Wells, Independent Metallurgical Consultant. Minera l resource estimates for Hog Heaven and Waterloo are based on historical third party estimates.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS MD&A CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS RELATING TO THE COMPANY AND ITS OPERATIONS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS MD&A THE WORDS, "BELIEVES", "EXPECTS", "INTENDS", "PLANS", "FORECAST", "OBJECTIVE", "OUTLOOK", "POSITIONING", "POTENTIAL ", "ANTICIPATED", "BUDGET", AND OTHER SIMILAR WORDS AND EXPRESSIONS, IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: FUTURE PRODUCTION OF SILVER, GOLD AND OTHER METALS; FUTURE CASH COSTS PER OUNCE OF SILVER; THE PRICE OF SILVER AND OTHER METALS; THE ABILITY OF THE COMPANY TO SUCCESSFULLY INTEGRATE AQUILINE RESOURCES INC. AND THE EFFECT OF THE ACQUISITION ON THE COMPANY; THE EFFECTS OF LAWS, REGULATIONS AND GOVERNMENT POLICIES AFFECTING PAN AMERICAN'S OPERATIONS OR POTENTIAL FUTURE OPERATIONS, INCLUDING BUT NOT LIMITED TO, LAWS IN THE PROVINCE OF CHUBUT, ARGENTINA, WHICH, CURRENTLY HAVE SIGNIFICANT RESTRICTIONS ON MINING; FUTURE SUCCESSFUL DEVELOPMENT OF THE NAVIDAD PROJECT, THE LA PRECIOSA PROJECT, AND OTHER DEVELOPMENT PROJECTS OF THE COMPANY; THE SUFFICIENCY OF THE COMPANY'S CURRENT WORKING CAPITAL, ANTICIPATED OPERATING CASH FLOW OR ITS ABILITY TO RAISE NECESSARY FUNDS; T HE ACCURACY OF MINERAL RESERVE AND RESOURCE ESTIMATES; ESTIMATED PRODUCTION RATES FOR SILVER AND OTHER PAYABLE METALS PRODUCED BY THE COMPANY; TIMING OF PRODUCTION AND THE CASH AND TOTAL COSTS OF PRODUCTION AT EACH OF THE COMPANY'S PROPERTIES; THE ESTIMATED COST OF AND AVAILABILITY OF FUNDING NECESSARY FOR SUSTAINING CAPITAL; ONGOING OR FUTURE DEVELOPMENT PLANS AND CAPITAL REPLACEMENT, IMPROVEMENT OR REMEDIATION PROGRAMS; THE ESTIMATES OF EXPECTED OR ANTICIPATED ECONOMIC RETURNS FROM THE COMPANY'S MINING PROJECTS, AS REFLECTED IN FEASIBILITY STUDIES OR OTHER REPORTS PREPARED IN RELATION TO DEVELOPMENT OF PROJECTS; ESTIMATED EXPLORATION EXPENDITURES TO BE INCURRED ON THE COMPANY'S VARIOUS PROPERTIES; FORECAST CAPITAL AND NON-OPERATING SPENDING; FUTURE SALES OF THE METALS, CONCENTRATES OR OTHER PRODUCTS PRODUCED BY THE COMPANY; AND THE COMPANY'S PLANS AND EXPECTATIONS FOR ITS PROPERTIES AND OPERATIONS.

THESE STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, BOTH KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES BASED ON OR RELATED TO MANY OF THESE FAC TORS. SUCH FACTORS INCLUDE, WITHOUT LIMITATION: FLUCTUATIONS IN SPOT AND FORWARD MARKETS FOR SILVER, GOLD, BASE METALS AND CERTAIN OTHER COMMODITIES (SUCH AS NATURAL GAS, FUEL OIL AND ELECTRICITY); FLUCTUATIONS IN CURRENCY MARKETS (SUCH AS THE PERUVIAN SOL, MEXICAN PESO, ARGENTINE PESO AND BOLIVIAN BOLIVIANO VERSUS THE U.S. DOLLAR); RISKS RELATED TO THE TECHNOLOGICAL AND OPERATIONAL NATURE OF THE COMPANY'S BUSINESS; CHANGES IN NATIONAL AND LOCAL GOVERNMENT, LEGISLATION, TAXATION, CONTROLS OR REGULATIONS AND POLITICAL OR ECONOMIC DEVELOPMENTS IN CANADA, THE UNITED STATES, MEXICO, PERU, ARGENTINA, BOLIVIA OR OTHER COUNTRIES WHERE THE COMPANY MAY CARRY ON BUSINESS IN THE FUTURE; RISKS AND HAZARDS ASSOCIATED WITH THE BUSINESS OF MINERAL EXPLORATION, DEVELOPMENT AND MINING (INCLUDING ENVIRONMENTAL HAZARDS, INDUSTRIAL ACCIDENTS, UNUSUAL OR UNEXPECTED GEOLOGICAL OR STRUCTURAL FORMATIONS, PRESSURES, CAVE-INS AND FLOODING); RISKS RELATING TO THE CREDIT WORTHINESS OR FINANCIAL CONDITION OF SUPPLIERS, REFINERS AND OTHER PARTIES WITH WHOM THE COMPANY DOES BUSINESS; INADEQUATE INSURANCE, OR INABILITY TO OBTAIN INSURANCE, TO COVER THESE RISKS AND HAZARDS; EMPLOYEE RELATIONS; RELATIONSHIPS WITH AND CLAIMS BY LOCAL COMMUNITIES AND INDIGENOUS POPULATIONS; AVAILABILITY AND INCREASING COSTS ASSOCIATED WITH MINING INPUTS AND LABOUR; THE SPECULATIVE NATURE OF MINERAL EXPLORATION AND DEVELOPMENT, INCLUDING THE RISKS OF OBTAINING NECESSARY LICENSES AND PERMITS AND THE PRESENCE OF LAWS AND REGULATIONS THAT MAY IMPOSE RESTRICTIONS ON MINING, INCLUDING THOSE CURRENTLY IN THE PROVINCE OF CHUBUT, ARGENTINA; DIMINISHING QUANTITIES OR GRADES OF MINERAL RESERVES AS PROPERTIES ARE MINED; GLOBAL FINANCIAL CONDITIONS; THE COMPANY'S ABILITY TO COMPLETE AND SUCCESSFULLY INTEGRATE ACQUISITIONS AND TO MITIGATE OTHER BUSINESS COMBINATION RISKS; CHALLENGES TO, OR DIFFICULTY IN MAINTAINING, THE COMPANY'S TITLE TO PROPERTIES AND CONTINUED OWNERSHIP THEREOF; THE ACTUAL RESULTS OF CURRENT EXPLORATION ACTIVITIES, CO NCLUSIONS OF ECONOMIC EVALUATIONS, AND CHANGES IN PROJECT PARAMETERS TO DEAL WITH UNANTICIPATED ECONOMIC OR OTHER FACTORS; INCREASED COMPETITION IN THE MINING INDUSTRY FOR PROPERTIES, EQUIPMENT, QUALIFIED PERSONNEL, AND THEIR COSTS; AND THOSE FACTORS IDENTIFIED UNDER THE CAPTION "RISKS RELATED TO PAN AMERICAN'S BUSINESS" IN THE COMPANY'S MOST RECENT FORM 40-F AND ANNUAL INFORMATION FORM FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES. INVESTORS ARE CAUTIONED AGAINST ATTRIBUTING UNDUE

CERTAINTY OR RELIANCE ON FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE AS ANTICIPATED, ESTIMATED, DESCRIBED OR INTENDED. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE THESE FORWARD-LOOKING STATEMENTS OR INFORMATION TO REFLECT CHANGES IN ASSUMPTIONS OR CHANGES IN CIRCUMSTANCES OR ANY OTHER EVENTS AFFECTING SUCH STATEMENTS OR INFORMATION, OTHER THAN AS REQUIRED BY APPLICABLE LAW.

CAUTIONARY NOTE TO US INVESTORS CONCERNING ESTIMATES OF RESERVES AND RESOURCES

THIS NEWS RELEASE HAS BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF CANADIAN PROVINCIAL SECURITIES LAWS, WHICH DIFFER FROM THE REQUIREMENTS OF U.S. SECURITIES LAWS. UNLESS OTHERWISE INDICATED, ALL MINERAL RESERVE AND RESOURCE ESTIMATES INCLUDED IN THIS NEWS RELEASE HAVE BEEN PREPARED IN ACCORDANCE WITH CANADIAN NATIONAL INSTRUMENT 43-101 – STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS (''NI 43-101'') AND THE CANADIAN INSTITUTE OF MINING, METALLURGY AND PETROLEUM CLASSIFICATION SYSTEM. NI 43-101 IS A RULE DEVELOPED BY THE CANADIAN SECURITIES ADMINISTRATORS THAT ESTABLISHES STANDARDS FOR ALL PUBLIC DISCLOSURE AN ISSUER MAKES OF SCIENTIFIC AND TECHNICAL INFORMATI ON CONCERNING MINERAL PROJECTS.

CANADIAN STANDARDS, INCLUDING NI 43-101, DIFFER SIGNIFICANTLY FROM THE REQUIREMENTS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND INFORMATION CONCERNING MINERALIZATION, DEPOSITS, MINERAL RESERVE AND RESOURCE INFORMATION CONTAINED OR REFERRED TO HEREIN MAY NOT BE COMPARABLE TO SIMILAR INFORMATION DISCLOSED BY U.S. COMPANIES. IN PARTICULAR, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THIS PRESS RELEASE USES THE TERMS ''MEASURED RESOURCES'', ''INDICATED RESOURCES'' AND ''INFERRED RESOURCES''. U.S. INVESTORS ARE ADVISED THAT, WHILE SUCH TERMS ARE RECOGNIZED AND REQUIRED BY CANADIA N SECURITIES LAWS, THE SEC DOES NOT RECOGNIZE THEM. UNDER U.S. STANDARDS, MINERALIZATION MAY NOT BE CLASSIFIED AS A ''RESERVE'' UNLESS THE DETERMINATION HAS BEEN MADE THAT THE MINERALIZATION COULD BE ECONOMICALLY AND LEGALLY PRODUCED OR EXTRACTED AT THE TIME THE RESERVE DETERMINATION IS MADE. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OF A "MEASURED RESOURCE" OR "INDICATED RESOURCE" WILL EVER BE CONVERTED INTO A "RESERVE". U.S. INVESTORS SHOULD ALSO UNDERSTAND THAT "INFERRED RESOURCES" HAVE A GREAT AMOUNT OF UNCERTAINTY AS TO THEIR EXISTENCE AND GREAT UNCERTAINTY AS TO THEIR ECONOMIC AND LEGAL FEASIBILITY. IT CANNOT BE ASSUMED THAT ALL OR ANY PART OF "INFERRED RESOURCES" EXIST, ARE ECONOMICALLY OR LEGALLY MINEABLE OR WILL EVER BE UPGRADED TO A HIGHER CATEGORY. UNDER CANADIAN SECURITIES LAWS, ESTIMATED "INFERRED RESOURCES" MAY NOT FORM THE BASIS OF FEASIBILITY OR PRE-FEASIBILITY STUDIES EXCEPT IN RARE CASES. DISCLOSURE OF "CONTAINED OUNCES" IN A MINERAL RESOURCE IS PERMITTED DISCLOSURE UNDER CANADIAN SECURITIES LAWS. HOWEVER, THE SEC NORMALLY ONLY PERMITS ISSUERS TO REPORT MINERALIZATION THAT DOES NOT CONSTITUTE "RESERVES" BY SEC STANDARDS AS IN PLACE TONNAGE AND GRADE, WITHOUT REFERENCE TO UNIT MEASURES. THE REQUIREMENTS OF NI 43-101 FOR IDENTIFICATION OF "RESERVES" ARE ALSO NOT THE SAME AS THOSE OF THE SEC, AND RESERVES REPORTED BY THE COMPANY IN COMPLIANCE WITH NI 43-101 MAY NOT QUALIFY AS "RESERVES" UNDER SEC STANDARDS. ACCORDINGLY, INFORMATION CONCERNING MINERAL DEPOSITS SET FORTH HEREIN MAY NOT BE COMPARABLE WITH INFORMATION MADE PUBLIC BY COMPANIES THAT REPORT IN ACCORDANCE WITH U.S. STANDARDS.

Management's Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements of Pan American Silver Corp. were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These Consolidated Financial Statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). Financial information appearing throughout our management's discussion and analysis is consistent with these Consolidated Financial Statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring employees, policies and procedure manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are neither officers nor employees of Pan American Silver Corp. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues.

Deloitte & Touche LLP, Independent Registered Chartered Accountants appointed by the shareholders of Pan American Silver Corp. upon the recommendation of the Audit Committee and Board, have performed an independent audit of the Consolidated Financial Statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

"signed"

Geoff Burns
President and Chief Executive Officer

"signed"
A. Robert Doyle
Chief Financial Officer

March 22, 2010

Exhibit 1.3



Pan American
SILVER CORP.

Consolidated Financial Statements
for the Year Ended December 31, 2009

Deloitte & Touche LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Pan American Silver Corp.

We have audited the accompanying consolidated balance sheets of Pan American Silver Corp. and subsidiaries (the Company) as at December 31, 2009 and 2008 and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Pan American Silver Corp. and subsidiaries as at December 31, 2009 and 2008 and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009 based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 22, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 22, 2010

Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the change described in Note 2(c) to the consolidated financial statements. Although we conducted our audits in accordance with both Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), our report to the Board of Directors and Shareholders, dated March 22, 2010, is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the auditors' report whe n the changes are properly accounted for and adequately disclosed in the financial statements.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Vancouver, Canada
March 22, 2010

Deloitte & Touche LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of Pan American Silver Corp.

We have audited the internal control over financial reporting of Pan American Silver Corp. and subsidiaries (the "Company") as of December 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Aquiline Resources Inc., which was acquired on December 7, 2009. Aquiline Resources Inc. constitute 40% and 44% of net and total assets, respectively, 0% of revenues, and 0% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2009. Accordingly, our audit did not include the internal control over financial reporting at Aquiline Resources Inc.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorde d as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the p olicies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended December 31, 2009 of the Company and our report dated March 22, 2010 expressed an unqualified opinion on those financial statements and included a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Difference referring to changes in accounting principles.

Deloitte & Touche LLP
Independent Registered Chartered Accountants
Vancouver, Canada
March 22, 2010

Pan American Silver Corp.

Consolidated Balance Sheets
As at December 31, 2009
(In thousands of U.S. dollars)

	2009	2008
Assets		
Current		
Cash	**$ 100,474**	$ 26,789
Short-term investments (Note 6)	**92,623**	3,350
Accounts receivable (Note 5)	**66,059**	37,587
Income taxes receivable	**12,132**	13,480
Inventories (Note 7)	**93,446**	72,650
Unrealized gain on commodity contracts	**160**	10,829
Future income taxes (Note 18)	**4,993**	5,602
Prepaid expenses and other current assets	**2,568**	4,076
Total Current Assets	**372,455**	174,363
Mineral property, plant and equipment, net (Note 8)	**1,457,724**	697,061
Other assets (Note 9)	**18,430**	1,959
Total Assets	**$ 1,848,609**	$ 873,383
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	**$ 96,159**	$ 58,287
Income taxes payable	**4,021**	6,727
Unrealized loss on foreign currency contracts	**-**	14,267
Total Current Liabilities	**100,180**	79,281
Provision for asset retirement obligation and reclamation (Note 11)	**62,775**	57,323
Future income taxes (Note 18)	**305,820**	45,392
Convertible debenture (Note 3)	**20,788**	-
Total Liabilities	**489,563**	181,996
Non-controlling Interests	**15,256**	5,746
Shareholders' Equity (Note 13)		
Share capital (authorized: 200,000,000 common shares of no par value)	**1,206,647**	655,517
Contributed surplus	**47,293**	4,122
Accumulated other comprehensive income (loss) (Note 12)	**1,618**	(232)
Retained earnings	**88,232**	26,234
Retained earnings and accumulated other comprehensive income	**89,850**	26,002
Total Shareholders' Equity	**1,343,790**	685,641
Total Liabilities, Non-Controlling Interests and Shareholders' Equity	**$ 1,848,609**	$ 873,383

Commitments and Contingencies (Note 17)
Subsequent Events (Note 21)

APPROVED BY THE BOARD

"signed" Ross J. Beaty, Director *"signed"* Geoff A. Burns, Director

See accompanying notes to consolidated financial statements

Pan American Silver Corp.

Consolidated Statements of Operations
For the years ended December 31, 2009, 2008 and 2007
(in thousands of US Dollars, except for per share amounts)

	2009	2008	2007
Sales	**$ 454,812**	$ 338,600	$ 301,064
Cost of sales	**245,637**	199,032	167,797
Depreciation and amortization	**83,169**	46,349	28,992
Mine operating earnings	**126,006**	93,219	104,275
General and administrative	**12,769**	10,435	9,522
Exploration and project development	**9,934**	5,494	3,362
Accretion of asset retirement obligation	**2,998**	2,687	2,860
Doubtful accounts provision (Note 5)	**4,375**	-	-
Write-down of mining assets (Note 8)	**-**	15,117	-
Operating earnings	**95,930**	59,486	88,531
Interest and financing expenses	**(4,292)**	(951)	(660)
Investment and other (expenses) income, net	**(1,467)**	(1,970)	5,001
Foreign exchange (losses) gains	**(1,018)**	(6,147)	928
Net gains (losses) on commodity and foreign currency contracts	**1,918**	(1,619)	5,345
Net (losses) gains on sale of assets	**(220)**	998	12,425
Income before taxes and non-controlling interest	**90,851**	49,797	111,570
Non-controlling interests	**(1,097)**	(765)	(3,105)
Income tax provision (Note 18)	**(27,756)**	(24,430)	(19,605)
Net income for the year	**$ 61,998**	$ 24,602	$ 88,860
Earnings per share (Note 14)			
Basic income per share	**$ 0.71**	$ 0.31	$ 1.16
Diluted income per share	**$ 0.71**	$ 0.30	$ 1.12
Weighted average shares outstanding (in thousands):			
Basic	**87,578**	80,236	76,453
Diluted	**87,751**	80,773	79,174

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2009, 2008 and 2007
(in thousands of US dollars)

	2009	2008	2007
Net income	$ 61,998	$ 24,602	$ 88,860
Other comprehensive income			
Unrealized gains (losses) on available for sale securities	17,079	9,913	(8,803)
Unrealized gain reversed upon disposal of shares in acquisition of mineral interests	(8,710)	-	-
Reclassification adjustment for gains included in income	(6,519)	(1,495)	-
Comprehensive income	$ 63,848	$ 33,020	$ 80,057

See accompanying notes to the consolidated financial statements

Pan American Silver Corp.

Consolidated Statements of Shareholders' Equity
For the years ended December 31, 2009, 2008, and 2007
(in thousands of US dollars, except for numbers of shares)

	Common Shares					
	Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Deficit)	Total
Balance, December 31, 2006	76,195,426	$ 584,769	$ 14,485	$ -	$ (87,228)	$ 512,026
Issued on the exercise of stock options	403,297	6,332	(1,502)	-	-	4,830
Issued on the exercise of share purchase warrants	30,105	406	(70)	-	-	336
Issued as compensation	33,823	895	-	-	-	895
Stock-based compensation on options granted	-	-	1,320	-	-	1,320
Cumulative impact of accounting changes relating to short term investments	-	-	-	153	-	153
Other comprehensive loss	-	-	-	(8,803)	-	(8,803)
Net income	-	-	-	-	88,860	88,860
Balance, December 31, 2007	76,662,651	$ 592,402	$ 14,233	$ (8,650)	$ 1,632	$ 599,617
Issued on the exercise of stock options	129,371	3,310	(651)	-	-	2,659
Issued on the exercise of share purchase warrants	3,969,016	58,928	(10,744)	-	-	48,184
Issued as compensation	25,069	877	-	-	-	877
Stock-based compensation on options granted	-	-	1,284	-	-	1,284
Other comprehensive income	-	-	-	8,418	-	8,418
Net income	-	-	-	-	24,602	24,602
Balance, December 31, 2008	80,786,107	$ 655,517	$ 4,122	$ (232)	$ 26,234	$ 685,641
Issued on the exercise of stock options	32,000	515	(139)	-	-	376
Issued on public offering	6,371,000	97,941	-	-	-	97,941
Issued as compensation	44,626	624	-	-	-	624
Issued to acquire mineral interests	17,891,447	452,111	41,971	-	-	494,082
Stock-based compensation on options granted	-	-	1,339	-	-	1,339
Shares cancelled	(8,060)	(61)	-	-	-	(61)
Other comprehensive income	-	-	-	1,850	-	1,850
Net income	-	-	-	-	61,998	61,998
Balance, December 31, 2009	**105,117,120**	**$ 1,206,647**	**$ 47,293**	**$ 1,618**	**$ 88,232**	**$ 1,343,790**

See accompanying notes to consolidated financial statements

Pan American Silver Corp.

Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

	2009	2008	2007
Operating activities			
Net income for the year	$ 61,998	$ 24,602	$ 88,860
Reclamation expenditures	(992)	(167)	(767)
Items not affecting cash:			
Depreciation and amortization	83,169	46,349	28,992
Write-down of mining assets	-	15,117	-
Accretion of asset retirement obligation	2,998	2,687	2,860
Net losses (gains) on sale of assets	220	(998)	(12,425)
Future income taxes	2,113	3,210	(1,448)
Unrealized losses (gains) on foreign exchange	1,478	(2,769)	-
Non-controlling interests	1,097	765	3,105
Present value charge on long term receivable (Note 9)	2,770	-	-
Doubtful accounts provision (Note 5)	4,375	-	-
Gain on disposal of securities in acquisition of subsidiary (Note 3)	(6,353)	-	-
Net change in unrealized (gains) losses on commodity and foreign currency contracts	(3,597)	8,913	(5,290)
Stock-based compensation	2,382	2,223	2,052
Changes in non-cash operating working capital (Note 15)	(35,690)	(6,947)	(38,578)
Cash generated by operating activities	**115,968**	**92,985**	**67,361**
Investing activities			
Mining property, plant and equipment expenditures (net of related accruals)	(52,751)	(243,800)	(117,170)
Acquisition of net assets of subsidiary, (net of $4.3 million cash acquired)(Note 3)	942	-	(6,245)
Net (purchase of) proceeds from sale of short-term investments	(80,136)	62,779	24,931
Proceeds from sale of assets	208	12,199	10,267
Other assets expenditures (Note 9)	(14,605)	-	(11,272)
Cash used in investing activities	**(146,342)**	**(168,822)**	**(99,489)**
Financing activities			
Proceeds from issuance of common shares	103,909	50,843	5,164
Share issue costs	(5,592)	-	-
Dividends paid by subsidiaries to non controlling-interests	-	(2,626)	(2,347)
Non-controlling interests contributions received / receipts of debt	5,742	2,494	879
Cash generated by financing activities	**104,059**	**50,711**	**3,696**
Increase (decrease) in cash during the period	73,685	(25,126)	(28,432)
Cash, beginning of period	26,789	51,915	80,347
Cash, end of period	**$ 100,474**	**$ 26,789**	$ 51,915
Supplemental Cash Flow Information			
Interest paid	**$** -	**$** -	**$** -
Taxes paid	21,655	27,577	44,376
Significant Non-Cash Items			
Debenture and equity issued to acquire mineral interest (Note 3)	**$** 514,870	**$** -	**$** -
Stock compensation issued to employees and directors	**$** 1,963	**$** 2,161	**$** 2,215

1. Nature of Operations

Pan American Silver Corp. and its subsidiary companies (collectively, the "Company", or "Pan American") are engaged in silver mining and related activities, including exploration, extraction, processing, refining and reclamation. The Company's primary product (silver) is produced in Peru, Mexico, Argentina and Bolivia. The Company has current project development activities in Peru, Mexico and Argentina, and exploration activities throughout South America and Mexico.

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The Company's consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. The United States dollar is the principal currency of measure in all the Company's operations. The Company prepares and files its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). Significant differences from United States generally accepted accounting principles are discussed in Note 20.

b. Principles of Consolidation

The consolidated financial statements include the wholly-owned and partially-owned subsidiaries of the Company, the most significant of which are presented in the following table:

Subsidiary	Location	Ownership interest	Status	Operations and Development Projects Owned
Pan American Silver S.A. Mina Quiruvilca	Peru	100%	Consolidated	Huaron Mine/Quiruvilca Mine
Compañía Minera Argentum S.A.	Peru	92%	Consolidated	Morococha Mine
Minera Corner Bay S.A.	Mexico	100%	Consolidated	Alamo Dorado Mine
Plata Panamericana S.A. de C.V.	Mexico	100%	Consolidated	La Colorada Mine
Compañía Minera Triton S.A.	Argentina	100%	Consolidated	Manantial Espejo Mine
Pan American Silver (Bolivia) S.A.	Bolivia	95%	Consolidated	San Vicente Mine
Minera Argenta S.A.[1]	Argentina	93%	Consolidated	Navidad Project

[1] Subsequent to year end, the Company acquired the remaining 7%, as discussed in Note 21.

Inter-company balances and transactions have been eliminated on consolidation.

c. Significant Changes in Accounting Policy

On January 1, 2009, the Company adopted one new Section of the Canadian Institute of Chartered Accountants' ("CICA") Handbook and continues to evaluate the adoption of three other new Handbook Sections: Section 3064, "Goodwill and Intangible Assets" was adopted; Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests" continue to be evaluated. In addition, two new Emerging Issues Committee ("EIC") Abstracts, EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities and EIC 174, Mining Exploration Costs, were adopted in the first quarter.

Goodwill and Intangible Assets: The CICA issued a new accounting standard, Section 3064, "Goodwill and Intangible Assets", which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and, as a result, start-up costs must be expensed as incurred. The Company adopted this standard beginning January 1, 2009 and a retrospective review of the impact was deemed immaterial and thus the Company's consolidated financial position or results of operations of prior periods were not restated.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities : In January, 2009, the EIC of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC should be applied retrospectively without restatement of prior years to all financial assets and financial liabilities measured at fair value in interim and an nual financial statements for periods ending on or after January 20, 2009. This EIC, which was effective for the Company on January 1, 2009, had no impact on the Company's financial position or results of operations because the aforementioned credit risks had been incorporated into the Company's valuation methodology before the EIC was issued.

Mining Exploration Costs: In March, 2009, the EIC also issued EIC Abstract 174, Mining Exploration Costs, which provides additional guidance for treatment of exploration costs and timing of impairment tests on those exploration costs that have been capitalized. This EIC should be applied to financial statements issued after March 27, 2009 on a prospective basis without restatement of prior years' financial statements. This EIC had no impact on the Company's financial position or results of operations because the aforementioned g uidelines are in line with the Company's accounting policy for mineral exploration costs as well as asset impairment testing.

Business Combinations: In December 2008, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consol idated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted. The Company did not adopt these new standards but continues to evaluate the attributes of early adoption of these standards and their potential effects.

Financial Instruments: Additionally, in 2009 the Accounting Standards Board ("AcSB") also amended the Handbook Section 3862, "Financial Instruments – Disclosures", to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009, and accordingly, such disclosure has been adopted by the Company in Note 5 to these financial statements.

Multiple Deliverable Revenue Arrangements: Lastly, in December, 2009, the EIC issued EIC Abstract 175, "Multiple Deliverable Revenue Arrangements". This EIC addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how such a multiple deliverable revenue arrangement consideration should be measured and allocated to the separate units of accounting. This EIC should be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011. Ea rly adoption is permitted. The Company did not early adopt this EIC and upon adoption does not expect it to have a material impact on the Company's financial position or results of operations.

d. Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are: quantities of proven and probable silver reserves; the value of mineralized material beyond proven and probable reserves; future costs and expenses to produce proven and probable reserves; future commodity prices and foreign currency exchange rates; the future cost of asset retirement obligations; amounts of contingencies; and the fair value of acquired assets and liabilities including pre-acquisition contingencies. Significant items that require estimates as the basis for determining the stated amounts include inventories, trade accounts receivable, mineral property plant and equipment, i nvestments in non-producing properties, revenue recognition, stock based compensation, unrealized gains and losses on commodity and foreign currency contracts, fair value of assets and liabilities acquired in a business combination, and income taxes.

e. Revenue Recognition

Revenue is recognized upon delivery when title and risk of ownership of metals or metal bearing concentrate passes to the buyer and when collection is reasonably assured. The passing of title to the customer is based on the terms of the sales contract, which is persuasive evidence that an arrangement exists. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets.

Under the Company's concentrate sales contracts with third-party smelters, final commodity prices are set on a specified quotational period, typically ranging from one month prior to shipment, and can extend to three months after the shipment arrives at the smelter and is based on average market metal prices. Revenues are recorded under these contracts at the time title passes to the buyer based on the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from three to six months after shipment. Variations between the price recorded at the shipment date and the a ctual final price set under the smelting contracts are caused by changes in metal prices. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded in final settlement. Royalties and refining and treatment charges are netted against revenue for sales of metal concentrate.

f. Financial Instruments

The Company applies as prescribed Section 3855, "Financial Instruments – Recognition and Measurement". CICA Standard 3855 establishes standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. Under CICA 3855, all financial assets must be classified as either held-for-trading, available-for-sale, held-to-maturity investments or loans and receivables. All financial liabilities must be classified as held-for-trading or other financial liabilities. All financial instruments, including derivatives, are included on the Consolidated Balance Sheets and are initially measured at fair value, except for held-to-maturity investments, loans and receiv ables, and other financial liabilities, which are measured at amortized cost. Subsequent measurements and recognition of changes in fair value depend on the instrument's initial classification. Held-for-trading financial instruments are measured at fair value, and all gains and losses are included in net income (loss) in the period in which they arise. Available- for-sale financial instruments are measured at fair value, determined by published market prices in an active market, except for investments in equity instruments that do not have quoted market prices in an active market which are measured at cost. Changes in fair value are recorded in other comprehensive income (loss) until the assets are removed from the balance sheet. Investments classified as available-for-sale are written down to fair value through income whenever it is necessary to reflect other-than-temporary impairment. Realized gains and losses on the disposal of availa ble-for-sale securities are recognized in investment and other income. Also, transaction costs related to all financial assets and liabilities are recorded in the acquisition or issue cost, unless the financial instrument is classified as held-for-trading, in which case the transaction costs are recognized immediately in net income (loss).

CICA Section 3855 also requires financial and non-financial derivative instruments to be measured at fair value and recorded as either assets or liabilities. Certain derivatives embedded in non-derivative contracts must also be measured at fair value. Any changes in the fair value of recognized derivatives are included in net income (loss) for the period in which they arise, unless specific hedge accounting criteria are met, as defined in CICA Section 3865. The same accounting treatment applied to these non-financial derivative contracts prior to the adoption of CICA Section 3855. Fair values for the Company's recognized commodity-based derivatives are based on the forward prices of the associated market index.

The Company has made the following classifications:

- Short-term and other investments including debt and equity securities are classified as "Available for sale securities". Changes in the market value of the securities are recorded as other comprehensive income.

- Accounts receivable and long term receivables are classified as "Loans and Receivables". They are recorded upon their initial measurement at fai value, which is equal to their cost. At December 31, 2009, the recorded amount approximates fair value.

- Accounts payable and accrued liabilities are classified as "Other financial liabilities". They are initially measured at their fair value. At December 31, 2009, the recorded amount approximates fair value.

- Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are included in the carrying amount of the financial asset or financial liability, and are amortized to income using the effective interest method.

g. Derivatives and Trading Activities

The Company employs metals and currency contracts, including forward contracts to manage exposure to fluctuations in metal prices and foreign currency exchange rates. For metals production, these contracts are intended to reduce the risk of falling prices on the Company's future sales. Foreign currency derivative financial instruments, such as forward contracts are used to manage the effects of exchange rate changes on foreign currency cost exposures. Changes in the fair value of derivative instruments are reported in income or accumulated other comprehensive income ("AOCI"), depending on the use of the derivative and whether it qualifies for hedge accounting treatment under the provisions of CICA 3865, "Hedg es". Unrealized gains and losses on derivative instruments qualifying as cash flow hedges are recorded in AOCI to the extent the hedges are effective, until the underlying transactions are recognized in the Consolidated Statement of Operations. To the extent effective, unrealized gains and losses on the derivative and non-derivative instruments used as hedges of the Company's net investment in foreign operations are recorded in AOCI. The ineffective portions of cash flow hedges and hedges of net investment in foreign operations, if any, are recognized in income immediately. At December 31, 2009 the Company had no derivative positions or net investments in foreign operations to which it was applying hedge accounting. All derivative instruments are recorded on the balance sheet at fair value.

Unrealized gains and losses on derivative instruments designated as fair value hedging instruments, as well as offsetting unrealized gains and losses on the hedged items, are recognized in the Consolidated Statement of Operations in the same accounting period. Unrealized gains and losses on derivative instruments that do not qualify or are not designated as hedges are marked to market at the end of each accounting period with the results included in gain or loss on commodity and foreign currency contracts in the Consolidated Statement of Operations.

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded

derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. The Company selected January 1, 2003 as its transition date for embedded derivatives. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

h. Cash

Cash includes cash in banks, held primarily in U.S. dollars ("USD") and considered "held-for-trading" and therefore is stated at fair value.

i. Short-term Investments

Short-term investments are classified as "available for sale", and consist of highly-liquid debt securities with original maturities in excess of three months and equity securities. The debt securities include corporate bonds with Standard & Poor's rating of A- to AAA with an overall average of single A high. These debt and equity securities are initially recorded at fair value, which upon their initial measurement is equal to their cost. Subsequent measurements and changes in the market value of these debt and equity securities are recorded as changes in other comprehensive income. Investments are assessed quarterly for potential impairment.

j. Inventories

Inventories include concentrate ore, doré, ore in stockpiles, processed silver, and operating materials and supplies. The classification of inventory is determined by the stage at which the ore is in the production process. Inventories of ore are sampled for metal content and are valued based on the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal. Material that does not contain a minimum quantity of metal to cover estimated processing expense to recover the contained metal is not classified as inventory and is assigned no value. All metal inventories are stated at the lower of cost or net realizable value, with cost being determined using the weighted average cost method. Suppli es inventories are valued at the lower of average cost and net realizable value, net of obsolescence. Concentrate and doré inventory includes product at the mine site, the port warehouse and product held by refineries, and are also valued at lower of cost or net realizable value. At times, the Company has a limited amount of finished silver at a minting operation where coins depicting Pan American's emblem are stamped.

k. Mineral Property, Plant, and Equipment

Expenditures for new facilities, new assets or expenditures that extend the useful lives of existing facilities are capitalized. Maintenance, repairs and renewals are charged to operations. Any gains or losses on disposition of property, plant and equipment are reflected in the statement of operations. Mineral property costs are depreciated using the units-of-production method based upon estimated total proven and probable reserves and a portion of resources. Depreciation of plant and equipment is calculated on a straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such assets or the useful life of the individual assets ranging from three to twenty years and the life of the mineral property to which it relates.

l. Operational Mining Properties and Mine Development

Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs incurred to develop such property including costs to further delineate the ore body and remove overburden to initially expose the ore body prior to the start of mining operations, are capitalized. Such costs are amortized using the units-of-production method over the estimated life of the ore body based on proven and probable reserves.

Costs associated with commissioning activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Company is ready to commence commercial service. Any revenues earned during this period are recorded as a reduction in deferred commissioning costs. These costs are amortized using the units-of-production method over the life of the mine, commencing on the date of commercial service.

Significant payments related to the acquisition of land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights the Company makes a preliminary evaluation to determine that the property has significant potential to develop an economic ore body. The time between initial acquisition and full evaluation of a property's potential is dependent on many factors including: location relative to existing infrastructure, the property's stage of development, geological controls and metal prices. If a mineable ore body is discovered, such costs are amortized when production begins. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. In countries where we have paid Value Added Tax ("VAT") and where there is uncertainty of its recoverability, the VAT payments have either been deferred with mineral property costs relating to the property or expensed if it relates to mineral exploration. If we ultimately make recoveries of the VAT, the amount received will be applied to reduce mineral property costs or taken as a credit against current expenses depending on the prior treatment.

Gains or losses from sales or retirements of assets are included in gain or loss on sale of assets. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to increase production or extend the life of the mine are capitalized.

m. Asset Impairment

Management reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis are less than the carrying amount of the assets, including mineral property, plant and equipment and non-producing property. An impairment loss is measured and recorded based on discounted estimated future cash flows or the application of an expected present value technique to estimate fair value in the absence of a market price. Future cash flows include recoverable proven and probable reserves and a portion of recoverable resources, silver, zinc, copper, lead a nd gold prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, all based on detailed engineering life-of-mine plans. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions and market conditions and/or the Company's performance could have a material effect on any impairment provision, and on the Company's financial position and results of operations. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flow.

n. Reclamation and Remediation Costs

Estimated future reclamation and remediation costs are based principally on legal and regulatory requirements.

The asset retirement obligation is measured using assumptions for cash outflows such as expected labor costs, allocated overhead and equipment charges, contractor markup, and inflation adjustments to determine the total obligation. The sum of all these costs is discounted, using the credit adjusted risk-free interest rate from the time the Company expects to pay the retirement obligation to the time the Company incurs the obligation.

Upon initial recognition of a liability for an asset retirement obligation, the Company capitalizes the asset retirement cost to the related long-lived asset. The Company amortizes this amount to operating expense using the units-of-production method. The Company evaluates the cash flow estimates at the end of each reporting period to determine whether the estimates continue to be appropriate. Upward revisions in the amount of undiscounted cash flows will be discounted using the current credit-adjusted risk-free rate. Downward revisions will be discounted using the credit-adjusted risk-free rate that existed when the original liability was recorded.

o. Foreign Currency Translation

The Company's functional currency and that of its subsidiaries is the U.S. dollar. Transaction amounts denominated in foreign currencies (currencies other than U.S. dollars) are translated into U.S. dollars at exchange rates prevailing at the transaction dates. Carrying values of foreign currency monetary assets and liabilities are adjusted at each balance sheet date to reflect the U.S. exchange rate prevailing at that date. Gains and losses arising from translation of foreign currency monetary assets and liabilities at each period end are included in earnings.

The accounts of subsidiaries, which are considered to be integrated operations, are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities of foreign subsidiaries are translated at exchange rates in effect at the end of each period and non-monetary assets and liabilities are translated using historical exchange rates. Revenues and expenses are translated at the average exchange rate for the period. Foreign currency transaction gains and losses are included in the determination of net income or loss.

p. Stock-based Compensation Plans

The Company provides stock grants or options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at their sole discretion and at prices equal to or greater than the weighted average market price of the five trading days prior to the date the options were granted.

The Company applies the fair-value method of accounting in accordance with the recommendations of CICA Handbook Section (3870), " *Stock-based Compensation and Other Stock-based Payments*". Stock-based compensation expense is calculated using the Black-Scholes option pricing model or by using the market price of the Company's stock.

q. Income Taxes

The Company computes income taxes in accordance with CICA Handbook Section (3465), "Income Taxes", which requires an asset and liability approach. This results in the recognition of future tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities, as well as operating loss and tax credit carry-forwards, using substantively enacted tax rates in effect in the years in which the differences are expected to reverse. The Company records a valuation allowance against a portion of those future income tax assets except to the extent that management believes they will more likely than not be realized. On business acquisitions, where differences between assigned values and tax bases of assets acquired (other than non-tax deductible goodwill) and liabilities assumed exist, the Company recognizes the future tax assets and liabilities for the tax effects of such differences.

r. Earnings (loss) Per Share

Basic earnings (loss) per share calculations are based on the net income (loss) for the period divided by the weighted average number of common shares issued and outstanding during the period.

The diluted earnings / (loss) per share calculations are based on the weighted average number of common shares outstanding during the period, plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants should be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period, but only if dilutive.

For convertible securities that may be settled in cash or shares at the holder's option the more dilutive of cash settlement and share settlement is used in computing diluted earnings/(loss) per share. For settlements in common shares, the if-converted method is used, which requires that returns on senior convertible equity instruments and income charges applicable to convertible financial liabilities be added back to net earnings/(loss), from the beginning of the period (or at the time of issuance, if later).

s. Recently Released Canadian Accounting Standards

No recently released Canadian accounting standards have been issued that are not yet effective that would have a significant impact on the Company, other than the following.

The CICA has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for fiscal years beginning on or after January 1, 2011. The Company will begin reporting the consolidated financial statements in accordance with IFRS on January 1, 2011, with comparative figures for 2010.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ending December 31, 2010, and restatement of the opening balance sheet as at January 1, 2010.

3. Acquisitions of Mineral Interests

Aquiline Resource Inc. (Navidad Project, Chubut, Argentina)

During December 2009, Pan American completed the acquisition of a 93% interest in Aquiline Resources Inc. ("Aquiline"), a Canadian publicly traded company that controls the Navidad Project in Chubut, Argentina, a silver development project, as well as several other early stage development projects in Argentina and Peru. The acquisition was made on the basis of issuing 0.2495 of a Pan American common share, plus 0.1 of a Five Year Pan American Warrant ("Consideration Warrant") for each Aquiline Share tendered. Each whole Consideration Warrant will entitle the holder to acquire one Pan American common share at a price of $35.00 per Pan American common share for a period of five years after the date on which Pan American first paid for Aquiline Shares tendered, December 7, 2009. The 93% interest acquired includes approximately 2% of issued and outstanding Aquiline shares that the Company held prior to the share offer being made. The acquisition was completed in two significant steps. On December 7, 2009 the Company completed the acquisition of 84.5% of the outstanding shares of Aquiline and extended the offer to December 22, 2009 at which time the Company had taken up 93% of the outstanding shares of Aquiline. The acquisition of Aquiline was accounted for as an asset acquisition.

The purchase price of the transaction totaled $543.6 million, comprised of approximately 17.9 million Pan American common shares, 7.2 million Consideration Warrants, 0.5 million Replacement Warrants, 0.5 million Replacement Options, 1.7 million common shares and 1.5 million warrants of Aquiline, respectively, held by Pan American prior to the offer and considered disposed of into the transaction, a replacement convertible debenture as discussed below and transaction costs of $10.9 million.

Pan American exchanged and replaced all outstanding options, warrants and the convertible debenture at an exchange ratio of 0.2495 and at strike prices equivalent to the original strike prices divided by 0.2495. The convertible debenture allowed the holder to convert the debenture into either 363,854 Pan American shares or a Silver Stream contract related to certain production from the Navidad project.

Pan American share values utilized for valuing the consideration of shares issued were closing prices on the actual dates of the Pan American shares being issued, with a range of prices used from $23.54 to $25.40.

Consideration warrants were valued using observable market pricing with a range of prices from $4.50 to $5.58 assigned to the consideration warrants issued on various dates.

Replacement warrants and options were valued using the Black-Scholes option pricing model. Assumptions used were as follows:

Dividend yield	0%
Expected volatility	52% - 63%
Risk free interest rate	1.5%
Expected life	0 – 2 years

Warrants owned by Pan American prior to the offer and considered disposed into the transaction were valued using the Black-Scholes option pricing model. Assumptions used were as follows:

Dividend yield	0%
Expected volatility	50%
Risk free interest rate	1.3%
Expected life	1.9 years

The Company concluded that the most appropriate guidance regarding treatment of the Replacement Convertible Debenture is provided under Canadian GAAP by making reference to the principles in EIC 70 – “Presentation of a Financial Instrument Labeled as a Share when a Future Event or Circumstance may affect the Issuer’s Obligations”. In consideration of EIC-70 and the economic substance of the contract, it was concluded that a liability presentation is the most appropriate and best representation of the economics underlying the contract as of the date the Company assumed the obligation as part of the Aquiline acquisition. Upon analysis of the relative fair values of the conversion options there was an extremely high probab ility that the holder of the option would convert to the Silver Stream (the fair value of the Silver Stream option was significantly higher than that of the equity option which was deeply “out-of-the-money”). The Silver Stream option if exercised will unavoidably obligate the Company to sell a specified amount of output, if output is achieved, from a mining operation built on specific mining areas of the Navidad project.

The purchase price allocation was calculated as follows:

Fair value of Pan American shares issued	$	452,111
Fair value of Pan American consideration warrants issued		32,839
Fair value of Pan American replacement warrants issued		8,106
Fair value of Pan American replacement options issued		1,027
Fair value of Aquiline units tendered into the transaction		17,771
Fair value of replacement debenture issued		20,788
Transaction costs		10,923
Purchase Consideration	**$**	**543,565**

The purchase price allocation is as follows:	
Net working capital acquired (including cash of $4.3 million)	(4,299)
Mineral property, plant and equipment	813,023
Asset retirement obligation	(1,235)
Future income tax liability	(256,211)
Non-controlling interest	(7,713)
	$ 543,565

Subsequent to December 31, 2009 and as described in Note 21, the Company acquired the balance of outstanding shares of Aquiline through a Compulsory Acquisition, bringing the Company's ownership interest to 100% as of January 22, 2010.

Joint Venture with Orko Silver Inc. (La Preciosa Project, Durango, Mexico)

On April 13, 2009, Pan American and Orko Silver Corp. (''Orko'') entered into an agreement (the ''Joint Venture Letter Agreement''), pursuant to which Pan American and Orko agreed to form a joint venture (the ''Joint Venture'') to develop the La Preciosa silver project located in the State of Durango, Mexico (the ''La Preciosa Project''). Under the terms of the Joint Venture Letter Agreement, in order to retain its 55% interest in the Joint Venture: (a) the Company must, in addition to contributing its mine development expertise, spend a minimum of $5 million in the first 12 months from the date of the Joint Venture Letter Agreement and conduct resource definition drilli ng, acquire necessary surface rights, obtain permits, and prepare a feasibility study over the following 24 month period; and (b) following a positive construction decision, the Company must contribute 100% of the funds necessary for practical completion of an operating mine. In exchange for its 45% interest in the Joint Venture, Orko agreed to contribute its exploration expertise and the La Preciosa Project and related concessions.

The Company has assessed the operating company of the La Preciosa project to be a variable interest entity as contemplated under AcG-15 and as such it is consolidated in the financial statements of the Company. Until such time as an economic analysis is completed and proven and probable reserves are established, costs incurred through the joint venture company will be expensed and no value has been attributed to the property contributed by the joint venture party. For the twelve months ended December 31, 2009, the exploration expense recognized arising from the Orko joint venture is $4.0 million.

4. Management of Capital

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and provide returns to its shareholders. The Company's capital structure consists of shareholders' equity, comprising issued share capital plus contributed surplus plus retained earnings, less accumulated other comprehensive income (loss). The Company has entered into a $70 million credit facility which has not been drawn.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

5. Financial Instruments

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are metal price risk, credit risk, foreign exchange rate risk, and liquidity risk. The

Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Metal Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments.

The Company derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown extreme volatility and are beyond the Company's control.

Consistent with the Company's mission to provide equity investors with exposure to changes in silver prices, Company policy is not to hedge the price of silver.

The Company mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production from time to time under forward sales and option contracts. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions. At December 31, 2009, the Company had no contracts in place for sales of future production.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations, and arises principally from the Company's trade receivables. The carrying value of financial assets represents the maximum credit exposure.

The Company has long-term concentrate contracts to sell the zinc, lead and copper concentrates produced by the Quiruvilca, Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are common business practice in the mining industry. At December 31, 2009 the Company had receivable balances associated with buyers of our concentrates of $54.0 million (2008 - $11.8 million). The vast majority of our concentrate is sold to three well known concentrate buyers.

Silver doré production from La Colorada, Alamo Dorado and Manantial Espejo is refined under long term agreements with fixed refining terms at five separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At December 31, 2009 the Company had approximately $15.1 million (2008 - $6.0 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at our mine sites, in- transit to refineries and whilst at the refineries.

The Company maintains trading facilities with several banks and bullion dealers for the purposes of transacting the Company's trading activities. None of these facilities are subject to margin arrangements. The Company's trading activities can expose us to the credit risk of our counterparties to the extent that our trading positions have a positive mark-to-market value. However, the Company minimizes this risk by ensuring there is no excessive concentration of credit risk with any single counterparty, by active credit management, and monitoring. The Company expects to receive settlements totaling $0.2 million during 2010, which are subject to the described credit risk of large financial institutions.

Refined silver and gold is sold in the spot market to various bullion traders and banks. Credit risk may arise from these activities if we are not paid for metal at the time it is delivered, as required by spot sale contracts.

Management constantly monitors and assesses the credit risk resulting from its refining arrangements, concentrate sales and commodity contracts with its refiners, trading counterparties and customers. Furthermore, management carefully considers credit risk when allocating prospective sales and refining business to counterparties. In making allocation decisions, Management attempts to avoid unacceptable concentration of credit risk to any single counterparty.

As at December 31, 2009, Doe Run Peru ("DRP"), one of the buyers of concentrates from the Company's Peruvian operations, owed to the Company approximately $8.8 million for deliveries of concentrates that occurred in early 2009. The Company established a doubtful accounts receivable provision of $4.4 million of the amount receivable in Q2 2009 and, in addition, reclassified the remaining receivable balance of $4.4 million from current assets into long term assets on its consolidated balance sheet. This reclassification reflects the Company's current expectation that the remaining receivable balance of $4.4 million owed by DRP may not be recovered within the next twelve months, and in recognition of that expectation, the Company rec orded an additional charge of $0.6 million in Q2 2009 related to the negative present value impact of the expected delay in the recovery of the DRP receivable. The Company believes that the circumstances surrounding DRP do not warrant any further changes to the accounting treatment established in Q2 and the Company remains optimistic that the La Oroya smelter will resume operations in the first half of 2010. No interest income has been accrued. Other than this receivable with DRP, at December 31, 2009 and December 31, 2008, the Company had no material past due trade receivables. With the DRP receivable presented in long term other assets, the accounts receivable on the Consolidated Balance Sheets is presented with $ NIL provision for doubtful accounts (2008 - $ NIL).

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations.

Foreign Exchange Rate Risk

The Company reports its financial statements in US dollars ("USD"); however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in USD are subject to changes in the value of the USD relative to local currencies. Since the Company's sales are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse.

In order to mitigate this exposure, from time to time the Company has purchased Peruvian New soles ("PEN"), Mexican pesos ("MXN") and Canadian dollars ("CAD") to match anticipated spending. At December 31, 2009, the Company had no forward contracts to purchase foreign currencies. A 10% increase or decrease in the exchange rate of the currencies in the countries that the Company operates relative to the USD would have the effect of a $15.6 million increase or decrease to operating costs on the Company's 2009 statement of operations. The Company's net income is also affected by the revaluation of its monetary assets and monetary liabilities at each balance sheet date. The Comp any has reviewed its monetary assets and monetary liabilities and estimates that a 10% change in the exchange rate of the foreign currencies in which its December 31, 2009 non-USD net monetary liabilities were denominated would result in a net income change of $28.8 million. The most significant monetary item affected by such movements in foreign currencies is the future income tax liability arising from the Aquiline acquisition with a December 31, 2009 balance of $255.6 million. This liability reflects the difference between the tax values and the accounting book values of the assets purchased. As this balance is deemed to be denominated primarily in Argentine pesos, the Company will be required to adjust this liability for any movements in the exchange rate of that currency against the USD. At December 31, 2009 the Company was also holding $43.3 million in CAD in cash and short term investments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash, and its committed loan facilities.

The Company's commitments have contractual maturities which are summarized below:

	PAYMENTS DUE BY PERIOD				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Capital Lease Obligations	$ 669	$ 620	$ 49	-	-
Current Liabilities	97,446	97,446	-	-	-
Contribution Plan (1)	8,205	2,735	5,470	-	-
Total contractual obligations(2)	$ 106,320	$ 100,801	$ 5,519	-	-

(1) In June 2008 the Company initiated a 4 year contractual retention plan for key officers and management, further discussed in Note 13. Contract commitments for the plan, payable in CAD, represent minimum payments expected to be paid out, presented above in USD at the year-end rate.

(2) Amounts above do not include payments related to the Company's anticipated asset retirement obligation (Note 11).

Fair Value of Financial Instruments

The carrying value of cash is at fair value, while accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity and terms of these financial instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

In 2009 the Accounting Standards Board ("AcSB") amended the Handbook Section 3862, "Financial Instruments – Disclosures", to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses in measuring the fair values of its financial instruments. This amendment substantially aligns Canadian GAAP with US GAAP and as such, the Company's reporting for this amendment is in line with information previously presented in the reconciliation from Canadian GAAP to US GAAP.

The guidance requires that additional disclosure on determining fair value is provided when the volume and level of activity for the asset or liability have significantly decreased and identifying circumstances that indicate when a transaction is not orderly. Also, for investments in debt and equity securities the Company is required to: (i) clarify the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired, (ii) provide guidance on the amount of an other-than-temporary impairment recognized for a debt security in earnings and other comprehensive income and (iii) expand the disclosures required for other-than-temporary impairments for debt and equity securities. See tables below for the requi red disclosure.

This update provides clarification for circumstances in which: (i) a quoted price in an active market for the identical liability is not available, (ii) the liability has a restriction that prevents its transfer, and (iii) the identical liability is traded as an asset in an active market in which no adjustments to the quoted price of an asset are required. The updated guidance is effective for periods ending after September 30, 2009.

The updated guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no observable market data).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by the guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at December 31, 2009			
(in thousands of US dollars)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash	$ 100,474	$ 100,474	$ -	$ -
Short-term investments	92,623	92,623	-	-
Investments	1,553	1,553	-	-
Unrealized gain on commodity and foreign currency contracts	160	-	160	-
Trade receivable from provisional concentrate sales, net	53,963	-	53,963	-
	$ 248,773	$ 194,650	$ 54,123	$ -

The Company's cash is classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash instruments that are valued based on quoted market prices in active markets are primarily money market securities and U.S. Treasury securities.

The Company's short-term investments and other investments are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the investment securities is calculated as the quoted market price of the investment equity security multiplied by the quantity of shares held by the Company.

The Company's unrealized gains and losses on commodity and foreign currency contracts are valued using quoted market prices in active markets and as such are classified as Level 2 of the fair market value hierarchy.

The Company's trade receivable arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange ("LME") (copper) (zinc) and (lead) and the London Bullion Market Association P.M. fix ("London P.M. fix") (gold) (silver).

The total amount of unrealized gains on Available for Sale Securities for the period was included in Accumulated Other Comprehensive Income. This is the result of changes in market values and foreign exchange rates from December 31, 2008 or the period since acquisition.

6. SHORT TERM INVESTMENTS AND OTHER INVESTMENTS

	December 31, 2009			December 31, 2008		
Available for Sale	**Fair Value**	**Cost**	**Accumulated unrealized holding gains (losses)**	Fair Value	Cost	Accumulated unrealized holding gains (losses)
Short term investments	**$ 92,623**	**$ 92,153**	**470**	$ 3,350	$ 3,892	$ (542)
Investments [1]	**1,553**	**405**	**1,148**	715	405	310
	$ 94,176	**$ 92,558**	**1,618**	$ 4,065	$ 4,297	$ (232)

(1) Investments in certain equity securities are presented in other assets on the balance sheet (Note 9).

7. INVENTORIES

Inventories consist of:

	December 31, 2009	December 31, 2008
Concentrate inventory	**$ 15,379**	$ 13,033
Stockpile ore	**21,892**	21,301
Direct smelting ore	**1,462**	1,570
Doré and finished inventory	**27,577**	11,479
Materials and supplies	**28,147**	26,386
	94,457	73,769
Less: non-current direct smelting ore (Note 9)	**(1,011)**	(1,119)
	$ 93,446	$ 72,650

The amounts of inventory recognized as expenses during 2009, 2008 and 2007 are equivalent to the cost of sales for the respective periods.

8. MINERAL PROPERTY, PLANT AND EQUIPMENT

Acquisition costs of investment and non-producing properties together with costs directly related to mine development expenditures are capitalized. Exploration expenditures on investment and non-producing properties are charged to operations in the period they are incurred.

Mineral property, plant and equipment consist of:

	December 31, 2009			December 31, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Huaron mine, Peru	**$ 92,768**	**$ (33,966)**	**$ 58,802**	$ 85,930	$ (30,377)	$ 55,553
Morococha mine, Peru	**97,568**	**(25,140)**	**72,428**	88,336	(18,335)	70,001
Alamo Dorado mine, Mexico	**181,903**	**(68,320)**	**113,583**	180,438	(44,404)	136,034
La Colorada mine, Mexico	**53,951**	**(33,239)**	**20,712**	50,984	(20,861)	30,123
Manantial Espejo mine, Argentina	**311,357**	**(37,993)**	**273,364**	6,914	(4,861)	2,053
San Vicente mine, Bolivia	**105,445**	**(12,543)**	**92,902**	8,037	(4,389)	3,648
Other	**2,229**	**(1,222)**	**1,007**	1,904	(1,032)	872
TOTAL	**$ 845,221**	**$ (212,423)**	**$ 632,798**	$ 422,543	$ (124,259)	$ 298,284
Construction in progress:						
Manantial Espejo, Argentina			**$ -**			228,410
San Vicente, Bolivia			**-**			70,261
TOTAL			**$ -**			$ 298,671
Non-producing properties:						
Morococha, Peru			**$ 19,012**			$ 19,664
Manantial Espejo, Argentina			**-**			65,856
Aquiline Group (Navidad project)			**804,308**			-
San Vicente, Bolivia			**-**			12,976
Other			**1,606**			1,610
TOTAL Non-producing properties			**$ 824,926**			$ 100,106
TOTAL Mineral Property, Plant and Equipment			**$ 1,457,724**			$ 697,061

Major categories of depreciable and depletable assets consist of:

	2009	2008
Plant and equipment	**$ 362,991**	$ 163,438
Mineral properties and mine development	**472,310**	249,497
Capital lease (equipment)	**9,920**	9,608
	845,221	422,543
Less: Accumulated depletion and depreciation	**(208,643)**	(122,358)
Depreciation of capitalized lease equipment	**(3,780)**	(1,901)
	$ 632,798	$ 298,284

Write-Down of Mining Assets

Annually, or more frequently as circumstances require, the Company performs property evaluations to assess the recoverability of its mining properties. Mine asset impairment analyses are performed on all of the Company's properties and investments using a combination of historic and forecast prices as well as considering qualitative factors. The Company determined that there are no write-downs required in the carrying values of mining properties and investments in 2009. In 2008, the Company recorded a write-down of carrying value of its Quiruvilca silver and zinc mine in Peru totaling $15.1 million, as a result of a sharp decline in zinc prices. No write-downs were required in 2007.

San Vicente, Bolivia

In 2007, Pan American completed the acquisition of an additional 40 percent interest in Pan American Silver Bolivia S. A., the operator of the San Vicente Mine, from Empresa Minera Unificada S.A. (EMUSA). The transaction gave the Company an indirect 95 percent interest in San Vicente. The purchase price was $9.0 million, plus acquisition costs, plus a 1.6% Net Smelter Royalty ("NSR"), and is payable only after Pan American has recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater. The acquisition of the additional 40 percent interest was accounted for by the purchase method of accounting. Pan American decided in mid-2007 t o invest in constructing its own 750 tonne-per-day processing facility and to increase the production rates.

During 2009 the Company completed construction of the mill and mine expansion at San Vicente. Construction costs during the year ended December 31, 2009 amounted to $13.2 million. The total investment to expand San Vicente and build the new processing facility was approximately $72 million, excluding recoverable VAT taxes.

The Company included the value added tax (VAT) paid in Bolivia and related to the San Vicente expansion project as part of the mineral property balance. The amount at December 31, 2009 included in mineral property is approximately $9.0 million (2008 - $7.7 million).

Manantial Espejo, Argentina

The Company successfully put into production the Manantial Espejo mine during the first quarter of 2009 after substantial completion of the project occurred late in Q4 of 2008.

9. OTHER ASSETS

Other assets consist of:

		2009		2008
Long-term refundable tax net (1)	**$**	**11,909**	$	-
Long-term receivable net (Note 5)		**3,825**		-
Reclamation bonds		**132**		125
Investments (Note 6)		**1,553**		715
Non-current direct smelting ore (Note 7)		**1,011**		1,119
	$	**18,430**	$	1,959

(1) The Company reviewed the fair value of long-term refundable tax in Argentina and estimated a present value charge of $2.2 based on management's estimate of a collection schedule as well as industry knowledge of peers' collections.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Account payable and accrued liabilities consist of:

		2009		2008
Trade accounts payable	**$**	**29,836**	$	21,619
Other accounts payable and trade related accruals		**18,108**		14,268
Acquisition costs payable (Note 3)		**7,582**		-
Payroll and related benefits		**12,848**		9,095
Severance accruals		**4,781**		3,901
Payment due for mineral property acquired (Note 3)		**5,799**		-
Capital leases		**646**		1,897
Advances on concentrate		**5,668**		1,570
Other		**10,891**		5,937
	$	**96,159**	$	58,287

11. Provision for Asset Retirement Obligation and Reclamation

The total undiscounted amount of estimated cash flows required to settle the Company's asset retirement obligations is $67.1 million (2008 - $63.7 million) which has been discounted using discount rates of between 5% and 19%. Reclamation obligations at the Quiruvilca mine of $19.9 million are expected to be paid starting in two to five years while the remainder of the obligations is expected to be paid through 2025. The reclamation obligations at La Colorada have been deferred to a period 5 to 10 years out (2008 - $5.5 million expected to be paid in 2 to 5 years), due to an extension in La Colorada's mine life. Revisions made to the reclamation obligations in 2009 were primarily a result of increased site disturbance and development at Manantial Espejo and from the ordinary course of operations at the Huaron and Alamo Dorado mines. Reclamation obligations will be funded from operating cash flows, reclamation deposits and cash on hand.

A summary of the Company's provision for asset retirement obligation and reclamation is presented below:

	2009	2008	2007
Balance at January 1	**$ 57,323**	$ 50,370	$ 44,309
Reclamation expenditures	**(992)**	(167)	(767)
Accretion expense	**2,998**	2,687	2,860
Revisions in estimated cash flows	**2,211**	4,433	3,968
Reclamation obligations assumed on acquisitions	**1,235**	-	-
Balance at December 31, 2009	**$ 62,775**	$ 57,323	$ 50,370

12. Accumulated Other Comprehensive Income (loss)

For the year ended December 31, 2007 – beginning balance	$ (8,650)
Unrealized gains on available for sale securities	9,913
Reclassification adjustment for gains included in income	(1,495)
Balance at December 31, 2008	**$ (232)**
Unrealized gains on available for sale securities	17,079
Unrealized gain reversed upon disposal of shares in acquisition of mineral interests	(8,710)
Reclassification adjustment for gains included in income	(6,519)
Balance at December 31, 2009	**$ 1,618**

Accumulated other comprehensive income / (loss) comprises unrealized gains and losses on short-term investments and other investments designated as "available for sale".

13. Share Capital and Stock Compensation Plan

The Company has a comprehensive stock compensation plan for its employees, directors and officers. The plan provides for the issuance of common shares and stock options, as incentives. The maximum number of Shares which may be issued pursuant to options granted or bonus Shares issued under the 2008 Plan may be equal to, but will not exceed 6,461,470 Shares. The exercise price of each option shall be the weighted average trading price of the Company's stock for the five days prior to the award date. The options can be granted for a maximum term of 10 years with vesting provisions determined by the Company's Board of Directors. Any modifications to the stock Compensation Plan require shareholders 7; approval.

The Board has developed long term incentive plan ("LTIP") guidelines, which provides annual compensation to the senior managers of the Company based on the long term performance of both the Company and the individuals that participate in the plan. The LTIP consists of an annual grant of options to senior management to buy shares of the Company and a grant of the Company's common shares with

a two year no trading legend. The options are five year options which vest in three installments, one third on the first anniversary of the grant date and one third on each of the second and third anniversary dates of the award. Options and common shares granted under the LTIP plan are based on employee salary levels, individual performance and their future potential. The Compensation Committee oversees the LTIP on behalf of the Board of Directors. The LTIP plan guidelines can be modified or suspended, at the discretion of the Compensation Committee and the Board of Directors.

Transactions concerning stock options and share purchase warrants are summarized as follows in Canadian dollars ("CAD"):

	Incentive Stock Option Plan		Share Purchase Warrants		Total
	Shares	Price CAD$	Shares	Price CAD$	Shares
As at December 31, 2006	919,415	$ 13.69	4,040,213	$ 12.32	4,959,628
Granted	158,983	$ 28.41	-	$ -	158,983
Exercised	(403,297)	$ 13.14	(30,105)	$ 12.00	(433,402)
Expired	(32,833)	$ 9.41		$ -	(32,833)
Forfeited	(21,709)	$ 22.86	-	$ -	(21,709)
As at December 31, 2007	620,559	$ 18.52	4,010,108	$ 12.33	4,630,667
Granted	147,057	$ 36.66	-	$ -	147,057
Exercised	(129,371)	$ 20.73	(3,969,016)	$ 12.31	(4,098,387)
Expired	-	$ -	(41,092)	$ 12.00	(41,092)
Forfeited	(23,605)	$ 31.82	-	$ -	(23,605)
As at December 31, 2008	614,640	$ 21.88	-	$ -	614,640
Granted	442,008	$ 17.73	-	$ -	442,008
Issued on acquisition	517,709	$ 46.11	7,702,698	$ 33.56	8,220,407
Exercised	(32,000)	$ 14.85	-	$ -	(32,000)
Expired	(37,000)	$ 24.87	-	$ -	(37,000)
Forfeited	(36,231)	$ 20.67	-	$ -	(36,231)
As at December 31, 2009	**1,469,126**	**$ 29.66**	7,702,698	**$ 33.56**	**9,171,824**

Long Term Incentive Plan

In March, 2009 the Company awarded 44,626 shares of common stock with a two year holding period and granted 442,008 options under this plan. The Company used as its assumptions for calculating fair value a risk free interest rate of 1.2 per cent, weighted average volatility of 54 per cent, expected lives ranging from 1.5 to 3 years based on historical experience, and an exercise price of CAD $17.73 per share. The weighted average fair value of each option was determined to be CAD $5.37.

During the year ended December 31, 2009, 32,000 common shares were issued for proceeds of $0.4 million in connection with the exercise of options under the plan.

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at December 31, 2009. The underlying options agreements are specified in Canadian dollar amounts and includes 517,709 options issued as part of the acquisition of Aquiline Resources Inc. (Replacement Options as discussed in Note 3):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices CAD$	Number Outstanding as at December 31, 2009	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price CAD$	Number Exercisable as at December 31, 2009	Weighted Average Exercise Price CAD$
$ 5.00	155,000	10.45	$ 5.00	155,000	$ 5.00
$ 17.73 - $ 22.04	537,726	41.34	$ 18.49	121,638	$ 21.11
$ 26.77 - $ 28.41	126,942	27.53	$ 28.30	81,038	$ 28.24
$ 33.00 - $ 36.66	162,936	32.74	$ 35.97	75,115	$ 35.17
$ 48.10	486,522	13.88	$ 48.10	486,522	$ 48.10
	1,469,126	**26.84**	**$ 29.66**	**919,313**	**$ 34.45**

For the year ended December 31, 2009, the total employee stock-based compensation expense recognized in the statement of operations was $2.4 million (2008 – $2.2 million, 2007 – $2.1 million).

Share Purchase Warrants

In the fourth quarter of 2009 as described in Note 3, the Company issued share purchase warrants (Consideration and Replacement Warrants) in connection with the acquisition of Aquiline Resources Inc.

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Prices CAD$	Number Outstanding as at December 31, 2009	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price CAD$	Number Exercisable as at December 31, 2009	Weighted Average Exercise Price CAD$
$ 10.02	480,287	21.70	$ 10.02	480,287	$ 10.02
$ 35.00	7,170,923	59.29	$ 35.00	7,170,923	$ 35.00
$ 52.10	51,488	0.26	$ 52.10	51,488	$ 52.10
	7,702,698	**56.55**	**$ 33.56**	**7,702,698**	**$ 33.56**

Key Employee Long Term Contribution Plan

An additional element of the Company's compensation structure is a retention program known as the Key Employee Long Term Contribution Plan (the "Contribution Plan"). The Contribution Plan was approved by the directors of the Company on June 2, 2008 in response to a heated labour market situation in the mining sector, and is intended to reward certain key employees of the Company over a fixed time period for remaining with the Company.

The Contribution Plan is a four year plan with a percentage of the retention bonus payable at the end of each year of the program. The Contribution Plan design consists of three bonus levels that are commensurate with various levels of responsibility, and provides for a specified annual payment for four years starting in June 2009. Each year, the annual contribution award will be paid in the form of either cash or shares of the Company. The minimum aggregate value that will be paid in cash or issued in shares over the 4 year period of the Plan is CAD $11.5 million with CAD $8.6 million remaining to be paid as of December 31, 2009 as described in Note 5. Currently, it is planned that any such payments will be made by way of cash. &# 160;No shares will be issued from the treasury pursuant to the Contribution Plan without the prior approval of the plan by the shareholders of the Company and any applicable securities regulatory authorities.

14. Earnings Per Share (Basic and Diluted)

For the year ended December 31,	**2009**			2008			2007		
	Income (Numerator)	**Shares (Denominator)**	**Per-Share Amount**	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Net Income	**$ 61,998**			$ 24,602			$ 88,860		
Basic EPS	**61,998**	**87,578**	**$ 0.71**	24,602	80,236	$ 0.31	88,860	76,453	$ 1.16
Effect of Dilutive Securities:									
Stock Options	**-**	**151**		-	223		-	418	
Warrants	**-**	**22**		-	314		-	2,303	
Diluted EPS	**$ 61,998**	**87,751**	**$ 0.71**	$ 24,602	80,773	$ 0.30	$ 88,860	79,174	$ 1.12

Potentially dilutive securities excluded in the Diluted EPS calculation for the years ended December 31, 2009, 2008 or 2007 were out-of-money options and warrants (2009 – 7,998,811, 2008 – 391,453, 2007 – 202,559).

15. Changes in Non-Cash Operating Working Capital Items

The following table summarizes the changes in operating working capital items:

	Year Ended December 31,		
Changes in non-cash working capital items	**2009**	2008	2007
Accounts receivable and other current assets	**$ (26,772)**	$ 9,047	$ 82
Inventories	**(15,162)**	(21,175)	(26,939)
Prepaid expenses	**1,536**	(700)	(270)
Accounts payable and other current liabilities	**721**	(2,240)	9,965
Income taxes payable	**3,987**	8,121	(21,416)
	$ (35,690)	$ (6,947)	$ (38,578)

16. Segmented Information

All of the Company's operations are within the mining sector, conducted through operations in six countries. Due to geographic and political diversity, the Company's mining operations are decentralized whereby Mine General Managers are responsible for achieving specified business results within a framework of global policies and standards. Country corporate offices provide support infrastructure to the mines in addressing local and country issues including financial, human resources, and exploration support. The Company has a separate budgeting process and measures the results of operations and exploration activities independently. The Corporate office provides support to the mining and exploration activities with respect to financ ial, human resources and technical support. Major products are Silver, Zinc, Lead and Copper produced from mines located in Mexico, Peru, Argentina and Bolivia. Segments have been aggregated where operations in specific regions have similar products, production processes, type of customers and economic environment.

For twelve months ended December 31, 2009

	Peru				Mexico		Argentina	Bolivia		
	Huaron	Morococha	Quiruvilca	Peru Office	Alamo Dorado	La Colorada	Manantial Espejo	San Vicente	Other[1]	**Total**
Sales to external customers	$ 62,101	$ 63,445	$ 36,911	$ -	$ 98,178	$ 54,277	$ 103,244	$ 36,656	$ -	**$ 454,812**
Depreciation and amortization	$ (3,902)	$ (6,783)	$ (661)	$ (129)	$ (24,853)	$ (11,509)	$ (28,733)	$ (6,456)	$ (143)	**$ (83,169)**
Exploration and project development	$ -	$ -	$ -	$ (496)	$ (762)	$ (1,223)	$ (1,132)	$ 1	$ (6,322)	**$ (9,934)**
Accretion of asset retirement obligation	$ (605)	$ (240)	$ (785)	$ -	$ (401)	$ (370)	$ (417)	$ (180)	$ -	**$ (2,998)**
Interest and financing expenses	$ (82)	$ (76)	$ (95)	$ -	$ -	$ -	$ -	$ (5)	$ (4,034)	**$ (4,292)**
Gain (loss) on sale of assets	$ (15)	$ (16)	$ -	$ 19	$ (267)	$ (18)	$ -	$ 77	$ -	**$ (220)**
Investment and other (expenses) income	$ (406)	$ (522)	$ (2,895)	$ 264	$ (126)	$ (35)	$ (2,169)	$ 3	$ 4,419	**$ (1,467)**
Foreign exchange (losses) gains	$ (2,810)	$ (4,050)	$ 4,505	$ (16)	$ (1,979)	$ 138	$ 693	$ (56)	$ 2,557	**$ (1,018)**
Gain (loss) on commodity and foreign currency contracts	$ 739	$ 1,129	$ 397	$ -	$ -	$ -	$ -	$ -	$ (347)	**$ 1,918**
Income (loss) before income taxes	$ 10,684	$ 6,027	$ 6,340	$ 404	$ 26,685	$ 11,346	$ 14,747	$ 15,241	$ (1,720)	**$ 89,754**
Net income (loss) for the year	$ 7,819	$ 2,510	$ 3,818	$ 360	$ 16,514	$ 7,288	$ 11,131	$ 14,278	$ (1,720)	**$ 61,998**
Capital expenditures	$ 6,970	$ 8,251	$ -	$ 593	$ 1,266	$ 3,078	$ 13,461	$ 18,992	$ 140	**$ 52,751**
Segment assets	$ 66,436	$ 116,829	$ 45,588	$ 893	$ 157,081	$ 48,026	$ 337,170	$ 128,755	$ 947,831	**$ 1,848,609**
Long-lived assets	$ 58,802	$ 91,440	$ -	$ 30	$ 113,583	$ 20,712	$ 273,364	$ 92,902	$ 806,891	**$ 1,457,724**

For twelve months ended December 31, 2008

	Peru				Mexico		Argentina	Bolivia		
	Huaron	Morococha	Quiruvilca	Peru Office	Alamo Dorado	La Colorada	Manantial Espejo	San Vicente	Other	**Total**
Sales to external customers	$ 67,795	$ 65,882	$ 34,126	$ -	$ 105,137	$ 57,729	$ (11)	$ 7,942	$ -	**$ 338,600**
Depreciation and amortization	$ (3,361)	$ (4,749)	$ (1,398)	$ (138)	$ (27,894)	$ (7,205)	$ -	$ (1,510)	$ (94)	**$ (46,349)**
Exploration and project development	$ -	$ -	$ -	$ (440)	$ (1,973)	$ (1,847)	$ (305)	$ 86	$ (1,015)	**$ (5,494)**
Accretion of asset retirement obligation	$ (574)	$ (361)	$ (1,044)	$ -	$ (382)	$ (326)	$ -	$ -	$ -	**$ (2,687)**
Interest and financing expenses	$ (216)	$ (209)	$ (169)	$ -	$ (55)	$ -	$ -	$ (15)	$ (287)	**$ (951)**
Gain (loss) on sale of assets	$ -	$ (25)	$ (2)	$ -	$ (121)	$ -	$ -	$ 53	$ 1,093	**$ 998**
Investment and other (expenses) income	$ (1,163)	$ 1,132	$ (3,536)	$ 52	$ (7,804)	$ (1,107)	$ 88	$ (197)	$ 10,565	**$ (1,970)**
Foreign exchange gains (losses)	$ (495)	$ (860)	$ (626)	$ 16	$ 12,604	$ (1,426)	$ 840	$ 258	$ (16,458)	**$ (6,147)**
Gain (loss) on commodity and foreign currency contracts	$ (1,127)	$ (2,657)	$ (338)	$ -	$ -	$ -	$ -	$ -	$ 2,503	**$ (1,619)**
Writedown on a mining asset	-	-	(15,117)	-	-	-	-	-	-	**(15,117)**
Income (loss) before income taxes	$ 12,223	$ 11,132	$ (15,607)	$ 375	$ 41,324	$ 12,279	$ 612	$ 817	$ (14,123)	**$ 49,032**
Net income (loss) for the year	$ 8,225	$ 6,335	$ (12,227)	$ 375	$ 30,189	$ 5,863	$ (471)	$ 436	$ (14,123)	**$ 24,602**
Capital expenditures	$ 13,472	$ 18,809	$ 5,295	$ 1,207	$ 1,835	$ 11,929	$ 134,826	$ 56,196	$ 231	**$ 243,800**
Segment assets	$ 66,161	$ 107,085	$ 27,386	$ 1,480	$ 179,621	$ 49,629	$ 316,929	$ 98,443	$ 26,649	**$ 873,383**
Long-lived assets	$ 55,552	$ 89,665	$ -	$ 536	$ 136,034	$ 30,123	$ 296,319	$ 86,885	$ 1,947	**$ 697,061**

For twelve months ended December 31, 2007

	Peru				Mexico		Argentina	Bolivia		
	Huaron	Morococha	Quiruvilca	Peru Office	Alamo Dorado	La Colorada	Manantial Espejo	San Vicente	Other	**Total**
Sales to external customers	$ 69,930	$ 82,366	$ 37,374	$ -	$ 43,579	$ 57,239	$ -	$ 10,576	$ -	**$ 301,064**
Depreciation and amortization	$ (2,902)	$ (4,314)	$ (821)	$ (96)	$ (12,447)	$ (7,422)	$ -	$ (911)	$ (79)	**$ (28,992)**
Exploration and project development	$ -	$ (445)	$ 434	$ (397)	$ (678)	$ (1,344)	$ (194)	$ 6	$ (744)	**$ (3,362)**
Accretion of asset retirement obligation	$ (550)	$ (483)	$ (1,143)	$ -	$ (370)	$ (314)	$ -	$ -	$ -	**$ (2,860)**
Interest and financing expenses	$ (171)	$ (216)	$ (170)	$ -	$ -	$ -	$ -	$ -	$ (103)	**$ (660)**
Gain (loss) on sale of assets	$ -	$ (86)	$ -	$ (4)	$ 18	$ (3)	$ -	$ -	$ 12,500	**$ 12,425**
Investment and other (expenses) income	$ 11	$ 2,220	$ (458)	$ 151	$ 481	$ (57)	$ 87	$ 148	$ 2,418	**$ 5,001**
Foreign exchange gains (losses)	$ 151	$ (438)	$ -	$ 78	$ (17)	$ (80)	$ (286)	$ 60	$ 1,460	**$ 928**
Gain on commodity and foreign currency contracts	$ 134	$ 208	$ 65	$ -	$ -	$ -	$ -	$ -	$ 4,938	**$ 5,345**
Income (loss) before income taxes	$ 27,832	$ 29,021	$ 12,116	$ 518	$ 1,998	$ 12,880	$ (393)	$ 1,988	$ 22,505	**$ 108,465**
Net income for the year	$ 19,836	$ 19,078	$ 8,797	$ 482	$ 2,298	$ 10,723	$ 2,520	$ 3,364	$ 21,762	**$ 88,860**
Capital expenditures	$ 9,896	$ 13,636	$ 4,438	$ 631	$ 10,978	$ 8,948	$ 55,233	$ 11,550	$ 8,105	**$ 123,415**
Segment assets	$ 11,076	$ 102,819	$ 88,073	$ 1,567	$ 204,437	$ 49,001	$ 185,849	$ 40,752	$ 79,329	**$ 762,903**
Long-lived assets	$ 8,572	$ 74,786	$ 47,706	$ 404	$ 163,447	$ 25,633	$ 150,739	$ 27,516	$ 1,481	**$ 500,284**

[1] Included in Other is the acquired Aquiline group segment as described in Note 3.

	December 31		
Product Revenue	**2009**	2008	2007
Silver / doré	**$ 215,562**	$ 131,160	$ 79,038
Zinc concentrate	**46,378**	40,335	60,365
Lead concentrate	**73,295**	81,234	73,825
Copper concentrate	**128,104**	88,341	92,423
Silver pyrites	**754**	2,435	3,264
Royalties	**(9,281)**	(4,905)	(7,851)
Total	**$ 454,812**	$ 338,600	$ 301,064

The Company has 15 customers that account for 100% of the concentrate and doré sales revenue. The Company has 4 customers that accounted for 25%, 22%, 16% and 15% of total sales in 2009, and 4 customers that accounted for 22%, 16%, 14% and 13% of total sales in 2008. The loss of certain of these customers or curtailment of purchases by such customers could have a material adverse affect on the Company's results of operations, financial condition, and cash flows.

17. COMMITMENTS AND CONTINGENCIES

General

The Company is subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur.

Purchase Commitments

The Company had no purchase commitments other than those commitments described in Note 5.

Credit Facility

In 2008, Pan American entered into a $70 million revolving credit facility ("the Facility") with Scotia Capital and Standard Bank Plc ("the Lenders"). The purpose of the Facility is for general corporate purposes, including acquisitions. The Facility, which is principally secured by a pledge and lien of Pan American's equity interests in its material subsidiaries, has a term of four years. The interest margin on drawings under the Facility ranges from 1.25% to 2.00% over LIBOR, based on the Company's net debt to Earnings Before Interest, Tax, Depreciation, and Amortization ("EBITDA") ratio. Pan American has agreed to pay a commitment fee of between 0.55% and 0.375% on undrawn amounts under the Facility, depending on t he level of drawings and the Company's net debt to EBITDA ratio. Pan American has the ability to increase the Facility amount to $100 million by receiving additional commitments from one or more banks acceptable to the Lenders. The Company has made no drawings under this Facility.

Environmental Matters

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect the public health and environment and believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures.

Estimated future reclamation costs are based principally on legal and regulatory requirements. As of December 31, 2009 and December 31, 2008, $62.8 million and $57.3 million, respectively, were accrued for reclamation costs relating to mineral properties in accordance with CICA Section 3110, "*Asset Retirement Obligations*". See Note 11.

Royalty Agreements and Participation Agreements

The Company has royalty agreements on certain mineral properties entitling the owners of the property to net smelter return royalties ranging from 1% to 3%. Under a participation agreement with COMIBOL, the Bolivian state mining company, the Company is obligated to pay a participation fee of 37.5% of the operating cash flow from the San Vicente mine after recovery of its capital investment.

Income Taxes

The Company operates in numerous countries around the world and accordingly it is subject to, and pays annual income taxes under the various income tax regimes in the countries in which it operates. Some of these tax regimes are defined by contractual agreements with the local government, and others are defined by the general corporate income tax laws of the country. The Company has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time the Company is subject to a review of its historic income tax filings and in connection with such re views, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Company's business conducted within the country involved.

Capital Leases

The following is a schedule of future minimum lease payments classified as capital leases at December 31, 2009 together with the balance of the obligation under the capital lease as identified in Note 10:

Year ending December 31	Capital Leases
2010	$ 620
2011	39
2012	10
Total future minimum payments	669
Less amount representing interest	(23)
Present value of leases	$ 646

Other Legal Matters

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, many of them relating to ex-employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. The Company establishes provisions for matters that are probable and can be reasonably estimated, included within current liabilities, and amounts are not considered material.

In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

Title Risk

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, unregistered prior agreements or transfers and may be affected by undetected defects.

18. INCOME TAXES

Income taxes:

	December 31		
	2009	2008	2007
Current income taxes	**$ 25,643**	$ 21,220	$ 21,053
Future income taxes	**2,113**	3,210	(1,448)
Provision for income taxes	**$ 27,756**	$ 24,430	$ 19,605

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes and non-controlling interest. These differences result from the following items:

	December 31		
	2009	2008	2007
Income before taxes and non-controlling interest	**90,851**	49,797	111,570
Statutory tax rate	**30.0%**	31.0%	34.1%
Expected tax expense based on above rates	**$ 27,255**	$ 15,437	$ 38,045
Increase (decrease) due to:			
Non-deductible expenses	**1,524**	687	1,005
Realization of future tax asset not previously recognized	**(2,638)**	-	(5,202)
Tax benefit / (provision) not recognized when arose	**(791)**	4,261	(4,498)
Foreign tax rate differences	**(726)**	(1,696)	(7,578)
Effect of minimum tax	**519**	1,963	-
Other	**2,613**	3,778	(2,167)
	$ 27,756	$ 24,430	$ 19,605

The tax effect of each type of item that gives rise to the Company's future income tax assets and liabilities have been determined and are set out in the table below: The Company has recorded a valuation allowance against the value of certain potential tax assets for which the likelihood of realization is not more likely than not.

	2009	2008
Excess of tax value of capital assets over book value	**$ 5,561**	$ 5,818
Deductible temporary differences and other	**25,604**	24,365
Canadian resource pools	**3,252**	2,497
Non-capital loss carry forward	**24,529**	22,173
Capital losses and other	**2,460**	2,665
Total future income tax asset	**61,406**	57,518
Less: valuation allowance	**(32,243)**	(19,936)
Net future income tax asset	**29,163**	37,582
Excess of book value of capital assets over tax value	**(329,990)**	(77,372)
Net future income tax liability	**$ (300,827)**	$ (39,790)

Presentation of the future income taxes on the Consolidated Balance Sheets is as follows:

	2009	2008
Current future income tax assets	**$ 4,993**	$ 5,602
Long-term future income tax liabilities	**(305,820)**	(45,392)
	$ (300,827)	$ (39,790)

At December 31, 2009 the Company has non-capital losses available for tax purposes:

	Amount	Expiry
Canada	$ 73,252	2010-2027
Argentina	$ 3,595	2010-2014
Bolivia	$ 12,530	2010-2014

19. Related Party Transactions

During the year ended December 31, 2009, a private company controlled by a director of the Company was paid approximately $0.2 million (2008-$0.2 million, 2007-$0.1 million) for consulting services. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

20. Differences between Canadian and United States Generally Accepted Accounting Principles

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which differ in certain material respects from generally accepted accounting principles in the United States ("US GAAP"). Material differences between Canadian GAAP and US GAAP and their effect on the Company's consolidated financial statements are summarized in the following tables.

	December 31, 2009			
Consolidated Balance Sheets	**Total assets**	**Total liabilities**	**Non-Controlling Interest**	**Equity**
Reported under Canadian GAAP	**$ 1,848,609**	**$ 489,563**	**$ 15,256**	**$ 1,343,790**
Amortization of mineral property (a)	**(1,046)**	**(293)**	**-**	**(753)**
Increase in depletion expense (b)	**(16,540)**	**(5,818)**	**-**	**(10,722)**
Startup revenues and expenses (c)	**681**	**197**	**-**	**484**
Reclassification of share purchase warrants (d)	**-**	**43,919**	**-**	**(43,919)**
Reclassification of stock based compensation (e)	**-**	**2,943**	**-**	**(2,943)**
Purchase accounting under business combinations (f)	**13,357**	**(5,882)**	**30,162**	**(10,923)**
Reclassification of non-controlling interest (g)	**-**	**-**	**(45,418)**	**45,418**
Reported under US GAAP	**$ 1,845,061**	**$ 524,629**	**$ -**	**$ 1,320,432**

	December 31, 2008			
Consolidated Balance Sheets	Total assets	Total liabilities	Non-Controlling Interest	Equity
Reported under Canadian GAAP	$ 873,383	$ 181,996	$ 5,746	$ 685,641
Amortization of mineral property (a)	(1,271)	(356)	-	(915)
Increase in depletion expense (b)	(16,251)	(5,713)	-	(10,538)
Startup revenues and expenses (c)	681	197	-	484
Reclassification of non-controlling interest (g)	-	-	(5,746)	5,746
Reported under US GAAP	$ 856,542	$ 176,124	$ -	$ 680,418

	December 31, 2009					
Consolidated Statement of Equity	**Share Capital**	**Contributed Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Income (loss)**	**Non Controlling Interest**	**Total**
Reported under Canadian GAAP	**$ 1,206,647**	**$ 47,293**	**$ 88,232**	**$ 1,618**	**$ -**	**$ 1,343,790**
Amortization of mineral property (a)	**-**	**-**	**(753)**	**-**	**-**	**(753)**
Increase depletion expense (b)	**-**	**-**	**(10,722)**	**-**	**-**	**(10,722)**
Startup revenues and expenses (c)	**-**	**-**	**484**	**-**	**-**	**484**
Reclassification of share purchase warrants (d)	**-**	**(40,944)**	**(2,975)**	**-**	**-**	**(43,919)**
Reclassification of stock based compensation (e)	**-**	**(1,657)**	**(1,286)**	**-**	**-**	**(2,943)**
Acquisition related costs (f)			**(10,923)**			**(10,923)**
Reclassification of NCI (g)	**-**	**-**	**-**	**-**	**45,418**	**45,418**
Reported under US GAAP	**$ 1,206,647**	**$ 4,692**	**$ 62,057**	**$ 1,618**	**$ 45,418**	**1,320,432**

	December 31, 2008					
Consolidated Statement of Equity	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Non Controlling Interest	Total
Reported under Canadian GAAP	$ 655,517	$ 4,122	$ 26,234	$ (232)	$ -	685,641
Amortization of mineral property (a)	-	-	(915)	-	-	(915)
Debt issue costs (j)	-	3,273	(3,273)	-	-	-
Increase depletion expense (b)	-	-	(10,538)	-	-	(10,538)
Startup revenues and expenses (c)	-	-	484	-	-	484
Reclassification of NCI (g)	-	-	-	-	5,746	5,746
Reported under US GAAP	$ 655,517	$ 7,395	$ 11,991	$ (232)	$ 5,746	680,418

	December 31, 2007					
Consolidated Statement of Equity	Share Capital	Contributed Surplus	Retained Earnings/ (Deficit)	Accumulated Other Comprehensive Income (loss)	Non Controlling Interest	Total
Reported under Canadian GAAP	$ 592,402	$ 14,233	$ 1,632	$ (8,650)	$ -	$ 599,617
Amortization of mineral property (a)	-	-	(1,105)	-	-	(1,105)
Debt issue costs (j)	-	3,273	(3,273)	-	-	-
Increase depletion expense (b)	-	-	(8,405)	-	-	(8,405)
Startup revenues and expenses(c)	-	-	484	-	-	484
Reclassification of NCI (g)	-	-	-	-	5,486	5,486
Reported under US GAAP	$ 592,402	$ 17,506	$ (10,667)	$ (8,650)	$ 5,486	$ 596,077

Consolidated Statement of Operations	December 31 **2009**	2008	2007
Net income reported under Canadian GAAP	**$ 61,998**	$ 24,602	$ 88,860
Amortization of non-producing property (a)	**162**	189	(1)
Increase in depletion expense (b)	**(183)**	(2,133)	(921)
Startup revenues and expenses (c)	**-**	-	484
Reclassification of share purchase warrants (d)	**(2,975)**	-	-
Reclassification of stock based compensation (e)	**(1,287)**	-	-
Acquisition related costs (f)	**(10,923)**	-	-
Net income reported under US GAAP	**$ 46,792**	$ 22,658	$ 88,422

Consolidated Statements of Operations (Under US GAAP)	**2009**	2008	2007
Revenue	**$ 454,812**	$ 338,600	$ 302,702
Expenses			
Operating (c)	**245,637**	199,032	168,413
General and Administrative (e)	**13,538**	10,435	9,522
Depreciation, depletion, and amortization (a), (b)	**83,233**	49,445	30,617
Asset retirement and reclamation	**2,998**	2,687	2,860
Exploration and project development (f)	**20,857**	5,494	3,362
Other expense	**-**	4,674	-
(Gain) on sale of assets	**220**	(998)	(12,425)
Doubtful accounts provision	**4,375**	-	-
Write-down of assets	**-**	15,117	-
	370,858	285,886	202,349
Income before the under noted	**83,954**	52,714	100,353
Investment and other income	**(1,467)**	2,704	5,929
Interest and financing expense	**(4,292)**	(951)	(660)
Gain (loss) on commodity and foreign currency contracts	**1,918**	(1,619)	5,345
Gain (loss) on derivatives (d)	**(3,492)**	-	-
Foreign exchange loss	**(1,018)**	(6,147)	-
Income before income taxes	**75,603**	46,701	110,967
Income tax provision (h)	**(27,714)**	(23,278)	(19,440)
Net income for the year	**$ 47,889**	$ 23,423	$ 91,527
Net (income) for the year attributable to non-controlling interest	**1,097**	765	3,105
Net income for the year attributable to common shareholders	**$ 46,792**	$ 22,658	$ 88,422
Earnings per share			
Basic	**$ 0.53**	$ 0.28	$ 1.16
Diluted	**$ 0.53**	$ 0.28	$ 1.12
Weighted average number of common shares outstanding			
Basic	**87,578**	80,236	76,453
Diluted	**87,751**	80,773	79,174

Consolidated summarized statement of cash flows	**2009**	December 31 2008	2007
Cash flow provided by operating activities, Canadian GAAP	**$ 115,968**	$ 92,985	$ 67,361
Business combination transaction expenses (f) and, net adjustments (a), (b), (d), (e)	**(3,341)**	-	-
Cash flow provided by operating activities, US GAAP	**$ 112,627**	$ 92,985	$ 67,361
Cash flow used in investing activities, Canadian GAAP	**$ (146,342)**	$ (168,822)	$ (99,489)
Business combination transaction expenses (f)	**3,341**	-	-
Cash flow used in investing activities US GAAP	**$ (143,001)**	$ (168,822)	$ (99,489)
Cash flow provided by financing activities, Canadian and US GAAP	**$ 104,059**	$ 50,711	$ 3,696
Increase (decrease) in cash flow under US GAAP	**$ 73,685**	$ (25,126)	$ (28,432)

a. Mineral Property Expenditures

Under Canadian GAAP capitalized costs related to non-producing mineral properties are only amortized after the commencement of operations. Prior to 2004, under US GAAP, the Company accounted for mineral rights as intangible assets, and accordingly mineral rights were amortized on a straight-line basis over the life of the mineral rights. This resulted in the Company recording amortization of $1.7 million during 2003 with respect to mining rights acquired in 2003. The Emerging Issues Task Force (EITF) reached a consensus *"Whether Mineral Rights are Tangible or Non-Tangible Ass ets"*. The conclusion is that mineral rights are tangible assets and should be amortized over the productive life of the asset. The Company has adopted this new guidance with effect from 2004 on a prospective basis. The change has the effect of reducing amortization expense in the year ended December 31, 2004 by $1.7 million ($1.1 million net of income taxes). This change will have the effect of conforming Canadian GAAP to US GAAP.

b. Depreciation and Depletion

Under Canadian GAAP, depletion expense is calculated in reference to proven and probable reserves and a portion of resources, whereas under US GAAP, depletion is calculated based on proven and probable reserves only. During the year ended December 31, 2009, the Company calculated an increase of depletion of $0.2 (for 2008 –$2.1 million), with a corresponding increase to accumulated depletion. In addition, future income tax liability would decrease by $0.1 million (2008 –$0.8 million), with a corresponding decrease to income tax expense.

c. Startup Revenue and Expenses

Under Canadian GAAP, revenues and expenditures during the pre-operating period are treated as part of the cost of capital asset. Under US GAAP, all revenues and expense after completion of construction and during pre-operating will be recorded in the statement of operations. The Company would have recorded the following under US GAAP:

	2007
Sales	$ 1,638
Cost of sales	(616)
Depletion and amortization	(341)
Taxes	(197)
	$ 484

d. Share Purchase Warrants

For Canadian GAAP purposes, all of the Company's outstanding share purchase warrants are classified and accounted for as equity in the Company's consolidated financial statements. In 2006, an interpretation of US GAAP, *Accounting for Derivative Instruments and Hedging Activities*, required that share purchase warrants with an exercise price denominated in a currency other than the Company's functional currency be classified and accounted for as financial liabilities at their fair values with changes in fair values being included in net earnings. For the year ended December 31, 2009, the net effect of reflecting the mark-to-market loss on these share purchase warrants was to reduce net earnings by $3.0 million. The derivative liability relating to share purchase warrants at December 31, 2009 was $43.9 million.

e. Stock Based Compensation

Share-based benefits have been valued at fair value using the Black-Scholes option pricing model for option grants and the grant date fair market value for stock awards. Compensation amounts have been expensed over the applicable vesting period. Under Statement of Financial Accounting Standard (SFAS) No. 123R "*Share Based Payment*" certain of these stock-based awards granted are considered liability instruments under US GAAP and would be measured at fair value at each reporting date.

f. Business Combinations

Acquisition-related costs are excluded from the purchase price in a business combination and are expensed as incurred under US GAAP, effective January 1, 2009. Under Canadian GAAP, such amounts are included in the purchase price. In addition, the Non-Controlling Interest in a business combination is recorded at fair value.

g. Non-Controlling Interest

Under Canadian GAAP, non-controlling interest is reported on a separate line of the Balance sheet. For US GAAP non-controlling interest is part of Shareholders Equity.

In December 2007, the ASC guidance for non-controlling interests was updated to establish accounting and reporting standards pertaining to (i) ownership interests in subsidiaries held by parties other than the parent ("non-controlling interest"), (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. If a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guidance requires non-controlling interests to be classified as a separate component of stockholders' equity. The Company adopted the updated guidance on January 1, 2009. Except for presentation changes, the adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

h. Income Taxes

Under Canadian GAAP, future income taxes are calculated based on enacted or substantively enacted tax rates applicable to future years. Under US GAAP, only enacted rates are used in the calculation of future income taxes. This GAAP difference resulted in no difference in the financial position, results of operations or cash flows of the Company for the years presented.

As of January 1, 2007, the Company adopted, for US GAAP purposes, current Accounting Standards Codification ("ASC") updated guidance on Accounting for Uncertainty in Income Taxes. This guidance clarifies financial statement recognition and disclosure requirements for uncertain tax positions taken or expected to be taken in a tax return. Guidance is also provided on the derecognition of previously

recognized tax benefits and the classification of tax liabilities on the balance sheet. The adoption of this interpretation did not have a material impact on the Company's Consolidated Financial Statements. The Company has not derecognized any tax benefits or recognized any changes in classification of tax liabilities in the year ending December 31, 2009.

i. Other Comprehensive Income

The Company adopted CICA Section 1530 on January 1, 2007, which aligns treatment under US GAAP and Canadian GAAP for the reporting and display of the other comprehensive income ("OCI") and its components. The following table illustrates Other Comprehensive Income for the years ended December, 2009, 2008 and 2007 under US GAAP.

	2009	2008	2007
Net income under US GAAP	**$ 46,792**	$ 22,658	$ 88,422
Unrealized gain on available for sale securities	**1,850**	8,418	(8,803)
Comprehensive net income (loss) under US GAAP	**$ 48,642**	$ 31,076	$ 79,619

j. Convertible Debentures

The ASC guidance for *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity"* requires that three types of financial instruments be reported as liabilities by their issuers. Those types of instruments include: mandatory redeemable instruments, forward purchase contracts, written put options and other financial instruments not in the form of shares that either obligate the issuer to repurchase its equity shares and settle its obligation for cash or by transferring other assets; and certain financial instruments that include an obligation that may be settled in a variable number of equity shares, has a fixed or benchmark tied value at inception that varies inversely with the fair value of the equity shares. Under Canadian GAAP certain convertible debentures have been accounted for in accordance with CICA Handbook Section 3860. Application of this section results in the principal component of the debenture being treated as equity. Under US GAAP, liabilities at December 31, 2009 would increase by $Nil million (December 31, 2008 - $Nil million) and shareholders' equity would decrease by a corresponding amount. Debt issue expenses of $3.3 million would be reclassified from shareholders' equity to assets and would initially be amortized over a three-year period based on the outstanding balance of the debentures. During 2009 debt issue costs were $Nil, during 2008 debt issue costs were $Nil. The Company converted the remaining convertible debentures in 2007.

k. Pro Forma Information on Business Combinations (unaudited)

Under US GAAP guidance for "Business Combinations", disclosure of certain pro forma information is required when one or more business combinations are completed. The following table presents the pro forma results of operations for informational purposes, assuming that the Company had acquired Aquiline Resources Inc. at the beginning of 2009.

	2009
Revenues	$ 454,812
Net earnings	$ 8,559
Pro forma basic earnings per share	$ 0.10
Pro forma diluted earnings per share	$ 0.10

Pro forma information includes non-recurring deal transaction costs incurred during the year by Aquiline Resources of approximately $10 million relating to Pan American's acquisition.

I. Recently Adopted Accounting Pronouncements

The Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission ("SEC") and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is nonauthoritative. The ASC was effective for our interim quarterly period beginning July 1, 2009. The adoption of the ASC did not have an impact on our consolidated fina ncial position, results of operations or cash flows.

Subsequent Events

In May 2009, the ASC guidance for subsequent events was updated to establish accounting and reporting standards for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The update sets forth: (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet in its financial statements, and (iii) the disclosures that an entity should make about events or transactions occurring after the balance sheet date in its financial statements. We a dopted the updated guidance for our interim period ended June 30, 2009. The adoption had no impact on our consolidated financial position, results of operations or cash flows.

Equity Method Investments

In November 2008, the ASC guidance for equity method and joint venture investments was updated to clarify the accounting for certain transactions and impairment considerations involving equity method investments. The intent is to provide guidance on: (i) determining the initial measurement of an equity method investment, (ii) recognizing other-than-temporary impairments of an equity method investment and (iii) accounting for an equity method investee's issuance of shares. The updated guidance was effective for our fiscal year beginning January 1, 2009 and was applied prospectively. The adoption had no impact on our consolidated financial position or results of operations.

Equity-Linked Financial Instruments

In June 2008, the ASC guidance for derivatives and hedging when accounting for contracts in an entity's own equity was updated to clarify the determination of whether an instrument (or embedded feature) is indexed to an entity's own stock which would qualify as a scope exception from hedge accounting. The updated guidance was effective for our fiscal year beginning January 1, 2009. The adoption had no impact on our consolidated financial position or results of operations.

Accounting for Convertible Debt Instruments

In May 2008, the ASC guidance was updated for convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. The update requires that the liability and equity components of convertible debt instruments within the scope be separately accounted for in a manner that reflects the entity's nonconvertible debt borrowing rate. This requires an allocation of convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the lia bility component is reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest

method. The updated guidance required retrospective application to all periods presented. The adoption had no impact on the Company's consolidated financial position or results of operations

Accounting for the Useful Life of Intangible Assets

In April 2008, the ASC guidance for Goodwill and Other Intangibles was updated to amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of this update is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset under guidance for business combinations. The updated guidance was effective for our fiscal year beginning January 1, 2009 and was applied prospectively to intangible assets acquired after the effective date. The adoption had no impact on our consolidated financial position, results of operations or cash flows.

Derivative Instruments

In March 2008, the ASC guidance for derivatives and hedging was updated for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for, and how derivative instruments and the related hedged items affect an entity's financial position, financial performance and cash flows. We adopted the updated guidance on January 1, 2009. The adoption had no impact on our consolidated financial position, results of operations or cash flows.

Business Combinations

In December 2007, the ASC guidance for business combinations was updated to provide new guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any non-controlling interest in the acquiree. The updated guidance also provided disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

In April 2009, the guidance was updated to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This update is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009.

Non-Controlling Interests

In December 2007, the ASC guidance for non-controlling interests was updated to establish accounting and reporting standards pertaining to: (i) ownership interests in subsidiaries held by parties other than the parent ("non-controlling interest"), (ii) the amount of net income attributable to the parent and to the non-controlling interest, (iii) changes in a parent's ownership interest, and (iv) the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. If a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary is measured at fair value and a gain or loss is recognized in net income based on such fair value. For presentation and disclosure purposes, the guida nce requires non-controlling interests to be classified as a separate component of equity. We adopted the updated guidance on January 1, 2009 for US GAAP purposes.

Fair Value Accounting for Liabilities

In August 2009, the FASB issued updates to fair value accounting for liabilities. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability w hen

traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. These changes became effective for the Company's financial statements for the year ended December 31, 2009. The Company determined that the impact is not material to its consolidated financial statements.

Fair Value Accounting

The Company's disclosure of fair value accounting as required under US GAAP has been incorporated in Note 5.

m. Recent Accounting Pronouncements

Variable Interest Entities

In June 2009, the FASB issued ASC guidance that requires an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a variable interest entity ("VIE"). This analysis identifies a primary beneficiary of a VIE as the entity that has both of the following characteristics: i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. This guidance also will require ongoing reassessments of the primary beneficiary of a VIE. The new guidance is effective for the Company's fiscal year beginning January 1, 2010. The Company currently is evaluating the potential impact of adopting this statement on the Company's consolidated financial position, results of operations and cash flows.

Transfers of Financial Assets

In June 2009, the ASC guidance, *"Accounting for Transfers of Financial Assets",* was updated to require entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. The guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. The updated guidance is effective for fiscal years beginning after November 15, 2009. Adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 "Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees". This update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Additionally, it adds observer comment Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees to the Codification. The Company has not determined the impact that this update may have on its consolidated financial statements.

21. SUBSEQUENT EVENTS

During January 2010, the Company issued further common shares and share purchase warrants (1.7 million and 0.7 million, respectively) to bring its ownership interest in Aquiline Resources Inc. to 100% by January 22, 2010. The final step of the acquisition was achieved through a Compulsory Acquisition.

The value ascribed to the shares and warrants issued in January 2010, was $47.5 million, bringing the total consideration paid to $591.1 million including the consideration paid in December 2009 as described in Note 3. The valuation for the shares and consideration warrants issued used the same methodology as described in Note 3.

Also as referred to in Note 3, the counterparty to the Convertible Debenture indicated on February 25, 2010 that it has elected to convert its debenture with Pan American into an agreement to acquire an amount equal to 12.5% of the life of mine silver production from the Loma de La Plata zone of the Navidad project.

Lastly, on February 15, 2010, the Company announced that its Board of Directors has approved a semi-annual cash dividend to holders of its common shares. In conjunction with this approval, the Board declared its first cash dividend of $0.025 per common share to holders of record of its common shares as of the close of business on Friday, February 26, 2010. Specific dates and amounts of future dividends will be determined by the Board on an ongoing basis. The dividend paid to shareholders on or about March 12, 2010 was designated to be an eligible dividend for the purposes of the Income Tax Act (Canada).



Pan American SILVER CORP.

625 Howe Street, Suite 1500
Vancouver, BC
Canada V6C 2T6

Tel: 604 684-1175
Fax: 604 684-0147

www.panamericansilver.com

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the incorporation by reference in Registration Statement Nos. 333-156707 and 333-164752 on Form F-10 and Registration Statement No. 333-149580 on Form S-8 and to the use of our reports dated March 22, 2010 relating to the consolidated financial statements of Pan American Silver Corp. (which report expresses an unqualified opinion and includes a separate report titled Comments by Independent Registered Chartered Accountants on Canada-United States of America Reporting Differences related to changes in accounting principles) and the effectiveness of Pan American Silver Corp.'s internal control over financial reporting appearing in this Annual Report on Form 40-F of Pan American Silver Corp. for the year ended December 31, 2009.

/s/ Deloitte & Touche
Independent Registered Chartered Accountants
Vancouver, Canada
March 31, 2010

Exhibit 23.2

CONSENT OF MARTIN WAFFORN, P. ENG.

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of:

1. a technical report entitled "Technical Report for the Quiruvilca Property, La Libertad, Peru" dated effective July 31, 2007 relating to the Quiruvilca property;

2. a technical report entitled "43-101 Technical Report – Huaron Property, Cerro de Pasco, Peru" dated effective December 31, 2006 relating to the Huaron property;

3. a technical report entitled "Technical Report for the La Colorada Property, Zacatecas, Mexico" dated effective September 30, 2007 relating to the La Colorada property;

4. a technical report entitled "Feasibility Study Volume I – NI 43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico" dated March 31, 2005 relating to the Alamo Dorado property;

5. a technical report entitled "Technical Report for the San Vincente Mine Expansion Project, Potosi Bolivia" dated effective June 6, 2007 relating to the San Vincente property; and

6. a technical report entitled "Morococha Property Technical Report, Yauli Province, Peru" dated effective December 30, 2007 relating to the Morococha property;

(collectively, the "Incorporated Information")

included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

The undersigned does hereby confirm that he has read the AIF and the AIF fairly and accurately represents the Incorporated Information, and the AIF does not materially misrepresent, by omission or otherwise, any of the Incorporated Information.

The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Incorporated Information.

Dated this 31st day of March, 2010.

/s/ Martin Wafforn
Martin Wafforn, P. Eng.

Exhibit 23.3

CONSENT OF MICHAEL STEINMANN, P. GEO.

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of:

1. a technical report entitled "Technical Report for the Quiruvilca Property, La Libertad, Peru" dated effective July 31, 2007 relating to the Quiruvilca property;

2. a technical report entitled "43-101 Technical Report – Huaron Property, Cerro de Pasco, Peru" dated effective December 31, 2006 relating to the Huaron property;

3. a technical report entitled "Technical Report for the La Colorada Property, Zacatecas, Mexico" dated effective September 30, 2007 relating to the La Colorada property;

4. a technical report entitled "Manatial-Espejo Project Canadian Standard NI 43-101, Santa Cruz Province, Argentia" dated March 2006 relating to the Manantial Espejo property;

5. a technical report entitled "Feasibility Study Volume I – NI 43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico" dated March 31, 2005 relating to the Alamo Dorado property;

6. a technical report entitled "Technical Report for the San Vincente Mine Expansion Project, Potosi Bolivia" dated effective June 6, 2007 relating to the San Vincente property; and

7. a technical report entitled "Morococha Property Technical Report, Yauli Province, Peru" dated effective December 30, 2007 relating to the Morococha property;

(collectively, the "Incorporated Information")

included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

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Dated this 31st day of March, 2010.

/s/ Michael Steinmann
Michael Steinmann, P. Geo.

Exhibit 23.4

CONSENT OF PAMELA DE MARK, P. GEO., BAPPSC (APP GEO, HONS), MAUSIMM

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of the technical report entitled "Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina" dated February 4, 2010 (the "Technical Report") included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

The undersigned does hereby confirm that she has read the AIF and the AIF fairly and accurately represents the Technical Report, and the AIF does not materially misrepresent, by omission or otherwise, any part of the Technical Report.

The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Technical Report.

Dated this 31st day of March, 2010.

/s/ Pamela De Mark
Pamela De Mark, P. Geo., BAppSc (App Geo, Hons), MAusIMM

Exhibit 23.5

CONSENT OF JOHN J. CHULICK, LICENSED GEOLOGIST #3945 STATE OF CALIFORNIA

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of the technical report entitled "Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina" dated February 4, 2010 (the "Technical Report") included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

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The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Technical Report.

Dated this 31st day of March, 2010.

/s/ John J. Chulick
John J. Chulick, Licensed Geologist #3945
State of California

Exhibit 23.6

CONSENT OF DEAN K. WILLIAMS, B.SC, LPG, MBA

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of the technical report entitled “Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina” dated February 4, 2010 (the “Technical Report”) included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the “AIF”).

The undersigned does hereby confirm that he has read the AIF and the AIF fairly and accurately represents the Technical Report, and the AIF does not materially misrepresent, by omission or otherwise, any part of the Technical Report.

The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Technical Report.

Dated this 31st day of March, 2010.

/s/ Dean K. Williams
Dean K. Williams, B.Sc, LPG, MBA

Exhibit 23.7

CONSENT OF DAMIAN SPRING, B.E. (MINING), MAUSIMM

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of the technical report entitled "Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina" dated February 4, 2010 (the "Technical Report") included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

The undersigned does hereby confirm that he has read the AIF and the AIF fairly and accurately represents the Technical Report, and the AIF does not materially misrepresent, by omission or otherwise, any part of the Technical Report.

The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Technical Report.

Dated this 31st day of March, 2010.

/s/ Damian Spring
Damian Spring, B.E. (Mining), MAusIMM

Exhibit 23.8

CONSENT OF JOHN A. WELLS, B.SC (HONS), MBA, MCIMM, FSAIMM

The undersigned does hereby consent to the incorporation by reference in this Annual Report on Form 40-F of Pan American Silver Corp., which is being filed with the United States Securities and Exchange Commission, of references to and summaries of the technical report entitled "Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina" dated February 4, 2010 (the "Technical Report") included in the Annual Information Form of Pan American Silver Corp. for the year ended December 31, 2009 (the "AIF").

The undersigned does hereby confirm that he has read the AIF and the AIF fairly and accurately represents the Technical Report, and the AIF does not materially misrepresent, by omission or otherwise, any part of the Technical Report.

The undersigned does also hereby consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-156707 and No. 333-164752) and on Form S-8 (No. 333-149580) of Pan American Silver Corp. of the Technical Report.

Dated this 31st day of March, 2010.

/s/ John A. Wells
John A. Wells, B.Sc (Hons), MBA, MCIMM, FSAIMM

Exhibit 31.1

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Geoffrey A. Burns, certify that:

1. I have reviewed this annual report on Form 40-F of Pan American Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2010

/s/ Geoffrey A. Burns
By: Geoffrey A. Burns
Title: Chief Executive Officer

Exhibit 31.2

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, A. Robert Doyle, certify that:

1. I have reviewed this annual report on Form 40-F of Pan American Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2010

/s/ A. Robert Doyle
By: A. Robert Doyle
Title: Chief Financial Officer

Exhibit 32.1

Certification of CEO and CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pan American Silver Corp. (the "Registrant") filed under cover of Form 40-F for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Geoffrey A. Burns, as Chief Executive Officer of the Registrant, and A. Robert Doyle, as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

/s/ Geoffrey A. Burns
By: Geoffrey A. Burns
Title: Chief Executive Officer
March 31, 2010

/s/ A. Robert Doyle
By: A. Robert Doyle
Title: Chief Financial Officer
March 31, 2010

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.