

PAN AMERICAN SILVER CORP
Form F-80
October 30, 2009

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As filed with the Securities and Exchange Commission on October 30, 2009

Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-80
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

Pan American Silver Corp.

(Exact name of Registrant as specified in its charter)

British Columbia
*(Province or other Jurisdiction
of Incorporation or Organization)*

1044
*(Primary Standard Industrial
Classification Code Number)*
1500-625 Howe Street
Vancouver, British Columbia
Canada V6C 2T6
(604) 684-1175

Not Applicable
*(I.R.S. Employer
Identification No.)*

(Address and telephone number of Registrant's principal executive offices)

CT Corporation
111 Eighth Avenue
New York, New York 10011
(212) 894-8940

(Name, address and telephone number of agent for service in the United States)

Copies to:

Riccardo A. Leofanti, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
222 Bay Street, Suite 1750, P.O. Box 258
Toronto, Ontario, Canada M5K 1J5
(416) 777-4700

Fred R. Pletcher, Esq.
Borden Ladner Gervais LLP
1200 Waterfront Centre, 200 Burrard Street
P.O. Box 48600
Vancouver, British Columbia, Canada V7X 1T2
(604) 687-5744

Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after this Registration Statement becomes effective.

Province of British Columbia, Canada

(Principal jurisdiction regulating this offering)

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This registration statement and any amendment thereto shall become effective upon filing with the Commission in accordance with Rule 467(a).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares (1)	7,738,363 shares	\$179,393,552.52	\$10,010.16
Consideration Warrants (1)	3,101,549 warrants		
Replacement Warrants (2)(3)	112,275 warrants	\$314,315.50	\$17.54
Total		\$179,707,868.02	\$10,027.70

- (1) In accordance with General Instruction IV.G of Form F-80, the registration fee for the Common Shares and the Consideration Warrants is calculated on the basis of the market value of common shares of Aquiline Resources Inc. held by United States residents and that may be cancelled in the exchange offer, being \$182,281,784. Such value is calculated based upon 30,515,483 common shares of Aquiline Resources Inc. ("Aquiline") estimated to be held by United States residents on June 30, 2009, together with an additional 500,000 common shares of Aquiline that may become issued and outstanding during the exchange offer upon the exercise of in-the-money stock options by U.S. residents, and that may be cancelled in the exchange offer, and a market value per common share of Cdn\$6.14 (based upon the average of the high and low prices for such common shares on the Toronto Stock Exchange on October 26, 2009). For purposes of this calculation, the market value per common share of Cdn\$6.14 has been converted to United States dollars based on an exchange rate of Cdn\$1.00=US\$0.9420, as reported by the Bank of Canada's noon rate for United States dollars on October 26, 2009.
- (2) In accordance with General Instruction IV.G of Form F-80, the registration fee for the various classes of Replacement Warrants is calculated on the basis of the book value of the related classes of warrants of Aquiline estimated to be held by United States residents and that may be cancelled in the exchange offer for such warrants computed as of June 30, 2009.
- (3) Replacement Warrants are comprised of the Registrant's February 2008 Replacement Warrants, May 2008 Replacement Warrants, October 2008 Replacement Warrants and November 2008 Replacement Warrants.
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If, as a result of stock splits, stock dividends or similar transactions, the number of securities purported to be registered on this registration statement changes, the provisions of Rule 416 shall apply to this registration statement.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

Item 1. Home Jurisdiction Documents

Document 1: Offers to Purchase and Circular

Document 2: Letter of Transmittal for the Common Shares of Aquiline

Document 3: Letter of Transmittal for the Common Share Purchase Warrants of Aquiline

Document 4: Letter of Transmittal for the Convertible Debenture of Aquiline

Document 5: Notice of Guaranteed Delivery

Item 2. Informational Legends

See page iv of the outside cover page of the Offers to Purchase and Circular.

Item 3. Incorporation of Certain Information by Reference

See "Documents Incorporated by Reference" in the Offers to Purchase and Circular and the list of exhibits included in Part II of the Registration Statement.

Item 4. List of Documents Filed with the Commission

See "Registration Statement Filed with the SEC" in the Offers to Purchase and Circular.

The information in the Offers to Purchase and Circular may change. The Form F-80 will become effective immediately upon filing with the SEC. Neither the Offers to Purchase nor Circular is an offer to sell the securities issuable thereunder and we are not soliciting offers to buy these securities in any jurisdiction where the Offers are not permitted.

This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, stockbroker, bank manager, lawyer or other professional advisor. These Offers have not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of these Offers or upon the adequacy of the information contained in this document and it is an offence to claim otherwise.

October 30, 2009

PAN AMERICAN SILVER CORP.

OFFERS TO PURCHASE

all of the outstanding common shares, warrants and the convertible debenture of

AQUILINE RESOURCES INC.

on the basis of

0.2495 of a Pan American Share and 0.1 of a Pan American Consideration Warrant for each Aquiline Share

0.2495 of a Pan American Replacement Warrant for each Aquiline Warrant

a Replacement Debenture of Pan American for the Convertible Debenture of Aquiline

THESE OFFERS TO PURCHASE WILL BE OPEN FOR ACCEPTANCE UNTIL 9:00 P.M. EASTERN TIME ON DECEMBER 7, 2009 (THE "EXPIRY TIME"), UNLESS EXTENDED OR WITHDRAWN.

DIRECTORS' RECOMMENDATION

The board of directors of Aquiline unanimously recommends that Aquiline Shareholders ACCEPT the Share Offer and DEPOSIT their Aquiline Shares under the Share Offer.

The board of directors of Aquiline is not making a recommendation to Aquiline Warrantholders or to the Convertible Debentureholder as to whether to accept or reject the Warrant Offers or the Debenture Offer for the reasons set out in the accompanying Directors' Circular.

Pan American Silver Corp. ("**Pan American**", the "**Offeror**", "**we**", or "**us**") hereby makes the following offers (the "**Offers**" or the "**Offers to Purchase**"), upon and subject to the respective terms and conditions described herein:

(a)

to purchase all of the issued and outstanding common shares (the "**Aquiline Shares**") of Aquiline Resources Inc. ("**Aquiline**"), including any Aquiline Shares that may become issued and outstanding after the date of the Offers but prior to the Expiry Time upon the exchange, conversion or exercise of any securities of Aquiline that are convertible into or exchangeable or exercisable for Aquiline Shares, but excluding Aquiline Shares owned by the Offeror or its affiliates, for consideration consisting of 0.2495 of a common share of Pan American (a "**Pan American Share**") and 0.1 of a common share purchase warrant of Pan American (a "**Pan American Consideration Warrant**") for each Aquiline Share (the "**Share Offer**"). Each whole Pan American Consideration Warrant entitles the holder thereof to purchase one Pan American Share at the price of Cdn.\$35.00 per Pan American Share for a period of five years from the initial Take-Up Date (as herein defined). All other terms and conditions of the Pan American Consideration Warrants shall be governed by the warrant indenture to be dated on or prior to the initial Take-Up Date (the "**Warrant Indenture**") between Pan American and Computershare Trust Company of Canada (the "**Trustee**"), as trustee thereunder, described in Section 9 of the Circular, "Certain Information Concerning Pan American and the Pan American Securities Pan American Consideration Warrants";

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- (b) to purchase any and all of the outstanding common share purchase warrants of Aquiline (the "**Aquiline Warrants**"), comprised of the February 2008 Warrants, the May 2008 Warrants, the October 2008 Warrants and the November 2008 Warrants (all as defined herein), but excluding Aquiline Warrants owned by the Offeror or its affiliates, as follows:
- (i) to purchase any and all of the outstanding February 2008 Warrants for consideration consisting of 0.2495 of a February 2008 Replacement Warrant (as defined herein) of Pan American for each February 2008 Warrant, with each whole February 2008 Replacement Warrant exercisable to purchase from Pan American one Pan American Share at an exercise price of Cdn.\$52.10 per Pan American Share;
 - (ii) to purchase any and all of the outstanding May 2008 Warrants for consideration consisting of 0.2495 of a May 2008 Replacement Warrant (as defined herein) of Pan American for each May 2008 Warrant, with each whole May 2008 Replacement Warrant exercisable to purchase from Pan American one Pan American Share at an exercise price of Cdn.\$40.08 per Pan American Share;
 - (iii) to purchase any and all of the outstanding October 2008 Warrants for consideration consisting of 0.2495 of a October 2008 Replacement Warrant (as defined herein) of Pan American for each October 2008 Warrant, with each whole October 2008 Replacement Warrant exercisable to purchase from Pan American one Pan American Share at an exercise price of Cdn.\$10.02 per Pan American Share; and
 - (iv) to purchase any and all of the outstanding November 2008 Warrants for consideration consisting of 0.2495 of a November 2008 Replacement Warrant (as defined herein) of Pan American for each November 2008 Warrant, with each whole November 2008 Replacement Warrant exercisable to purchase from Pan American one Pan American Share at an exercise price of Cdn.\$10.02 per Pan American Share.
- (collectively, the "**Warrant Offers**"). All other terms and conditions of the February 2008 Replacement Warrants, the May 2008 Replacement Warrants, the October 2008 Replacement Warrants and the November 2008 Replacement Warrants (collectively, the "**Pan American Replacement Warrants**"), including the term to expiry, conditions to and manner of exercising, will be, except as otherwise described in Section 9 of the Circular, "Certain Information Concerning Pan American and the Pan American Securities Pan American Replacement Warrants", the same as the specific class of Aquiline Warrants for which a class of Pan American Replacement Warrants are exchanged, and shall be governed by the terms of replacement certificates evidencing such Pan American Replacement Warrants; and
- (c) to purchase the outstanding Convertible Debenture (as defined herein) for consideration consisting of a Replacement Debenture (as defined herein) of Pan American, which may be converted into either:
- (i) 363,854 Pan American Shares at a conversion price of Cdn.\$48.10 per Pan American Share; or
 - (ii) a contract granting the holder of the Convertible Debenture the right to purchase 12.5% of the life of the mine payable silver from the Loma de La Plata mine at the Navidad Project (as defined herein),
- (the "**Debenture Offer**"). All other terms and conditions of the Replacement Debenture, including the term to expiry, conditions to and the manner of conversion, will be, except as otherwise described in Section 9 of the Circular, "Certain Information Concerning Pan American and the Pan American Securities Replacement Debenture", the same as the Convertible Debenture, and shall be governed by the terms of a replacement agreement evidencing such Replacement Debenture.

The Pan American Consideration Warrants and the Pan American Replacement Warrants may not be exercised by any U.S. Person (as defined herein) or by any person within the United States or for the account or benefit of any U.S. Person or any person within the United States unless and until the distribution of the Pan American Shares issuable upon exercise of such warrants is registered under the 1933 Act (as defined herein). The offer and sale of the Replacement Debenture to the Convertible Debentureholder (as defined herein), who is not a U.S. Person or a person within the United States, is not covered by the registration statement on Form F-80 of which the Offers to Purchase and Circular form a part. Instead, such offers and sale are being made by Pan American pursuant to an exemption from registration under the 1933 Act provided by

Rule 903 of Registration S thereunder.

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The Offers are subject to the conditions set forth in Section 4 of the Offers to Purchase, "Conditions of the Offers", including without limitation there being validly deposited under, and not withdrawn from, the Share Offer at the Expiry Time that number of Aquiline Shares which, when combined with all Aquiline Shares then held by Pan American and its affiliates, represents not less than 66²/₃% of the then outstanding Aquiline Shares on a Partially-Diluted Basis (as defined herein).

The Offeror has entered into Lock-Up Agreements with each of the directors and senior management of Aquiline (the "**Locked-Up Shareholders**") pursuant to which the Locked-Up Shareholders have agreed to deposit all Aquiline Securities (as defined herein) owned by the Locked-Up Shareholders, comprising 6,447,096 Aquiline Shares and 1,758,333 Aquiline In-Money Options assumed to be converted into Aquiline Shares prior to the expiry of the Mandatory Extension (as defined herein), together representing approximately 9.79% of Aquiline Shares (on a partially-diluted basis (as defined herein)), and 38,000 Aquiline Warrants, to each Offer, subject to certain conditions, and not to withdraw such Aquiline Securities except in certain circumstances. In addition, the Locked-Up Shareholders have agreed to exchange all Aquiline Out-of-Money Options for Pan American Replacement Options. See Section 14 of the Circular, "Commitments to Acquire Aquiline Securities; Lock-Up Agreements".

As of the date hereof, Pan American and its affiliates beneficially own, directly or indirectly, 1,650,000 Aquiline Shares, representing approximately 2.16% of the issued and outstanding Aquiline Shares, and 1,500,000 October 2008 Warrants. The Aquiline Shares are listed on the Toronto Stock Exchange (the "**TSX**") (symbol: AQI). The Pan American Shares are listed on the TSX (symbol: PAA) and the Nasdaq Global Market ("**NASDAQ**") (symbol: PAAS). On October 13, 2009, the last trading day prior to the public announcement of the Offeror's intention to make the Offers, the closing price of the Aquiline Shares on the TSX was Cdn.\$5.47, and the closing prices of the Pan American Shares on the TSX and NASDAQ were Cdn.\$26.71 and \$25.92, respectively. Based on the share price of the Pan American Shares on the TSX on October 13, 2009 and assuming a value of Cdn.\$0.81 for each 0.1 of a Pan American Consideration Warrant, the consideration comprising the Share Offer represented a premium of approximately 36.6% over the closing price of the Aquiline Shares on the TSX, and a premium of 62.0% over the volume weighted average trading price of the Aquiline Shares on the TSX for the ten trading days ended October 13, 2009.

For a discussion of the risks and uncertainties to consider in assessing each of the Offers, see "Business Combination Risks" in Section 7 of the Circular and the risks and uncertainties described in Pan American's Annual Information Form for the year ended December 31, 2008, which is incorporated by reference in the Offers to Purchase and Circular. See Section 10 of the Circular, "Documents Incorporated by Reference".

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offers are not being made or directed to, nor will deposits of Aquiline Securities be accepted from or on behalf of, Aquiline Securityholders in any jurisdiction in which the making or acceptance of the Offers would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offers to Aquiline Securityholders in any such jurisdiction.

The Offers to purchase the Aquiline Shares and the Aquiline Warrants are made by a Canadian issuer that is permitted, under a multi-jurisdictional disclosure system adopted by the United States (the "MJDS"), to prepare the Offers to Purchase and Circular in accordance with the disclosure requirements of Canada. Aquiline Securityholders should be aware that such requirements are different from those of the United States. The financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus, may not be comparable to financial statements of United States companies.

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Aquiline Securityholders should be aware that the disposition of these Aquiline Securities and acquisition of the Pan American Securities (as defined herein) may have tax consequences both in the United States and in Canada. Such consequences may not be fully described herein and such Aquiline Securityholders are encouraged to consult their own tax advisors. See "Canadian Federal Income Tax Considerations" in Section 20 of the Circular and "Material U.S. Federal Income Tax Consequences" in Section 21 of the Circular.

The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that Pan American is incorporated under the laws of the Province of British Columbia, and Aquiline is incorporated under the laws of the Province of Ontario, that some or all of their officers and directors and experts may be residents of a foreign country, and that all or a substantial portion of the assets of Pan American and Aquiline and said persons may be located outside the United States.

The Pan American Securities offered pursuant to the Offers have not been approved or disapproved by the Securities and Exchange Commission (the "SEC") or any other regulatory authority nor has the SEC or any other regulatory authority passed upon the accuracy or adequacy of the Offers to Purchase or Circular. Any representation to the contrary is a criminal offence.

Aquiline Securityholders should be aware that, during the Offer Period (as herein defined), Pan American or its affiliates, directly or indirectly, may bid for or make purchases of Aquiline Securities, as permitted by applicable laws or regulations of Canada or its Provinces or territories. See "Notice to Securityholders in the United States".

Registered Aquiline Securityholders who wish to accept any of the Offers and deposit their Aquiline Securities must properly complete and execute the applicable accompanying Letter of Transmittal (printed on YELLOW paper for the Aquiline Shares, printed on BLUE paper for the Aquiline Warrants and printed on PINK paper for the Convertible Debenture) or a manually signed facsimile thereof and deposit it, together with the certificates representing their Aquiline Securities and all other required documents, at the Toronto office of the Depositary in accordance with the instructions in the applicable Letter of Transmittal or request their broker, dealer, bank, trust company or other nominee to effect the transaction on their behalf. Alternatively, Registered Aquiline Securityholders may: (a) accept the Share Offer by following the procedures for book-entry transfer of Aquiline Shares described in Section 3 of the Offers to Purchase, "Manner of Acceptance – Acceptance by Book-Entry Transfer"; or (b) accept any of the Offers where the certificates representing their Aquiline Securities are not immediately available, or if the certificates and all of the required documents cannot be provided to the Depositary before the Expiry Time, by following the procedures for guaranteed delivery described in Section 3 of the Offers to Purchase, "Manner of Acceptance – Procedure for Guaranteed Delivery", using the accompanying Notice of Guaranteed Delivery (as defined herein) (printed on GREEN paper) or a manually signed facsimile thereof. Aquiline Securityholders whose Aquiline Securities are registered in the name of a nominee should consult their broker, investment dealer, bank, trust company or other nominee for assistance in depositing their Aquiline Securities. Aquiline Securityholders will not be required to pay any fee or commission if they accept any of the Offers by depositing Aquiline Securities directly with the Depositary.

The Offeror has engaged Kingsdale Shareholder Services Inc. ("**Kingsdale**") to act as the depositary (the "**Depositary**") under the Offers and Kingsdale has also been engaged to act as the information agent (the "**Information Agent**") to provide a resource for information for the Offeror. Questions and requests for assistance may be directed to Kingsdale. Contact details for Kingsdale may be found below and on the back page of this document. Additional copies of this document and related materials may be obtained without charge on request from the Depositary and Information Agent at its office specified below and on the back page of this document. Copies of this document and related materials may also be found at www.sedar.com and www.sec.gov.

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The Depository and Information Agent for the Offers is:

By Mail

The Exchange Tower
130 King Street West, Suite 2950,
P.O. Box 361
Toronto, Ontario
M5X 1E2

By Registered, by Hand or by Courier

The Exchange Tower
130 King Street West, Suite 2950,
Toronto, Ontario
M5X 1E2

North American Toll Free Phone:

1-888-518-6824

E-mail: contactus@kingsdaleshareholder.com

Facsimile: 416-867-2271

Toll Free Facsimile: 1-866-545-5580

Outside North America, Banks and Brokers Call Collect: 416-867-2272

NOTICE TO AQUILINE SECURITYHOLDERS IN THE UNITED STATES

The Offers to purchase the Aquiline Shares and Aquiline Warrants are made by a Canadian issuer that is permitted, under the MJDS, to prepare the Offers to Purchase and Circular in accordance with the disclosure requirements of Canada. Aquiline Securityholders should be aware that such requirements are different from those of the United States. The financial statements included or incorporated by reference herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus, may not be comparable to financial statements of United States companies.

The Offers are being made for the securities of a Canadian "foreign private issuer", as such term is defined in Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), that does not have securities registered under Section 12 of the Exchange Act. Accordingly, the Offers are not subject to Section 14(d) of the U.S. Exchange Act, or Regulation 14D thereunder. The Offers are being conducted in accordance with Section 14(e) of the U.S. Exchange Act and Regulation 14E thereunder as applicable to a tender offer (i) in which less than 40% of the class of securities outstanding that is subject to the tender offer is held by U.S. holders and (ii) that is conducted under the MJDS and cross-border tender offer rules that permit the Offeror, a Canadian foreign private issuer, to prepare the Offers to Purchase and Circular in accordance with the disclosure requirements of Canadian provincial and federal law. The Offers to purchase the Aquiline Shares and Aquiline Warrants are made in the United States with respect to securities of a "foreign private issuer", as such term is defined in Rule 3b-4 under the U.S. Exchange Act, in accordance with Canadian provincial and federal corporate and takeover offer rules.

Aquiline Securityholders should be aware that the disposition of Aquiline Securities and acquisition of the Pan American Securities (as defined herein) may have tax consequences both in the United States and in Canada. Such consequences may not be fully described herein and such Aquiline Securityholders are encouraged to consult their own tax advisors. See "Canadian Federal Income Tax Considerations" in Section 20 of the Circular and "Material U.S. Federal Income Tax Consequences" in Section 21 of the Circular.

The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that Pan American is incorporated under the laws of the Province of British Columbia and Aquiline is incorporated under the laws of Ontario, that some or all of their officers and directors and experts may be residents of a foreign country, and that all or a substantial portion of the assets of Pan American and Aquiline and said persons may be located outside the United States.

Pan American has filed with the SEC a Registration Statement on Form F-80 and other documents and information, and expects to mail the Offers to Purchase and Circular to Aquiline Shareholders concerning the Offers and the proposed combination of Pan American and Aquiline. Pursuant to Section V(D) of the Form F-80 instructions, the Offeror is exempt from filing a Tender Offer Statement on Schedule TO. Aquiline Securityholders are urged to read the Registration Statement and Offers to Purchase and Circular and any other relevant documents filed with the SEC, because they contain important information. Investors and Aquiline Securityholders will be able to obtain the documents free of charge at the SEC's website, www.sec.gov. In addition, documents filed with the SEC by Pan American will be available free of charge from Pan American. You should direct requests for documents to the Corporate Secretary, Pan American Silver Corp., Suite 1500 625 Howe Street, Vancouver, British Columbia, V7X 2T2, telephone: 604-684-1175. To obtain timely delivery, such documents should be requested not later than November 30, 2009, being five Business Days before the Expiry Date (as defined herein).

The Pan American Securities offered pursuant to the Offers have not been approved or disapproved by the SEC or any other regulatory authority nor has the SEC or any other regulatory authority passed upon the accuracy or adequacy of the Offers to Purchase or Circular. Any representation to the contrary is a criminal offence.

Pan American is subject to the information requirements of the U.S. Exchange Act and, in accordance with the U.S. Exchange Act, files reports and other information with the SEC. Under a multi-jurisdictional disclosure system adopted by the United States, some reports and other information may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. In

addition, Pan American is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and their respective officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Pan American's U.S. Exchange Act reports and other information filed with the SEC may be inspected and copied at the public reference facilities maintained by the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operations and location of the public reference facilities of the SEC. Copies of the material Pan American files with the SEC may be obtained at prescribed rates from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a website (www.sec.gov) that makes available reports and other information that Pan American files or furnishes electronically.

Aquiline Securityholders should be aware that, during the Offer Period (as herein defined), Pan American or its affiliates, directly or indirectly, may bid for or make purchases of Aquiline Securities, as permitted by applicable laws or regulations of Canada or its provinces or territories.

NOTICE TO AQUILINE OPTIONHOLDERS

No Offer is made for Aquiline Options (as defined herein) or any other rights to acquire Aquiline Shares (other than the Aquiline Warrants or the Convertible Debenture). Any holder of Aquiline Options or other rights to acquire Aquiline Shares who wishes to accept the Share Offer must exercise such Aquiline Options or other rights to obtain Aquiline Shares and deposit certificates representing the Aquiline Shares issued upon such exercise under the Share Offer. Any such exercise must be sufficiently in advance of the Expiry Time to assure the holders of Aquiline Options or other rights to acquire Aquiline Shares that they will have Aquiline Share certificate(s) available for deposit before the Expiry Time (and in the case of Aquiline In-Money Options by not later than the expiry of the Mandatory Extension) or in sufficient time to comply with the procedures referred to in Section 3 of the Offers to Purchase, "Manner of Acceptance Procedure for Guaranteed Delivery". The income tax consequences to holders of Aquiline Options or any other rights to acquire Aquiline Shares (other than the Aquiline Warrants) are not described under "Canadian Federal Income Tax Considerations" in Section 20 of the Circular or under "Material U.S. Federal Income Tax Consequences" in Section 21 of the Circular. Any holders of Aquiline Options or any other rights to acquire Aquiline Shares (other than the Aquiline Warrants or Convertible Debenture) should consult their own tax advisors for advice with respect to the actual or potential income tax consequences to them in connection with a decision they may make to exercise, or not to exercise, their Aquiline Options or other rights to acquire Aquiline Shares prior to the Expiry Time or thereafter.

Subject to the receipt of all Government Authorizations (as defined herein), the board of directors of Aquiline will make such necessary amendments to the Aquiline Stock Option Plan (as defined herein) and take all such steps as may be necessary or desirable (including obtaining waivers and consents) to allow any person holding Aquiline Options pursuant to the Aquiline Stock Option Plan, that may do so under Securities Laws, to exercise their unvested Aquiline In-Money Options (as defined herein) on an accelerated vesting basis solely for the purpose of tendering under the Share Offer all Aquiline Shares issued upon such exercise prior to the expiry of the Mandatory Extension (as defined herein), provided that any such amendment shall provide that if a holder fails to exercise the Aquiline In-Money Options held prior to the expiry of the Mandatory Extension, such Aquiline In-Money Options shall expire and be of no further force and effect and the holder thereof shall have no further claim in respect thereof. Subject to the foregoing, Aquiline has agreed under the Support Agreement (as defined herein) to give notice promptly following the mailing of the Offers to Purchase and Circular to all persons holding Aquiline Options of:

- (a) the vesting of all unvested Aquiline Options; and
- (b) the termination of all non-exercised Aquiline In-Money Options upon expiry of the Mandatory Extension, in each case conditional upon the Offeror taking up and paying for Aquiline Shares under the Share Offer.

Aquiline has agreed under the Support Agreement to use its commercially reasonable efforts to facilitate all persons holding Aquiline In-Money Options to exercise all of their Aquiline In-Money Options and to deposit all Aquiline Shares issued upon such exercise to the Share Offer within ten days of the initial Take-Up Date (or such longer period or periods of time the Offeror may extend the Share Offer).

Pursuant to the terms of the Support Agreement, upon the Offeror being bound to take-up and pay for at least that number of Aquiline Shares as is required to satisfy the Minimum Tender Condition (as defined herein) and having received all Government Authorizations as are required to be obtained under any applicable Laws, each Aquiline Out-of-Money Option (as defined herein) to purchase Aquiline Shares which is outstanding and has not been duly exercised prior to the Expiry Time, will be exchanged for a fully vested option (each a "**Pan American Replacement Option**") to purchase from the Offeror the number of Pan American Shares (rounded to the nearest whole Pan American Share) equal to: (i) the Exchange Ratio; multiplied by (ii) the number of Aquiline Shares otherwise issuable upon the exercise of such Aquiline Out-of-Money Option immediately prior to the Expiry Time. Such Pan American Replacement Option shall provide for an exercise price per Pan American Share (rounded up to the nearest whole cent) equal to: (i) the exercise price per Aquiline Share otherwise issuable upon the exercise of Aquiline Out-of-Money Option; divided by (ii) the Exchange Ratio. All other terms and conditions of each Pan American Replacement Option, including the term to expiry, conditions to and manner of exercising, will be the same as the Aquiline Out-of-Money Option for

which it is exchanged, and shall be governed by the terms of the Aquiline Stock Option Plan, except for the provisions in the Aquiline Stock Option Plan that related to the early termination of an Aquiline Out-of-Money Option as a result of the cessation of the optionee's position as a director, officer or employee of Aquiline which shall be amended to provide that an officer or employee whose employment is terminated (other than for cause or by reason of death) or a director who ceases to be a director (other than by reason of death) may exercise his or her Pan American Replacement Options during the period ending on the expiry of the exercise period therefor under the Aquiline Stock Option Plan.

Pan American has agreed under the Support Agreement to take all corporate action necessary to reserve for issuance a sufficient number of Pan American Shares for delivery upon the exercise of the Pan American Replacement Options that will be issued in exchange for the Aquiline Out-of-Money Options as described above. Pan American has also agreed to file a registration statement on Form S-8 with the SEC to cover the offer and sale of Pan American Shares underlying the Pan American Replacement Options.

INFORMATION CONCERNING AQUILINE

Except as otherwise indicated herein, the information concerning Aquiline contained in the Offers to Purchase and Circular has been taken from, or is based upon, publicly available information and records on file with Canadian securities regulatory authorities and other public sources. Although the Offeror has no knowledge that would indicate that any statements contained herein concerning Aquiline taken from or based on such information and records are untrue or incomplete, neither the Offeror nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, including any of Aquiline's financial statements or Aquiline's mineral resource estimates, or for any failure of Aquiline to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror. Pan American has limited means of verifying the accuracy or completeness of any of the information contained herein that is derived from Aquiline's publicly available information and records or whether there has been a failure by Aquiline to disclose events that may have occurred or may affect the significance or accuracy of any information.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

The Offers to Purchase and Circular, and the documents incorporated by reference herein, contain certain 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 Pan American, Aquiline and their respective operations. All statements, other than statements of historical fact, are forward-looking statements or information. When used in the Offers to Purchase and Circular, the words "anticipate", "will", "believe", "estimate", "expect", "intend", "target", "plan", "goals", "objectives", "pro forma", "forecast", "schedule", "may" and other similar words and expressions, identify forward-looking statements or information. These forward-looking statements or information relate to, among other things:

the successful integration of Aquiline's business and operations with Pan American;

the satisfaction or waiver of the conditions precedent to the Support Agreement;

the scheduled Expiry Time;

future financial strength, performance and growth of Pan American;

future access to market liquidity;

future diversified political and operational risk;

value creation and growth for Aquiline Securityholders;

the sufficiency of Pan American's current or future working capital, anticipated operating cash flow or its ability to raise necessary funds including, without limitation, future ability to access equity financing markets;

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the accuracy of mineral reserve and resource estimates and estimates of future production and future cash and total costs of production at Huaron, Morococha, Quiruvilca, Alamo Dorado, La Colorada, Manantial Espejo, San Vicente or other properties;

future successful development of the Navidad Project and other development projects of the Combined Company (as defined herein);

the accuracy of mineral reserve and resource estimates of the Combined Company;

pro forma financial information for the Combined Company including without limitation pro forma net cash and short term investments and working capital of the Combined Company;

future improved capital market presence and access to equity research coverage for Aquiline Shareholders;

benefits to Aquiline Securityholders from transitioning their investments from an exploration-stage company to a major silver producer;

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 construction and development of the Combined Company's projects, including the Navidad Project;

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 the Combined Company's various silver exploration properties;

compliance with environmental, health, safety and other laws and regulations;

the effects of laws, regulations and government policies affecting Pan American's operations and the Combined Company, including but not limited to, laws in the Province of Chubut, Argentina which, among other things, currently 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;

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.

These statements reflect the current views of Pan American 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, 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 the Offers to Purchase and Circular and Pan American has made assumptions based on or related to many of these factors. Such factors include, without limitation: the 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 and Canadian dollar); risks related to the technological and operational nature of Pan American and Aquiline's businesses; changes in national and local government permitting, legislation, taxation, controls or regulations and political or economic developments in

x

Canada, United States, Mexico, Peru, Argentina, Bolivia or other countries where Pan American and Aquiline may carry on business in the future; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial activities, 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; 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; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; business opportunities it 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 or Aquiline's title to properties and continued ownership thereof; litigation; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; discrepancies between actual and estimated production, price volatility, increased competition in the mining industry for properties, equipment, qualified personnel, and their costs; and those factors identified under caption "Risks Related To Pan American's Business" in Pan American'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 and those factors that have been identified under the caption "Description Of Business Risk Factors" in Aquiline's Annual Information Form filed with certain Canadian provincial securities regulatory authorities. Aquiline Securityholders are cautioned against attributing undue certainty or reliance on 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 where any other events affecting such statements or information, other than as required by applicable Laws. Please see "Cautionary Note to United States Investors Concerning Mineral Resource Calculations" below. Investors are cautioned against attributing undue reliance on forward-looking statements or information.

**CAUTIONARY NOTE TO UNITED STATES INVESTORS
CONCERNING MINERAL RESOURCE CALCULATIONS**

Information in the Offers to Purchase and Circular, including the documents incorporated by reference herein, has been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws. Without limiting the foregoing, the Offers to Purchase and Circular, including the documents incorporated by reference herein, use the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". United States Aquiline Securityholders are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Mineral resources that are not mineral reserves have no demonstrated economic viability. 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. Aquiline Securityholders in the United States are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into reserves. Further, "inferred mineral 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 "inferred mineral resources" will ever be upgraded to a higher category. Therefore, United States Aquiline Securityholders 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. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in the Offers to Purchase and Circular 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.

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NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in or incorporated by reference in the Offers to Purchase and Circular have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of the SEC, and mineral reserve and mineral resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by United States companies.

PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATE INFORMATION

Pan American presents its consolidated financial statements in United States dollars. Aquiline presents its consolidated financial statements in Canadian dollars. Unless stated otherwise or the context otherwise requires, all references in the Offers to Purchase and Circular to "**dollars**", "\$" or "**US\$**" are to United States dollars and all references to "**Cdn.\$**" are to Canadian dollars. Except as otherwise indicated, all financial statements and financial data contained in, or incorporated by reference into, the Offers to Purchase and Circular have been prepared in accordance with Canadian GAAP, which differ in certain significant respects from U.S. GAAP. For a description of the material differences between Canadian GAAP and U.S. GAAP as they relate to the Pan American's financial statements, see note 22 to Pan American's audited consolidated financial statements for the years ended December 31, 2008 and 2007 and the supplemental financial information relating to the reconciliation of Pan American's unaudited financial statements for the three and six months ended June 30, 2009 and 2008, which are incorporated by reference into the Offers to Purchase and Circular.

The following table sets forth, for each period indicated, the closing, high, low and average noon exchange rates for Canadian dollars expressed in U.S. dollars, as reported by the Bank of Canada:

	Six months ended June 30, 2009	Six months ended June 30, 2008	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Closing	\$ 0.8602	\$ 0.9817	\$ 0.8166	\$ 1.0120	\$ 0.8581
High	\$ 0.9236	\$ 1.0289	\$ 1.0289	\$ 1.0905	\$ 0.9099
Low	\$ 0.7692	\$ 0.9686	\$ 0.7711	\$ 0.8437	\$ 0.8528
Average ⁽¹⁾	\$ 0.8308	\$ 0.9931	\$ 0.9441	\$ 0.9348	\$ 0.8820

(1) Calculated as an average of the daily noon rates for each period.

On October 13, 2009, the last trading day before the announcement of Pan American's intention to make the Offers, the noon buying rate of exchange as reported by the Bank of Canada was Cdn.\$1.00 = \$0.9711.

NON-GAAP MEASURES

The documents incorporated by reference in the Offers to Purchase and Circular refer to various non-GAAP measures, such as "cash and total cost per ounce of silver", which are used by Pan American 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 Pan American, please refer to Pan American's management's discussion and analysis for the year ended December 31, 2008 where detailed descriptions and reconciliations, where applicable, have been provided. See Section 10 of the Circular, "Documents Incorporated by Reference".

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QUESTIONS AND ANSWERS ABOUT THE OFFERS

The following are some of the questions with respect to the Offers that you, as an Aquiline Securityholder, may have and the answers to those questions. This questions and answers section is not meant to be a substitute for the more detailed descriptions and information contained in the Offers to Purchase and Circular, the Letters of Transmittal and