

**EARLY WARNING REPORT PURSUANT TO
NATIONAL INSTRUMENT 62-103
SECTION 111 OF THE *SECURITIES ACT* (BRITISH COLUMBIA)
AND THE PROVISIONS OF OTHER APPLICABLE LEGISLATION**

1. Name and Address of Offeror:

Pan American Silver Corp. (“**Pan American**”)
1500 – 625 Howe Street
Vancouver, British Columbia
V6C 2T6

2. Designation and number or principal amount of securities and the Offeror’s securityholding percentage in the class of securities of which the Offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances:

Pan American previously filed a report on December 9, 2009 relating to its initial acquisition of securities of Aquiline Resources Inc. (“**Aquiline**”) pursuant to the Offers (as defined below).

On December 22, 2009, pursuant to the Offers to acquire all of the common shares (“**Aquiline Shares**”) of Aquiline, Aquiline’s February 2008 series of common share purchase warrants (the “**February 2008 Warrants**”), Aquiline’s May 2008 series of common share purchase warrants (the “**May 2008 Warrants**”), Aquiline’s October 2008 series of common share purchase warrants (the “**October 2008 Warrants**”), Aquiline’s November 2008 series of common share purchase warrants (the “**November 2008 Warrants**” and, collectively with the February 2008 Warrants, May 2008 Warrants and October 2008 Warrants, the “**Aquiline Warrants**”) and the Aquiline convertible debenture (the “**Convertible Debenture**” and, together with the Aquiline Shares and Aquiline Warrants, the “**Aquiline Securities**”) made pursuant to takeover bids made on October 30, 2009 (which Share Offer (as defined below), February Warrant Offer (as defined below), May Warrant Offer (as defined below) and Debenture Offer (as defined below) were subsequently extended pursuant to a notice of extension and variation dated December 9, 2009 (the “**Notice of Extension and Variation**”)), Pan American acquired ownership and control of an additional 5,403,461 Aquiline Shares (the “**Additional Acquired Shares**”) and an additional 206,366 February 2008 Warrants (the “**Acquired February Warrants**”). The Additional Acquired Shares and the Aquiline Shares issuable upon exercise of the Acquired February Warrants, in the aggregate and assuming that the Acquired February Warrants are exercised by Pan American, represents approximately 6.96% of the issued and outstanding Aquiline Shares, assuming no other convertible securities of Aquiline are exercised.

A press release dated December 22, 2009 was issued in connection with the above transaction, a copy of which is annexed hereto as Schedule “A”.

3. Designation and number or principal amount of securities and the Offeror's securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to the reporting obligation:

Together with the 68,866,956 Aquiline Shares and 3,425,000 October 2008 Warrants owned by Pan American prior to the acquisitions made on December 22, 2009, Pan American, following the take up of the Additional Acquired Shares and the Acquired February Warrants, owns 77,901,783 Aquiline Shares (assuming the exercise by Pan American of all of the convertible securities of Aquiline owned by it or taken up by it to date under the Offers), representing approximately 92.7% of the Aquiline Shares based on the total number of Aquiline Shares outstanding as of December 22, 2009.

4. Designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 above, over which:

- (a) **the Offeror, either alone or together with any joint actors, has ownership and control;**

See questions 2 and 3 above.

- (b) **the Offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the Offeror or any joint actor; and**

Not applicable.

- (c) **the Offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

5. Name of the market in which the transaction or occurrence that gave rise to the reporting obligation took place:

The Additional Acquired Shares and the Acquired February Warrants described above were acquired as part of the Offers made by Pan American pursuant to takeover bids made on October 30, 2009, as amended by the Notice of Extension and Variation. The Aquiline Shares are listed for trading on the Toronto Stock Exchange.

6. Purpose of the Offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer:

Pan American made the Offers in order to acquire all of the outstanding Aquiline Securities. Pan American provided notice to extend the expiry time of the Share Offer, the February Warrant Offer, the May Warrant Offer and the Debenture Offer from 9:00 p.m. (Eastern Time) on December 7, 2009 to 9:00 p.m. (Eastern Time) on December 22, 2009 (the "**Extended Offers**"). The Extended Offers have expired.

On December 22, 2009, Pan American announced its intention to complete a compulsory acquisition of all of the remaining outstanding Aquiline Shares. A notice of compulsory acquisition was delivered to all outstanding shareholders of Aquiline on December 23, 2009.

Pan American has been advised by Kingsdale Shareholder Services Inc., the depositary of the Offers, that all of the October 2008 Warrants (other than those held by Pan American) were, prior to 9:00 p.m. (Eastern Time) on December 7, 2009, either exercised for Aquiline Shares or validly deposited to the October Warrant Offer (as defined below) and not withdrawn. In addition, Pan American has been advised by Aquiline that all of the November 2008 Warrants were exercised for Aquiline Shares prior to 9:00 pm on December 7, 2009. Accordingly, the October Warrant Offer and the November Warrant Offer (as defined below) have been concluded in accordance with their respective terms.

7. General nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the Offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the reporting obligation, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities.

Pan American had entered into lock-up agreements with the directors and senior management of Aquiline (the “**Locked-Up Securityholders**”), pursuant to which the Locked-Up Securityholders of Aquiline agreed to deposit all Aquiline Securities owned by the Locked-Up Shareholders — comprising 6,447,096 Aquiline Shares and 1,758,333 options to acquire common shares of Aquiline (“**Aquiline Options**”) where the exercise price of such Aquiline Option is equal to or less than the Current Market Price (as defined in the takeover bid circular for the Offers) of a common share of Pan American (a “**Pan American Share**”) multiplied by 0.2495 at the expiry time of the Offers (the “**Aquiline In-Money Options**”), assumed to be converted into Aquiline Shares prior to the expiry of Offers, together representing approximately 9.79% of the Aquiline Shares (based on the total number of Aquiline Shares expected to be issued and outstanding at the expiry time of the Offers, inclusive of all Aquiline In-Money Options assumed to have been converted into Aquiline Shares, together with Aquiline Shares issuable on exercise or conversion, as applicable, of: (a) the October 2008 Warrants outstanding at the expiry time of the Offers, and (b) the November 2008 Warrants outstanding at the expiry time of the Offers), and 38,000 common share purchase warrants of Aquiline – to the Offers, 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 other Aquiline Options which they hold for replacement options to acquire Pan American Shares.

8. Names of any joint actors in connection with the disclosure required herein:

None.

9. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value of the consideration paid by the Offeror:

Pan American offered to purchase, upon the terms and subject to conditions of the Offers:

- (a) all of the issued and outstanding Aquiline Shares, including any Aquiline Shares that may become issued and outstanding after the date of the Offers but prior to the expiry time of the Offers 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 Pan American or its affiliates, for consideration consisting of 0.2495 of 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 until December 7, 2014;

(b) any and all of the outstanding Aquiline Warrants, comprised of the February 2008 Warrants, the May 2008 Warrants, the October 2008 Warrants and the November 2008 Warrants, but excluding Aquiline Warrants owned by Pan American or its affiliates, as follows:

(i) each of the outstanding February 2008 Warrants for consideration consisting of 0.2495 of a common share purchase warrant of Pan American (a “**February 2008 Replacement 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 (the “**February Warrant Offer**”);

(ii) each of the outstanding May 2008 Warrants for consideration consisting of 0.2495 of a common share purchase warrant of Pan American (a “**May 2008 Replacement 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 (the “**May Warrant Offer**”);

(iii) each of the outstanding October 2008 Warrants for consideration consisting of 0.2495 of a common share purchase warrant of Pan American (an “**October 2008 Replacement 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 (the “**October Warrant Offer**”); and

(iv) each of the outstanding November 2008 Warrants for consideration consisting of 0.2495 of a common share purchase warrant of Pan American (a “**November 2008 Replacement 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 (the “**November Warrant Offer**”),

(collectively, the “**Warrant Offers**”); and

(c) the outstanding Convertible Debenture for consideration consisting of a debenture of Pan American (the “**Replacement Debenture**”), 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 Replacement Debenture the right to purchase 12.5% of the life of the mine payable silver from the Loma de La Plata zone of the Navidad Project,

(the “**Debenture Offer**” and, together with the Share Offer and the Warrant Offers, the “**Offers**”).

- 10. If applicable, a description of any change in any material fact as set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities:**

Not applicable.

Dated this 24th day of December, 2009.

PAN AMERICAN SILVER CORP.

(signed) Geoffrey A. Burns _____

Geoffrey A. Burns

President and Chief Executive Officer

SCHEDULE "A"
NEWS RELEASE

**Pan American Silver Increases
Ownership of Aquiline Resources to 92.4%**

Extended Offers Have Expired

Vancouver, British Columbia – December 22, 2009 – Pan American Silver Corp. ("Pan American") (TSX:PAA; NASDAQ:PAAS) is pleased to announce that it has been advised by Kingsdale Shareholder Services Inc. (the "Kingsdale") that an additional 5,403,461 common shares (the "Aquiline Shares") of Aquiline Resources Inc. ("Aquiline") (TSX:AQI) have been deposited to Pan American's extended offer to acquire all of the issued and outstanding Aquiline Shares (the "Share Offer") (representing approximately 6.7% of the Aquiline Shares issued and outstanding as of December 22, 2009). Together with the Aquiline Shares owned by Pan American prior to the making of the Share Offer, Pan American, following the take up of Aquiline Shares deposited to the Share Offer to date, owns 74,270,417 Aquiline Shares, representing approximately 92.4% of the Aquiline Shares issued and outstanding as at December 22, 2009.

In addition, Pan American has been advised by Kingsdale that an additional 206,366 of Aquiline's February 2008 series of common share purchase warrants and Aquiline's outstanding convertible debenture have been deposited to Pan American's offers to acquire each outstanding series of Aquiline's common share purchase warrants (the "Aquiline Warrants") and the Aquiline convertible debenture (together with the Share Offer, the "Offers"). As a consequence, Pan American now owns 100% of the outstanding Aquiline Warrants issued in October 2008 and 86.9% of the outstanding Aquiline Warrants issued in February 2008.

All of the conditions to the Offers have been satisfied and, accordingly, Pan American has taken up all Aquiline Securities deposited to the Offers. The Offers expired in accordance with their terms at 9:00 pm (Eastern time) on December 22, 2009.

Since the Share Offer has been accepted by the holders of more than 90% of the Aquiline Shares, Pan American intends to exercise its right to acquire the remaining approximately 6,094,955 outstanding Aquiline Shares pursuant to a compulsory acquisition under the Business Corporations Act (Ontario). Pan American expects to complete the compulsory acquisition within the next 90 days.

About Pan American

Pan American's mission is to be the world's largest and lowest cost primary silver mining company by increasing its low cost silver production and silver reserves. The Company has eight operating mines in Mexico, Peru, Argentina and Bolivia.

About Aquiline

Aquiline is an exploration and development company advancing one of the world's largest undeveloped silver deposits (Navidad), as well as a gold/silver deposit (Calcatreu), both of which are situated in southern Argentina, as well as a gold deposit in Peru (Pico Machay).

Information Contact

Pan American Silver Corp.
(604) 684-1175
www.panamericansilver.com

Aquiline Resources Inc.
(416) 599-4133
www.aquiline.com

Additional Information About The Transaction And Where To Find It

In connection with the proposed transaction, Pan American has filed a registration statement on Form F-80 with the United States Securities and Exchange Commission (the "SEC"), including the take-over bid circular (which constitutes the "prospectus" for U.S. federal securities law purposes), letters of transmittal, notice of guaranteed delivery and other information relating to the Offers, including a notice of variation and extension filed on an Amendment No. 1 to the Form F-80. Investors and security holders are urged to read these documents and any other relevant documents filed by Pan American with the SEC, as well as any amendments or supplements to these documents because they will contain important information. Investors and security holders may obtain these documents free of charge at the SEC's website at www.sec.gov. In addition, the documents filed with the SEC by Pan American may be obtained free of charge by directing such request to: Kingsdale Shareholder Services at 1-888-518-6824 or from Pan American's website at www.panamericansilver.com. Investors and security holders are urged to read these documents before making any investment decision with respect to the proposed transaction. Security holders who have questions about the Offers can also contact Kingsdale. Kingsdale has been retained by Pan American to act as Information Agent for the Offers.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements and information in this news release 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 Pan American, Aquiline and their respective operations. All statements, other than statements of historical fact, are forward looking statements. These forward looking statements or information relate to, among other things: the prospects for the compulsory acquisition of the remaining Aquiline Shares that are not owned by Pan American. 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, 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 news release 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 Argentine peso, Peruvian sol, Mexican peso and

Bolivian boliviano versus the U.S. dollar); risks related to the technological and operational nature of Pan American and Aquiline's businesses, respectively; changes in national and local government, permitting, legislation, taxation, controls or regulations and political or economic developments in Canada, the United States, Argentina, Mexico, Peru, 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 accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; 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 or Aquiline; Pan American's ability to complete and successfully integrate acquisitions; challenges to Pan American's or Aquiline's title to properties; 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 the captions "Business Combination Risks" in the take-over bid circular and "Risks Related to Pan American's Business" in Pan American's most recent Form 40-F and annual information form filed with the SEC and Canadian provincial securities regulatory authorities and those factors identified under the caption "description of business - risk factors" in Aquiline's annual information form filed with certain Canadian provincial securities regulatory authorities and elsewhere in Aquiline documents filed from time to time with applicable regulatory authorities. Investors 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 or any other events affecting such statements or information, other than as required by applicable law