

DOCUMENTS INCLUDED AS PART OF THIS REPORT

Document

- 1 Information Circular: Notice of 2013 Annual General and Special Meeting of Shareholders, dated April 10, 2013.
- 2 Form of Proxy for the 2013 Annual General and Special Meeting of Shareholders.

This report on Form 6-K is incorporated by reference into the Registrant's registration statements on Form F-10 (No. 333-180304) and on Form S-8 (Nos. 333-149580, 333-180494 and 333-180495) that have been filed with the Securities and Exchange Commission.



NOTICE OF
2013 ANNUAL GENERAL AND SPECIAL

MEETING OF SHAREHOLDERS

INFORMATION CIRCULAR

APRIL 10, 2013

“Our mission is to be the world’s pre-eminent silver producer, with a reputation for excellence in discovery, engineering, innovation and sustainable development.”

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Notice of our 2013 Annual General and Special Meeting of Shareholders

When	Where
Monday, May 13, 2013 2:00 p.m. (Vancouver time)	Arbutus Room at the Four Seasons Hotel 791 West Georgia Street, Vancouver, British Columbia

We will cover five items of business:

1. Receive our consolidated financial statements for the financial year ended December 31, 2012 and the auditor's report thereon
2. Elect 8 directors to hold office until our 2014 annual meeting of shareholders
3. Reappoint Deloitte LLP as the independent auditor to hold office until our 2014 annual meeting of shareholders and authorize the directors to set the auditor's pay
4. An advisory resolution approving our approach to executive compensation
5. Other business

Your vote is important.

You are entitled to receive this notice and vote at our 2013 annual meeting of shareholders if you owned common shares of Pan American Silver Corp. as of the close of business on April 3, 2013 (the record date for the meeting).

The accompanying Circular contains important information about what the meeting will cover, who can vote and how to vote. Please read it carefully.

If you have any questions about the procedures to be followed to qualify to vote at the meeting or about obtaining and depositing the required form of proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Robert Pirooz

Robert Pirooz,
General Counsel and Director

Vancouver, British Columbia
April 10, 2013

Management Information Circular

You have received this management information circular (the Circular) because our records indicate that you owned Pan American common shares as of the close of business on April 3, 2013, (the record date) for the 2013 annual general and special meeting of shareholders to be held on Monday, May 13, 2013 (the Meeting). You have the right to attend the Meeting and vote on various items of business in person or by proxy. You retain these rights if the Meeting is adjourned or postponed.

Both the Board of Directors (the Board) and management of Pan American encourage you to vote. Our management will be soliciting your vote for this Meeting and any Meeting that is reconvened if it is postponed or adjourned.

Management's solicitation of proxies will be conducted by mail and may be supplemented by telephone or other personal contact to be made without special compensation by our directors, officers and employees or by our registrar and transfer agent. We have retained Kingsdale Shareholder Services as our proxy solicitation agent for the meeting to whom customary fees for such services will be paid. We will bear all costs of solicitation.

Unless otherwise indicated, all currency amounts stated in this Circular are stated in the lawful currency of the United States.

This Circular is dated April 10, 2013. Unless otherwise stated, information in this Circular is as of April 3, 2013.

Receiving Documents

This Circular is expected to be mailed to our shareholders on or about April 12, 2013 with a proxy or voting instruction form, in accordance with applicable laws.

This Circular and other materials are being sent to both registered and non-registered shareholders.

If you are a registered shareholder, send your completed proxy by fax or mail, or on the internet, to Computershare Investor Services Inc. They must receive your proxy by 2:00 p.m. (Vancouver time) on Thursday, May 9, 2013, or at least 48 hours (excluding Saturdays, Sundays and statutory holidays in British Columbia) prior to the time of any adjournment or postponement of the Meeting. The chairman of the Meeting has the discretion to accept late proxy forms.

If you are a non-registered shareholder and you have received these materials from us or our agent, we have obtained your name, address and information about your shareholdings from your securities broker, custodian, nominee, fiduciary or other intermediary holding these securities on your behalf in accordance with applicable requirements of securities regulators. By sending these materials to you directly, we (and not your intermediary) have assumed

In this document, we, us, our, Pan American and the Company mean Pan American Silver Corp.

You, your and shareholder mean holders of common shares of Pan American.

Your vote is important. This Circular describes what the Meeting will cover and how to vote. Please read it carefully and vote, either by completing the form included with this package or by attending the Meeting in person.

responsibility for delivering them to you and executing your proper voting instructions. Please return your voting instructions as specified in the enclosed voting information form.

If you are a non-registered shareholder and object to us receiving access to your personal name and address, we have provided these documents to your broker, custodian, fiduciary or other intermediary to forward to you. Please follow the voting instructions that you receive from your intermediary. Your intermediary is responsible for properly executing your voting instructions

As a shareholder, you can decide if you want to receive our interim and annual financial statements and management's discussion and analysis (MD&A). To receive these materials, please complete the enclosed card to send us your instructions, complete the request contained on the form of proxy provided in connection with the Meeting or register online at www.computershare.com/maillinglist.

Additional Information

You can find financial information relating to Pan American in our comparative financial statements and MD&A for our most recently completed financial year. See our MD&A, financial statements and our annual information form (or Form 40-F) for additional information about us. These documents are available:

- on our website (www.panamericansilver.com)
- on SEDAR (www.sedar.com)
- on EDGAR (www.sec.gov/edgar.shtml)

You can also request copies of these documents or additional copies of this Circular, free of charge by contacting our corporate secretary:

Corporate Secretary	panamericansilver.com
Pan American Silver Corp.	604-684-1175 (call toll-free)
1500 – 625 Howe Street	604-684-0147 (fax)
Vancouver, British Columbia V6C 2T6	

Our Board has approved the contents of this Circular and have authorized us to send it to you. We have also sent a copy to each of our directors and our auditor.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Robert Pirooz

Robert Pirooz,
General Counsel and Director

Vancouver, British Columbia
April 10, 2013

About the Meeting

Items of Business

We'll cover five items of business:

1. Receiving our consolidated financial statements for the financial year ended December 31, 2012, and the auditor's report
Our transfer agent and registrar is Computershare Investor Services Inc. (Computershare).
2. Electing eight directors to the board to hold office until the end of our 2014 annual meeting of shareholders
They will act as scrutineer of the meeting and are responsible for counting the votes on our behalf.
3. Appointing Deloitte LLP as our independent auditor and Authorizing the directors to set the auditor's pay
4. 'Say on Pay'
5. Other business

Receiving Our Financial Statements and the Auditor's Report

Our consolidated financial statements for the year ended December 31, 2012, and the auditor's report are included in our 2012 annual report, which is being mailed to all shareholders and is available on our website (www.panamericansilver.com) and on SEDAR (www.sedar.com).

A representative from Deloitte LLP, the independent auditor for 2012, will be at the meeting to answer any questions.

Electing Directors (see page 9)

You will elect eight directors to the Board. The director nominees are:

Ross J. Beaty	Geoffrey A. Burns
Michael L. Carroll	Christopher Noel Dunn
Neil de Gelder	Robert P. Pirooz
David C. Press	Walter T. Segsworth

Directors are elected for a one-year term, which expires at the end of our 2014 annual meeting of shareholders.

Appointing the Independent Auditor and Setting the Auditor's Pay (see page 12)

You will vote on appointing our auditor. The Board, on the recommendation of the Audit Committee, has recommended that Deloitte LLP be reappointed as the independent auditor to serve until the end of our 2014 annual meeting of shareholders. You will vote on authorizing the Board to set the auditor's pay for the ensuing year.

'Say on Pay' (see page 12)

You will vote on our approach to executive compensation as disclosed in this Circular. Your vote is advisory and non-binding, and will provide the Board and the Human Resources and Compensation Committee with important

feedback.

Other Business

If other items of business are properly brought before the meeting, you (or your proxyholder, if you are voting by proxy) can vote as you see fit. As of the date of this circular, we are not aware of any other items of business to be considered at the meeting.

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Quorum and Approval

We need a quorum of shareholders to transact business at the Meeting. According to our articles of incorporation, a quorum for the transaction of business at a general meeting 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 carrying the right to vote at that meeting.

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Voting

Who Can Vote

You are entitled to receive notice of and vote at the Meeting to be held on May 13, 2013, if you held Pan American common shares as of the close of business on April 3, 2013, the record date for the Meeting.

Questions about voting?
Contact:

Each share you own entitles you to one vote on each item of business to be considered at the Meeting.

Computershare Investor Services Inc.
Attention: Stock Transfer Services
100 University Avenue
9th Floor
Toronto, Ontario M5J 2Y12

How to Vote

You can vote by proxy or voting instruction form or you can attend the Meeting and vote your shares in person.

Tel: 1-800-564-6253
(toll free)

Voting by Proxy or Voting Instruction Form

Voting by proxy or by voting instruction form is the easiest way to vote. It means you are giving someone else (called your proxyholder) the authority to attend the Meeting and vote your shares for you.

There are different ways to submit your voting instructions, depending on whether you are a registered or non-registered shareholder.

Non-Registered Shareholders

You are a non-registered (or beneficial) shareholder if your shares are registered in the name of:

your bank, trust company, securities dealer or broker, trustee, administrator, custodian or other intermediary, who holds your shares in a nominee account; or

The voting process is different depending on whether you are a registered or non-registered shareholder.

a clearing agency, like CDS.

You are a registered shareholder if your name appears on your share certificate.

OBOs are objecting beneficial shareholders who do not want us to know their identity.

NOBOs are non-objecting beneficial shareholders that do not object to us knowing their identity.

You are a non-registered shareholder if your bank, trust company, securities broker, trustee or other financial institution holds your shares (your nominee). This means the shares are registered in your nominee's name, and you are the

Under National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer, we can deliver proxy-related materials directly to NOBOs. Our agent sends NOBOs the Meeting materials and a voting instruction form, along with instructions for completing the form and returning it to them. Our agent is responsible for following

the voting instructions it receives, tabulating the results and then providing appropriate instructions to our transfer agent, Computershare. beneficial shareholder.

Be sure to follow the appropriate voting procedure carefully.

If you are an OBO, we must send the Meeting materials to your intermediary so they or their service company can forward them to you, unless you've waived the right to receive certain proxy-related materials. The package should include a voting instruction form for you to complete with your voting instructions.

In order to vote using the voting instruction form:

NOBOs: Fill in the voting instruction form you received with this package and carefully follow the instructions provided. You can send your voting instructions by phone or by mail or through the internet.

OBOs: Sign and date the voting instruction form your intermediary sends to you, and follow the instructions for returning the form. Your intermediary is responsible for properly executing your voting instructions.

If you are a non-registered shareholder and would like additional information or assistance in completing your voting instruction form or in obtaining the required information to submit your vote on the matters to be dealt with at the meeting, you may contact Kingsdale Shareholder Services Inc. toll-free at 1-877-659-1825, or by email at contactus@kingsdaleshareholder.com.

Registered Shareholders

You are a registered shareholder if you hold a share certificate in your name.

Our President and Chief Executive Officer, Geoffrey A. Burns, or failing him, our General Counsel, Robert P. Pirooz have agreed to act as the Pan American management proxyholders in connection with the Meeting. You can appoint someone other than the Pan American management proxyholders to attend the Meeting and vote on your behalf. If you want to appoint someone else as your proxyholder, strike out the names on the enclosed proxy form and print the name of the person you want to appoint as your proxyholder in the space provided. This person does not need to be a Pan American shareholder.

On any ballot, your proxyholder must vote your shares or withhold your vote according to your instructions and if you specify a choice on a matter, your shares will be voted accordingly. If there are other items of business that properly come before the Meeting, or amendments or variations to the items of business, your proxyholder has the discretion to vote your shares as he or she sees fit.

It is important you provide voting instructions with your proxy. If you appoint the Pan American management proxyholders, but do not tell them how to vote, your shares will be voted:

for the nominated directors listed on the proxy form and in this Circular
for reappointing Deloitte LLP as the independent auditor
for authorizing the Board to set the auditor's pay
for the advisory resolution on our approach to executive compensation

This is consistent with the voting recommendations of the Board. If there are other items of business that properly come before the Meeting, or amendments or variations to the items of business, the Pan American management proxyholders will vote according to management's recommendation.

If you appoint someone other than the Pan American management proxyholders to be your proxyholder, that person must attend and vote at the Meeting for your vote to be counted.

A proxy will not be valid unless it is signed by the registered shareholder, or by the registered shareholders' attorney with proof that they are authorized to sign. If you represent a registered shareholder who is a corporation or association, your proxy should have the seal of the corporation or association, where applicable, and must be executed by an officer or an attorney who has written authorization. If you execute a proxy as an attorney for an individual registered shareholder, or as an officer or attorney of a registered shareholder who is a corporation or association, you

must include the original, or a notarized copy of the written authorization for the officer or attorney, with your proxy form.

If you are voting by proxy, you may vote by phone, by mail or on the internet.

Computershare must receive your proxy by 2:00 p.m. (Vancouver time) on Thursday, May 9, 2013, or at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the province of British Columbia)

prior to the time set for the Meeting or any adjournment or postponement of the Meeting. The chairman of the Meeting has the discretion to accept late proxy forms.

Voting by Telephone:

You may vote your shares by telephone by dialling the following toll-free number from a touch tone telephone: 1-866-732-8683. If you vote by telephone, you will need your control number, which appears below your name and address on your proxy form.

Voting by Mail:

Complete your proxy form, including the section on declaration of residency, sign and date it, and send it to Computershare in the envelope provided.

If you did not receive a return envelope, please send the completed form to:

Computershare Investor Services Inc.
Attention: Proxy Department
100 University Avenue
9th Floor
Toronto, Ontario M5J 2Y1

Voting on the Internet:

Go to www.investorvote.com and follow the instructions on screen. If you vote using the internet, you will need your control number, which appears at the bottom of the first page of your proxy form.

Attending the Meeting and Voting in Person

Non-Registered Shareholders

NOBOs: Follow the instructions on the voting instruction form. You must request a legal proxy form granting you the right to attend the Meeting and vote in person.

OBOs: Follow the instructions on the voting instruction form from your intermediary, and request a proxy form, which grants you the right to attend the Meeting and vote in person.

When you arrive at the Meeting, make sure you register with a representative from Computershare so your voting instructions can be taken at the Meeting.

Registered Shareholders

Do not complete the enclosed proxy form if you want to attend the Meeting and vote in person. Simply register with a representative from Computershare when you arrive at the Meeting.

Send Your Voting Instructions Right Away

Your vote will only be counted if Computershare receives your voting instructions before 2:00 p.m. (Vancouver time) on Thursday, May 9, 2013, if you are submitting your voting instructions online or by telephone, or if you are sending

the proxy form by mail.

Make sure the proxy form is properly completed and that you allow enough time for it to reach Computershare if you are sending it by mail.

If the Meeting is postponed or adjourned, Computershare must receive your voting instructions at least 48 hours before the Meeting is reconvened.

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Changing Your Vote

Non-Registered Shareholders

Only registered shareholders have the right to revoke a proxy.

Non-registered shareholders can change their vote:

NOBOs: contact our agent on the voting instruction form right away so they have enough time before the Meeting to arrange to change their vote.

OBOs: contact your intermediary right away so they have enough time before the Meeting to arrange to change the vote and, if necessary, revoke the proxy.

Registered Shareholders

You can revoke your proxy by sending a new completed proxy form with a later date, or a written note signed by you, or by your attorney if he or she has your written authorization. You can also revoke your proxy in any manner permitted by law.

If you represent a registered shareholder who is a corporation or association, your written note must have the seal of the corporation or association, and must be executed by an officer or an attorney who has their written authorization. The written authorization must accompany the revocation notice.

We must receive the written notice any time up to and including the last business day before the day of the Meeting, or the day the Meeting is reconvened if it was postponed or adjourned.

Send the signed written notice to:

Pan American Silver Corp.
Suite 1500, 625 Howe Street
Vancouver, British Columbia
Canada, V6C 2T6
Attention: Corporate Secretary

You can also give your written notice to the chairman of the Meeting on the day of the Meeting. If the Meeting has already started, your new voting instructions can only be executed for items that have not yet been voted on.

If you've sent in your completed proxy form and since decided that you want to attend the Meeting and vote in person, you need to revoke the proxy form before you vote at the Meeting.

Processing the Votes

Our transfer agent, Computershare, or its authorized agents count and tabulate the votes on our behalf.

We will file the voting results of the Meeting on SEDAR (www.sedar.com) and EDGAR (www.sec.gov/edgar.shtml) after the Meeting.

About the Nominated Directors

Our Board has determined that eight directors will be elected at the Meeting for the ensuing year based on the mix of skills and experience the Board believes are necessary to effectively fulfil its duties and responsibilities. All nominated directors served on our Board last year.

Our Policy on Majority Voting

We have adopted a majority voting policy where any nominee proposed for election as a director is required to tender their resignation if the director receives more withheld votes than for votes (i.e., a majority of withheld votes) at any meeting where shareholders vote on the uncontested election of directors. An uncontested election means the number of director nominees for election is the same as the number of directors to be elected to the Board. The Nominating and Governance Committee will then submit a recommendation regarding whether or not to accept the resignation to the Board. Within 90 days of receiving the final voting results, the Board will issue a press release either announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board or the Nominating and Governance Committee at which the resignation is considered.

Nominees for Election as Directors

The term of office of each of the present directors expires at the close of the Meeting. Persons named below will be presented for election at the Meeting as management's nominees. Unless otherwise instructed, the accompanying form of proxy will be voted for management's nominees. Management does not contemplate that any of these nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the accompanying form of proxy reserve the right to vote for another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors. Each director elected will hold office until the close of our next annual meeting of shareholders or until his successor is elected or appointed, unless his office is earlier vacated in accordance with our articles or with the provisions of the Business Corporations Act (British Columbia).

The following table sets out information about management's nominees for election as directors, including:

The municipality and province or state in which each nominee is ordinarily resident

All offices at Pan American currently held by each nominee

Each nominee's principal occupation, business or employment

The period of time for which each nominee has served as a director

The number of shares of Pan American beneficially owned by each nominee, directly or indirectly, or over which each nominee exercises control or direction as at April 3, 2013

Name, Residence and Position	Principal Occupation, Business or Employment Since 2007	Number of Shares Held
Ross J. Beaty Vancouver, B.C. Canada Chairman (independent) Member of the Finance Committee	Executive Chairman of Alterra Power Corp Chairman of the Company Director of the Company since September 30, 1988	2,118,680 Shares (1) 0 Options
Geoffrey A. Burns North Vancouver, B.C. Canada President, Chief Executive Officer and Director (non-independent) Member of the Health, Safety and Environment Committee and the Finance Committee	President and Chief Executive Officer of the Company Director of the Company since July 1, 2003	58,373 Shares 123,308 Options
Michael L. Carroll Walnut Creek, California USA Director (independent) Chair of the Audit Committee Member of the Finance Committee	Corporate Director Director of the Company since January 1, 2011	4,000 Shares 0 Options
Christopher Noel Dunn Boston, MA USA Director (independent) Chair of the Finance Committee Member of the Human Resources and Compensation Committee and Nominating and Governance Committee	Corporate Director Director of the Company since January 1, 2012	941 Shares 0 Options
Neil de Gelder Q.C. Vancouver, B.C. Canada Director (independent)	Executive Vice President, Stern Partners Director of the Company since July 3, 2012	1,000 Shares 12,245 Options

Chair of Nominating and
Governance Committee
Member of the Audit Committee

Robert P. Pirooz Q.C. Vancouver, B.C. Canada	General Counsel of the Company Director of the Company since April 30, 2007	7,664 Shares 88,526 Options
General Counsel and Director (non-independent)		

Name, Residence and Position	Principal Occupation, Business or Employment Since 2007	Number of Shares Held
David C. Press West Vancouver, B.C. Canada Director (independent) Chair of the Health, Safety and Environment Committee Member of the Audit Committee and Human Resources and Compensation Committee	Corporate Director Director of the Company since May 13, 2008	5,391 Shares 0 Options
Walter T. Segsworth (2) West Vancouver, B.C. Canada Lead Director (independent) Chair of the Human Resources and Compensation Committee Member of the Health, Safety and Environment Committee	Corporate Director Director of the Company since May 12, 2009	7,944 Shares 0 Options

Notes:

- (1) 160,000 of these shares are held by Kestrel Holdings Ltd., a private company owned by Mr. Beaty.
- (2) Lead independent director. As lead independent director, Mr. Segsworth holds in-camera meetings with all independent directors of the Board and reports back on those in-camera meetings to the Board.

The municipality and province or state of residence, principal occupation and business or employment of each director is not within the knowledge of our directors or senior officers and has been furnished by the individual nominees. The number of shares beneficially owned by each nominee or over which each nominee exercises control or direction set out in the above table has been obtained from publicly available insider reporting as at April 3, 2013 or has been provided by individual nominees.

Cease trade orders, bankruptcies, penalties or sanctions

Except as set out below, in the last 10 years, none of the proposed directors has, or has been a director, chief executive officer or chief financial officer (while, or within a year of, acting in that capacity) of any company (including ours) that has:

- become bankrupt,
- made a proposal under legislation relating to bankruptcy or insolvency,
- been subject to or instituted any proceedings, arrangement of compromise with creditors, or
- had a receiver, receiver manager or trustee appointed to hold its assets, or the assets of the nominated director.

Mr. 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.

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None of our nominated directors are, or have been within the last 10 years, a director, chief executive officer or chief financial officer of any company that was subject to:

- a cease trade order,
- an order similar to a cease trade order, or
- an order that denied the relevant company access to any exemption,

that was issued while the nominated director was acting in that capacity, or that was issued after the nominated director was no longer acting in that capacity, and which resulted from an event that occurred while that person was acting in that capacity.

None of the proposed directors have been subject to any penalties or sanctions imposed by a court or regulatory body, or have entered into a settlement agreement with any securities regulatory authority.

About the Auditor

Deloitte LLP has been our auditor since October 26, 1993. The auditor conducts the annual audit of our financial statements and provides audit-related, tax and other services and reports to the Audit Committee of the Board. Unless otherwise instructed, the accompanying form of proxy will be voted for the reappointment of Deloitte LLP as our auditor to hold office until our 2014 annual meeting of shareholders and for the authorization of the Board to fix auditor's pay.

Auditor's fees

The table below shows the fees earned by Deloitte LLP for services in 2011 and 2012:(1)

	Year ended December 31, 2012 (\$)	Year ended December 31, 2011 (\$)
Audit Fees	2,223,000	1,760,000
Audit Related Fees	27,000	421,000
Tax-Related Fees	470,000	22,000
Other Fees	43,000	12,000
Total:	\$2,763,000	\$2,215,000

Note:

(1)The Audit Committee approved all audit and non-audit services provided to us by Deloitte LLP in 2012 and 2011.

'Say on Pay'

We are committed to being on the forefront of corporate governance issues. Accordingly, you will have the opportunity to vote on our approach to executive compensation at the Meeting. Since the resolution is advisory in nature, it will not be binding. However, we and, in particular, the Human Resources and Compensation Committee, will consider the outcome of the vote as part of our ongoing review of executive compensation. For information on our approach to executive compensation see "Executive Compensation" beginning on page 22. Unless otherwise instructed, the accompanying form of proxy will be voted for this ordinary resolution.

The full text of the advisory resolution on our approach to executive compensation is as follows:

Be it resolved, on an advisory basis and not to diminish the role and responsibilities of the Board, that the shareholders accept the approach to executive compensation disclosed in Pan American's information circular for the annual meeting of shareholders of Pan American to be held on Monday, May 13, 2013.

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Corporate Governance

The Board believes that good corporate governance is important to our effective performance and plays a significant role in protecting our shareholders' interests and maximizing shareholder value.

Guidelines for effective corporate governance of listed companies are established by a number of sources, including:

- National Instrument 58-101 - Disclosure of Corporate Governance Practices (NI 58-101)
- National Instrument 58-201 - Corporate Governance Guidelines (NI 58-201 and, together with NI 58-101, the Corporate Governance Disclosure Rules)
 - Sarbanes-Oxley Act of 2002
 - Nasdaq's corporate governance requirements (the Nasdaq Rules)

The Board is of the view that our system of corporate governance meets or exceeds these guidelines.

With the goal of continuously improving and enhancing our corporate governance standards and best practices, over the last three years we have presented a "say on pay" resolution to our shareholders and have adopted a majority voting policy on the election of directors.

Our overall corporate governance practices are compared with the NI 58-101 guidelines for effective corporate governance in Appendix A to this Circular.

Ethical Business Conduct

As part of its stewardship responsibilities, in February of 2003 the Board adopted formal Standards of Ethical Conduct which were designed to deter wrong-doing and to promote honest and ethical conduct and full, accurate and timely disclosure. These standards were revised, amended and restated as a Code of Ethical Conduct in December of 2005 in light of the adoption of the Corporate Governance Disclosure Rules. This Code was again revised, amended and restated as a Global Code of Ethical Conduct (the Code) in August of 2011 to contemplate, among other things, our Global Anti-Corruption Policy that was adopted in May of 2011. The Code is applicable to all of our directors, officers and employees.

The Board, through the Nominating and Governance Committee and the Audit Committee, monitors compliance with the Code and is responsible for the granting of any waivers from the Code to directors or executive officers. We will disclose any waiver from the requirements of the Code granted to our directors or executive officers in our next subsequent quarterly report.

About the Board

The Board has overall responsibility for corporate governance matters through:

- The development and approval of corporate policies and guidelines
- Assisting in the definition of corporate objectives and assessing key plans
- Evaluating our performance on a regular basis

Among other things, the Board is guided by legislative and other governance standards, as well as stock exchange rules and industry best practices. In addition, the Board has developed a mandate which sets out written terms of reference for the Board's authority, responsibility and function. This mandate was revised, amended and restated in April 2003, March 2005 and again in November 2005, in light of the adoption of NI 52-110, the Corporate

Governance Disclosure Rules, the provisions of the Sarbanes-Oxley Act of 2002 and the Nasdaq Rules. The Board, as a whole or through its committees, periodically reviews and assesses our policies and guidelines, as well as our governance practices, to ensure they are appropriate and current.

The Board is comprised of individuals of the highest integrity, each of whom has the knowledge and skill necessary to contribute effectively to the oversight and guidance of Pan American. The Board has a majority of independent directors. Independence is in part a legal and regulatory construct, but is also

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evaluated on the basis that such directors are able to act objectively and in an unfettered manner, free from material relationships with us.

The Board has established five committees that each play a role in our business:

- Audit
- Health, Safety and Environment
- Nominating and Governance
- Human Resources and Compensation
- Finance

Each committee acts on issues that fall within its particular purview, but also on matters that overlap between committees and ultimately may involve the Board as a whole. The Board has developed charters or mandates for each of its committees which establish their specific roles and responsibilities, and has also adopted governance guidelines for certain of its committees. Committee members are appointed annually following our annual meeting of shareholders.

In fulfilling its governance responsibilities, the Board has delegated a significant portion of the day-to-day responsibility for corporate governance to the Nominating and Governance Committee. The Nominating and Governance Committee is responsible for developing and implementing Board governance best practices and works closely with our General Counsel and our Corporate Secretary to ensure that it stays aware of developments and emerging trends in corporate governance. The Nominating and Governance Committee regularly reports, advises and makes recommendations on governance related matters to the Board. Please refer to the description of the Nominating and Governance Committee below for a more detailed description of its composition, function and responsibilities.

In addition, the Board relies on management to ensure we are conducting our everyday business to the appropriate standards and also to provide regular, forthright reports to the Board and its committees.

Composition of the Board and Independence

The Board currently consists of eight directors, six of whom, Ross J. Beaty, Michael L. Carroll, Christopher Noel Dunn, Neil de Gelder, David C. Press, and Walter T. Segsworth, qualify as independent directors under the Corporate Governance Disclosure Rules and the Nasdaq Rules, and are independent of management and free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with their ability to act in our best interests. Geoffrey A. Burns and Robert P. Pirooz are related directors who are not independent due to their management positions with us. As such, the Board is currently 75% independent.

The independent members of the Board meet without the presence of the non-independent directors and management at every regularly scheduled meeting and at such other Board meetings as they deem appropriate. These in-camera meetings are led by the lead director, Mr. Segsworth. In addition, the Audit Committee regularly holds in-camera sessions with our auditor or amongst themselves. Other committees of the Board also hold in-camera sessions on an ad-hoc basis.

Board Committees

The following is a description of the composition and mandate for each of the committees of the Board.

Audit Committee

The Audit Committee is currently composed of three directors, each of whom is an unrelated and independent director for the purposes of the Corporate Governance Disclosure Rules and all of whom are independent directors for purposes of the Nasdaq Rules and as required by the Audit Committee Charter. The Audit Committee regularly holds in-camera sessions without management present.

The chair of the Audit Committee is currently Michael Carroll.

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All members of the Audit Committee are financially literate. We consider financial literacy to be the ability to read and understand a company's fundamental financial statements, including a company's balance sheet, income statement and a cash flow statement. Mr. Carroll has significant employment experience in finance and accounting - he previously served as chair of the Audit Committee and designated financial expert of Centenario Copper Corporation - and has the requisite professional experience in accounting to meet the criteria of a financial expert within the meaning of section 407 of the Sarbanes-Oxley Act of 2002.

The Audit Committee assists the Board in its oversight functions as they relate to the integrity of our financial statements and accounting processes, and the independent auditor qualifications and independence. In this regard the Audit Committee has primary responsibility for our financial reporting, accounting systems and internal controls. The Audit Committee has the following duties and responsibilities:

- Assisting the Board in fulfilling its responsibilities relating to our accounting and reporting practices
- Reviewing our audited financial statements and recommending whether such statements should be approved by the Board
 - Reviewing and approving our unaudited interim financial statements
- Reviewing and approving our MD&A and any press releases related to the annual and interim financial statements or any MD&A before we disclose this information
- Recommending to the Board the firm of independent auditors to be nominated for appointment by shareholders at each annual meeting of shareholders and, where appropriate, the removal of our independent auditor
 - Recommending to the Board the compensation to be paid to our independent auditor
 - Reviewing the audit engagement and scope of audits to be conducted by our independent auditor
 - Monitoring and evaluating the independence and performance of our independent auditor
- Overseeing the work of our independent auditor, including the resolution of any disagreements between management and the independent auditor regarding financial reporting
- Pre-approving all non-audit services to be provided to us by our independent auditor prior to the commencement of such services
- In consultation with management and the independent auditor, reviewing the integrity, adequacy and timeliness of our financial reporting and internal control structure
 - Monitoring our compliance with legal and regulatory requirements related to financial reporting and disclosure
- Discussing with management and the independent auditor the adequacy and effectiveness of our financial accounting systems and internal control procedures
 - Reviewing and approving the appointment of our chief financial officer and key financial executives
- Establishing procedures for the receipt, retention, confidentiality and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters
- Annually reviewing and reassessing the adequacy of the duties and responsibilities of the Audit Committee set out in the Board's formal written mandate
- Any other matters that the Audit Committee feels are important to its mandate or that the Board chooses to delegate to it

The Audit Committee is empowered to instruct and retain independent counsel or other advisors, set the pay and compensation for any such advisors and communicate directly with the independent auditor, as it determines necessary to carry out its duties. We will pay the costs of such advisors. The Audit Committee also has oversight responsibility for our internal audit group and function, and reviews and assesses internal audit findings. Additional information relating to the Audit Committee is contained in our

Annual Information Form for the year ended December 31, 2012 under the heading “Audit Committee” and in Appendix A hereto.

The Audit Committee has prohibited the use of our independent auditor for the following non-audit services:

- Bookkeeping or other services related to our accounting records or financial statements
- Financial information systems design and implementation, except for services provided in connection with the assessment, design and implementation of internal account controls and risk management controls
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports, where the results of any valuation or appraisal would be material to our financial statements or where the accounting firm providing the appraisal, valuation, opinion or report would audit the results
 - Actuarial services
 - Internal audit outsourcing services
 - Management functions or human resources functions
 - Broker-dealer, investment advisor or investment banking services
 - Legal services
 - Expert services unrelated to audits

Human Resources and Compensation Committee

The Human Resources and Compensation Committee (the HRCC) is currently comprised of three directors, each of whom is an independent director as required by the HRCC Mandate, and for the purposes of both the Corporate Governance Disclosure Rules and the Nasdaq Rules. In addition, none of the members of the HRCC is currently an executive officer of any other public company. The HRCC holds in-camera sessions without management present when appropriate.

The chair of the HRCC is Walter T. Segsworth.

The HRCC reviews and makes recommendations to the Board in respect of the overall compensation strategy, salary and benefits, and succession planning, of our executive officers. In addition, the HRCC is responsible for reviewing any agreements with executive officers that may address retirement, termination of employment or special circumstances, and for the general compensation structure, policies and our incentive programs, as well as delivering an annual report to shareholders on executive compensation. The HRCC annually reviews and makes recommendations to the Board for approval with respect to annual and long term corporate goals and objectives relevant for determining the compensation for our CEO, and annually reviews the performance of our CEO relative to the goals and objectives established.

More details about the HRCC and its work can be found in the Executive Compensation section of this Circular.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee currently consists of three directors, one of whom, Mr. Geoffrey Burns, is an executive member of the Board. We believe that the Health, Safety and Environment Committee should have management nominees because they are in the best position to analyze any issues that arise in this area, as well as to effect and implement any desired changes or policies.

The chair of the Health, Safety and Environment Committee is David C. Press.

We recognize that proper care of the environment and the health and safety of our employees is integral to our existence, our employees, the communities in which we operate and all of our operations. Accordingly, we have directed our operating subsidiaries to conduct all operations in an environmentally ethical manner having regard to local laws, requirements and policies and to our Health and Safety Policy

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and Environmental Policy (the HSE Policies). Our operating subsidiaries have responsibility for compliance with the HSE Policies, including being committed to, among other things:

- Meet or exceed the standards set by the applicable environmental laws and regulations of the countries and regions in which they operate
 - Consider alternative sources of energy generation and implement where appropriate efficiency programs that contribute to the reduction of the intensity of our energy use
- Explore, design, construct, operate and close mining and processing operations by utilizing effective and proven practices that minimize adverse environmental impacts
- Educate employees regarding environmental matters and promote employee participation in minimizing environmental impacts
- Conduct regular reviews and report findings to management and the Board of Directors to ensure compliance with this policy
 - Proactively and diligently address potential environmental concerns of our stakeholders
 - Implement environmental management system at all operations
- Prominently display and promote this policy to all employees and contractors and disclose it to all of our stakeholders

The Health, Safety and Environment Committee oversees audits made of all construction, exploitation, remediation and mining activities undertaken by our operating subsidiaries, to assess consistency with the Global Statement, HSE Policies and industry best practices.

Nominating and Governance Committee

The Nominating and Governance Committee currently consists of two directors, each of whom is an independent director as required by the Nominating and Governance Committee Charter, and for the purposes of both the Corporate Governance Disclosure Rules and the Nasdaq Rules. The Nominating and Governance Committee holds in-camera sessions without management present when appropriate.

The chair of the Nominating and Governance Committee is Neil de Gelder.

The Nominating and Governance Committee:

- Oversees the effective functioning of the Board
 - Oversees the relationship between the Board and our management
- Ensures that the Board can function independently of management at such times as is desirable or necessary
- Assists the Board in providing efficient and effective corporate governance for the benefit of shareholders
 - Identifies possible nominees for the Board, and reviews nominee and member qualification
 - Ensures that new directors are provided with an orientation and education program
 - Evaluates the performance of each individual director
 - Reviews our Global Code of Ethical Conduct

The Nominating and Governance Committee also reviews and makes recommendations to the Board with respect to:

- The independence of each director
 - The competencies, skills and experience that each existing director should possess
 - The appropriate size and composition of the Board
- The appropriateness of the committees of the Board, their mandates and responsibilities and the allocation of directors to the committees

- The compensation of our directors in light of time commitments, comparative fees, risks and responsibilities
 - The directorships, if any, held by our directors and officers in other corporations
 - Our corporate governance disclosure

Finance Committee

The Board has a Finance Committee which currently consists of four directors, one of whom, Mr. Geoffrey Burns, is an executive member of the Board. We believe that the Finance Committee should have management nominees because they have day-to-day knowledge of our financial matters and are in the best position to effect and implement any desired changes or policies. The purpose of the Finance Committee is to assist the Board in monitoring and reviewing our financial structure, investment policies and financial risk management programs and make recommendations to the Board in connection therewith.

The chair of the Finance Committee is Christopher Noel Dunn.

The Finance Committee's responsibilities include:

- Reviewing the policies underlying our financial plan to ensure its adequacy and soundness in providing for our operational and capital plans
 - Reviewing our debt and equity structure
 - Reviewing the establishment and maintenance of a dividend policy
 - Reviewing proposed major financing activities, including any related tax planning
 - Reviewing the method for financing our proposed major acquisitions
- Assessing policies and procedures for entering into investments and reviewing investment strategies for our cash balances
- Reviewing our financial risk management program, including any significant commodity, currency or interest rate hedging programs
 - Making recommendations to the Board with respect to the foregoing

Summary of Attendance of Directors

The following table sets out the attendance of directors at Board meetings and meetings of the committees of the Board of which they were members during the year ended December 31, 2012:

Director	Board 8 meetings	Audit 6 meetings	Human Resources and Compensation 6 meetings	Nominating and Governance 1 meeting(3)	Health, Safety and Environment 4 meetings	Finance 3 meetings	Total Attendance
Ross J. Beaty	8	-	-	-	-	-	100%
Geoffrey A. Burns	8	-	-	-	4	2	93%
Michael Carroll	8	6	-	-	-	3	100%
Christopher Noel Dunn	8	-	6	1	-	3	100%
Neil de Gelder(1)	3 of 3	-	-	-	-	-	100%
Michael J.J. Maloney(2)	7 of 7	6	-	1	-	-	100%

Robert P. Pirooz	8	-	-	-	-	-	100%
David C. Press	8	6	6	-	4	-	100%
Walter T. Segsworth	8	-	6	-	4	-	100%

Notes:

- (1) Mr. de Gelder was appointed to the Board on July 3, 2012.
- (2) Mr. Maloney resigned from the Board on December 7, 2012.
- (3) The Nominating and Governance Committee met informally to consider a Board appointee recommendation, but otherwise conducted their business throughout the year by resolution in writing in lieu of formal meetings.

Director Compensation

We establish director compensation based on a comparative with other companies in the mining industry and in contemplation of the duties and responsibilities of our directors, both at a Board level and the committee level. Our approach to director compensation is based on offering competitive compensation to recruit and retain highly qualified individuals to serve on our Board.

Executive directors are not paid for their services as directors.

Our independent directors are paid for their services as directors through a combination of retainer and meeting fees. Independent director compensation is not performance based and they do not participate in compensation programs established for management.

The following table details the retainer and meeting fee structure for our independent directors as at December 31, 2012.

DIRECTOR RETAINER AND MEETING FEES 2012	
Type	Amount
Annual Board Chairman Retainer	CAD\$120,000
Annual Board Retainer (non-Chairman)(1)	\$90,000
Lead Director Annual Retainer	\$10,000
Audit Committee Chair retainer	\$14,000
audit Committee Member Retainer	\$6,000
Human resources and Compensation Committee Chair Retainer	\$8,000
Health, Safety and Environment Committee Chair Retainer	\$8,000
Nominating and Governance Committee Chair Retainer	\$5,000
Board and Committee Meeting Fee (Per meeting)	\$1,000

Note:

(1) Payable in cash, shares or options as described below.

Other than the chairman, each of our independent directors receives an annual Board retainer fee of \$90,000, starting on the date of the annual meeting of shareholders at which he or she is elected or re-elected as a director and ending on the date immediately prior to the date of our next annual meeting of shareholders. Other than the chairman, each of the independent directors receives their annual board retainer fee, net of applicable taxes, in one of the following three

forms:

- Cash
- Pan American common shares
- Options to purchase Pan American common shares

If a director elects to receive options, the exercise price of such options will be equal to the weighted average trading price of our shares on the TSX on the five trading days (on which at least one Board lot of the shares was traded) prior to the annual meeting of shareholders. The options will vest immediately and will expire ten years after the date on which they were granted.

In 2012, four directors elected to receive a cash payment, two directors elected to receive Pan American common shares, and one director elected to receive options to purchase Pan American common shares.

In 2012, the chairman received an annual fee of CAD\$120,000, paid in cash net of applicable taxes, plus reimbursable expenses of approximately CAD\$100,000 to cover the administrative costs of running the chairman's office.

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All non-Canadian resident directors also receive the cost of their Canadian tax filings as part of their compensation. We reimburse our directors for reasonable out-of-pocket expenses related to their attendance at meetings or other expenses incurred for corporate purposes.

The following table sets forth all amounts of compensation earned by the directors for their services to us during the 2012 calendar year, with the exception of Geoffrey A. Burns and Robert P. Pirooz who receive compensation as executives but do not receive compensation for services as directors.

Name	Fees earned (1)(8) (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Ross J. Beaty(4)	120,000	-	-	-	-	100,000(5)	220,000
Geoffrey A. Burns	-	-	-	-	-	-	Nil(2)
Michael Carroll	121,000	-	-	-	-	2,030(3)	123,030
Christopher Noel Dunn	107,000	-	-	-	-	1,575(3)	108,575
Neil de Gelder	3,000	-	81,775(7)	-	-	-	84,775
Michael J.J. Maloney	114,000	-	-	-	-	750(3)	114,750
Robert P. Pirooz	-	-	-	-	-	-	Nil(2)
David C. Press	38,000	90,000(6)	-	-	-	-	128,000
Walter T. Segsworth	36,000	90,000(6)	-	-	-	-	126,000

Notes:

- (1) Includes Board annual retainer fees, plus committee retainer fees and all meeting attendance fees.
- (2) Mr. Pirooz and Mr. Burns are executive members of the Board and therefore receive no compensation for services as directors.
- (3) Includes costs provided to non-Canadian resident directors for the preparation of their Canadian tax returns.
- (4) Amounts for Mr. Beaty are shown in Canadian dollars.
- (5) Mr. Beaty receives reimbursement of expenses to cover the administrative costs of running the Chairman's office.
- (6) Mr. Press and Mr. Segsworth elected to take their board annual retainers by way of Pan American common shares.
- (7) Mr. de Gelder elected to take his board annual retainer by way of stock options.
- (8) Retainer fees are paid each May for services performed between the Company's annual meetings.

Director Share Ownership Requirements

At its December 2012 meeting, the Board of Directors of the Company approved a share ownership requirement for its non-executive directors. Members of the Board felt that the requirement would improve director alignment with shareholders and would improve the Company's overall director compensation practices. Under the requirement, directors are required to hold a minimum of 5,000 common shares within three years of joining the board.

Directors' and Officers' Liability Insurance

We maintain Directors' and Officers' Liability insurance coverage through a primary policy and three excess layers for a 13 month period from August 31, 2012 (the Policy Term) with an aggregate limit of liability of \$40,000,000 to cover our directors and officers and our subsidiaries, individually and as a group. Included in this \$40,000,000 limit is a form of specialty Side A coverage being a \$10,000,000 limit dedicated to directors and officers. There is no retention applicable for non-indemnifiable loss, crisis loss,

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or derivative investigation costs. We would bear the first \$100,000 of any other loss, except in the cases of losses arising in connection with securities claims (a defined term) where the insured company would bear the first \$250,000 of any loss.

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Executive Compensation

Compensation Discussion and Analysis

Introduction

This section provides information relating to our executive compensation program for 2012. We refer to our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and our two other most highly paid executive officers as our Named Executive Officers or NEOs. For 2012, our NEOs were:

- Geoffrey Burns, Chief Executive Officer
- Steve Busby, Chief Operating Officer
- A. Robert Doyle, Chief Financial Officer
- Michael Steinmann, Executive Vice President, Corporate Development and Geology
- Andres Dasso, Senior Vice President, Operations

This section also contains the following information:

- A summary of our 2012 performance
- Our compensation risk management assessment
- Compensation governance: the activities and work plan of the HRCC
- Work performed by compensation consultants
- Our compensation philosophy, objectives of compensation programs, and peer group consideration
- Components of executive compensation: 2012 performance criteria and pay decisions for our NEO's

Summary of our 2012 Performance(1)

In 2012, we had another exceptional year in financial and operating performance:

- Record silver production of 25.1 million ounces and record gold production of 112,300 ounces, generating record revenues of \$928.6 million
 - Cash costs were \$12.03 per ounce of silver, net of by-product credits
 - Mine operating earnings were \$311.4 million
 - Net earnings were \$87.5 million, or \$0.62 per share
 - Adjusted earnings were \$177.9 million, or \$1.26 per share

We finished the year with cash flow from operations, before changes in working capital, of \$215.5 million, or \$1.53 per share.

We invested \$41.7 million to repurchase approximately 2.4 million shares of the Company under the Company's normal course issuer bid and paid total cash dividends of \$24.9 million or \$0.20 per share.

During 2012, the Company completed the acquisition of Minefinders Corporation Ltd. and integrated the Dolores mine into our portfolio of assets. We also divested the high-cost Quiruvilca mine in Peru and completed the best safety performance in the history of the company.

Note:

(1) Cash costs per ounce, adjusted earnings and cash flow from operations are not prepared in accordance with generally accepted accounting principles (non-GAAP) but are used by the Company and investors to evaluate performance. Cash costs per ounce does not have a standardized meaning prescribed by international financial reporting standards (IFRS) as an indicator for performance and is therefore unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that cash costs per ounce should not be construed as an alternative to production costs, depreciation and amortization, and royalties determined in accordance with IFRS as an indicator of performance. Please refer to the Company's MD&A for the year ended December 31, 2012 under the heading "Alternative Performance (Non-GAAP) Measures" (which section is incorporated by reference herein) for a complete description of these non-GAAP measures.

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Performance Graph

The following graph shows the change in value of \$100 invested in our common shares between December 31, 2008 and December 31, 2012, compared to a similar investment in the S&P TSX Composite Index, assuming reinvestment of dividends. The graph also depicts total annual compensation for our NEOs in each particular year from 2008 to 2012 for comparison purposes

	(CAD\$)			
	Pan American Silver Corp. Closing Price	Base	S&P TSX Composite	Base
December 31, 2008	\$ 21.01	100.00	8,988	100.00
December 31, 2009	\$ 25.06	119.28	11,746	130.69
December 31, 2010	\$ 40.93	195.32(1)	13,443	149.57
December 30, 2011	\$ 22.28	106.68(1)	11,955	133.01
December 31, 2012	\$ 18.64	90.07(1)	12,434	138.33

Note:

(1) Assuming reinvestment of dividends.

The relationship between total compensation of our Named Executive Officers and our performance is graphically depicted above. Although the total annual compensation of our Named Executive Officers does not directly correlate to our cumulative total shareholder return over the five most recently completed financial years, our executive compensation program has reflected significant factors affecting our performance and the mining sector during the period.

As an example, despite the positive economic environment and our success during the first half of 2008, the precipitous fall of metal prices and economic downturn in the second half of the year resulted in us instituting a number of cost cutting measures including a 10% reduction in salaries for all senior management and a decision that no awards would be payable under our annual incentive plan for 2008. With the recovery of the markets and improved economic conditions during 2009, the salaries were re-instated and incentive plan awards were granted in connection with 2009 performance.

Compensation Risk Management

Among other things, in designing compensation programs, setting objectives, and making incentive awards, the Board and the HRCC carefully consider potential risks. During 2012, the HRCC conducted a risk assessment to evaluate the potential risks associated with compensation programs as they relate to short term and long term decision-making by our executives. A number of business risks were mapped to the decision-makers and compensation programs including:

- Resource estimation and reserve determination
- Achievement of annual production and cost targets in balance with long-term development requirements at our operations
- Achieving safety results and meeting environmental requirements

The risk analysis also included a review of the pay mix across incentive plans, plan metrics, plan funding, award time horizons, historical and future payout scenarios, and control features.

As a result of the review, neither the HRCC nor the Board identified any compensation practices that are reasonably likely to have a material adverse effect on us. The design of compensation programs and Board oversight provide a number of controls to mitigate compensation risks, including the following:

- Appropriate balance of metrics and weightings: Short-term incentive program objectives include a balance of growth, safety, and operating performance and are approved by the HRCC, providing a balanced focus on our immediate requirements without sacrificing the growth required to sustain our business. Base salaries are market competitive, thus reducing the over-reliance on variable compensation.
- Capping of maximum payouts: The short-term incentive program is capped at 200%, thus limiting windfall payouts.
 - Mix of short and long-term incentives: Incentive awards include a mix of annual and long-term awards which vest over time. Furthermore, the HRCC feels that stock ownership requirements and the current level of stock ownership encourages the executives to consider long-term performance and multi-year goals in their decision-making.
- Funding of incentive programs: The short-term incentive program is funded with current cash. The long-term incentive program is funded with current cash or by the issuance of shares and options. Both the short and long-term incentive programs may be changed, amended or suspended at any time at the Board's sole discretion. Our stock option and compensation share plan (the Stock Option Plan) limits the number of compensation shares that may be issued on annual basis to 200,000.
- Control features/plan governance: Goals and metrics for 2012 were reviewed by the HRCC and approved by the Board. Final award payout levels and cash incentives to key executives for 2012 were reviewed by the HRCC and approved by the Board, either of which may have exercised their discretion to alter the award amounts.
- Time horizon of payments or realization of value: Short-term incentive awards for 2012 were made in March of 2013, following the performance year. The 2012 long-term incentive program option awards vest over two years and have life of seven years, the restricted share unit awards vest over two years, while compensation shares issued to employees have a two year hold period. The recipients of these awards realize an increase or decrease in value based on share price.
- Share ownership policies: Senior executives are subject to and are in compliance with a share ownership policy which aligns their interests with those of shareholders. The share ownership policy is described below.
- Restrictions on hedging and derivative trading: Company's executives are prohibited from engaging in hedging or derivative trading with our securities.
- Clawback provision: Both the short and long-term incentive plans include a clawback provision. If an executive is determined to be responsible for fraud or misconduct in providing financial or other results in an incentive program, the Board may recoup the entire amount of incentive compensation from the executive.

The HRCC has incorporated an annual compensation risk review into its work plan, reports its findings to the Board on an annual basis, and takes appropriate action to reduce compensation risks when deemed necessary.

Compensation Governance

Composition of the Human Resources and Compensation Committee

As discussed under the section of this Circular titled Board Committees, the purpose of the HRCC is to assist the Board in fulfilling its responsibilities relating to human resources and compensation issues. In addition, the HRCC reviews, approves and oversees the administration of our share compensation plans.

The HRCC is composed of three independent directors who possess the relevant knowledge and experience to serve on the HRCC and ensure completion of the committee's mandate.

Mr. Walter Segsworth is currently the chair of the HRCC and has served in this capacity since May 2010. Mr. Segsworth holds a Bachelor of Science in Mining Engineering from Michigan Tech and has over 38 years of experience in mining in Canada and overseas. Mr. Segsworth has served as an executive of several mining companies including Westmin Resources, where he was President and CEO, and Homestake Mining Company, where he was President and COO. He currently serves as a director for Alterra Power Corp., Gabriel Resources Ltd., Heatherdale Resources Ltd., Nova Copper Inc. and Roxgold Inc. Mr. Segsworth is past chairman of both the Mining Associations of British Columbia and Canada and was named British Columbia's Mining Person of the year in 1996. His ongoing leadership and executive experience complement his understanding of compensation matters, performance management, and the human resources challenges in the mining industry.

Mr. David Press has served on the HRCC since 2008. Mr. Press is a mining engineer with almost 40 years of diversified experience in the mining industry. He has worked in underground and open pit mines across Canada as well as in the United States and Australia. While with Homestake Mining Company, he held the position of Director, Mine Engineering and Development. In that capacity he provided technical support to all Homestake operations as well as leading the evaluation and investigation efforts for potential acquisitions on a world-wide basis. Mr. Press graduated from Nottingham University with an honours degree in mining engineering in 1967. His executive experience and service with the HRCC provide him with a solid background in executive and Board compensation matters.

Mr. Christopher Dunn has served on the HRCC since 2011. Mr. Dunn has over 25 years' experience in the investment banking industry, having worked as a Managing Director in London for Goldman Sachs, as well as having been a Senior Managing Director and Head of Global Mining and Metals for Bear Stearns. He is currently non-executive Managing Director of Liberty Metals & Mining, part of Liberty Mutual Group Asset Management Inc., which is focused on private equity investments in natural resources. Mr. Dunn's experience and background provide the required skills and knowledge to oversee compensation and human resource matters..

Role and Activities of the HRCC

In addition to a number of other human resources duties contained in the current mandate, the HRCC performs the following activities, through review and consultation with management, in relation to executive compensation:

- Reviews the overall compensation philosophy, strategy and policies for our officers and employees
- Administers our Stock Option Plan and determines its use, from time to time, as a form of compensation for our senior management and employees
-

Reviews incentive compensation program payments, including the annual incentive plan and long-term incentive plan

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- Reviews special compensation, recruiting, and retention programs to address unique circumstances, as and when needed
- Sets performance goals with the CEO, and reviews the performance of the CEO and other executive officers on an annual basis

The HRCC meets at least three times per year, and holds in camera sessions, without the presence of management, as needed.

Activities of the HRCC in 2012

The HRCC met 6 times in 2012 and, among other things, completed the following activities under its mandate:

- Reviewed our human resources strategy
- Reviewed performance of the CEO and other executive officers
- Performed a review of compensation for the CEO and other executive officers
- Reviewed and recommended senior executive appointments
- Reviewed and recommended employment agreements
- Reviewed our compensation philosophy
- Reviewed the long-term incentive plan, recommending the incorporation of Restricted Share Units (RSUs) as a necessary component of the plan
- Reviewed and recommended the long-term incentive plan grants, annual incentive plan payments, and long-term contribution plan payments
- Reviewed change of control provisions in executive employment agreements for the use of double trigger and best practices
- Reviewed executive officer share ownership compliance
- Reviewed director compensation and share ownership, recommending to the board the implementation of a director share ownership requirement, as described above
- Conducted a compensation risk review
- Reviewed compensation consultant work relationships to ensure independence

Management Role in Compensation Decision-Making

Management participates in the compensation decision-making process as follows:

- The CEO and the VP of Human Resources participate in HRCC meetings, presenting relevant materials to facilitate HRCC decision-making
- The CEO recommends performance metrics, performance results, and final award levels for the AIP and LTIP for HRCC and Board consideration
- Through the CEO and VP of Human Resources, management provides its experiences as to the effectiveness of compensation programs to attract, retain, and reward qualified personnel to oversee our operations
- Management oversees compensation matters in each office and subsidiary company, within the approved operating budgets and within the parameters of our compensation philosophy

From time to time, other members of the management team are invited to present or participate in meetings. Management acts in an advisory and informational capacity only and the HRCC maintains strict independence from management. The Board is ultimately responsible for executive compensation matters.

Use of Compensation Consultants

The HRCC engaged the services of one compensation consultant during 2012:

- Mercer (Canada) Limited (Mercer), a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (MMC), has been used since 2010 to assist the HRCC in determining the compensation for our executive officers

A summary of the fees paid to our compensation consultants for 2011 and 2012 is outlined in the table below:

Name of Consultant	Amount invoiced in 2012 (CAD)	Amount invoiced in 2011 (CAD)
Mercer	\$73,008	\$50,520
HayGroup	-	\$37,161

Compensation Consul