

PAN AMERICAN SILVER CORP  
Form SUPPL  
February 06, 2009

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*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the accompanying short form base shelf prospectus dated January 20, 2009 to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the Company at 1500 - 625 Howe Street, Vancouver, British Columbia, V6C 2T6, telephone (604) 684-1175 and are also available electronically at [www.sedar.com](http://www.sedar.com).*

Filed pursuant to General Instruction II.L. of Form F-10;  
File No. 333-156707

**PROSPECTUS SUPPLEMENT**  
to the Preliminary Prospectus Supplement dated February 4, 2009  
and to the Short Form Base Shelf Prospectus dated January 20, 2009

New Issue

February 5, 2009

**PAN AMERICAN SILVER  
CORP.**

**US\$90,025,000**

**5,540,000 Common Shares**

This prospectus supplement qualifies the distribution (the "offering") of 5,540,000 common shares (the "Shares") of Pan American Silver Corp. (the "Company") at a price of US\$16.25 per Share. Goldman Sachs Canada Inc., CIBC World Markets Inc., UBS Securities Canada Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., National Bank Financial Inc., Raymond James Ltd., Salman Partners Inc. and Canaccord Capital Corporation are acting as underwriters in respect of the offering.

The outstanding common shares of the Company are quoted on the Nasdaq Stock Market ("Nasdaq") under the symbol "PAAS" and are listed on the Toronto Stock Exchange (the "TSX") under the symbol "PAA". The closing price of the Company's common shares on February 3, 2009, being the last trading day prior to the announcement of the offering, on Nasdaq was US\$17.69 and on the TSX was Cdn\$21.73. The closing price of the Company's common shares on February 4, 2009 on Nasdaq was US\$18.05 and on the TSX was Cdn\$22.44. The TSX has conditionally approved the listing of the Shares, subject to the Company fulfilling all the requirements of the TSX on or before May 5, 2009. **The reporting currency of the Company is United States dollars.**

**Investing in the Shares involves risks that are described in the "Risk Factors" sections beginning on page S-10 of this prospectus supplement and page 32 of the accompanying short form base shelf prospectus dated January 20, 2009 (the "Base Shelf Prospectus").**

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**Price: US\$16.25 per Share**

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Price to  
the Public

Underwriters'  
Fee

Net Proceeds  
to the  
Company<sup>(1)</sup>

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Per Share	US\$16.25000	US\$0.77188	US\$15.47812
Total <sup>(2)</sup>	US\$90,025,000	US\$4,276,188	US\$85,748,812

Notes:

(1) Before deducting expenses of this offering, estimated to be US\$2,000,000, which, together with the underwriters' fee, will be paid from the general funds of the Company.

(2) The Company has granted to the underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time within 30 days from the filing of this prospectus supplement, to purchase at the offering price up to 831,000 additional Shares to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to the Company will be US\$103,528,750, US\$4,917,616 and US\$98,611,134, respectively. See "Plan of Distribution" in this prospectus supplement. This prospectus supplement qualifies the grant of the Over-Allotment Option and the distribution of the Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Shares forming part of the underwriters' over-allocation position acquires those Shares under this prospectus supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The underwriters, as principals, conditionally offer the Shares to the public, subject to prior sale, if, as and when issued by the Company and accepted by the underwriters in accordance with the underwriting agreement referred to under "Plan of Distribution" in this prospectus supplement, and subject to the approval of certain legal matters on behalf of the Company by Borden Ladner Gervais LLP, as to Canadian legal matters, and Skadden, Arps, Slate, Meagher & Flom LLP, as to U.S. legal matters, and on behalf of the underwriters by Blake, Cassels & Graydon LLP, as to Canadian legal matters, and by Shearman & Sterling LLP, as to U.S. legal matters.

Subscriptions for the Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Company expects that share certificates representing the Shares will be available for delivery at closing, which is anticipated to be on or about February 12, 2009 or such other date as may be agreed upon by the Company and the underwriters, but in any event not later than March 19, 2009.

**The underwriters may offer the Shares at a lower price than stated above.** The underwriters may, in connection with this offering, effect transactions which stabilize or maintain the market price of the Shares at levels which might not prevail in the open market in accordance with applicable market stabilization rules. See "Plan of Distribution" in this prospectus supplement.

Underwriters' position	Maximum size or number of securities available	Exercise period or acquisition date	Exercise price or average acquisition price
Over-Allotment Option		within 30 days from the filing	
	831,000	of this prospectus supplement	US\$ 16.25
Total securities under option issuable to underwriters		within 30 days from the filing	
	831,000	of this prospectus supplement	US\$ 16.25

**Goldman Sachs Canada Inc.**

**CIBC World Markets Inc.**

**UBS Investment Bank**

**Merrill Lynch & Co.**

**RBC Capital Markets**

**National Bank Financial Inc.**

**Raymond James (USA) Ltd.**

**Salman Partners Inc.**

**Canaccord Capital Inc.**

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This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Investors should read the tax discussion in this prospectus supplement under the captions "Certain Income Tax Considerations for U.S. Holders" and "Canadian Federal Income Tax Consequences", and should consult their own tax advisor with respect to their own particular circumstances.

The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of British Columbia, Canada, that some or all of its officers and directors may be residents of a foreign country, that some or all of the underwriters or experts named in the registration statement, this prospectus supplement and the Base Shelf Prospectus may be residents of a foreign country, and that all or a substantial portion of the assets of the Company and said persons may be located outside the United States.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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## GENERAL MATTERS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Shares and also adds to and updates certain information contained in the accompanying Base Shelf Prospectus and the documents incorporated by reference herein and therein, and the preliminary prospectus supplement dated February 4, 2009 and the documents incorporated by reference therein. The second part is the accompanying Base Shelf Prospectus, which gives more general information, some of which may not apply to this offering. This prospectus supplement is deemed to be incorporated by reference into the accompanying Base Shelf Prospectus solely for the purposes of this offering. If the description of the Shares varies between this prospectus supplement and the accompanying Base Shelf Prospectus, you should rely on the information in this prospectus supplement.

Unless stated otherwise or the context otherwise requires, references in this prospectus supplement and the accompanying Base Shelf Prospectus to the "Company", "Pan American", "we" or "us" includes Pan American Silver Corp. and each of its subsidiaries.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying Base Shelf Prospectus. The Company has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Company is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying Base Shelf Prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. The Company's business, financial condition, results of operations and prospects may have changed since those dates.**

## CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

This prospectus supplement and the accompanying Base Shelf Prospectus have been prepared in accordance with the requirements of Canadian provincial securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral reserve and resource estimates included in this prospectus supplement, the accompanying Base Shelf Prospectus and the documents incorporated by reference herein and therein have been prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

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

## SUMMARY

*The following is a summary of the principal features of the offering and is not intended to be complete. It should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus supplement, the accompanying Base Shelf Prospectus and the documents incorporated by reference herein and therein, including the sections titled "Risk Factors". Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters will not exercise their Over-Allotment Option to purchase additional Shares. This prospectus supplement contains forward-looking information and statements concerning the Company's plans at its properties, production, production costs, capital costs, mine operating earnings, charges to earnings and other matters. Forward-looking information and statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause results to differ from those expressed or implied by the forward-looking statements. See the section titled "Special Note Regarding Forward-Looking Information" in this prospectus supplement for further discussion regarding forward-looking information and statements.*

### The Company

#### Overview

Pan American is principally engaged in the operation and development of, and exploration for, silver producing properties and assets. Pan American's principal product is silver, although gold, zinc, lead and copper are also produced and sold. The Company estimates that in 2009, approximately 58% of its revenue will come from the sale of silver and 16% from the sale of gold. At present, Pan American carries on mining operations in Mexico, Peru, Argentina and Bolivia, and has control over non-producing silver resources in the United States. Exploration work is carried out in all of the aforementioned countries, as well as elsewhere throughout the world.

Pan American is a company existing under the *Business Corporations Act* (British Columbia). The Company's head office is located at 1500 - 625 Howe Street, Vancouver, British Columbia, V6C 2T6 and its registered and records office is located at 900 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2.

#### Strengths

Pan American's principal goal is to be the investment vehicle of choice for equity investors wanting exposure to silver prices. The Company believes that the following core strengths have positioned it to achieve this goal:

The world's second largest primary silver producer;

Improving cash cost profile, as the Company commissions two new lower cost silver mines (Manantial Espejo in Argentina and San Vicente in Bolivia);

Increased annual silver production for 13 consecutive years and expected continued growth in silver production in 2009;

A large and diverse silver reserve and resource base;

Multiple mines in production or commissioning which provide geographic diversification and operating flexibility;

Experienced management team with proven international operating, development and exploration skills; and

No hedging of silver production, which maximizes leverage to higher silver prices.

## Production Summary

The following graph details Pan American's growth in silver production since 2002 and estimated production for 2009.

## Corporate Strategy

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

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

**Increase silver production.** Pan American has increased its annual silver production for 13 consecutive years, since acquiring its first operating mine (Quiruvilca in Peru) in 1995, including a 67% increase from 11.2 million ounces in 2004 to approximately 18.7 million ounces in 2008. This has been accomplished through a combination of acquisition, development and expansion efforts.

**Increase silver reserves and resources.** At December 31, 2007, proven and probable silver reserves for Pan American were estimated to be 227.8 million ounces and its measured and indicated resources were estimated to be 86.3 million ounces, while inferred resources were estimated to be 99.3 million ounces. The Company expects to issue an updated mineral reserve and resource estimate before the end of the first quarter 2009.

**Continue to lower production costs.** Cash costs for 2008 are estimated to be in the range of US\$5.75 to US\$6.10 per ounce of silver produced, net of by-product credits. To keep production costs down, Pan American has added newer, more mechanized lower cost mines (such as Alamo Dorado and Manantial Espejo) and is in the process of upgrading and expanding an existing mine (San Vicente). The Company continues to review mining plans at its operating mines in order to find greater productivities and efficiencies as well as develop financial strategies to reduce exposure to foreign currency exchange fluctuations and base metal price fluctuations. Cash costs for 2009 are forecast in the range of US\$6.00 to US\$6.50 per ounce for the full year, with higher costs expected in the first two quarters, before the lower cost Manantial Espejo mine ramps up to full capacity.

**Acquire additional silver exploration properties.** Pan American actively investigates and evaluates strategic opportunities to acquire additional silver production, development and exploration properties both in those jurisdictions in which the Company is presently active, as well as elsewhere throughout the world. Pan American's exploration and acquisition focus is on silver properties with bulk mineable targets that have the possibility of possessing over 50 million ounces of silver mineralization.

**Generate sustainable profits from mining operations.** Financial performance is monitored annually against targets for mine operating earnings, cash flow from operations, net earnings, as well as against operating measures such as production and cash costs. Pan American continuously develops and implements tax planning strategies, and seeks to organize its corporate structure and activities to optimize its overall tax position. For the nine months ending September 30, 2008 mine operating earnings were US\$103.1 million.

## Location of Principal Operations

The following map identifies the location of Pan American's principal operating and development properties and its undeveloped resources across the Americas.

## Mining Operations

Pan American's current mining operations are as follows:

**Alamo Dorado** (Sonora, Mexico): The Alamo Dorado open pit silver mine is located in the Sierra Madre Occidental Range, approximately 200 miles from Hermosillo. Commissioned in 2007, Alamo Dorado produced approximately 3.8 million ounces of silver and 13,300 ounces of gold in 2007. Silver production grew by 60% in 2008 to approximately 6.1 million ounces.

**Manantial Espejo** (Santa Cruz province, Argentina): The silver-gold Manantial Espejo mine is located in the Patagonia region of southern Argentina. The Company's Manantial Espejo mine just commenced production of silver and gold, pouring its first doré on December 29, 2008. The commissioning and ramp-up of the processing plant is progressing well, and the Company expects to reach design capacity of 2,000 tonnes per day by the end of the first quarter of 2009. At design capacity, Manantial Espejo is expected to produce 4.1 million ounces of silver and 60,000 ounces of gold annually.

**Huarón** (Central Peru): The Huarón underground silver-zinc polymetallic mine is located in the Andes mountains of Peru. In 2007, Huarón produced approximately 3.8 million ounces of silver and 12,064 tonnes of zinc. In 2008, silver production was approximately 3.7 million ounces. A deepening program is expected to come on stream in 2009 which will provide production access to new high grade ore zones.

**La Colorada** (Chalchihuites district, Mexico): The La Colorada underground silver mine is located approximately midway between the cities of Zacatecas and Durango. In 2007, the mine produced approximately





4.0 million ounces of silver and 3,877 ounces of gold. In 2008, silver production was approximately 3.9 million ounces.

**Morococha** (Central Peru): Mined for over 100 years, the Morococha mine is an underground, polymetallic mine located approximately 50 km southwest of the Huarón mine. In 2007, Morococha produced approximately 2.9 million ounces of silver and 17,133 tonnes of zinc. In 2008, silver production was approximately 2.4 million ounces. Morococha also possesses significant exploration potential. In October 2008, the Company announced high grade drill results from the newly discovered Morro Solar structure. Since acquiring the mine in 2004, the Company has added 36.5 million ounces of silver to Morococha's proven and probable reserves.

**San Vicente** (Bolivia): The San Vicente underground silver-zinc mine is Pan American's only mining interest in Bolivia. An expansion program, including the construction of a new 750 tonne-per-day flotation process plant, was announced in 2007 and is nearing mechanical completion, with commissioning expected to commence in the coming weeks. Expansion of the underground mine is also underway, with the development of a new mechanized zone in the Litoral vein well advanced. The Company expects the first ore to be fed to the new plant in the first quarter of 2009. At feasibility study levels, San Vicente is expected to contribute an average of approximately 2.9 million ounces of silver annually. In 2007, the mine produced approximately 600,000 ounces of silver and in 2008 silver production was approximately 800,000 ounces.

**Stockpiles** (Peru): In 2002, Pan American acquired the right to mine and sell approximately 600,000 tonnes of silver-rich pyrite stockpiles in the Cerro de Pasco mining district of Peru to a smelter, where the ore is used as process flux, and the Company is paid for the contained silver. In 2007, 454,202 ounces of silver were produced from stockpile operations and approximately 280,000 ounces of silver were produced in 2008.

**Quiruvilca** (Northern Peru): The Quiruvilca underground mine has been in operation for over 80 years and more recently has become increasingly reliant on base metal production, particularly zinc. Quiruvilca contributed less than 8% to the Company's total silver production in 2008 and was expected to contribute even less, on a percentage basis, in 2009. Accordingly, the Company has decided to initiate the process necessary to suspend operations at Quiruvilca during 2009. In 2007, the site produced approximately 1.6 million ounces of silver and 7,234 tonnes of zinc. In 2008, silver production was approximately 1.4 million ounces.

**Waterloo / Hog Heaven** (United States): Pan American holds two non-producing silver deposits in the United States, Hog Heaven and Waterloo. These are investment properties that feature low holding costs and have the potential to add substantially to the Company's production if silver prices trend higher.

Scientific and technical information contained in this summary has been reviewed by Michael Steinmann, P.Geo., Executive Vice President Geology & Exploration, and Martin Wafforn, P.Eng., Vice President Technical Services, who are the Company's qualified persons for the purposes of NI 43-101.

**The Offering**

<b>Issuer:</b>	Pan American Silver Corp.
<b>Offering:</b>	5,540,000 Shares
<b>Amount:</b>	US\$90,025,000
<b>Price to the Public:</b>	US\$16.25 per Share
<b>Over-Allotment Option:</b>	The Company has granted to the underwriters an Over-Allotment Option, exercisable in whole or in part at any time within 30 days from the filing of this prospectus supplement, to purchase at the offering price up to 831,000 additional Shares (15% of the Shares issued under the offering) to cover over-allotments, if any.
<b>Common Shares Outstanding<sup>(1)</sup>:</b>	Prior to the Offering: 80,808,107 common shares After the Offering: 86,348,107 common shares <sup>(2)</sup>
<b>Underwriters' Fee:</b>	The Company has agreed to pay the Underwriters a fee equal to US\$0.77188 for each Share sold pursuant to the offering. See "Plan of Distribution" in this prospectus supplement.
<b>Use of Proceeds:</b>	The net proceeds of the offering will be used for acquisitions, development of acquired mineral properties, working capital requirements and for other general corporate purposes. The Company's business strategy contemplates making targeted acquisitions, and, as of the date of this prospectus supplement, the Company is in various stages of negotiations with regard to specific acquisition opportunities. See "Use of Proceeds" in this prospectus supplement.
<b>Risk Factors:</b>	Investing in the Shares involves risks that are described in the "Risk Factors" sections beginning on page S-10 of this prospectus supplement and page 32 of the accompanying Base Shelf Prospectus.
<b>Tax Considerations:</b>	Purchasing the Shares may have tax consequences in both the United States and Canada. This prospectus supplement and the accompanying Base Shelf Prospectus may not describe these consequences fully. Investors should read the tax discussion in this prospectus supplement and consult with their tax advisor. See "Certain Income Tax Considerations for U.S. Holders" and "Canadian Federal Income Tax Consequences" in this prospectus supplement.
<b>Lock-up:</b>	In connection with the offering, the Company, its Chairman, Chief Executive Officer and one other non-independent director have agreed not to sell any common shares of the Company for a period of 90 days from the filing of this prospectus supplement, subject to certain exceptions, including that the Company may issue common shares in connection with acquisitions not in the aggregate exceeding 25% of the total number of common shares outstanding upon the completion of the offering. The Company's independent directors have agreed to similar restrictions for a 45-day period from the filing of this prospectus supplement. See "Plan of Distribution" in this prospectus supplement.
<b>Nasdaq Listing Symbol:</b>	PAAS

**TSX Listing Symbol:** PAA

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Notes:

- (1) These figures do not include 614,640 common shares reserved for issuance pursuant to outstanding stock options, which are exercisable at a weighted average price of Cdn\$21.88 per share, as at February 5, 2009.
- (2) If the Over-Allotment Option is exercised in full, 87,179,107 common shares will be outstanding after this offering.

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## RECENT DEVELOPMENTS

In a press release (the "**Release**") issued on January 8, 2009, titled "Pan American Silver Announces First Silver Poured at Manantial Espejo and Provides General Update", the Company disclosed that it had achieved a new annual silver production record of approximately 18.7 million ounces in 2008. This represented silver production growth of 9% as compared to 2007 and was within 1% of the Company's 2008 forecast. Cash costs for 2008 were estimated to be in the range of US\$5.75 to US\$6.10 per ounce of silver produced, net of by-product credits. The Release also disclosed that during the fourth quarter of 2008 the Company produced approximately 4.6 million ounces of silver at an estimated cash cost in the range of US\$7.75 to US\$8.25 per ounce. Cash costs in the fourth quarter were adversely affected by: significantly reduced by-product metal prices; costs escalation, particularly in connection with energy and labour; and severance and related employee redundancy costs.

Furthermore, the Company disclosed in the Release that its anticipated 2008 fourth quarter financial results would be negatively impacted by several atypical charges, which in aggregate totalled US\$36.6 million and included amounts for: the write-down of the remaining carrying value of the Quiruvilca mine; negative provisional pricing adjustments for concentrate shipments made in the third quarter but where pricing had not yet been settled; a foreign currency loss primarily due to holding Canadian dollar cash balances; a mark to market and realized loss on the Company's foreign exchange forward positions for Peruvian soles and Mexican pesos, partially offset by a mark to market and realized gain on the Company's zinc and lead forward sales positions; and a charge for a personnel reduction program that was executed in November 2008.

Since the Release, the Company has advanced its 2008 year end accounting close and now is in possession of more complete information concerning fourth quarter results, which has resulted in slight revisions to the estimates disclosed in the Release. The Company now expects that the total atypical charges that are likely to be incurred in the Company's fourth quarter results will increase by approximately US\$1.6 million to an aggregate total of approximately US\$38.2 million. The increase in the estimate is largely attributable to a more refined calculation of the Quiruvilca write down, including future employee severance benefits, offset by a foreign exchange gain on estimated future income taxes. These charges remain estimates and are subject to further adjustment during the Company's 2008 year end accounting close, which is in process.

Primarily as a result of the above factors and lower market prices for metals, the Company's cash flow and earnings per common share for the fourth quarter of 2008 will be significantly lower than reported for the corresponding period of 2007. The Company now expects to end 2008 with cash and short-term investments of approximately US\$30 million, working capital of approximately US\$103 million, and no debt.

Lastly, the Release also disclosed that the Company had poured its first silver and gold doré at its newly commissioned, lower cost Manantial Espejo mine in late December 2008 and was expecting to increase its silver production by 15% in 2009 to approximately 21.5 million ounces (excluding silver production from residual mining at Quiruvilca), double its gold production to approximately 85,000 ounces and lower its cash costs to between US\$6.00 to US\$6.50 per ounce of silver produced, net of by-product credits. To calculate the by-product credits included in the 2009 projected cash costs, the Company has assumed average zinc and gold prices of US\$1,150 per tonne and US\$725 per ounce, respectively.

Scientific and technical information contained under the heading "Recent Developments" has been reviewed by Michael Steinmann, P.Geo., Executive Vice President Geology & Exploration, and Martin Wafforn, P.Eng., VP Technical Services, who are the Company's qualified persons for the purposes of NI 43-101.

## SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain of the statements included or incorporated by reference in this prospectus supplement and the accompanying Base Shelf Prospectus constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or information. When used in this prospectus supplement and the documents incorporated by reference herein, the words "anticipate", "believe", "estimate", "expect", "intend", "target", "plan", "forecast", "strategy", "goals", "objectives", "budget", "may", "schedule" and similar words or

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expressions, identify forward-looking statements or information. These forward-looking statements or information relate to, among other things:

the price of silver and other metals;

the sufficiency of the Company's current working capital, anticipated operating cash flow or its ability to raise necessary funds;

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

estimated production rates for silver and other payable metals produced by the Company, timing of production and the cash and total costs of production at each of the Company's properties;

the estimated cost of and availability of funding for ongoing capital, replacement, improvement or remediation programs;

the estimated cost of construction, development and ramp-up of Manantial Espejo, San Vicente or other projects;

the estimates of expected or anticipated economic returns from a mining project, as reflected in feasibility studies or other reports prepared in relation to development of projects;

estimated exploration expenditures to be incurred on the Company's various silver exploration properties;

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

the effects of laws, regulations and government policies affecting the Company's operations;

forecast non-operating spending;

future sales of the metals, concentrates or other products produced by the Company;

potential acquisitions by the Company;

continued access to necessary infrastructure, including without limitation access to power, lands and roads to carry on activities as planned; and

the Company's plans and expectations for its properties and for its fourth quarter financial results as described under "Recent Developments" in the accompanying Base Shelf Prospectus.

These statements reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political

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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 or information including, without limitation: fluctuations in the spot and forward price of silver, gold, base metals or certain other commodities (such as natural gas, fuel oil and electricity); fluctuations in the currency markets (such as the Peruvian sole, and Mexican peso, Argentine peso and Bolivia boliviano versus the U.S. dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments in Canada, Peru, Mexico, Argentina, Bolivia, the United States or other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with mining or development activities; 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, the Company; the Company's ability to complete and successfully integrate

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acquisitions; challenges to the Company's title to properties; and the factors identified under the caption "Risk Factors" on page S-10 of this prospectus supplement and on page 32 of the accompanying Base Shelf Prospectus, in the Company's Annual Information Form, dated March 31, 2008, under the caption "Risks Relating to Pan American's Business" and in the Company's management discussion and analysis of financial condition and results of operations for the years ended December 31, 2007 and 2006 under the caption "Risks and Uncertainty". Investors are cautioned against attributing undue certainty to forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting such statements or information, other than as required by applicable law.

#### USE OF PROCEEDS

The Company expects to receive approximately US\$83,748,812 in net proceeds from this offering, after deducting the fee payable to the underwriters and the estimated expenses of the offering.

The net proceeds from the sale of Shares will be used by the Company for acquisitions, development of acquired mineral properties, working capital requirements and/or for other general corporate purposes. The Company may, from time to time, issue additional common shares or other securities by filing one or more additional prospectus supplements and through other offerings of securities.

The Company has no definitive plans for the portion of the net proceeds allocated for acquisitions or the development of acquired mineral properties, including capital requirements or other general corporate purposes, the allocation of which will be at the discretion of the Company. Acquisitions by the Company may involve risks, which are described in "Risk Factors Risks Related to the Offering Acquisitions and integration issues may expose the Company to risks" on page S-10 in this prospectus supplement.

The Company's business strategy contemplates making targeted acquisitions and, as of the date of this prospectus supplement, the Company is in various stages of negotiations with regard to specific acquisition opportunities. One of the opportunities that is actively being considered involves a possible transaction where the purchase price payable could take the form of common shares, warrants or convertible securities of the Company or a combination thereof, and could result in the issuance of up to 25% of the total number of common shares of the Company outstanding upon completion of the offering. If common shares are issued to complete that acquisition, it would result in dilution to the Company's then current shareholders, including purchasers of Shares under this offering, but the issuance would not require prior approval of the Company's shareholders. The issuance of additional common shares by the Company as consideration for, or to finance, an acquisition may involve risks which are described in "Risk Factors Risks Related to the Offering The issuance of additional common shares may negatively impact the trading price of the Company's common shares" on page S-10 of this prospectus supplement. This acquisition, or any other acquisitions the Company is considering, could be announced before the end of the first quarter of 2009. If consummated, these acquisitions would expand the Company's operations in various locations in the Americas. In each case, the Company believes that identifying the potential targets or providing additional pricing information will compromise its negotiating position and jeopardize its ability to compete for or consummate the transaction. No agreement or understanding has been reached in respect of any of the potential transactions the Company is currently considering. Even if an agreement is reached, there can be no assurance that the Company will consummate any of these potential acquisitions. The Company continues to actively seek, evaluate and potentially pursue additional accretive acquisitions.

The Company has agreed not to issue, or publicly announce any intention to issue, common shares or other securities convertible or exchangeable into common shares in connection with strategic acquisitions during the period ending 90 days after filing of this prospectus supplement which exceed 25% of the total number of common shares outstanding upon completion of the offering without the prior consent of Goldman Sachs Canada Inc. and CIBC World Markets Inc. See "Plan of Distribution" in this prospectus supplement.



## RISK FACTORS

*Investing in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risks, as well as the other information contained in this prospectus supplement, the accompanying Base Shelf Prospectus and the documents incorporated by reference herein before investing in the Shares. If any of the following risks actually occurs, the Company's business could be harmed. The risks and uncertainties described below are not the only ones faced by the Company. Additional risks and uncertainties, including those of which the Company is currently unaware or that are deemed immaterial, may also adversely affect its business.*

### **Risks Related to the Offering**

*Acquisitions and integration issues may expose the Company to risks.*

The Company's business strategy includes making targeted acquisitions. Any acquisition that the Company makes may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be significant decreases in commodity prices after the Company has committed to complete the transaction and has established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If the Company chooses to use equity securities as consideration for such an acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

*The issuance of additional common shares may negatively impact the trading price of the Company's common shares.*

The Company has issued equity securities in the past and may continue to issue equity securities to finance its activities in the future, including to finance future acquisitions, or as consideration for acquisitions of businesses or assets. See "Use of Proceeds" in this prospectus supplement. In addition, outstanding options to purchase common shares may be exercised, resulting in the issuance of additional common shares. The issuance by the Company of additional common shares would result in dilution to the Company's shareholders, and even the perception that such an issuance may occur could have a negative impact on the trading price of the common shares.

*The price of the Company's common shares may fluctuate and may result in losses to investors.*

The trading price of the Company's common shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. The high and low intraday sale prices of its common shares on Nasdaq were US\$27.68 and US\$15.49 in 2006; US\$38.07 and US\$20.80 in 2007; and US\$44.10 and US\$8.93 in 2008. The trading price of the Company's common shares may increase or decrease in response to a number of events and factors, including:

trends in the silver mining industry and the markets in which the Company operates;

changes in the market price of the commodities the Company sells;

changes in financial estimates and recommendations by securities analysts;

acquisitions and financings;

quarterly variations in operating results;



global and regional political and economic conditions and other factors;

general stock market conditions;

the operating and share performance of other companies that investors may deem comparable to the Company; and

purchase or sales of blocks of the Company's common shares.

This volatility may adversely impact the price of the Shares regardless of the Company's operating performance.

***The Company has never declared dividends.***

The Company has never declared or paid any dividends on its common shares. Currently, the Company intends to retain its earnings, if any, to finance the growth and development of the business and does not expect to pay dividends or to make any other distributions in the future, which may limit the way in which investors may realize any returns on their investment.

***Current global financial conditions have been subject to increased volatility***

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Shares could continue to be adversely affected.

**PRESENTATION OF FINANCIAL INFORMATION AND EXCHANGE RATE DATA**

The Company presents its consolidated financial statements in United States dollars. All references in this prospectus supplement to "dollars", "US\$" or "\$" are to United States dollars and all references to "Cdn\$" are to Canadian dollars, unless otherwise noted. Except as otherwise indicated, all financial statements and financial data contained in, or incorporated by reference into, this prospectus supplement have been prepared in accordance with Canadian GAAP, which differ in certain significant respects from U.S. GAAP. For a description of the material differences between Canadian GAAP and U.S. GAAP as they relate to the Company's financial statements, see note 20 to the Company's audited consolidated financial statements for the years ended December 31, 2007 and 2006 and the supplemental financial information relating to the reconciliation of the Company's unaudited financial statements for the three and nine months ended September 30, 2008 and 2007, which are incorporated by reference into this prospectus supplement and the accompanying Base Shelf Prospectus.

The following table sets forth, for each period indicated, the exchange rates of the Canadian dollar to the U.S. dollar for the end of each period indicated and the high, low and average (based on the exchange rate on the last day of each month during such period) exchange rates for each of such periods (such rates, which are expressed in Canadian dollars are based on the noon buying rates for U.S. dollars reported by the Bank of Canada).

	Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007		Year Ended December 31,					
	Cdn\$		Cdn\$		2008	2007	2006			
High	Cdn\$	1.0796	Cdn\$	1.1853	Cdn\$	1.2969	Cdn\$	1.1853	Cdn\$	1.1726
Low		0.9719		0.9963		0.9719		0.9170		1.0990
Average		1.0184		1.1049		1.0660		1.0748		1.1342
End of Period		1.0599		0.9963		1.2246		0.9981		1.1653

On February 4, 2009, the noon buying rate reported by the Bank of Canada was US\$1.00 = Cdn\$1.2266.

### CONSOLIDATED CAPITALIZATION

Since September 30, 2008, other than the issuance of 22,000 common shares pursuant to the exercise of stock options, there have been no changes to the share and loan capital of the Company, on a consolidated basis.

The following table sets forth the consolidated capitalization of the Company as at December 31, 2007 and September 30, 2008 on an actual basis and as adjusted to give effect to the distribution of the Shares issued hereunder (based on a public offering price of US\$16.25 per Share, and after deducting the underwriters' fee and the estimated expenses of the offering). The table should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2007, the unaudited consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2008, including the notes thereto, and the management's discussion and analysis thereof, incorporated in each case by reference in this prospectus supplement and the accompanying Base Shelf Prospectus.

	As at December 31, 2007 <sup>(2)</sup>		As at September 30, 2008 <sup>(2)</sup>		As at September 30, 2008 after giving effect to the issuance of the Shares <sup>(1)</sup>
	(in thousands, except for share amounts)				
Cash, cash equivalents and short term investments	US\$	107,315	US\$	90,884	US\$ 174,633
Long term debt	US\$	nil	US\$	nil	US\$ nil
Outstanding share capital <sup>(2)</sup> (200,000,000 authorized)	US\$	592,402	US\$	655,517	any of our indebtedness, whether outstanding on the issue date of the subordinated debt securities of a series or incurred later;  accrued and unpaid interest, including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to us to the extent post-filing interest is allowed in such proceeding, in respect of:  our indebtedness for money borrowed; and  indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which we are responsible or liable;  contingent reimbursement obligations with respect to letters of credit issued or supported by our working capital lenders for our account;

and

obligations, liabilities,  
fees and expenses that  
we owe to our working  
capital lenders;

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unless the instrument  
creating or evidencing  
these obligations provides  
that these obligations are  
not senior or prior in right  
of payment to the  
subordinated debt  
securities.

Notwithstanding the  
foregoing, senior  
indebtedness will not  
include:

any of our obligations  
to our subsidiaries;

any liability for Federal,  
state, local or other  
taxes that we owe;

any accounts payable or  
other liability to trade  
creditors arising in the  
ordinary course of  
business, including  
guarantees of these  
obligations or  
instruments evidencing  
such liabilities;

any of our indebtedness,  
and any accrued and  
unpaid interest in  
respect of our  
indebtedness, that is  
subordinate or junior in  
any respect to any other  
of our indebtedness or  
other obligations; or

the subordinated debt  
securities. (Section 101  
of the subordinated  
indenture).

There is no limitation  
on our ability to issue  
additional senior

indebtedness. The senior debt securities constitute senior indebtedness under the subordinated indenture.

Under the subordinated indenture, no payment may be made on the subordinated debt securities and no purchase, redemption or retirement of any subordinated debt securities may be made in the event:

any senior indebtedness is not paid in full in cash when due; or

the maturity of any senior indebtedness is accelerated as a result of a default, unless the default has been cured or waived and the acceleration has been rescinded or that senior indebtedness has been paid in full in cash.

We may, however, pay the subordinated debt securities without regard to the above restriction if the representatives of the holders of the applicable senior indebtedness approve the payment in writing to us and the trustee. (Section 1603 of the subordinated indenture).

The representatives of the holders of senior indebtedness may notify us and the trustee in writing (a payment blockage notice) of a default which can result in the acceleration of that senior indebtedness maturity without further notice, except such notice as may be required to effect such acceleration, or the expiration of any grace periods. In this event, we may not pay the subordinated debt

securities for 179 days after receipt of that notice. The payment blockage period will end earlier if such payment blockage period is terminated:

by written notice to the trustee and us from the person or persons who gave such payment blockage notice;

because the default giving rise to such payment blockage notice is cured, waived or otherwise no longer continuing; or

because such senior debt has been discharged or repaid in full in cash.

Notwithstanding the foregoing, if the holders of senior indebtedness or their representatives have not accelerated the maturity of the senior indebtedness at the end of the 179-day period, we may resume payments on the subordinated debt securities. Not more than one payment blockage notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to senior indebtedness during that period. No default existing on the beginning date of any payment blockage period initiated by a person or persons may be the basis of a subsequent payment blockage period with respect to the senior indebtedness held by that person unless that default has been cured or waived for a period of not fewer than 90 consecutive days.

If we pay or distribute our assets to creditors upon a total or partial liquidation, dissolution or reorganization of or similar proceeding relating to us or our property, then:

the holders of senior indebtedness will be entitled to receive payment in full in cash of the senior indebtedness before the holders of subordinated debt securities are entitled to receive any payment; and

until the senior indebtedness is paid in full in cash, any payment or distribution to which holders of subordinated debt securities would be entitled but for the subordination provisions of the subordinated indenture will be made to holders of the senior indebtedness, except that holders of subordinated debt securities may receive certain capital stock and subordinated debt. (Section 1602 of the subordinated indenture).

If a distribution is made to holders of subordinated debt securities that, due to the subordination provisions, should not have been made to them, those holders of subordinated debt securities are required to hold it in trust for the holders of senior indebtedness, and pay it over to them as their interests may appear. (Section 1605 of the subordinated indenture).

After all senior indebtedness is paid in full



and until the subordinated debt securities are paid in full, holders of subordinated debt securities will be subrogated to the rights of holders of senior indebtedness to receive distributions applicable to such senior indebtedness. (Section 1606 of the subordinated indenture).

As a result of the subordination provisions contained in the subordinated indenture, in the event of insolvency, our creditors who are holders of senior indebtedness may recover more, ratably, than the holders of subordinated debt securities. In addition, our creditors who are not holders of senior indebtedness may recover less, ratably, than holders of senior indebtedness and may recover more, ratably, than the holders of subordinated indebtedness. Furthermore, claims of our subsidiaries' creditors generally will have priority with respect to the assets and earnings of the subsidiaries over the claims of our creditors, including holders of the subordinated debt securities, even though those obligations may not constitute senior indebtedness. The subordinated debt securities, therefore, will be effectively subordinated to creditors, including trade creditors, of our subsidiaries. It is important to keep this in mind if you decide to hold our subordinated debt securities.

The terms of the subordination provisions described above will not apply to payments from money or the proceeds of government securities held

in trust by the trustee for any series of subordinated debt securities for the payment of principal and interest on such subordinated debt securities pursuant to the defeasance procedures described under Defeasance and Covenant Defeasance.

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**DESCRIPTION OF  
STOCK PURCHASE  
CONTRACTS AND  
STOCK PURCHASE  
UNITS**

We may issue stock purchase contracts, including contracts obligating holders to purchase from us, and obligating us to sell to the holders, a specified number of shares of common stock or other securities at a future date or dates, which we refer to in this prospectus as stock purchase contracts. The price per share of the securities and the number of shares of the securities may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities or other securities or debt obligations of third parties, including U.S. treasury securities, securing the holders' obligations to

purchase the securities under the stock purchase contracts, which we refer to herein as stock purchase units. The stock purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner. The stock purchase contracts also may require us to make periodic payments to the holders of the stock purchase units or vice versa, and those payments may be unsecured or refunded on some basis.

The stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units, will be filed with the SEC in connection with the offering of stock purchase contracts or stock purchase units. The prospectus supplement relating to a particular issue of stock purchase contracts or stock purchase units will describe the terms of those stock purchase contracts or stock purchase units, including the following:

if applicable, a discussion of material United States Federal income tax considerations; and

any other information we think is important about the stock purchase contracts or the stock purchase units.

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**PLAN OF  
DISTRIBUTION**

We may sell the offered securities in and outside the United States (1) through underwriters or dealers, (2) directly to purchasers, including our affiliates and shareholders, or in a rights offering, (3) through agents or (4) through a combination of any of these methods. The prospectus supplement will include the following information:

the terms of the offering;

the names of any underwriters, dealers or agents;

the name or names of any managing underwriter or underwriters;

the purchase price of the securities;

the net proceeds from the sale of the securities;

any delayed delivery arrangements;

any underwriting discounts, commissions and other items constituting underwriters' compensation;

any initial public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any commissions paid to agents.

In addition, we may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third parties may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment). We or one of our affiliates may loan or pledge securities to a financial institution or other third party that in turn may sell the securities using this prospectus. Such financial institution or third party may transfer its short position to investors in our securities or in connection with a simultaneous offering of other securities offered by this prospectus or otherwise.

**Sale Through  
Underwriters or Dealers**

If we use underwriters in the sale, the underwriters will acquire the securities for their own account for resale to the public. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless we inform you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of the offered securities if they purchase any of them. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

Representatives of the underwriters through whom the offered securities are sold for public offering and sale may engage in over-allotment, stabilizing transactions, syndicate short covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate

short position. Stabilizing transactions permit bids to purchase the offered securities so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the offered securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the representative of the underwriters to reclaim a selling concession from a syndicate member when the offered securities originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the offered securities to be higher than it would otherwise be in the absence of such transactions. These transactions may be effected on a national securities exchange and, if commenced, may be discontinued at any time.

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Some or all of the securities that we offer through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom we sell our securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market making at any time without notice. Accordingly, we cannot assure you of the liquidity

of, or continued trading markets for, any securities that we offer.

If we use dealers in the sale of securities, we will sell the securities to them as principals. They may then resell those securities to the public at varying prices determined by the dealers at the time of resale. We will include in the prospectus supplement the names of the dealers and the terms of the transaction.

**Direct Sales and Sales through Agents**

We may sell the securities directly. In this case, no underwriters or agents would be involved. We may also sell the securities through agents designated from time to time. In the prospectus supplement, we will name any agent involved in the offer or sale of the offered securities, and we will describe any commissions payable to the agent. Unless we inform you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of those securities. We will describe the terms of any such sales in the prospectus supplement.

We may also make direct sales through subscription rights distributed to our existing shareholders on a pro rata



basis that may or may not be transferable. In any distribution of subscription rights to our shareholders, if all of the underlying securities are not subscribed for, we may then sell the unsubscribed securities directly to third parties or we may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed securities to third parties.

**Remarketing Arrangements**

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. Any remarketing firm will be identified and the terms of its agreements, if any, with us and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters, as that term is defined in the Securities Act of 1933, in connection with the securities remarketed.

**Delayed Delivery Arrangements**

If we so indicate in the prospectus supplement, we may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts

would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

#### **General Information**

We may have agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments that the underwriters, dealers or agents may be required to make.

Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of our business.

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#### **WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We also filed a registration statement on Form S-3, including exhibits, under the Securities Act of 1933 with respect to the securities offered by this prospectus. This prospectus is a part of the registration statement, but does not contain all of the information included in the registration statement or the exhibits. You may

read and copy the registration statement and any other document that we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington D.C. You can call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. You can also find our public filings with the SEC on the internet at a web site maintained by the SEC located at <http://www.sec.gov>.

We are incorporating by reference specified documents that we file with the SEC, which means:

incorporated documents are considered part of this prospectus;

we are disclosing important information to you by referring you to those documents; and

information we file with the SEC will automatically update and supersede information contained in this prospectus.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, including filings we make after the date of the initial registration statement and prior to the effectiveness of the registration statement and filings we make after the date of this prospectus and before the end of the offering of the securities pursuant to this prospectus:

our Annual Report on Form 10-K for the year ended December 31, 2004;

our Current Reports on Form 8-K, dated January 17, 2005; February 2, 2005; February 3, 2005; February 14, 2005; and March 31, 2005; and

the description of our common stock contained in its Registration Statement on Form 10, dated March 14, 2003, and any amendment or report updating that description; and

the description of our preferred share purchase rights contained in our Registration Statement on Form 8-A, dated February 3, 2005, and any amendment or report updating that description.

You may request a copy of any of these filings, at no cost, by request directed to us at the following address or telephone number:

Hudson Highland  
Group, Inc.  
622 Third Avenue  
New York, New York  
10017  
(212) 351-7300  
Attention: Corporate  
Secretary

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**LEGAL MATTERS**

The validity of the securities offered by this prospectus will be passed upon for us by Foley & Lardner LLP.

**EXPERTS**

The consolidated financial statements, schedule, and management's assessment of the effectiveness of internal control over financial reporting incorporated by reference in this Prospectus have been audited by BDO Seidman, LLP, independent registered public accounting firm, to the extent and for the periods set forth in their reports incorporated herein by reference, and are incorporated herein in reliance upon such reports given upon the authority of said firm as experts in auditing and accounting.

**PART II****INFORMATION NOT  
REQUIRED IN  
PROSPECTUS****Item 14. Other Expenses  
of Issuance and  
Distribution.**

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us (the Registrant) in connection with the issuance and distribution of the securities being registered.

Securities and Exchange Commission filing fee	\$ 4,708
Legal fees and expenses	125,000
Accounting fees and expenses	15,000
Printing expenses	40,000
Trustee fees and expenses	10,000
Miscellaneous	10,292
	<hr/>
Total expenses	\$ 205,000
	<hr/>

All of the above fees and expenses will be paid by the Registrant. Other than the Securities and Exchange Commission filing fee, all fees and expenses are estimated.

**Item 15. Indemnification  
of Directors and Officers.**

Under the provisions of Section 145 of the Delaware General Corporation Law, the Registrant is required to indemnify any present or former officer or director against expenses arising out of legal proceedings in which the director or

officer becomes involved by reason of being a director or officer if the director or officer is successful in the defense of such proceedings. Section 145 also provides that the Registrant may indemnify a director or officer in connection with a proceeding in which he is not successful in defending if it is determined that he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Registrant or, in the case of a criminal action, if it is determined that he had no reasonable cause to believe his conduct was unlawful. Liabilities for which a director or officer may be indemnified include amounts paid in satisfaction of settlements, judgments, fines and other expenses (including attorneys' fees incurred in connection with such proceedings). In a stockholder derivative action, no indemnification may be paid in respect of any claim, issue or matter as to which the director or officer has been adjudged to be liable to the Registrant (except for expenses allowed by a court).

The Registrant's Amended and Restated Certificate of Incorporation provides for indemnification of directors and officers of the Registrant to the full extent permitted by applicable law. Under the provisions of the Registrant's Amended and Restated By-laws, the Registrant is required to indemnify officers or directors to a greater extent than under the current provisions of Section 145 of the

Delaware General Corporation Law. Except with respect to stockholder derivative actions, the By-law provisions generally state that the director or officer will be indemnified against expenses, amounts paid in settlement and judgments, fines, penalties and/or other amounts incurred with respect to any threatened, pending or completed proceeding, provided that (i) such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Registrant, and (ii) with respect to any criminal action or proceeding, such person had no reasonable cause to believe his or her conduct was unlawful.

The foregoing standards also apply with respect to the indemnification of expenses incurred in a stockholder derivative suit. However, a director or officer may only be indemnified for settlement amounts or judgments incurred in a derivative suit to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

In accordance with the Delaware General Corporation Law, the Registrant's Amended and Restated Certificate of Incorporation contains a provision to limit the



personal liability of the directors of the Registrant for violations of their fiduciary duty. This provision eliminates each director's liability to the Registrant or its stockholders for monetary damages except (i) for breach of the director's duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions or (iv) for any transaction from which a director derived an improper personal benefit. The effect of this provision is to eliminate the personal liability of directors for monetary damages for actions involving a breach of their fiduciary duty of care, including any such actions involving gross negligence.

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The Registrant maintains insurance policies that provide coverage to its directors and officers against certain liabilities.

**Item 16. Exhibits and Financial Statement Schedules.**

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Registration Statement.

**Item 17. Undertakings.**

(a) The Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume

and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be

the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the provisions set forth or described in Item 15 of this Registration Statement, or otherwise, the Registrants have been advised that in the

opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, each of the Registrants will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on April 13, 2005.

HUDSON  
HIGHLAND  
GROUP,  
INC.

By: /s/ Jon E.  
Chait

Jon F.  
Chait  
*Chairman  
and Chief  
Executive  
Officer*

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jon F. Chait</u> _____	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	April 13, 2005
<u>/s/ Richard W. Pehlke</u> _____	Executive Vice President, Chief	April 13, 2005

	Financial	
Richard W. Pehlke	Officer and Director (Principal Financial Officer)	
/s/ Ralph L. O'Hara	Vice President, Global Controller (Principal Accounting Officer)	April 13, 2005
_____		
Ralph L. O'Hara		
_____	*	April 13, 2005
John J. Haley	Director	
_____	*	April 13, 2005
David G. Offensend	Director	
_____	*	April 13, 2005
Nicholas G. Moore	Director	
_____	*	April 13, 2005
Rene Schuster	Director	
_____	*	April 13, 2005
Jennifer Laing		
*By: <u>/s/ Jon F. Chait</u> Jon F. Chait Attorney-in-fact		

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**EXHIBIT INDEX**

Exhibit Document  
Number Description

(1.1) Form of Underwriting Agreement.\*

(4.1) Amended and Restated Certificate of Incorporation of the Registrant (incorporated by

reference to Exhibit 3.1 to the Registrant's Registration Statement on Form 10 filed on March 14, 2003).

(4.2) Certificate of Designations of the Board of Directors Establishing the Series and Fixing the Relative Rights and Preferences of Series A Junior Participating Preferred Stock. (incorporated by reference to Exhibit 3.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K filed on February 3, 2005).

(4.2) Amended Restated Loan and Security Agreement, dated as of June 25, 2003, by and among the Registrant and each of its subsidiaries that are signatories thereto, as Borrowers, the lenders that are signatories thereto, as the Lenders, and Wells Fargo Foothill, Inc. as the Arranger and Administrative Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(4.3) Amendment No. 1 to Amended and Restated Loan Security Agreement, dated as of September 30, 2003, between the Registrant and Wells



Fargo Foothill, Inc.  
(incorporated by  
reference to Exhibit  
4 to the Registrant's  
Quarterly Report on  
Form 10-Q for the  
quarter ended  
September 30,  
2003).

(4.4) Amendment No. 2  
to and Consent  
Under Amended and  
Restated Loan and  
Security Agreement,  
dated as of  
December 29, 2003,  
between the  
Registrant and Wells  
Fargo Foothill, Inc.  
(incorporated by  
reference to Exhibit  
4 to the Registrant's  
Current Report on  
Form 8-K filed on  
January 16, 2004).

(4.5) Amendment No. 3,  
Consent and Joinder  
to Amended and  
Restated Loan  
Security Agreement,  
Dated March 2,  
2004, between the  
Registrant and Wells  
Fargo Foothill, Inc.  
(incorporated by  
reference to Exhibit  
4.3 to the  
Registrant's Annual  
Report on Form  
10-K for the year  
ended December 31,  
2003).

(4.6) Amendment No. 4,  
Consent and Joinder  
to Amended and  
Restated Loan and  
Security Agreement,  
dated as of July 27,  
2004, among the  
Registrant, the  
Borrowers (as  
defined therein), the  
Joining Guarantors  
(as defined therein),  
Wells Fargo  
Foothill, Inc. and the  
lenders identified  
therein

(incorporated by reference to Exhibit 4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).

(4.7) Amendment No. 5 to Amended and Restated Loan and Security Agreement, dated as of March 31, 2005, among the Registrant, the borrowers identified therein, Wells Fargo Foothill, Inc. and the lenders identified therein (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 5, 2005).

(4.8) Rights Agreement, dated as of February 2, 2005, between the Registrant and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A filed on February 3, 2005).

(4.9) Indenture, dated November 25, 2003, between the Registrant and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-3 filed on November 26, 2003 (Reg. No. 333-110765)).

(4.10) Subordinated Indenture, dated

November 25,  
2003, between the  
Registrant and The  
Bank of New York,  
as trustee  
(incorporated by  
reference to  
Exhibit 4.5 to the  
Registrant's  
Registration  
Statement on Form  
S-3 filed on  
November 26,  
2003 (Reg. No.  
333-110765)).

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Exhibit Document  
Number Description

- (4.11) Form of  
Supplemental  
Indenture.\*
- (4.12) Form of  
Supplemental  
Subordinated  
Indenture.\*
- (4.13) Form of Stock  
Purchase  
Contract.\*
- (5) Opinion of Foley &  
Lardner LLP  
(including consent of  
counsel).
- (12) Computation of  
ratios of earnings  
(losses) to fixed  
charges.
- (23.1) Consent of Foley  
& Lardner (filed as  
part of Exhibit (5)).
- (23.2) Consent of BDO  
Seidman, LLP.
- (24) Powers of attorney.
- (25.1) Form T-1  
Statement of  
Eligibility of  
Trustee for Senior  
Indenture under the

Trust Indenture Act  
of 1939.

(25.2) Form T-1  
Statement of  
Eligibility of  
Trustee for  
Subordinated  
Indenture under the  
Trust Indenture Act  
of 1939.

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\* To be filed by  
amendment or under  
subsequent Current  
Report on Form 8-K.

Documents incorporated  
by reference to filings  
made by Hudson Highland  
Group, Inc. under the  
Securities Exchange Act of  
1934, as amended, are  
under File No. 000-50129.

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