FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2013-01-14** | Period of Report: **2012-11-30**
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FILER

PAN AMERICAN GOLDFIELDS LTD

CIK:**1046672**| IRS No.: **841431797** | State of Incorp.:**DE** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **000-23561** | Film No.: **13527642**
SIC: **1040** Gold and silver ores

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2012

Commission file number 000-23561

PAN AMERICAN GOLDFIELDS LTD.
(Exact name of small business issuer as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	84-1431797 (IRS Employer Identification Number)
1200 – 570 Granville Street Vancouver, BC	V6C 3P1
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (604) 681-1163

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of January 14, 2013, the registrant had 94,007,801 shares of common stock issued and outstanding.

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAN AMERICAN GOLDFIELDS LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. Dollars)

November 30, 2012

PAN AMERICAN GOLDFIELDS LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in U.S. Dollars)

	November 30 2012 (Unaudited) $	February 29 2012 (Audited) $
Assets		
Current		
Cash and cash equivalents	263,978	117,892
Accounts receivable	850,576	282,683
Inventory	-	64,202
Prepaid expenses	36,630	50,686
Real estate held for sale	1,050,000	-
	2,201,184	515,463
Equipment (note 4)	26,657	166,204
Total assets	2,227,841	681,667
Liabilities		
Current		
Accounts payable and accrued liabilities	1,088,364	1,358,302
Loans payable (note 8)	25,247	12,887
Total liabilities	1,113,611	1,371,189
Stockholders' equity (deficiency)		
Capital stock		
Preferred stock		
Authorized: 20,000,000 shares without par value (note 9)		
Issued: nil		
Common stock		
Authorized: 200,000,000 shares without par value		
Issued: 94,007,801 (2012 – 71,192,397) (note 10)	37,000,359	34,232,125
Additional paid-in capital	16,355,680	15,986,080
Stock subscriptions	299,904	557,238
Accumulated deficit from prior operations	(2,003,427)	(2,003,427)
Accumulated deficit during the exploration stage	(50,771,592)	(49,701,810)
Accumulated other comprehensive income	233,306	240,272
Total stockholders' equity (deficiency)	1,114,230	(689,522)
Total liabilities and stockholders' equity (deficiency)	2,227,841	681,667

Going-concern (note 3)
Commitments (notes 6 and 12)
Subsequent events (note 15)

The accompanying notes are an integral part of these consolidated financial statements.

PAN AMERICAN GOLDFIELDS LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended November 30		Nine Months Ended November 30		Period From March 1, 2004 (Inception of Exploration Stage) to November 30
	2012	**2011**	**2012**	**2011**	**2012**
Net sales	$ 878,023	$ 687,211	$ 3,889,753	$ 1,482,242	$ 7,675,198
Cost of goods sold	334,178	248,857	1,259,416	570,106	2,944,791
Gross margin	543,845	438,354	2,630,337	912,136	4,730,407
Expenses					
General and administrative	696,795	689,745	2,377,089	2,482,427	25,593,248
Mineral exploration (note 6)	316,528	217,254	1,326,403	337,007	11,458,258
Impairment of mineral property costs	90,000	643,151	400,000	844,977	18,660,059
Operating loss	(559,478)	(1,111,796)	(1,473,155)	(2,752,275)	(50,981,158)
Other income (expenses)					
Deposit on equipment written off	-	-	-	-	(25,300)
Foreign exchange	7,661	(130,908)	3,713	(270,250)	(586,136)
Interest expense	(1,732)	1,571	(9,046)	(41,051)	(5,364,352)
Other income	150,123	61,307	419,095	73,282	838,411
Gain on disposal of assets	-	-	-	-	15,130
Gain on sale of assets	-	-	31,691	-	4,420,065
Gain (loss) on settlement of debt	166,656	712,494	(42,080)	937,159	911,748
Net loss	(236,770)	(467,332)	(1,069,782)	(2,053,135)	(50,771,592)
Accumulated deficit, beginning	(50,534,822)	(47,879,726)	(49,701,810)	(46,293,923)	-
Accumulated deficit, ending	$(50,771,592)	$(48,347,058)	$(50,771,592)	$(48,347,058)	$ (50,771,592)
Other comprehensive income					
Foreign exchange gain (loss) on translation	$ 17,550	$ 57,408	$ (6,966)	$ 87,785	$ 233,306
Total comprehensive loss	$ (219,220)	$ (409,924)	$ (1,076,748)	$ (1,965,350)	$ (50,538,286)
Total loss per share – basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.03)	
Weighted average number of shares of common stock – basic and diluted	93,555,420	62,822,951	82,017,733	60,863,756	

The accompanying notes are an integral part of these consolidated financial statements.

PAN AMERICAN GOLDFIELDS LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	Nine Months Ended November 30		Period from March 1, 2011 (Inception of Exploration Stage) to November 30
	2012	**2011**	**2012**
Cash flows from operating activities			
Net loss	$ (1,069,782)	$ (2,053,135)	$ (50,771,592)
Adjustments to reconcile net (loss) to net cash flows:			
Write off of note receivable	-	-	57,500
Impairment of mineral property costs	-	776,668	14,421,668
Issuance of shares for consulting services	-	-	510,590
Issuance of shares for interest costs	-	-	82,500
Discount on convertible debenture	-	-	569,549
Deposit on equipment written off	-	-	25,300
Gain on disposal of assets	-	-	(15,130)
Gain on sale of assets	31,952	-	(4,358,002)
Non-cash component of gain on settlement of debt	42,080	(937,159)	(953,563)
Beneficial conversion feature	-	-	4,081,091
Stock-based compensation	540,000	921,825	12,780,436
Amortization	10,803	31,961	357,106
Net change in operating assets and liabilities:			
Prepaid expense	13,343	(67,125)	(38,285)
Accounts receivable	(587,939)	(276,745)	(573,382)
Inventory	64,202	-	-
Customer deposits	-	-	(194,809)
Notes payable	-	-	109,337
Accounts payable and accrued liabilities	49,872	(456,817)	7,296,948
Cash used in operating activities	(905,469)	(2,060,527)	(16,612,738)
Investing activities			
Sale of equipment	49,650	-	82,966
Purchase of property and equipment	(584)	-	(604,201)
Cash provided (used) in investing activities	49,066	-	(521,235)
Financing activities			
Proceeds from loans payable	32,250	28,550	348,867
Proceeds from notes payable	-	-	3,162,196
Proceeds from convertible debentures	-	-	7,462,500
Proceeds from exercise of options	-	-	78,000
Proceeds from exercise of warrants	-	-	3,144,377
Repayment of loans payable	(19,890)	(19,757)	(316,739)
Repayment of notes payable	-	-	(586,620)
Repayment of convertible debentures	-	-	(2,051,047)
Stock subscriptions	1,008,600	2,033,672	3,326,862
Issuance of common stock	-	-	2,756,994
Cash provided (used) by financing activities	1,020,960	2,042,465	17,325,390

Net change in cash	164,557	(18,062)	191,417
Effect of foreign currency translation on cash	(18,471)	112,224	50,484
Cash and cash equivalents, beginning	117,892	407,912	22,077
Cash and cash equivalents, ending	$ 263,978	$ 502,074	$ 263,978

Supplemental cash flow information (note 14)

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PRESENTATION

Pan American Goldfields Ltd. (formerly Mexoro Minerals, Ltd and Sunburst Acquisitions IV, Inc.) ("Panam" or the "Company") was incorporated in the state of Delaware on March 23, 2010 and on July 2, 2010 changed its name to Pan American Goldfields Ltd. pursuant to an agreement and plan of merger between the Company and Mexoro Minerals Ltd. The Company was formed to seek out and acquire business opportunities. Between 1997 and 2003, the Company was engaged in two business acquisitions and one business opportunity, none of which generated a significant profit or created sustainable business. All were sold or discontinued. The Company had previously been pursuing various business opportunities and, effective March 1, 2004, the Company changed its operations to mineral exploration. Currently, the main focus of the Company's operations is in Mexico and Argentina.

On May 25, 2004, the Company completed a "Share Exchange Agreement" with Sierra Minerals and Mining, Inc. ("Sierra Minerals"), a Nevada corporation, which caused Sierra Minerals to become a wholly-owned subsidiary of the Company. Sierra Minerals held certain rights to properties in Mexico that the Company now owns or has an option to acquire. Through Sierra Minerals, the Company entered into a joint venture agreement with MRT. In August 2005, the Company cancelled the joint venture agreement in order to directly pursue mineral Exploration opportunities through a wholly-owned Mexican subsidiary, Sunburst Mining de Mexico S.A. de C.V. ("Sunburst de Mexico"). On August 25, 2005, the Company, Sunburst de Mexico and MRT entered into agreements providing Sunburst de Mexico the right to explore and exploit certain properties in Mexico. In December 2005, the Company and Sunburst de Mexico entered into a new agreement with MRT (the "New Agreement") (note 6). On January 20, 2006, Sierra Minerals was dissolved.

In February 2011, the Company entered into an agreement with Compañia Minera Alto Rio Salado S.A. ("Compañia Minera"), a private Argentine entity, for the acquisition of the 15,000 hectares Cerro Delta Project in northwest La Rioja Province, Argentina. The agreement became effective in March 2011. Under the terms of the agreement, the Company is required to pay $150,000 upon signing (paid) the agreement, $200,000 on the first anniversary (paid), $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the Cerro Delta project payable on the sixth anniversary of the signing. The vendor will retain a 1% net smelter return ("NSR") (note 6).

On February 12, 2009, the Company entered into a joint venture through a definitive agreement for development of its Cieneguita project with Minera Rio Tinto, S.A. de C.V. ("MRT"), a private company duly incorporated pursuant to the laws of Mexico. The purpose of the joint venture is to put the Cieneguita property into production. Pursuant to the agreement, MRT was to provide the necessary working capital to begin and maintain mining operations at Cieneguita, which are estimated to be $3,000,000. MRT planned to spend 100% of the money to earn 74% of the net cash flow from production (notes 5 and 6). The Company was expected to receive 20% of the net cash flows from production.

In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company was to receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions (note 6).

In September, 2012, the Company entered into a second amended and restated development agreement ("Second Amended and Restated Development Agreement") with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Recent accounting pronouncements

(i) On June 16, 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Implementation of the provisions of ASU 2011-05 did not have a material effect on the financial position, results of operations or cash flows of the Company, as the Company currently presents a continuous statement of operations and comprehensive income (loss).

(ii) On May 12, 2011, the FASB issued ASU 2011-04. The ASU is the result of joint efforts by the FASB and IASB to develop a single, converged fair value framework. Thus, there are few differences between the ASU and its international counterpart, IFRS 13. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP; however it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The ASU is effective for interim and annual periods beginning after December 15, 2011. Implementation of the provisions of ASU 2011-05 did not have a material effect on the financial position, results of operations or cash flows of the Company.

(iii) In May 2010, the FASB issued ASU 2010-19, Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates. The amendments in this update are effective as of the announcement date of March 18, 2010. Implementation of ASU 2010-19 did not have a material effect on the financial position, results of operations or cash flows of the Company.

(iv) In April 2010, the FASB issued ASU 2010-17, Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption was permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. Implementation of ASU 2010-17 did not have a material effect on the financial position, results of operations or cash flows of the Company.

3. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis. The Company has a history of operating losses and will need to raise additional capital to fund its planned operations. As at November 30, 2012, the Company had a cumulative loss, during its exploration period, of $50,771,592 (February 29, 2012 - $49,701,810). These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company intends to reduce its cumulative loss through the attainment of profitable operations from its investment in Mexican and Argentine mining ventures (note 6). In addition, the Company has conducted private placements of common stock and convertible debt (note 10), which have generated a portion of the initial cash requirements for its planned mining ventures (note 6).

In July 2012, the Company completed a private placement of 17,500,000 shares at $0.12 per share for total gross proceeds of $1,050,000 in cash and an additional $1,050,000 of real property in Argentina.

In May 2012, the Company converted subscription proceeds of $45,000 and issued 300,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and one warrant each exercisable at $0.30, which expires in two years.

In February 2012, the Company completed a private placement of 4,500,000 units at $0.20 per unit for total gross proceeds of $900,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, each exercisable at $0.30, expiring in two years from the closing date.

In June 2011, the Company completed a private placement of 1,500,000 units at $0.20 per unit, for total proceeds of $300,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, each exercisable at $0.30, expiring in two years from the closing date.

In March 2011, the Company completed a private placement of 6,560,000 units at $0.20 per unit, for total proceeds of $1,312,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock. Each warrant is exercisable for one share of common stock at an exercise price of $0.30 per share for a period of two years from the closing date.

In July 2009, the Company signed a definitive agreement to sell its Guazapares project located in southwest Chihuahua, Mexico to Paramount Gold de Mexico, SA de C.V., the Mexican subsidiary of Paramount Gold and Silver Corp. ("Paramount") for a total consideration of up to $5,300,000. The purchase price is to be paid in two stages. The first payment of $3,700,000 was released from escrow in February 2010, as the transfer of the 12 claims to Paramount was completed. An additional payment of $1,600,000 is due if, within 36 months following execution of the letter of agreement (July 10, 2009), either (i) Paramount Gold de Mexico SA de C.V. is sold by Paramount, either through a stock sale or a sale of substantially all of its assets, or (ii) Paramount's San Miguel project is put into commercial production. As of January 14, 2013, none of these two events occurred.

(Unaudited) (Expressed in U.S. Dollars)

4. EQUIPMENT

	November 30, 2012			February 29 2012
	Cost $	Accumulated Depreciation $	Net Book Value $	Net Book Value $
Software	24,061	18,458	5,603	5,944
Machinery	14,509	6,887	7,622	142,957
Vehicles	76,700	71,201	5,499	9,418
Computers	13,853	12,422	1,431	98
Office equipment	16,304	9,802	6,502	7,787
	145,427	118,770	26,657	166,204

5. JOINT VENTURE WITH MRT

On February 12, 2009, the Company entered into a joint venture through a definitive agreement for development of its Cieneguita project with MRT. The purpose of the joint venture is to put Cieneguita property into production. As per the agreement, MRT is to provide the necessary working capital to begin and maintain mining operations estimated to be $3,000,000. MRT will spend 100% of the funds in exchange for a 75% interest in the net cash flow from production. The agreement was amended in December 2009 for MRT to earn a 74% interest in the net cash flow from production (note 6).

In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company receives 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions (note 6).

The agreement limits the mining of the mineralized material that is available from the surface to a depth of 15 meters or approximately 10% of the mineralized material found as of the date of the definitive agreement. The Company incurs no obligations to the joint venture's creditors as the operations and working capital requirements are controlled by MRT and as such, the Company has concluded that it is not the primary beneficiary of the joint venture. Accordingly, the Company's share of income and expenses are reflected in these financial statements under the proportionate consolidation method.

In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

The Company's proportionate share of revenues was $3,889,753 and proportionate share of the net profit was $2,020,738 for the nine months ended November 30, 2012. The Company's proportionate share of accounts receivable of the joint venture was $770,150 at November 30, 2012. The joint venture did not have any other assets or liabilities at November 30, 2012.

(Unaudited) (Expressed in U.S. Dollars)

6. MINERAL PROPERTIES

The Company incurred exploration expenses as follows in the nine months ended November 30, 2012:

	Cieneguita $	Cerro Delta $	New Projects $	Total $
Drilling and sampling	3,592	13,910	3,854	21,356
Field work preparations	-	369,204	-	369,204
Salaries	86,340	-	-	86,340
Land use permits	8,675	-	-	8,675
Travel	18,441	-	-	18,441
Consulting	594,147	7,265	-	601,412
Equipment	159,539	-	-	159,539
General	9,885	892	50,659	61,436
	880,619	391,271	54,513	1,326,403

The Company incurred exploration expenses as follows in the nine months ended November 30, 2011:

	Cieneguita $	Cerro Delta $	Encino Gordo $	Total $
Geological, geochemical, geophysics	20,640	28,751	-	49,391
Land use permits	7,503	910	2,166	10,579
Automotive	-	-	-	-
Travel	8,138	-	-	8,138
Consulting	107,859	30,930	-	138,789
Equipment	86,759	-	-	86,759
General	6,199	37,152	-	43,351
	237,098	97,743	2,166	337,007

6. MINERAL PROPERTIES (continued)

Since May 2004, the Company has held interests in gold exploration properties in Mexico.

In August 2005, the Company formed its wholly owned subsidiary, Sunburst de Mexico, which allowed the Company to take title to the properties in the name of Sunburst de Mexico. On August 25, 2005, the Company entered into property agreements with MRT, which provided Sunburst de Mexico options to purchase the mineral concessions of the Cieneguita and Guazapares properties and the right of refusal on three Encino Gordo properties. The Company also entered into an development and sale agreement, in October 2006, with Minera Emilio S.A. de C.V. for the mineral concessions of the Sahuayacan property.

In August 2005, the parties also entered into an operator's agreement, that gave MRT the sole and exclusive right and authority to manage the Cieneguita property, and a share option agreement which granted MRT the exclusive option to acquire up to 100% of all outstanding shares of Sunburst de Mexico if the Company did not comply with the terms of the property agreements. The operator's agreement and share option agreement were subsequently cancelled when the Company and Sunburst de Mexico entered into a new contract with MRT as described below under "Encino Gordo".

In February 2009, the Company entered into an exploration agreement with MRT, which was amended in December 2009. Pursuant to the terms of the amended development agreement, MRT agreed to invest up to $8,000,000 to put the first phase of the Cieneguita project into production and complete a feasibility study. The first phase of production was limited to the mining of the mineralized material that is available from the surface to a depth of 15 meters ("First Phase Production"). In exchange, the Company assigned MRT an interest to 74% of the net cash flows from First Phase Production and MRT would have earned a 54% ownership interest by spending up to $4,000,000 to take the Cieneguita project through the feasibility stage.

In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company was to receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest was 80% and MRT was reduced to a 20% working interest, subject to certain dilution provisions.

In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

6. MINERAL PROPERTIES (continued)

The material provisions of the property agreements are as follows:

Cieneguita

MRT assigned to Sunburst de Mexico, with the permission of the Cieneguita property's owner, Corporativo Minero, S.A. de C.V. ("Corporativo Minero"), all of MRT's rights and obligations acquired under a previous agreement (the Cieneguita option agreement), including the exclusive option to acquire the Cieneguita property for a price of $2,000,000. Prior to assigning the Cieneguita property to the Company, MRT had paid $350,000 to Corporativo Minero. As the Cieneguita property was not in production by May 6, 2006, Sunburst de Mexico was required to pay $120,000 to Corporativo Minero to extend the contract. Corporativo Minero agreed to reduce the obligation to $60,000, of which $10,000 was paid in April 2006 and the balance paid on May 6, 2006. The Company made this payment to Corporativo Minero and the contract was extended.

The Company had the obligation to pay a further $120,000 per year for the next 13 years and the balance of the payments in the 14th year, until the total amount of $2,000,000 was paid. The Company renegotiated the payment due May 6, 2007, to $60,000 payable on November 6, 2007, which was paid, and the balance of $60,000 was paid on December 20, 2007. The Company paid $60,000 on May 12, 2008, of the $120,000 due on May 6, 2008, and the balance was paid in June 2008. The Company paid $30,000 each for a total of $120,000 on May 22, 2009, June 26, 2009, September 4, 2009 and November 20, 2009. In 2010, the Cieneguita project was put into production under the development agreement as described above and the payment terms were changed based on the following formula:

The Company must pay the Cieneguita owners $20 per ounce of gold produced from the Cieneguita property to the total of $2,000,000 due. In the event that the price of gold is above $400 per ounce, the property payments payable to the Cieneguita owners from production will be increased by $0.10 for each dollar increment over $400 per ounce. The total payment of $2,000,000 does not change with fluctuations in the price of gold. Non-payment of any portion of the $2,000,000 total payment will constitute a default. In such case, the Cieneguita owners will retain ownership of the concessions, but the Company will not incur any additional default penalty.

In September 2011, the Company, MRT and Corporativo Minero entered into a new agreement, where Corporativo Minero was entitled to a monthly payment of $30,000, to be paid from the net cash flows from production at Cieneguita until the completion of the first 15 meters of production or December 31, 2012, whichever occurs first.

In September 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT whereby the Company's share of net cash flow from the pilot project operated by MRT increases from 20% to 29% beginning retroactively from March 1, 2012 to December 31, 2012. From January 1, 2013 to December 31, 2013, this amount increases to 35%.

Based on production at Cieneguita, the joint venture paid $240,000 during the nine months ended November 30, 2012 (February 29, 2012 - $227,241) to the Cieneguita owners. As of November 30, 2012, Corporativo Minero has been paid a total of $1,417,241 for the Cieneguita property. The Company is not presently in default on its payments for the Cieneguita property.

(Unaudited) (Expressed in U.S. Dollars)

6. MINERAL PROPERTIES (continued)

On February 12, 2009, the Company entered into a definitive agreement for development of the Cieneguita project with MRT. The definitive agreement covered project financing of up to $9,000,000. The major points of the agreement were as follows:

(i) MRT and/or its investors will subscribe for $1,000,000 of a secured convertible debenture at 8% interest (payable in stock or cash). The debenture was convertible into units at $0.60 per unit. Each unit comprised two common shares and one warrant. Each warrant is exercisable at $0.50 per share for a period of three years. The placement will be used for continued development of the Company's properties and general working capital.

(ii) MRT is to provide the necessary working capital to begin and maintain mining operations estimated to be $3,000,000 used for the purpose of putting the Cieneguita property into production. MRT will spend 100% of the money to earn 75% of the net cash flow from production. The agreement will limit the mining to the mineralized material that is available from surface to a depth of 15 meters or approximately 10% of the mineralized material found to date.

(iii) MRT will spend up to $5,000,000 to take the Cieneguita property through the feasibility stage. In doing so, MRT will earn a 60% interest in the Company's rights to the property. After the expenditure of the $5,000,000 all costs will be shared on a ratio of 60% to MRT and 40% to the Company. If the Company elects not to pay its portion of costs after the $5,000,000 has been spent, the Company's position shall revert to a 25% carried interest on the property.

To generate funding for the Company's continued operations, the Company issued $1,500,000 of convertible debentures in March 2009, of which an aggregate of $880,000 was issued to Mario Ayub, a former director of the Company, and his affiliated entity, MRT. Pursuant to the terms of the convertible debentures, the holders irrevocably converted the debentures into a 10% ownership interest in the Cieneguita project and a 10% interest in the net cash flow from First Phase Production.

In December 2009, Mario Ayub and MRT agreed to resell an aggregate 4% ownership interest in the Cieneguita project back to the Company, along with 4% of the net cash flow from First Phase Production, in return for $550,000. In a private transaction not involving the Company, the other holders contributed their remaining 6% ownership interest in the Cieneguita project to a newly formed entity, Marje Minerals SA ("Marje Minerals").

In December 2009, the Company amended the development agreement and its agreements with the debenture holders. According to the amended development agreement, the ownership interest in the Cieneguita project and the net cash flows from the First Phase Production were held by the Company, MRT and Marje Minerals as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	54%	74%	54%
Marje Minerals	6%	6%	6%
Panam	40%	20%	40%

(1) Was to be earned by MRT by spending $4,000,000 to take the Cieneguita project through the feasibility stage.

Any additional costs for the First Phase Production and the feasibility study for the Cieneguita project, after MRT invested $8,000,000, would have been shared by the Company, MRT and Marje Minerals on a pro-rata basis based on their respective ownership percentages in the Cieneguita project.

6. MINERAL PROPERTIES (continued)

The major terms of the amended development agreement with MRT and Marje Minerals were as follows:

(i) MRT purchased $1,000,000 of secured convertible debentures at 8% interest (payable in stock or cash). The proceeds from this investment were used for continued development and exploration of the Cieneguita project and general working capital. On November 5, 2009, MRT exercised its conversion rights on the debenture and MRT was issued 3,333,333 common shares and a warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.50 per share.

(ii) MRT agreed to provide the necessary working capital to begin and maintain mining operations, estimated to be $3,000,000, to put the first phase of the Cieneguita project into production. In exchange for these funds, the Company assigned MRT an interest to 74% of the net cash flow from First Phase Production. The agreement limits the mining during First Phase Production to the mineralized material that is available from the surface to a depth of 15 meters.

(iii) MRT committed to spend up to $4,000,000 to take the Cieneguita project through the feasibility stage. In doing so, the Company assigned MRT a 54% interest in its rights to the Cieneguita project. After the expenditure of the $4,000,000, all costs will be shared on a pro rata ownership basis (i.e. 54% to MRT, 40% to the Company and 6% to Marje Minerals). If any party cannot pay its portion of the costs after the $4,000,000 has been spent, then their ownership position in the Cieneguita project will be reduced by 1% for every $100,000 invested by the other owners. The Company's ownership interest in the Cieneguita project, however, cannot be reduced below 25%. In addition, the Company has the right to cover Marje Minerals' pro rata portion of costs if they cannot pay their portion of the costs. In return, the Company will receive 1% of Marje Minerals' ownership position in the Cieneguita project for every $100,000 the Company invests on their behalf.

(iv) The MRT agreement was contingent on the Company repaying its debenture to Paramount. In March 2009, the Company repaid $1,000,000, or approximately two-thirds of the debt, and Paramount released a security interest it had on the Cieneguita project. In October 2009, the Company repaid the remaining amount of the debt and Paramount released its security interests on the Sahuayacan, Guazapares and Encino Gordo properties.

In September 2011, the Company executed a new amended and restated development agreement with MRT and Marje Minerals, for the restructure of its Cieneguita joint venture. Under the restructured joint venture agreement the Company receives 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions. The Company also bought back 6% interest in Cieneguita from Marje Minerals in exchange for 3,333,333 common shares of the Company.

(Unaudited) (Expressed in U.S. Dollars)

6. MINERAL PROPERTIES (continued)

Under the agreement, the parties agreed to restructure their respective ownership interests in the Cieneguita project as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	20%	74%	20%
Marje Minerals	0%	6%	0%
Panam	80%	20%	80%

The Company and MRT shall be responsible for the cost of a feasibility study on a pro rata basis based on their respective amended ownership percentages of the Cieneguita project.

Marje Minerals will also assume approximately $490,000 in debt of the Company in consideration for receiving half of all monthly net cash flows that the Company is entitled from operations on the first 15 meters, if any, until the sooner of December 31, 2012 or until Marje Minerals receives $490,000 from these cash flows (note 7).

In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

In connection with the revised development agreement, MRT also purchased 2 million shares of the Company's common stock at a price of $0.12 per share for net proceeds of $240,000 pursuant to the Company's private placement subscription agreement. The Company will issue the shares to MRT in reliance on exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

6. MINERAL PROPERTIES (continued)

Encino Gordo

On December 8, 2005, the Company and Sunburst de Mexico entered into a "New Agreement" with MRT to exercise their option under the sale and purchase of the mining concessions agreement, dated August 18, 2005, to obtain two mining concessions in the Encino Gordo region. The New Agreement also provided the Company the option to obtain three additional concessions in the Encino Gordo region.

The following were additional material terms of the New Agreement:

(a) The share option agreement with MRT was cancelled;

(b) The Company granted MRT the option to buy all of the outstanding shares of Sunburst de Mexico for $100 if the Company failed to transfer $1,500,000 to Sunburst de Mexico by April 30, 2006. On April 6, 2006, MRT agreed to waive its option to purchase the shares of Sunburst de Mexico and also waived the Company's obligation to transfer $1,500,000 to Sunburst de Mexico. The property agreements were modified to change the NSR to a maximum of 2.5% for all properties covered by the agreements. The property agreements contained NSRs ranging from 0.5% to 7%;

(c) The Company agreed to issue 2,000,000 shares of the Company's common stock to MRT within four months of the date of signing of the New Agreement. These shares were issued to MRT and its assignee at the market value of $1.05 per share on February 23, 2006, and $2,100,000 was charged to operations for the year ended February 28, 2006. This issuance fulfilled the Company's payment obligations under the previous property agreements;

(d) The Company agreed to issue 1,000,000 additional shares of the Company's common stock to MRT if and when the Cieneguita property is put into production and reaches 85% of production capacity over a 90-day period, as defined in the New Agreement; and

(e) The operator's agreement with MRT was cancelled.

Sunburst de Mexico purchased two of the Encino Gordo concessions from MRT for a price of 1,000 pesos (approximately US$100), and MRT assigned to Sunburst de Mexico a first right of refusal to acquire three additional Encino Gordo concessions. The total payments to acquire 100% of these three additional concessions were as follows: $10,000 on June 30, 2006 (paid); $25,000 on December 31, 2006 (paid), $50,000 on December 31, 2007 ($20,000 of this payment was made on January 3, 2008 and the balance was paid on February 29, 2008) and $75,000 on December 31, 2008 (the payment was not made and the Company was in default). In August 2009, the Company decided to surrender the Encino Gordo 2 mining concession eliminating any future concession payments on these properties.

In May 2012, the Company transferred its interest in concessions at the Encino Gordo project located in the Barranca region of Chihuahua State in Mexico, which included two concessions owned by the Company and two additional concessions the Company had the option to acquire, to MRT. In connection with the transfer, MRT paid $100,000 cash, waived $200,000 in payments the Company owed to MRT in connection with the Encino Gordo Project and agreed to assume all of the Company's obligations related to the transferred concessions.

Cerro Delta

In February 2011, the Company management entered into an agreement with Compania Minera Alto Rio Salado S.A., a private Argentine entity, for the acquisition of the 15,000 hectare Cerro Delta project in northwest La Rioja Province, Argentina. Under the terms of the agreement, the Company must pay $150,000 upon signing (paid), and $200,000 on the first anniversary (paid), $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the project payable on the sixth anniversary of the signing. The vendor will retain a 1% NSR.

7. PROMISSORY NOTES

As at November 30, 2012, the Company had $nil (February 29, 2012 - $nil) of promissory notes outstanding, comprising the following:

(a) During the year ended February 29, 2008, the Company converted accounts payable of $465,994 (Swiss Franc ("CHF") 565,000) into promissory notes. The Company had an implied obligation to pay the accounts payable in CHF as the funds to pay the expense came from Swiss investors in CHF. Accordingly, the promissory notes were issued in CHF. The notes consisted of one warrant for each CHF 5.00 of notes issued, exercisable at $1.00 each. The principal and interest on the notes became due and payable on April 30, 2008. The interest rate payable during the default period was 12%. In September 2011, the Company executed debt conversion and release agreements to convert promissory notes and related interest charges in the amount of $1,091,645 into Company's common shares for a total of 3,340,880 shares (note 10).

(b) During the year ended February 29, 2012, the Company entered into an agreement to convert $17,778 of the promissory notes including accrued interest by issuing 55,000 shares of the Company's common stock (note 10).

(c) $10,358 of promissory notes were to be repaid over a 12 month period as part of a debt settlement agreement. These notes bore no interest. In September 2011, the Company assigned these notes to Marje Minerals as part of the amended and restated development agreement (note 6).

(d) $28,113 of promissory notes bore no interest and had no repayment terms. In September 2011, the Company assigned these notes to Marje Minerals as part of the amended and restated development agreement (note 6).

8. LOANS PAYABLE

As at November 30, 2012, there were loans payable in the amount of $25,247 (February 29, 2012- $12,887). The loans were repayable in monthly instalments of $3,702 (February 29, 2012 – $3,272), including interest of 7.50% per annum.

9. PREFERRED STOCK

The Company is authorized to issue 20,000,000 shares of preferred stock. The Company's board of directors is authorized to divide the preferred stock into series, and with respect to each series, to determine the preferences and rights and qualifications, limitations or restrictions thereof, including the dividend rights, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions, and the number of shares constituting the series and the designations of such series. The board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting rights of the holders of common stock, which issuance could have certain anti-takeover effects. There were no shares of preferred stock issued or outstanding at November 30, 2012 or February 29, 2012.

10. COMMON STOCK

In September 2012, the Company issued 500,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.13 per share.

In September 2012, the Company issued the remaining 2,166,666 common shares relating to the acquisition of 6% of ownership interest in the Cieneguita project (see December 2011 issuance below).

In November 2012, the Company issued 250,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.12 per share.

In July 2012, the Company converted outstanding fees in the amount of $71,900 owed to the Company's directors into shares of the Company's common stock, at a conversion price of $0.10 per share (note 13).

In July 2012, the Company completed a $2.1 million private placement offering, whereby the Company issued 17,500,000 shares of its common stock at a subscription price of $0.12 per share. Of the aggregate purchase price, $1,050,000 was paid in cash and $1,050,000 was paid through the transfer of real property in Argentina. The Company intends to liquidate this property as soon as practical. In conjunction with the offering, the Company paid a finder's fee of $84,000 and 700,000 shares of common stock.

In June 2012, the Company issued 194,444 common shares pursuant to a debt settlement agreement to settle $20,000 of debt. The shares were valued at the time of issuance at $0.10 per share.

In May 2012, the Company converted subscription proceeds of $45,000 and issued 300,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and two warrants each exercisable at $0.20 and $0.30, which expire in two years. In July 2012, the Company paid a finder's fee of $2,400 related to the private placement.

In April 2012, the Company issued 235,294 common shares pursuant to a debt settlement agreement to settle $40,000 of debt. The shares were valued at the time of issuance at $0.17 per share.

In April 2012, the Company issued 250,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.18 per share.

In February 2012, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on February 29, 2014, to a consultant.

Between September 2011 and February 2012, the Company converted subscription proceeds of $900,000 and issued 4,500,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and one warrant each exercisable at $0.30, which expires in two years.

In December 2011, the Company acquired 6% ownership interest in the Cieneguita project in exchange for 3,333,333 common shares, of which, the Company had issued 1,166,667 common shares as of February 29, 2012.

In October 2011, the Company and note holders agreed to cancel $979,476 of outstanding debt in exchange for 3,340,880 shares of the Company's common shares. The Company recognized a gain on settlement of debt in the amount of $277,891. In November 2011, the Company also issued 267,271 shares to a consultant as consulting fee relating to the settlement of debt.

In August 2011, the Company negotiated return of 750,000 shares to the treasury from a former president. The shares were valued at the time of issuance at $0.28 per share.

In July 2011, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on July 21, 2013, to a consultant.

In June 2011, the Company converted subscription proceeds of $300,000 and issued 1,500,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and one warrant each exercisable at $0.30, which expires in two years.

In June 2011, the Company issued 125,000 shares to a consultant pursuant to a consulting agreement.

In June 2011, the Company issued the 423,752 shares pursuant to the April 2011 debt settlement agreement. The shares were valued at the time of the debt settlement agreement of $0.28 per share.

(Unaudited) (Expressed in U.S. Dollars)

10. COMMON STOCK (continued)

In April 2011, the Company converted subscription proceeds of $347,000 and issued 1,735,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and one warrant each exercisable at $0.30, which expires in two years.

In March 2011, the Company converted subscription proceeds of $665,000 and issued 3,325,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company's common stock and one warrant each exercisable at $0.30, which expires in two years.

In March 2011, the Company and a note holder agreed to cancel $17,778 in outstanding debt in exchange for 55,000 shares of the Company's common stock.

In March 2011, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on December 31, 2012, to a consultant.

11. STOCK COMPENSATION PROGRAM

On March 18, 2009, the board of directors approved the granting of stock options according to the 2009 Nonqualified Stock Option Plan ("2009 Option Plan") whereby the board is authorized to grant to employees and other related persons stock options to purchase an aggregate of up to 6,000,000 shares of the Company's common stock. Subject to the adoption of the 2009 Option Plan, the options were granted and vest, pursuant to the terms of the 2009 Option Plan, in six equal instalments, with the first instalment vesting at the date of grant, and the balance vesting over 2.5 years, every six months.

In the nine months ended November 30, 2012, the Company awarded nil options to purchase common shares (November 30, 2011 – 1,600,000) and recorded stock-based compensation expense for the vesting options of $153,300 (November 30, 2011- $272,075). The following weighted average assumptions were used for the Black-Scholes option-pricing model to value stock options granted in fiscal 2013 and 2012:

	2013	2012
Expected volatility	-	110.11%
Weighted-average volatility	-	110.11%
Expected dividend rate	-	-
Expected life of options in years	-	10
Risk-free rate	-	3.38%

There were no capitalized stock-based compensation costs at November 30, 2012 or November 30, 2011.

The weighted-average grant-date fair value of options granted during the nine months ended November 30, 2012 and November 30, 2011 was $nil and $0.29, respectively.

(Unaudited) (Expressed in U.S. Dollars)

11. STOCK COMPENSATION PROGRAM (continued)

The summary of option activity under the 2009 Option Plan as of November 30, 2012, and changes during the period then ended, is presented below:

Options	Weighted Average Exercise Price **$**	Number of Shares	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at March 1, 2012	0.34	6,215,000		
Options granted	-	-		
Options exercised	-	-		
Options cancelled/forfeited	-	-		
Balance at November 30, 2012	0.34	6,215,000	6.89	-
Exercisable at November 30, 2012	0.36	5,348,336	6.66	-

A summary of the status of the Company's non-vested options as of November 30, 2012, and changes during the nine months ended November 30, 2012, is presented below:

Non-vested options	Shares	Weighted-average Grant-Date Fair Value $
Non-vested at February 29, 2012	1,566,665	0.26
Granted	-	-
Vested	(700,001)	0.27
Cancelled/forfeited	-	-
Non-vested at November 30, 2012	866,664	0.27

As of November 30, 2012, there was an estimated $224,300 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2009 nonqualified stock option plan. That cost is expected to be recognized over a weighted-average period of approximately 0.80 years.

On April 29, 2011, the Company repriced the exercise price of 1,125,000 vested stock options by reducing the exercise prices of $0.36 and $0.44 to $0.28. As a result, the Company recorded incremental stock-based compensation of $6,000 during the year ended February 29, 2012.

(Unaudited) (Expressed in U.S. Dollars)

12. WARRANTS

As at November 30, 2012, the Company had a total of 29,160,000 warrants (February 29, 2012 – 32,011,733) outstanding to purchase common stock. Each warrant entitles the holder to purchase one share of the Company's common stock. The Company has reserved 29,160,000 shares of common stock in the event that these warrants are exercised.

During the nine months ended November 30, 2012, the Company received $nil from warrants exercised.

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of Warrants		Weighted Average Exercise Price
Balance, February 28, 2011	25,826,733	$	0.41
Issued	19,060,000		0.30
Cancelled/expired	(12,875,000)		0.30
Exercised	-		-
Balance, February 29, 2012	32,011,733	$	0.35
Issued	2,100,000		0.26
Cancelled/expired	(4,951,733)		0.68
Exercised	-		-
November 30, 2012	29,160,000	$	0.29

As at November 30, 2012, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
300,000	0.20	May 22, 2014
1,000,000	0.25	April 30, 2022
3,000,000	0.25	July 26, 2020
300,000	0.25	August 22, 2021
200,000	0.25	September 6, 2013
300,000	0.30	May 15, 2014
500,000	0.30	December 31, 2012
3,325,000	0.30	March 17, 2013
1,735,000	0.30	April 13, 2013
500,000	0.30	April 29, 2021
1,500,000	0.30	June 2, 2013
500,000	0.30	July 21, 2013
4,400,000	0.30	December 30, 2013
5,000,000	0.30	December 29, 2016
500,000	0.30	February 20, 2014
100,000	0.30	February 28, 2014
500,000	0.30	February 15, 2022

5,000,000	0.30	December 24, 2020
500,000	2.00	August 28, 2014
29,160,000		

(Unaudited) (Expressed in U.S. Dollars)

13. RELATED PARTY TRANSACTIONS

For the nine months ended November 30, 2012, the Company paid or accrued management and directors fees of $371,600 (November 30, 2011- $293,000) to certain officers and directors. The Company also paid or accrued $332,908 (November 30, 2011 - $558,460) to certain officers and directors for exploration property, finders' fee, travel, office and other related expenses.

During the nine months ended November 30, 2012, the Company converted outstanding fees in the amount of $71,900 owed to the Company's directors into shares of the Company's common stock (note 10).

The Company also paid consulting fees of $29,250 (November 30, 2011 - $49,500) to a company owned by a director.

As at November 30, 2012, accounts payable of $129,414 (November 30, 2011 - $50,534) was owing to directors and officers of the Company and $13,545 (August 31, 2011 - $nil) was owing to a company controlled by a director.

All related party transactions are in the normal course of business at the exchange amount agreed to by each party.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended November 30, 2012 $	Nine months ended November 30, 2011 $	Period From Inception of Exploration Stage (March 1, 2004) to November 30, 2012 $
Interest paid	-	-	310,053
Common stock issued on conversion of debt	131,900	128,651	4,453,551
Common stock issued on settlement of notes payable	-	775,490	3,908,812
Common stock issued for interest costs	-	-	82,500
Common stock issued for financing costs	84,000	-	229,000
Common stock issued for mineral property costs	407,334	-	1,206,667
Common stock issued for bonuses	-	-	512,750
Shares issued for services	138,250	268,750	1,015,090

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this Form 10-Q, including statements in the following discussion which are not statements of historical fact, constitute "forward-looking statements". These statements, which may be identified by words such as “plans”, “intends”, "anticipates", “hopes”, “seeks”, “will”, "believes", "estimates", "should", "expects" and similar expressions include our expectations and objectives regarding our present and future financial position, operating results and business strategy. These statements reflect the current views of management with respect to future events and are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those described in such forward-looking statements. Numerous factors and future events could cause us to change such plans and objectives or fail to successfully implement such plans or achieve such objectives, or cause such present and future operations to fail to produce revenues, income or profits. Such risks and uncertainties include those set forth under this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q and in our Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”). These forward-looking statements represent beliefs and assumptions only as of the date of this report. We undertake no obligation to update the forward-looking information to reflect actual results or changes in the factors affecting such forward-looking information. No statements contained in the following discussion should be construed as a guarantee or assurance of future performance or future results. We advise you to carefully review the reports and documents we file from time to time with the SEC, particularly our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. As used in this management’s discussion and analysis, the terms “Pan American”, the “Company”, “we”, “us”, and “our” mean Pan American Goldfields Ltd.

Overview

We are an exploration stage company and have generated only limited revenues from our Cieneguita project to date, and have not yet generated or realized any revenue from our other exploration projects. As of November 30, 2012, we had $263,978 in our bank account.

In September 2012, we entered into a second amended and restated development agreement (“Second Amended and Restated Development Agreement”) with MRT related to the mineral exploration, production and development of the Company’s Cieneguita Project. Under the Second Amended and Restated Development Agreement, our share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactively to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, our share of net cash flow from the pilot project increases to 35%. At all times, we retain our 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing us with 90 days advanced written notice, and we may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

In connection with the revised development agreement, MRT also purchased 2 million shares of Pan American’s common stock at a price of $0.12 per share for net proceeds of $240,000. The Company will issue the shares to MRT in reliance on exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

In September 2011, we executed an amended and restated development agreement pursuant to a binding letter agreement signed in June 2011 with Minera Rio Tinto, S.A. de C.V. an entity organized under the laws of the United Mexican States (“MRT”) and Marje Minerals S.A., an entity organized under the laws of the United Mexican States (“Marje Minerals”), concerning the restructuring of the prior agreements between the parties, including their respective ownership interests in our Cieneguita project in Chihuahua State, Mexico.

The parties agreed to restructure their respective ownership interests in the Cieneguita project as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	20%	74%	20%
Marje Minerals	0%	6%	0%
Pan American	80%	20%	80%

We receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. To discourage deeper mining by MRT, our interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions for all other material processed (below 15 meters) from the property following the first phase. In comparison, the current market rate for contract mining in the region is for the property owner to receive approximately 20% of net cash flow while the contract miner receives 80% for mining, processing and selling the resulting concentrate.

Pan American and MRT shall be responsible for the cost of a feasibility study on a pro rata basis based on their respective amended ownership percentages of the Cieneguita project.

In August 2011, we appointed Hernan Celorrio as an advisor to the board of directors and as a director of Recursos Argentinos SA, our newly formed subsidiary in Argentina. Mr. Celorrio, a lawyer, is an expert in Argentinean mining law and has an extensive background in the industry. He is currently the vice president of the Argentine-Chilean Chamber of Commerce and a director of the executive committee and president of the Mining Committee of the Argentine Canadian Chamber of Commerce. He is also the president of the Argentine Mining Foundation (FUNDAMIN).

In July 2011, we entered into an agreement with M3 Engineering and Technology Corporation ("M3 Engineering") for the execution and completion of a National Instrument 43- 101 ("NI 43-101") compliant Preliminary Economic Assessment ("PEA") for the Cieneguita project.

In February 2011, we entered into an agreement with Compania Minera Alto Rio Salado S.A., a private Argentine entity, for the acquisition of the 15,000-hectare Cerro Delta Project in northwest La Rioja Province, Argentina. Under the terms of the agreement, we must pay $150,000 upon signing (paid), $200,000 (the Company has paid $140,000 and is negotiating payment for the remainder) on the first anniversary, $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the Cerro Delta Project payable on the sixth anniversary of the signing. The vendor will retain a 1% net smelter revenue ("NSR").

In conjunction with the acquisition of the Cerro Delta Project, we completed a private placement of 6,560,000 units at $0.20 per unit, for total proceeds of $1,312,000. Each unit consists of one share of common stock and a warrant to purchase one share of common stock. Each warrant is exercisable for one share of common stock at a conversion price of $0.30 for a period of two years from the closing date.

In October 2010, we appointed Miguel F. Di Nanno as President and Chief Operating Officer, replacing George Young effective as of October 15, 2010. Mr. Young remains on our board of directors. Mr. Di Nanno has experience in mining and energy exploration and most recently served as president of Somuncurah S.R.L. and AupaS.A., both exploration and development firms focused in Argentina. He has also previously served as the chief operating officer of the Grosso Group, an exploration and new mining business development firm and as the representative and country manager in Argentina for Palladon Ventures Ltd., a gold and silver exploration company. He has a degree in Mining Engineering – Ore Dressing from the National University of San Juan.

In July 2010, we appointed Neil Maedel, Randy Buchamer and Gary Parkison to our board of directors. Mr. Maedel is an investment banker specializing in international resource projects; Mr. Buchamer has extensive experience in business administration and finance; and Mr. Parkison is qualified geologist and project manager with expertise in exploration and development of minerals and metals projects. All of the newly appointed directors have technical and financial industry experience base that will assist us with operations and our planned listing on either the Toronto Stock Exchange or the TSX Venture Exchange, consistent with our status as a producing resource company.

In July 2010, we reincorporated from the State of Colorado to the State of Delaware. The reincorporation was effected pursuant to an agreement and plan of merger (the "Merger Agreement"), by and between us and Pan American Goldfields Ltd., a Colorado corporation (formerly Mexoro Minerals Ltd.), with Pan American being the surviving corporation. Accordingly, the rights of our shareholders are now governed by Delaware General Corporation Law and the certificate of incorporation and bylaws of Pan American are filed with the State of Delaware.

In May 2010, management decided to drop the Sahuayacan Project due to lack of economic thicknesses and grades of gold mineralization encountered in the drilling program, eliminating any future concession payments for this Project.

Our continued existence and plans for future growth depend on the receipt of funds from our partner MRT from the ongoing operations at the Cieneguita Project. Should there be an interruption in this cash flow it will be necessary to obtain additional capital to operate either through the issuance of additional debt or equity.

For the nine months ended November 30, 2012, the joint venture with MRT, as described further below, had generated net cash flows from the tuning and start-up operations of approximately $13,413,000 of which $3,890,000 is attributable to us under the joint venture agreement. During September, October and November 2012, mining continued to focus on a higher grade zone. Gold and silver production levels continued to increase. Daily production of ore processed during the month of November ended at about 660 tonnes per day. The addition of a conditioner, disc filter and an additional flotation cell and a conventional thickener are expected to be result in a further increase to about 800 tonnes per day. Higher gold grades encountered mined during the month resulted in gold production reported in the sulfide concentrate increasing to 757.69 ounces compared to the 506 ounces produced in October and 311 ounces of gold produced in September. Silver production also increased to 75,330 ounces compared to 68,758 ounces in October and 48,215 ounces produced in September. It should be noted that production has steadily increased during 2012 from the low levels reached in March 2012 when production at Cieneguita was 36,517 ounces silver and 629 ounces gold.

Mining continues in an area of higher silver and gold grades which appear to increase with depth below 15 meters. The area being mined is contiguous with, but located to the northeast of where MRT has been mining in the past. MRT has given guidance that it expects this area being mined to be sufficient to supply the pilot operation for the duration of 2013 based on an average processing rate of 20,000 tonnes per month.

This is a pilot operation by MRT which ends December 31, 2013. Our portion of net cash flow is currently 29% and will rise to 35% beginning January 1, 2013. Following the expiry of the agreement on December 31, 2013 MRT will have the opportunity to earn a 20% interest from our 100% interest in the deposit as it is developed according to the results of an ongoing Preliminary economic assessment (PEA) which is under the guidance of M3 Engineering of Tucson, for what is expected to be a 6000 to 7,000 ton per day operation. Good progress continues however, delays in receiving results for independent metallurgical tests and an updated geologic model of the deposit and associated mineralization has resulted in the completion date for the PEA to be extended to the first quarter or 2013. Preliminary site layout work has been completed and is awaiting the results of ongoing geotechnical work related to mine waste rock dumps and sulfide flotation tailings.

At its current 500 TPD rate of production, we estimate that mining until December 2013 would affect approximately 2% of the current resource, without attributing any of the potential additions to the resource from the north-east extension. MRT has advised the company that additions to the Cieneguita mill are planned with the intention of increasing the amount processed per day from 500 tons to approximately 700 tons per day.

Current cash and receivables from mining operations are sufficient to fund the Cieneguita PEA.

Despite the improvements there remains significant risk to us for this type of extracting of mineralized material because we will not have established reserves at Cieneguita until an independent feasibility study is complete. Consequently, without a feasibility study we cannot predict if the extraction and processing of mineralized material from the Cieneguita property will result in future cash flow.

Accordingly, in order to not depend on continued production at the Cieneguita project for the 12-month period from December 2012 through November 2013, we will need to raise additional capital to pursue our business plan of preparing a feasibility study and acquiring, exploring and developing additional high impact mineral properties and to provide a buffer for the possibility that the expected net cash flow currently generated by MRT is interrupted.

During this period, we will need to receive from production at the Cieneguita operations a minimum of $2.4 million, a portion of which will be used for general and administrative costs. As continuous operations have only recently begun, we cannot ascertain how reliable this income will be. This does not include any capital needed to pay our accounts payables and to execute our exploration programs as described below.

Plan of Operation

Summary

Our business plan is to focus on the development of our Mexican project while we continue to evaluate the viability of the Argentine project and the merits of further exploration of its mineral properties to determine whether they contain commercially exploitable reserves of gold, silver or other metals. During the past year the political and working environment in Argentina has deteriorated significantly, as has the financial environment and the ability to fund Maricunga belt projects. This combined with lacklustre field results during the past exploration season, in the Company's view, makes the probability very low that a positive economic benefit for the Company would be produced as a result of further exploration expenditures. This reality has lead the Company to reconsider the merits of the project and to freeze spending at the Argentina project so that we may concentrate our resources on expanding operations at the Cieneguita project in Mexico.

In May 2012, we appointed Andrey Koniuhov as a member of the board of directors. Mr. Koniukov is currently the Director of Advanced Projects for Polyus Gold, the third largest company in the world by reserves. As the Deputy CEO of Polyus Exploration, he directed the brownfield exploration campaigns between 2009 and 2011 that led to the discovery of more than 40 million ounces of gold in the proven, probable, drill indicated and inferred categories, In January 2012, we appointed Hernan Celorrio as a member of the board of directors. Mr. Celorrio was the President of Barrick Exploraciones Argentina S.A. and a Vice President of Minera Peñoles in Argentina, in addition he was on the board of Directors of Northern Orion Resources and Yamana Resources (Compañia Minera Polimet S.A.) in Argentina.

In July 2011, we entered into an agreement with M3 Engineering for the execution and completion of a NI 43- 101 compliant PEA for the Cieneguita project.

In June 2011, we appointed Neil Maedel as chairman of the board.

In May 2011, we appointed Dr. Alexander Becker as advisor to the board of directors, who has a PhD in Structural Geology, and an extensive history as an exploration geologist to assist us with the selection and development of exploration projects.

In February 2011, we entered into an agreement with Compania Minera Alto Rio Salado S.A., a private Argentine entity, for the acquisition of the 15,000-hectare Cerro Delta Project in northwest La Rioja Province, Argentina. Under the terms of the agreement, we must pay $150,000 upon signing (paid), $200,000 on the first anniversary (the Company has paid $140,000 and is negotiating payment for the remainder), $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the Cerro Delta Project payable on the sixth anniversary of the signing. The vendor will retain a 1% NSR.

In conjunction with the acquisition of the Cerro Delta Project, we completed a private placement of 6,560,000 units at $0.20 per unit, for total proceeds of $1,312,000. Each unit consists of one share and one share purchase warrant. Each warrant is convertible into one share at a conversion price of $0.30 for a period of two years from the closing date.

In March 2011, we appointed Bruno Le Barber as a member of the board of directors. Mr. Le Barber has extensive financial expertise and is a co-founder of Vortex, a Hong Kong based gold fund. Previously he was a Vice President at Morgan Stanley in London where he advised trading desks and a large investor base while publishing macro-economic studies. Mr. Le Barber was also a global technical strategist with ABN Amro in Paris. He manages Vortex together with Emilio Alvarez, former Executive Director, Equity Research with Morgan Stanley in London.

In October 2010, we appointed Miguel F. Di Nanno as president, replacing George Young effective as of October 15, 2010. Mr. Young remains on our board of directors. Mr. Di Nanno has experience in mining and energy exploration and most recently served as president of Somuncurah S.R.L. and AupaS.A., both exploration and development firms focused in Argentina. He has also previously served as the chief operating officer of the Grosso Group, an exploration and new mining business development firm and as the representative and country manager in Argentina for Palladon Ventures Ltd., a gold and silver exploration company. He has a degree in Mining Engineering – Ore Dressing from the National University of San Juan.

In July 2010, we appointed Neil Maedel, Randy Buchamer and Gary Parkison to our board of directors. Mr. Maedel is an investment banker specializing in international resource projects; Mr. Buchamer has extensive experience in business administration and finance; and Mr. Parkison is a qualified geologist and project manager with expertise in exploration and development of minerals and metals projects. All of the newly appointed directors have technical and financial industry experience base that will assist us with operations and our planned listing on either the Toronto Stock Exchange or the TSX Venture Exchange, consistent with our status as a producing resource company.

In July 2010, we reincorporated from the State of Colorado to the State of Delaware. The reincorporation was effected pursuant to an agreement and the Merger Agreement, by and between us and Pan American Goldfields Ltd., a Colorado corporation (formerly Mexoro Minerals Ltd.), with Pan American being the surviving corporation. Accordingly, the rights of our shareholders are now governed by Delaware General Corporation Law and the certificate of incorporation and bylaws of Pan American are filed with the State of Delaware.

In May 2010, management decided to drop the Sahuayacan properties due to lack of economic thicknesses and grades of gold mineralization encountered in the drilling program, eliminating any future concession payments on these properties.

In May 2009, we entered into a letter of agreement and in July 2009, we signed the definitive agreement to sell our Guazapares project, located in south western Chihuahua, Mexico to Paramount Gold de Mexico, SA de C.V., and the Mexican subsidiary of Paramount for a total consideration of up to $5.3 million. The Guazapares Project is comprised of 12 claims close to Paramount's San Miguel discovery. The purchase price is to be paid in two stages, with the first payment of $3.7 million released from escrow in February 2010, as the transfer of the 12 claims to Paramount was completed. An additional payment of $1.6 million is due if, by July 10, 2012, either (i)

Paramount sells its Mexican subsidiary or (ii) Guazapares is put into production. The definitive agreement closed in October 2009 and a 5.7% commission was paid on the closing of the sale. As of July 18, 2012, none of the two events had occurred.

In February 2009, we entered into a development agreement with MRT, which we amended in December 2009. Pursuant to the terms of the development agreement, as amended, MRT has agreed to invest up to $8 million to initiate the first phase of production and to complete a feasibility study on the Cieneguita Project. The first phase of production is limited to the mining of the mineralized material that is available from the surface to a depth of 15 meters ("First Phase Production"). In exchange, we assigned MRT a 74% interest of the net cash flows from First Phase Production and a 54% ownership interest in the Cieneguita Project.

To fund our continued operations, we issued $1.5 million of convertible debentures in March 2009, of which an aggregate of $880,000 was issued to Mario Ayub, one of our former directors, and to his affiliated entity, MRT. Pursuant to the terms of the convertible debentures, the holders irrevocably converted the debentures into a 10% ownership interest in the Cieneguita project and a 10% interest in the net cash flow from First Phase Production. In December 2009, Mario Ayub and MRT agreed to resell an aggregate 4% ownership interest in the Cieneguita project back to us, along with 4% of the net cash flow from First Phase Production, in return for $550,000. In a private transaction not involving us, the other holders contributed their remaining 6% ownership interest in the Cieneguita project to Marje Minerals.

As a result of our amended development agreement and our agreements with the debenture holders, the ownership interest in the Cieneguita Project and the net cash flows from the First Phase Production are held by us, MRT and Marje Minerals as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	54%	74%	54%
Marje Minerals	6%	6%	6%
Pan American	40%	20%	40%

Any additional costs for the First Phase Production and the feasibility study for the Cieneguita Project, after MRT invests $8 million, will be shared by us, MRT and Marje Minerals on a pro-rata basis based on their respective ownership percentages in the Cieneguita Project.

The major terms of the development agreement with MRT and Marje Minerals are as follows:

- MRT purchased $1 million of secured convertible debentures at 8% interest (payable in stock or cash). The proceeds from this investment were used for continued exploration and development of the Cieneguita Project and general working capital. In November 2009, MRT exercised its conversion rights on the debenture and MRT was issued 3,333,333 common shares and a warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.50 per share.

- MRT agreed to provide the necessary working capital to begin and maintain mining operations, estimated to be $3 million, to put the first phase of the Cieneguita Project into production. In exchange for these funds, we assigned MRT an interest to 74% of the net cash flow from First Phase Production. The agreement limits the mining during First Phase Production to the mineralized material that is available from the surface to a depth of 15 meters.

- MRT committed to spend up to $4 million to take the Cieneguita Project through the feasibility stage. In doing so, we assigned MRT a 54% interest in our rights to the Cieneguita Project. After the expenditure of the $4 million, all costs will be shared on a pro-rata ownership basis (i.e. 54% to MRT, 40% to us and 6% to Marje Minerals). If any party cannot pay its portion of the costs after the $4 million has been spent, then their ownership position in the Cieneguita Project will be reduced by 1% for every $100,000 invested by the other owners. Our ownership interest in the Cieneguita Project, however, cannot be reduced below 25%. In addition, we have the right to cover Marje Minerals' pro rata portion of costs if they cannot pay their portion of the costs. In return, we will receive 1% of Marje Minerals' ownership position in the Cieneguita Project for every $100,000 we invest on their behalf.

- The MRT agreement was contingent on our repaying a debenture to Paramount. In March 2009, we repaid $1 million, or approximately two-thirds of the debt, and Paramount released a security interest it had on the Cieneguita Project. In October 2009, we repaid the remaining amount of the debt, and Paramount released its security interests on the Sahuayacan, Guazapares and Encino Gordo properties.

In September 2011, we entered into the Agreement with MRT and Marje Minerals pursuant to the Letter Agreement of June 2011, concerning the restructuring of the amended development agreements between the parties, including their respective ownership interests in our Cieneguita project.

We receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, our interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions.

Under the agreement, the parties agreed to restructure their respective ownership interests in the Cieneguita project as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	20%	74%	20%
Marje Minerals	0%	6%	0%
Pan American	80%	20%	80%

Pan American and MRT shall be responsible for the cost of the feasibility study on a pro rata basis based on our respective amended ownership percentages of the Cieneguita project.

On September 5, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

In December 2011, we hired Dr. Fedor Zhimulev as our chief geologist. In September 2009, we hired George Young as our chief operating officer, Salil Dhaumya as our chief financial officer and Manuel Flores as our operations manager. In November 2009, Mr. Young was appointed president upon the resignation of Francisco "Barry" Quiroz. In October 2010, we appointed Miguel F. Di Nanno as president replacing Mr. Young. Other than these employees, all of the employees we hire are contracted from third parties specializing in providing employees for Mexican companies. In using third party contractors we minimize our exposure to Mexican employment law and all liabilities are undertaken by the third party contractors providing the services. We pay a flat rate to the third parties for their services.

Our continued existence and plans for future growth depend on our ability to obtain the additional capital necessary to operate either through the generation of revenue or the issuance of additional debt or equity. Additionally, if our exploration during that time period is successful, we may need to raise additional capital to fund those exploration programs. At this time, we cannot assess with any accuracy our total capital needs to fund an expanded exploration program beyond our basic program.

For the 12-month period from September 2012 through August 2013, in order to not depend on income from our pilot operation at the Cieneguita mine we will need to raise additional capital to maintain operations. We will need a minimum of $2,400,000, of which $1.05 million was recently raised in cash, a portion of which will be for general and administrative costs. This does not include any capital needed to pay our accounts payables and to execute our exploration programs as detailed below.

In the event that we do discover a mineral deposit on one of our properties, of which there is no guarantee, we would need to expend substantial amounts of capital to put any of our properties into production, if so warranted. The amount of such expenditures is indeterminable at this time as our exploration and development program has not advanced far enough to provide us with results to determine this information.

Such expenditures depend upon the size of the mineralized body, the grade of the mineralized body and the type of mining that is required to extract any minerals that may be found. Regardless, we do not have enough capital available to us to make any such expenditure that would be required to put any mineral property into production, and we therefore would have to raise the additional capital or, if possible, enter into a joint venture for the production phase. If we were to form a joint venture, we cannot assess what our final position in the Project would be. We do not have any sources of capital available to us at this time to fund such a Project if one should be discovered.

In the event that we should find a mineable reserve, it is management's intention to contract the mining and milling of any mineralized reserves out to third parties. We do not have any known reserves at this time.

Exploration Projects – Current Status

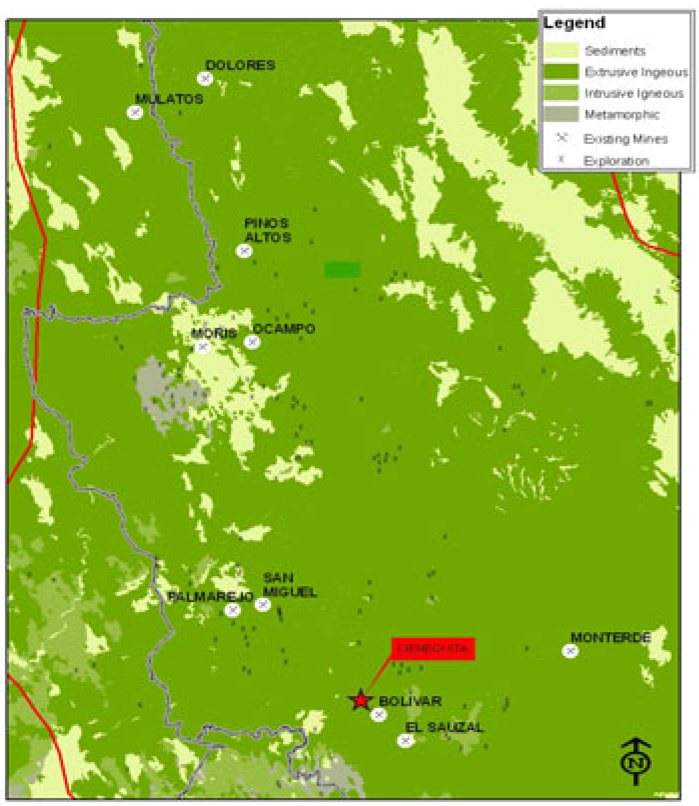
To date the exploration program had been focused on preparing the Cerro Delta, Argentina exploration project for a drill program that was scheduled to begin in in the winter of 2012 - 2013. However, during the past year the political and working environment in Argentina has deteriorated significantly, as has the financial environment and the ability to fund Maricunga belt projects. Due to these factors, the Company has decided to freeze spending at the Argentina project

In December 2011, we hired Dr. Fedor Zhimulev MSc. PhD Honors as our chief geologist while actual management of exploration programs will be under the guidance of Dr. Alexander Becker PhD. He was a former senior researcher at the Sobolev Institute of Geology and Mineralogy and has extensive experience conducting fieldwork. In 2009 -2011 he was appointed as leader of the institute's junior Scientists Community and last year was awarded the Academican Sobolev prize for junior scientists from the Siberian Branch of the Academy of Sciences.

In December 2011, a geological advisor team visited the Cerro Delta project area. The team was headed by Dr. Aleksandr Borisenko and composed of Dr. Alexander Becker, board advisor, and geologist Dr. Fedor Zhimulev.

Dr. Borisenko is the head of the ore-deposit geology department at Novosibirsk State University in Russia. He is a Doctor of Geology and Mineralogy and the Deputy Director on Scientific Work of the Sobolev Institute of Geology and Mineralogy, Siberian Branch of Russian Academy of Sciences where approximately 680 researchers work under his direction. His work resulted in the discovery of a 3.8 billion ounce silver belt in Mongolia and the Central Khangai gold-belt also in Mongolia.

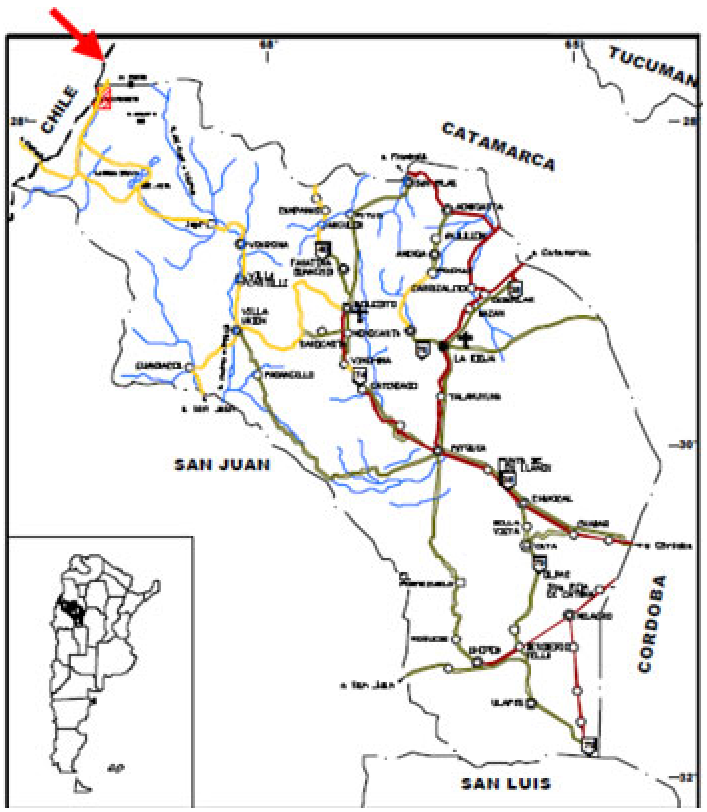
The map below shows the location of the Cieneguita Project in the Sierra Madre Sierra region of the State of Chihuahua, Mexico.



Cerro Delta Exploration

As discussed above, due to the significantly deteriorating political and working environment in Argentina and the difficulty to fund Maricunga belt projects, the Company has frozen all spending in Argentina.

The map below indicates the location of our Cerro Delta Project:



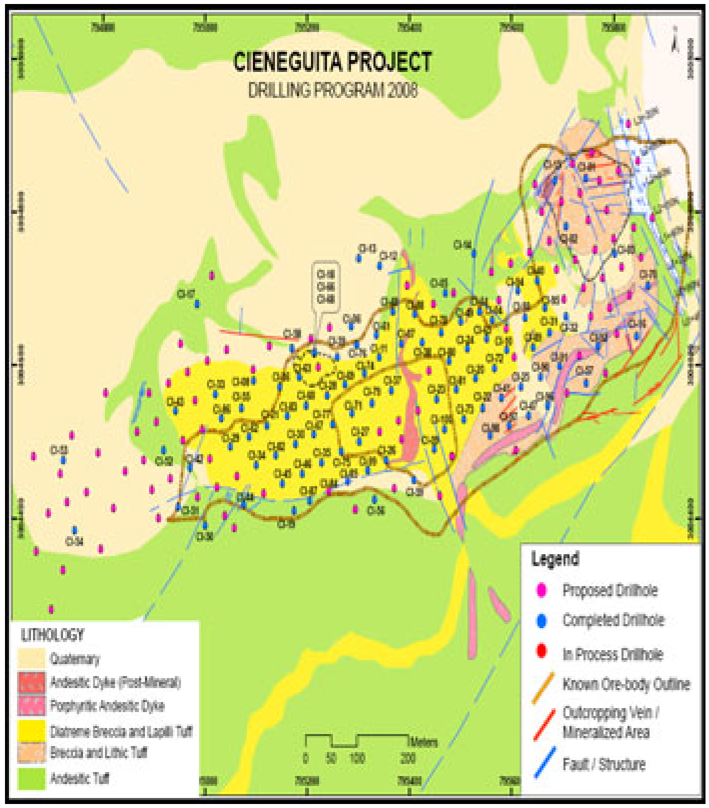
Over the next 12 months, we intend to explore our one project, Cieneguita, to determine whether there are economically attractive concentrations of gold and gold-silver mineralization. We intend to hire additional employees but do not plan to make any purchase of equipment over the next 12 months. At this time, though, the exploration program is only planned for the next 12 months, which we will undertake when the necessary capital becomes available to complete these programs. We do not have any sources of capital identified at this time and no assurance can be given that we will be able to complete the proposed exploration program.

Cieneguita

The main exploration activities for the Cieneguita Project are described below:

- 100 diamond drill holes completed for a total of 20,215 meters of drilling;
- Broad mineralized intercepts identified, including 111.5 meters with 1.24 g/t Au, 99.6 g/t Ag, 0.45% Pb and 0.73% Zn (Drill Hole C-21) and 94 meters with 1.21 g/t Au, 79.8 g/t Ag, 0.78% Pb and 1.2% Zn (Drill Hole CI-30);
- Mineralization has been traced over 900 meters along strike and still remains open to the southwest and to depth; and
- Infill drilling program designed to identify size of the mineralized material.

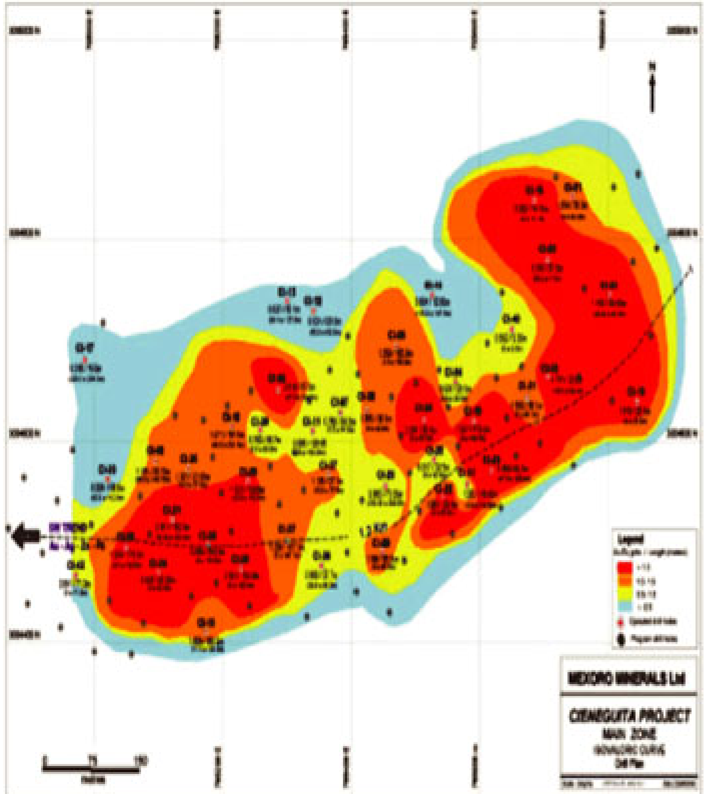
We have conducted a series of exploration programs at Cieneguita since March 2007. The drilling exploration program commenced in December 2007 with one drill rig and a second rig was added in July 2008. The drilling was completed in December 2008. The figure below shows the location of the 100 diamond drill holes on the Cieneguita Project:



This figure is showing the geological units and distribution of the 100 drill holes.

Assay results and an analysis of the drilling and exploration work are compiled and described in our NI 43-101 technical report on the Cieneguita project, which was completed following the end of fiscal 2010, and is in compliance with the standards and requirements of Canadian security regulatory authorities. The NI 43-101 report is also available on our website, www.panamericangoldfields.com.

The figure below shows the main mineralization zones our drilling work identified at the Cieneguita Project. Areas in red on the figure represent zones exhibiting mineralization areas where grades are >1.5 g/t Au.



Planned Exploration

The recent exploration activities in Cieneguita have shown that additional exploration is warranted. Considering the latest results and findings the proposed work program for Cieneguita will include:

1. Completing the infill drilling program by doing an additional 10,000 meters of drilling to further identify and support mineralization zones;

2. Continue conducting metallurgical tests; and

3. Complete a Preliminary Economic Assessment and a feasibility study;

The proposed 2012 exploration budget for the Cieneguita project totals $790,000 to be primarily used for the funding of a PEA of the economics for a larger scale of gold and silver production that is currently occurring. The PEA has been initiated by us and is being conducted by M3 Engineering. It is anticipated that the results of the PEA will be available in the first quarter of 2013.

There are no known reserves on the Cieneguita property.

Encino Gordo

In May 2012, we transferred the concessions at the Encino Gordo project located in the Barranca region of Chihuahua State in Mexico, which included two concessions owned by us and two additional concessions we had the option to acquire, to MRT. In connection with the transfer, MRT paid $100,000 cash, waived $200,000 in payments the Company owed to MRT in connection with the Encino Gordo Project and agreed to assume all of the Company's obligations related to the transferred concessions. The Company's Board of Directors determined to transfer the concessions in order to focus its resources on completing the PEA study for the Cieneguita Project

Cerro Delta Project

The main exploration activities for the Cerro Delta have included soil sample and rock chip samples. Assay results and an analysis of the exploration work were compiled and described in our recently filed NI 43-101 for Cerro Delta, and is in compliance with the standards and requirements of Canadian security regulatory authorities. The NI 43-101 report is also available on our website, www.panamericangoldfields.com.

New Properties-Target Generation and Growth Strategy

A fundamental component of our business strategy is to advance all of our properties to the drilling stage and implement a strong generative and property acquisition program through a well-established and consistent financial and funding process.

Our goal is to establish a pipeline of two new drill-stage or near-to-drill stage projects per year. Our proposed exploration program consists of two main components:

- Create a pipeline of quality properties providing a steady stream of new prospects and/or projects to explore, contract-out and/or enter into development agreements with other mining companies in South America, Mongolia and Central Asia.

- Focus on large-sized prospects (minimum size 5,000,000 ounces gold-equivalent).

The proposed exploration program is being undertaken by our exploration team using in-house knowledge along with the support and guidance of consultants with expertise in these regions. We believe our existing management team and key advisors have the necessary exploration and mining expertise to locate, evaluate and bring mining properties to production.

We are continuing to evaluate potential new projects, but we currently do not have sufficient funds to implement our strategy of establishing two new drill-stage or near-to-drill stage projects per year.

Objectives

- Identify two to four target areas (approximately 20 x 30 kilometers) which have potential to host small- to medium-size gold and/or gold-silver deposits.
- Identify one or two specific opportunities with close to drill ready targets. For example, identify old workings or existing mines with good upside potential.
- Time frame: six months.

Key Steps and Exploration Tools

After initial evaluations of potential gold and gold-silver deposits, it has become evident that the acquisition and evaluation of more detailed geological maps and geochemistry with field follow-up is critically important in identifying new areas of mining potential. Careful and selective use of such data may be the most immediate and cost-effective way to focus exploration efforts toward prospective gold-silver areas.

Key steps may include mainly the following activities, among other considerations:

- Acquiring geological maps 1:250,000 and 1:50,000 (from Servicio Geologico Mexicano and Servicio Geologico Minero de Argentina);
- Generating geological and mineral occurrences base maps;
- Identifying key host rocks;
- Completing structural interpretation from known geology, TM imagery, and geophysical data (if available);
- Integrating mineral occurrences, alteration, lithology and structures;
- Completing initial targeting using the above compilation; and
- Selecting and prioritizing targets.

We do not have the necessary working capital at this time to implement this target generation program.

RESULTS OF OPERATIONS

Three and nine months ended November 30, 2012 compared to the three and nine months ended November 30, 2011.

In this discussion of the Company's results of operations and financial condition, amounts, other than per-share amounts, have been rounded to the nearest thousand dollars.

Revenues

Pan American earned its 29% proportionate net cash flows of $2,021,000 (November 30, 2011 - $561,000) from the joint venture with MRT from the gold production during the nine months ended November 30, 2012. Other than the revenue from the joint venture with MRT, we did not have commercial production of any of our properties in the nine months ended November 30, 2012. We cannot provide any assurances that we will continue to earn revenues of any significance from the joint venture with MRT, if ever. We are presently in the exploration stage of our business. We can provide no assurance that we will discover commercially exploitable levels of mineral resources on our properties or, if such resources are discovered, that we will enter into commercial production of our mineral properties.

Operating Costs

We incurred operating costs of $216,000 and $610,000 during the three and nine months ended November 30, 2012 compared to $98,000 and $297,000 for the three and nine months ended November 30, 2011 as a portion of the operating costs of production at Cieneguita in the joint venture with MRT.

Expenses

Our operating expenses decreased to $559,000 and $1,473,000 for the three and nine months ended November 30, 2012 compared to $1,112,000 and $2,752,000 for the three and nine months ended November 30, 2011.

General and administrative expenses increased slightly to $697,000 and decreased to $2,377,000 in the three and nine months ended November 30, 2012 respectively compared to $690,000 and $2,482,000 in the three and nine months ended November 30, 2011. The increase during the current three month period is primarily attributable to higher operating expenses relating to production at Cieneguita. The non-cash stock-based compensation expense amounted to $192,000 and $540,000 in 2012 compared to $196,000 and $922,000 in 2011, for the three and nine months, respectively. The amount for the nine-month period in 2012 had $153,000 of stock-based compensation expense relating to options granted to officers, directors, consultants, $248,000 of stock-based compensation relating to warrants and $138,000 stock-based compensation in the form of shares issued to consultants. The amount for the corresponding period in 2011 relates to stock options granted to officers, directors and consultants in the amount of $272,000, stock-based compensation relating to warrants in the amount of $145,000 and stock-based compensation in the form of shares issued to a consultant in the amount of $269,000.

Accounting and legal fees of $157,000 in the nine months ended November 30, 2012 was higher as compared to $145,000 in the nine months ended November 30, 2011.

Mineral exploration in the three and nine months ended November 30, 2012 increased to $317,000 and $1,326,000 compared to $217,000 and $217,000 for the three and nine months ended November 30, 2011, as the Company had started a preliminary exploration program on Cerro Delta project in September 2011 and a PEA report on Cieneguita.

Loss

Our net loss decreased to $237,000 for the three months ended November 30, 2012 compared to $467,000 for the three months ended November 30, 2011 and decreased to $1,070,000 for the nine months ended November 30, 2012 compared to $2,053,000 for the nine months ended November 30, 2011. The decrease in our loss was primarily attributable to higher revenue from sale of gold offset by higher mineral exploration expense.

We anticipate that we will continue to incur a loss until such time as we can achieve significant revenues from sale of gold recovered from our Mexican mineral properties, if ever. There is no assurance that we will achieve any significant revenues from sale of gold.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have undergone two unsuccessful business combinations, which have caused us to incur significant liabilities and have resulted in the accumulation of a substantial deficit during the exploration stage. As of November 30, 2012, we had total assets of $2,228,000, total liabilities of $1,114,000 and a deficit of $50,772,000 accumulated during the development stage.

Cash and Working Capital

We had cash and cash equivalents of $264,000 as of November 30, 2012, compared to cash of $118,000 at February 29, 2012 and $502,000 at November 30, 2011. We had working capital of $1,088,000 as of November 30, 2012, compared to a working capital deficit of $856,000 as of February 29, 2012 and working capital deficit of $258,000 as of November 30, 2011.

During the first nine months of fiscal 2013, we increased the activities for our exploration program considerably and have continued to incur corporate administrative expenses, for which we were unable to raise sufficient funds to pay many of our suppliers. Our accounts payable and accrued liabilities decreased from $1,371,000 as of February 29, 2012 to $1,124,000 in the first nine months of fiscal 2013, some of which are being carried forward from 2011. Of the $1,124,000 accounts payable and accrued liabilities as of November 30, 2012, $267,000 related to exploration expenses.

We will require additional financing during the current fiscal year according to our planned exploration activities. We have initiated our plan to carry out exploration and administration activities on our Mexican and Argentine mineral properties in the current fiscal year. We also anticipate spending approximately $1,500,000 during the next 12 months on general and administrative costs. At this time we do not have the necessary capital to initiate the exploration program and to cover general and administrative costs.

We will need to raise additional working capital to maintain basic operations. We plan to raise those funds through the sale of equity or debt. Other than our definitive agreements signed with MRT, we do not have any other sources to raise additional capital for us at this time and no assurance may be given that we will be able to find sources to raise additional capital. Failure to raise any additional capital would most likely require us to cease operations and abandon all of our exploration properties.

The amount of working capital could be adversely affected further in the event claims are made against us alleging that certain shares we previously issued pursuant to Form S-8 registration statements constituted an illegal public offering because the company was a “shell company” at the time and, as a result, was not eligible to use Form S-8 for registration of shares under the Securities Act of 1933. In August and October of 2005, we issued shares of common stock to former officer of the company, as compensation for consulting services. The two share issuances were for a combined total of 30,000 shares and each of the share issuances was made pursuant to a registration statement on Form S-8 under the Securities Act of 1933. Although we believed these shares were properly issued, a claim could be made that issuance of the shares constituted an illegal public offering because the company was a “shell company” at the time. Shell companies [i.e. companies which have no or nominal operations and either (i) no or nominal assets; (ii) assets consisting solely of cash and cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets] are not eligible to use Form S-8 for registration under the Securities Act of 1933. If either of these transactions did violate federal securities laws, subsequent purchasers of the shares may have claims against us for damages or for rescission of their purchase transaction and recovery of the full subscription price paid, together with interest. As of the date of this quarterly report, no one has made or threatened any claim against us alleging violation of the federal securities laws. In the event such claims were successfully asserted, there is no assurance that we would have sufficient funds available to pay and it is likely that we would be required to use funds currently designated as working capital for that purpose. That would substantially reduce the amount of working capital available for other purposes and, in that event, we could be forced to cease or discontinue certain operations and to liquidate certain assets to pay our liabilities, including, but not limited to, rescission claims.

Cash Used in Operating Activities

Cash used in operating activities decreased to $905,000 for the nine months ended November 30, 2012 compared to $2,061,000 for the nine months ended November 30, 2011. The cash used in operating activities was primarily for general and administrative expenses.

Investing Activities

Cash provided by investing activities amounted to $49,000 for the nine months ended November 30, 2012 compared to $nil for the nine months ended November 30, 2011. The cash provided by investing activities consisted of sale of equipment.

Financing Activities

Cash provided by financing activities amounted to $1,021,000 for the nine months ended November 30, 2012 compared to cash used by financing activities of $2,042,000 for the nine months ended November 30, 2011.

We anticipate continuing to rely on equity sales of our common stock or issuance of debt in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing shareholders.

Going Concern
Our financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. Our ability to continue as a going concern depends upon our ability to generate profitable operations in the future and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they become due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that we will be able to continue as a going concern. Our financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

We have a history of operating losses and will need to raise additional capital to fund our planned operations. As at November 30, 2012, we had working capital of $1,088,000 (November 30, 2011– working capital of $258,000) and an accumulated deficit during the exploration stage of $50,772,000 (November 30, 2011 - $48,347,000). These conditions raise substantial doubt about our ability to continue as a going concern.

There is no assurance that our operations will be profitable. We have conducted private placements of convertible debt and common stock, which have generated funds to satisfy all of the initial cash requirements of our planned Mexican mining ventures. Our continued existence and plans for future growth depend on our ability to obtain the additional capital necessary to operate either through the generation of revenue or the issuance of additional debt or equity.

Off-Balance Sheet Arrangements
We currently do not have any off-balance sheet arrangements which have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a company's controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer’s management, including its chief executive and chief financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. We maintain such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC's rules and forms and that information required to be disclosed is accumulated and communicated to chief executive and chief financial officers to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our certifying officer, to allow timely decisions regarding the required disclosure.

Internal Control over Financial Reporting

Management is responsible for the preparation of the financial statements and related financial information appearing in this Quarterly Report on Form 10-Q. The financial statements and notes have been prepared in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. A company's internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management, including the chief executive officer and chief financial officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable, not absolute, assurance that the objectives of the control system are met and may not prevent or detect misstatements. Further, over time, control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

With the participation of the chief executive officer and chief financial officer, our management evaluated the effectiveness of our internal control over financial reporting as of February 29, 2012 based upon the framework in Internal Control –Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management has concluded that, as of February 29, 2012, we have a material weakness in our internal control over financial reporting. Specifically, management determined that we did not have sufficient personnel resources within the accounting function to segregate the duties and lack of oversight by an audit committee. Accordingly, our internal control over financial reporting is ineffective as of February 29, 2012.

To remediate our internal control weaknesses, management intends to implement the following measures:

- We will add sufficient accounting personnel to properly segregate duties and to effect a timely, accurate preparation of the financial statements.

The additional hiring is contingent upon us being sufficiently funded through equity or debt for our continued exploration activities and corporate expenses. Our management expects to secure funds in the coming fiscal year but provides no assurances that it will be able to do so.

This interim report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Other than disclosed herein, all other sections in Part II are inapplicable to us.

ITEM 1. LEGAL PROCEEDINGS

Other than as disclosed herein, neither we nor our properties are the subject of any pending legal proceedings and no such proceeding is known to be contemplated by any governmental authority. We are not aware of any legal proceedings in which any of our directors, officers or affiliates, any owner of record or beneficially of more than 5% of any class of our voting securities, or any associate of any such director, officer, affiliate or security holder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

ITEM 6. EXHIBITS

The following exhibits are filed in reference:

Exhibit Number	Description
31.1	Certification of Principal Executive Officer of Pan American Goldfields Ltd. pursuant to Rule 13a-14(a)/15d-14(a).*
31.2	Certification of Chief Financial Officer of Pan American Goldfields Ltd. pursuant to Rule 13a-14(a)/15d-14(a).*
32.1	Certification of Principal Executive Officer of Pan American Goldfields Ltd. pursuant to 18 U.S.C. Section 1350.*
32.2	Certification of Chief Financial Officer of Pan American Goldfields Ltd. pursuant to 18 U.S.C. Section 1350.*

*filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pan American Goldfields Ltd.

/S/ Neil Maedel

Name: Neil Maedel
Title: Chairman
Date: January 14, 2013

EXHIBIT 31.1

CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER

I, Neil Maedel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pan American Goldfields Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

/S/ Neil Maedel
Neil Maedel
Chairman

EXHIBIT 31.2

CERTIFICATION OF
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Salil Dhaumya, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pan American Goldfields Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2013

/S/ Salil Dhaumya
Salil Dhaumya
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Neil Maedel, Principal Executive Officer of Pan American Goldfields Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended November 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 14, 2013

/S/ Neil Maedel

Neil Maedel
Chairman

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Salil Dhaumya, Principal Financial and Accounting Officer of Pan American Goldfields Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended November 14, 2012 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 14, 2013

/S /Salil Dhaumya
Salil Dhaumya
Chief Financial Officer

11. STOCK COMPENSATION PROGRAM (Details Narrative) (USD $)	9 Months Ended		18 Months Ended		
	Nov. 30, 2012	Nov. 30, 2011	Nov. 29, 2012	Apr. 30, 2011	Mar. 31, 2009
Notes to Financial Statements					
Purchase an aggregate shares					6,000,000
Purchase common shares		1,600,000			
Recorded stock-based compensation expense	$ 153,300	$ 272,075			
Weighted-average grant-date fair value	0	0.29			
Total unrecognized compensation cost	224,300				
Company repriced the exercise price				1,125,000	
Exercise prices				$ 0.36	
Recorded incremental stock-based compensation			$ 6,000		

1. BASIS OF PRESENTATION (Details Narrative) (USD $)	Sep. 30, 2011	Feb. 28, 2011	Feb. 12, 2010
Accounting Policies [Abstract]			
Company is required to pay upon signing (paid)		$ 150,000	
On the first anniversary (paid)		200,000	
On the second anniversary (paid)		500,000	
On the third anniversary (paid)		750,000	
On the fourth anniversary (paid)		$ 1.2	
On the fifth anniversary (paid)		$ 2.2	
Final option payment to purchase		5	
Interest in the Cerro		100%	
Net smelter return		1%	
MRT is to provide the necessary working capital			$ 3,000,000
MRT plans to spend			100%
To earn of the net cash flow from production			74%
The Company will receive			20%
Net operating profits receive	20%		
Material processed from the property interest	80%		
MRT is reduced	20%		

4. EQUIPMENT	9 Months Ended Nov. 30, 2012
Notes to Financial Statements	
4. EQUIPMENT	

4. EQUIPMENT

	November 30, 2012			February 29 2012
	Cost $	Accumulated Depreciation $	Net Book Value $	Net Book Value $
Software	24,061	18,458	5,603	5,944
Machinery	14,509	6,887	7,622	142,957
Vehicles	76,700	71,201	5,499	9,418
Computers	13,853	12,422	1,431	98
Office equipment	16,304	9,802	6,502	7,787
	145,427	118,770	26,657	166,204

7. PROMISSORY NOTES (Details Narrative) (USD $)	Feb. 29, 2012	Sep. 30, 2011	Feb. 09, 2008
Notes to Financial Statements			
Accounts payable			$ 465,994
Issued, exercisable			$ 1.00
Related interest charges in the amount		1,091,645	
Common shares for a total		3,340,880	
Agreement to convert	17,778		
Accrued interest by issuing shares	55,000		
Debt settlement agreement		10,358	
Interest and had no repayment terms		$ 28,113	

6. MINERAL PROPERTIES (Details Narrative) (USD $)	6 Months Ended Nov. 20, 2009	9 Months Ended Nov. 30, 2012	Dec. 31, 2012	May 31, 2012	Feb. 29, 2012	Sep. 30, 2011	Feb. 28, 2011	Dec. 31, 2009	Nov. 05, 2009	Mar. 31, 2009	Feb. 28, 2009	Feb. 12, 2009	Dec. 31, 2008	May 12, 2008	May 06, 2008	Jan. 03, 2008	Dec. 31, 2007	Dec. 20, 2007	Nov. 06, 2007	May 06, 2007	Dec. 31, 2006	Jun. 30, 2006	May 06, 2006	Apr. 30, 2006	Feb. 28, 2006	Feb. 23, 2006
Notes to Financial Statements																										
MRT agreed to invest											$ 8,000,000															
Ownership interest by spending											4,000,000															
Cieneguita property for a price																							2,000,000			
Company, MRT had paid																							350,000			
Mexico was required to pay																							120,000			
Reduce the obligation paid																							10,000	60,000		
Company had the obligation to pay																				120,000						
Total amount paid																				2,000,000						
Company renegotiated the payment due																			60,000							
Company renegotiated balance																		60,000								
Company paid														60,000	30,000											
Company due															120,000											
Company renegotiated total	120,000																									
Minero was entitled to a monthly payment						30,000																				
Cieneguita, the joint venture paid		240,000																								
Cieneguita, the joint venture paid					227,241																					
Corporativo Minero has been paid a total		1,417,241																								
Agreement covered project financing												9,000,000														
MRT and/or its investors will subscribe												1,000,000														
Per units												$ 0.60														
Per shares												0.5														
MRT is to provide the necessary working capital												3,000,000														
MRT will spend												5,000,000														
Expenditure costs									4,000,000			5,000,000														
Portion of costs									4,000,000			5,000,000														
Company issued										1,500,000																
Company aggregate was issued										880,000																
First Phase Production, in return								550,000																		
Cieneguita project through the feasibility stage								4,000,000																		
MRT invested								8,000,000																		
MRT purchased										1,000,000																
MRT was common issued shares									3,333,333																	
Common stock shares									1,666,667																	
Per shares									0.5																	1.05
Begin and maintain mining operations, estimated									3,000,000																	
MRT committed to spend									4,000,000																	
Invested by the other owners									100,000																	
Company invests									100,000																	
Company repaid										1,000,000																
Marje Minerals in exchange shares			3,333,333																							
Marje Minerals will also assume approximately			490,000																							
Marje Minerals receives			490,000																							
Sunburst de Mexico shares																								100		
Company failed to transfer																								1,500,000		
Company's obligation to transfer																								1,500,000		
Company agreed to issue shares																								2,000,000		
MRT and its assignee operations																									2,100,000	
Company agreed to issue additional shares																								1,000,000		
Total payments to acquire paid													75,000			(20,000)	50,000				25,000	10,000				
MRT cash paid				100,000																						
MRT waived paid				200,000																						
Company must pay							150,000																			
First anniversary (paid)							200,000																			
Second anniversary (paid)							500,000																			
Third Anniversary (paid)							750,000																			
Fourth anniversary (paid)							1.2																			
Fifth anniversary (paid)							2.2																			
Final option payment							$ 5																			

8. LOANS PAYABLE (Details Narrative) (USD $)	Nov. 30, 2012	Feb. 29, 2012
Notes to Financial Statements		
Loans payable in the amount	$ 25,247	$ 12,887
Loans were repayable in monthly instalments	$ 3,702	$ 3,272
Loans payable interest	7.50%	

9. PREFERRED STOCK (Details Narrative) (USD $)	9 Months Ended Nov. 30, 2012
Equity [Abstract]	
Company is authorized to issue shares	$ 20,000,000

3. GOING CONCERN

9 Months Ended
Nov. 30, 2012

Notes to Financial Statements
3. GOING CONCERN

3. GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis. The Company has a history of operating losses and will need to raise additional capital to fund its planned operations. As at November 30, 2012, the Company had a cumulative loss, during its exploration period, of $50,771,592 (February 29, 2012 - $49,701,810). These conditions raise substantial doubt about the Company' s ability to continue as a going concern.

The Company intends to reduce its cumulative loss through the attainment of profitable operations from its investment in Mexican and Argentine mining ventures (note 6). In addition, the Company has conducted private placements of common stock and convertible debt (note 10), which have generated a portion of the initial cash requirements for its planned mining ventures (note 6).

In July 2012, the Company completed a private placement of 17,500,000 shares at $0.12 per share for total gross proceeds of $1,050,000 in cash and an additional $1,050,000 of real property in Argentina.

In May 2012, the Company converted subscription proceeds of $45,000 and issued 300,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and one warrant each exercisable at $0.30, which expires in two years.

In February 2012, the Company completed a private placement of 4,500,000 units at $0.20 per unit for total gross proceeds of $900,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, each exercisable at $0.30, expiring in two years from the closing date.

In June 2011, the Company completed a private placement of 1,500,000 units at $0.20 per unit, for total proceeds of $300,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock, each exercisable at $0.30, expiring in two years from the closing date.

In March 2011, the Company completed a private placement of 6,560,000 units at $0.20 per unit, for total proceeds of $1,312,000. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock. Each warrant is exercisable for one share of common stock at an exercise price of $0.30 per share for a period of two years from the closing date.

In July 2009, the Company signed a definitive agreement to sell its Guazapares project located in southwest Chihuahua, Mexico to Paramount Gold de Mexico, SA de C.V., the Mexican subsidiary of Paramount Gold and Silver Corp. ("Paramount") for a total consideration of up to $5,300,000. The purchase price is to be paid in two stages. The first payment of $3,700,000 was released from escrow in February 2010, as the transfer of the 12 claims to Paramount was completed. An additional payment of $1,600,000 is due if, within 36 months following execution of the letter of agreement (July 10, 2009), either (i) Paramount Gold de Mexico SA de C.V. is sold by Paramount, either through a stock sale or a sale of substantially all of its assets, or (ii) Paramount' s San Miguel project is put into commercial production. As of January 14, 2013, none of these two events occurred.

10. COMMON STOCK (Details Narrative) (USD $)	Nov. 30, 2012	Sep. 30, 2012	Jul. 31, 2012	Jun. 30, 2012	May 31, 2012	Apr. 30, 2012	Feb. 29, 2012	Dec. 31, 2011	Nov. 30, 2011	Oct. 31, 2011	Aug. 31, 2011	Jul. 31, 2011	Jun. 30, 2011	Apr. 30, 2011	Mar. 31, 2011
Notes to Financial Statements															
Company issued shares		500,000	17,500,000				500,000						125,000		
Per shares	$ 0.12	$ 0.13	$ 0	$ 0		$ 0.17	$ 0					$ 0	$ 0		$ 0.30
Company issued the remaining common shares		2,166,666													
Ownership interest		6%													
Company issued common shares	250,000			194,444		235,294									
Company converted outstanding fees in the amount			$ 71,900												
Company completed private placement			2.1												
Aggregate purchase price			1,050,000												
Transfer of real property in Argentina			1,050,000												
Company paid a finder's fee			84,000		2,400										
Common stock shares			700,000												
Debt settlement agreement to settle				20,000		40,000									
Company converted subscription proceeds		900,000			45,000								300,000	347,000	665,000
Common stock issued shares					300,000		4,500,000						1,500,000	1,735,000	3,325,000
Company issued common shares						250,000									
Warrants to purchase shares							500,000					500,000			500,000
Company acquired								6%							
Cieneguita project in exchange common shares								3,333,333							
Common issued shares								1,166,667							500,000
Company and note holders agreed										979,476					17,778
Outstanding debt in exchange shares										3,340,880					55,000
Company recognized a gain amount										$ 277,891					
Company also issued shares									267,271						
Company negotiated return of shares											750,000				
Company issued shares												500,000			
Subscription proceeds													$ 0.20		
Warrant each exercisable													$ 0.30		
Company issued shares													423,752		

Balance Sheets (USD $)	Feb. 29, 2012	Nov. 30, 2012 Unaudited
Current		
Cash and cash equivalents	$ 117,892	$ 263,978
Accounts receivable	282,683	850,576
Inventory	64,202	
Prepaid expenses	50,686	36,630
Real estate held for sale		1,050,000
Net Assets	515,463	2,201,184
Equipment (note 4)	166,204	26,657
Total assets	681,667	2,227,841
Current		
Accounts payable and accrued liabilities	1,358,302	1,088,364
Loans payable (note 8)	12,887	25,247
Total liabilities	1,371,189	1,113,611
Stockholders' equity (deficiency) Capital stock		
Common stock Authorized: 200,000,000 shares without par value Issued: 94,007,801 (2012 – 71,192,397) (note 10)	34,232,125	37,000,359
Additional paid-in capital	15,986,080	16,355,680
Stock subscriptions	557,238	299,904
Accumulated deficit from prior operations	(2,003,427)	(2,003,427)
Accumulated deficit during the exploration stage	(49,701,810)	(50,771,592)
Accumulated other comprehensive income	240,272	233,306
Total stockholders' equity (deficiency)	(689,522)	1,114,230
Total liabilities and stockholders' equity (deficiency)	$ 681,667	$ 2,227,841

1. BASIS OF PRESENTATION	9 Months Ended Nov. 30, 2012
Accounting Policies [Abstract]	
1. BASIS OF PRESENTATION	

1. BASIS OF PRESENTATION

Pan American Goldfields Ltd. (formerly Mexoro Minerals, Ltd and Sunburst Acquisitions IV, Inc.) ("Panam" or the "Company") was incorporated in the state of Delaware on March 23, 2010 and on July 2, 2010 changed its name to Pan American Goldfields Ltd. pursuant to an agreement and plan of merger between the Company and Mexoro Minerals Ltd. The Company was formed to seek out and acquire business opportunities. Between 1997 and 2003, the Company was engaged in two business acquisitions and one business opportunity, none of which generated a significant profit or created sustainable business. All were sold or discontinued. The Company had previously been pursuing various business opportunities and, effective March 1, 2004, the Company changed its operations to mineral exploration. Currently, the main focus of the Company' s operations is in Mexico and Argentina.

On May 25, 2004, the Company completed a "Share Exchange Agreement" with Sierra Minerals and Mining, Inc. ("Sierra Minerals"), a Nevada corporation, which caused Sierra Minerals to become a wholly-owned subsidiary of the Company. Sierra Minerals held certain rights to properties in Mexico that the Company now owns or has an option to acquire. Through Sierra Minerals, the Company entered into a joint venture agreement with MRT. In August 2005, the Company cancelled the joint venture agreement in order to directly pursue mineral Exploration opportunities through a wholly-owned Mexican subsidiary, Sunburst Mining de Mexico S.A. de C.V. ("Sunburst de Mexico"). On August 25, 2005, the Company, Sunburst de Mexico and MRT entered into agreements providing Sunburst de Mexico the right to explore and exploit certain properties in Mexico. In December 2005, the Company and Sunburst de Mexico entered into a new agreement with MRT (the "New Agreement") (note 6). On January 20, 2006, Sierra Minerals was dissolved.

In February 2011, the Company entered into an agreement with Compañia Minera Alto Rio Salado S.A. ("Compañia Minera"), a private Argentine entity, for the acquisition of the 15,000 hectares Cerro Delta Project in northwest La Rioja Province, Argentina. The agreement became effective in March 2011. Under the terms of the agreement, the Company is required to pay $150,000 upon signing (paid) the agreement, $200,000 on the first anniversary (paid), $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the Cerro Delta project payable on the sixth anniversary of the signing. The vendor will retain a 1% net smelter return ("NSR") (note 6).

On February 12, 2009, the Company entered into a joint venture through a definitive agreement for development of its Cieneguita project with Minera Rio Tinto, S.A. de C.V. ("MRT"), a private company duly incorporated pursuant to the laws of Mexico. The purpose of the joint venture is to put the Cieneguita property into production. Pursuant to the agreement, MRT was to provide the necessary working capital to begin and maintain mining operations at Cieneguita, which are estimated to be $3,000,000. MRT planned to spend 100% of the money to earn 74% of the net cash flow from production (notes 5 and 6). The Company was expected to receive 20% of the net cash flows from production.

In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company was to receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions (note 6).

In September, 2012, the Company entered into a second amended and restated development agreement (“Second Amended and Restated Development Agreement”) with MRT related to the mineral exploration, production and development of the Company’s Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company’s share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company’s share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

13. RELATED PARTY TRANSACTIONS (Details Narrative) (USD $)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Notes to Financial Statements		
Accrued management and directors fees	$ 371,600	$ 293,000
Company also paid or accrued	332,908	558,460
Company converted outstanding fees amount	71,900	
Company also paid consulting fees	29,250	49,500
Accounts payable	$ 129,414	$ 50,534

11. STOCK COMPENSATION PROGRAM (Tables)

Notes to Financial Statements	9 Months Ended Nov. 30, 2012

Company awarded nil options to purchase common shares

	2013	2012
Expected volatility	-	110.11%
Weighted-average volatility	-	110.11%
Expected dividend rate	-	-
Expected life of options in years	-	10
Risk-free rate	-	3.38%

Summary of option activity

Options	Weighted Average Exercise Price $	Number of Shares	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at March 1, 2012	0.34	6,215,000		
Options granted	-	-		
Options exercised	-	-		
Options cancelled/ forfeited	-	-		
Balance at November 30, 2012	0.34	6,215,000	6.89	-
Exercisable at November 30, 2012	0.36	5,348,336	6.66	-

A summary of the status of the Company's non-vested

Non-vested options	Shares	Weighted-average Grant-Date Fair Value $
Non-vested at February 29, 2012	1,566,665	0.26
Granted	-	-
Vested	(700,001)	0.27
Cancelled/forfeited	-	-
Non-vested at November 30, 2012	866,664	0.27

14. SUPPLEMENTAL CASH FLOW INFORMATION (Tables)

Notes to Financial Statements

SUPPLEMENTAL CASH FLOW INFORMATION

9 Months Ended

Nov. 30, 2012

	Nine months ended November 30, 2012 $	Nine months ended November 30, 2011 $	Period From Inception of Exploration Stage (March 1, 2004) to November 30, 2012 $
Interest paid	-	-	310,053
Common stock issued on conversion of debt	131,900	128,651	4,453,551
Common stock issued on settlement of notes payable	-	775,490	3,908,812
Common stock issued for interest costs	-	-	82,500
Common stock issued for financing costs	84,000	-	229,000
Common stock issued for mineral property costs	407,334	-	1,206,667
Common stock issued for bonuses	-	-	512,750
Shares issued for services	138,250	268,750	1,015,090

2. SIGNIFICANT ACCOUNTING POLICIES	9 Months Ended Nov. 30, 2012
Accounting Policies [Abstract]	
2. SIGNIFICANT ACCOUNTING POLICIES	**2. SIGNIFICANT ACCOUNTING POLICIES** (a) Recent accounting pronouncements (i) On June 16, 2011, the FASB issued Accounting Standards Update ("ASU") 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Implementation of the provisions of ASU 2011-05 did not have a material effect on the financial position, results of operations or cash flows of the Company, as the Company currently presents a continuous statement of operations and comprehensive income (loss). (ii) On May 12, 2011, the FASB issued ASU 2011-04. The ASU is the result of joint efforts by the FASB and IASB to develop a single, converged fair value framework. Thus, there are few differences between the ASU and its international counterpart, IFRS 13. This ASU is largely consistent with existing fair value measurement principles in U.S. GAAP; however it expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The ASU is effective for interim and annual periods beginning after December 15, 2011. Implementation of the provisions of ASU 2011-05 did not have a material effect on the financial position, results of operations or cash flows of the Company. (iii) In May 2010, the FASB issued ASU 2010-19, Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates. The amendments in this update are effective as of the announcement date of March 18, 2010. Implementation of ASU 2010-19 did not have a material effect on the financial position, results of operations or cash flows of the Company. (iv) In April 2010, the FASB issued ASU 2010-17, Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption was permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. Implementation of ASU 2010-17 did not have a material effect on the financial position, results of operations or cash flows of the Company.

Balance Sheets (Parenthetical)	Feb. 29, 2012	Nov. 30, 2012 Unaudited
Preferred stock Authorized shares	20,000,000	20,000,000
Common stock Authorized shares	200,000,000	200,000,000
Common stock shares Issued	94,007,801	94,007,801

12. WARRANTS

9 Months Ended
Nov. 30, 2012

Notes to Financial Statements
12. WARRANTS

12. WARRANTS

As at November 30, 2012, the Company had a total of 29,160,000 warrants (February 29, 2012 – 32,011,733) outstanding to purchase common stock. Each warrant entitles the holder to purchase one share of the Company's common stock. The Company has reserved 29,160,000 shares of common stock in the event that these warrants are exercised.

During the nine months ended November 30, 2012, the Company received $nil from warrants exercised.

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2011	25,826,733	$ 0.41
Issued	19,060,000	0.30
Cancelled/expired	(12,875,000)	0.30
Exercised	-	-
Balance, February 29, 2012	32,011,733	$ 0.35
Issued	2,100,000	0.26
Cancelled/expired	(4,951,733)	0.68
Exercised	-	-
November 30, 2012	29,160,000	$ 0.29

As at November 30, 2012, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price $	Expiry Date
300,000	0.20	May 22, 2014
1,000,000	0.25	April 30, 2022
3,000,000	0.25	July 26, 2020
300,000	0.25	August 22, 2021
200,000	0.25	September 6, 2013
300,000	0.30	May 15, 2014
500,000	0.30	December 31, 2012
3,325,000	0.30	March 17, 2013
1,735,000	0.30	April 13, 2013
500,000	0.30	April 29, 2021
1,500,000	0.30	June 2, 2013
500,000	0.30	July 21, 2013
4,400,000	0.30	December 30, 2013
5,000,000	0.30	December 29, 2016
500,000	0.30	February 20, 2014
100,000	0.30	February 28, 2014
500,000	0.30	February 15, 2022

5,000,000	0.30	December 24, 2020
500,000	2.00	August 28, 2014
29,160,000		

Document and Entity Information	9 Months Ended Nov. 30, 2012	Jan. 14, 2013
Document And Entity Information		
Entity Registrant Name	PAN AMERICAN GOLDFIELDS LTD	
Entity Central Index Key	0001046672	
Document Type	10-Q	
Document Period End Date	Nov. 30, 2012	
Amendment Flag	false	
Current Fiscal Year End Date	--12-31	
Is Entity a Well-known Seasoned Issuer?	No	
Is Entity a Voluntary Filer?	No	
Is Entity's Reporting Status Current?	Yes	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		94,007,801
Document Fiscal Period Focus	Q3	
Document Fiscal Year Focus	2012	

13. RELATED PARTY TRANSACTIONS	9 Months Ended Nov. 30, 2012

Notes to Financial Statements
13. RELATED PARTY TRANSACTIONS

13. RELATED PARTY TRANSACTIONS

For the nine months ended November 30, 2012, the Company paid or accrued management and directors fees of $371,600 (November 30, 2011- $293,000) to certain officers and directors. The Company also paid or accrued $332,908 (November 30, 2011 - $558,460) to certain officers and directors for exploration property, finders' fee, travel, office and other related expenses.

During the nine months ended November 30, 2012, the Company converted outstanding fees in the amount of $71,900 owed to the Company's directors into shares of the Company's common stock (note 10).

The Company also paid consulting fees of $29,250 (November 30, 2011 - $49,500) to a company owned by a director.

As at November 30, 2012, accounts payable of $129,414 (November 30, 2011 - $50,534) was owing to directors and officers of the Company and $13,545 (August 31, 2011 - $nil) was owing to a company controlled by a director.

All related party transactions are in the normal course of business at the exchange amount agreed to by each party.

Statements of Operations (Unaudited) (USD $)	3 Months Ended		9 Months Ended		105 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012
Income Statement [Abstract]					
Net sales	$ 878,023	$ 687,211	$ 3,889,753	$ 1,482,242	$ 7,675,198
Cost of goods sold	334,178	248,857	1,259,416	570,106	2,944,791
Gross margin	543,845	438,354	2,630,337	912,136	4,730,407
Expenses					
General and administrative	696,795	689,745	2,377,089	2,482,427	25,593,248
Mineral exploration (note 6)	316,528	217,254	1,326,403	337,007	11,458,258
Impairment of mineral property costs	90,000	643,151		776,668	18,660,059
Operating loss	(559,478)	(1,111,796)	(1,473,155)	(2,752,275)	(50,981,158)
Other income (expenses)					
Deposit on equipment written off					(25,300)
Foreign exchange	7,661	(130,908)	3,713	(270,250)	(586,136)
Interest expense	(1,732)	1,571	(9,046)	(41,051)	(5,364,352)
Other income	150,123	61,307	419,095	73,282	838,411
Gain on disposal of assets					15,130
Gain on sale of assets			31,691		4,420,065
Gain (loss) on settlement of debt	166,656	712,494	(42,080)	937,159	911,748
Net loss	(236,770)	(467,332)	(1,069,782)	(2,053,135)	(50,771,592)
Accumulated deficit, beginning	(50,534,822)	(47,879,726)	(49,701,810)	(46,293,923)	
Accumulated deficit, ending	(50,771,592)	(48,347,058)	(50,771,592)	(48,347,058)	(50,771,592)
Other comprehensive income					
Foreign exchange gain (loss) on translation	17,550	57,408	(6,966)	87,785	233,306
Total comprehensive loss	(219,220)	(409,924)	(1,076,748)	(1,965,350)	(50,538,286)
Total loss per share – basic and diluted	$ 0.00	$ (0.01)	$ (0.01)	$ (0.03)	
Weighted average number of shares of common stock – basic and diluted	$ 93,555,420	$ 62,822,951	$ 82,017,733	$ 60,863,756	

7. PROMISSORY NOTES

9 Months Ended
Nov. 30, 2012

[Notes to Financial Statements](#)
7. PROMISSORY NOTES

7. PROMISSORY NOTES

As at November 30, 2012, the Company had $nil (February 29, 2012 - $nil) of promissory notes outstanding, comprising the following:

(a) During the year ended February 29, 2008, the Company converted accounts payable of $465,994 (Swiss Franc ("CHF") 565,000) into promissory notes. The Company had an implied obligation to pay the accounts payable in CHF as the funds to pay the expense came from Swiss investors in CHF. Accordingly, the promissory notes were issued in CHF. The notes consisted of one warrant for each CHF 5.00 of notes issued, exercisable at $1.00 each. The principal and interest on the notes became due and payable on April 30, 2008. The interest rate payable during the default period was 12%. In September 2011, the Company executed debt conversion and release agreements to convert promissory notes and related interest charges in the amount of $1,091,645 into Company' s common shares for a total of 3,340,880 shares (note 10).

(b) During the year ended February 29, 2012, the Company entered into an agreement to convert $17,778 of the promissory notes including accrued interest by issuing 55,000 shares of the Company' s common stock (note 10).

(c) $10,358 of promissory notes were to be repaid over a 12 month period as part of a debt settlement agreement. These notes bore no interest. In September 2011, the Company assigned these notes to Marje Minerals as part of the amended and restated development agreement (note 6).

(d) $28,113 of promissory notes bore no interest and had no repayment terms. In September 2011, the Company assigned these notes to Marje Minerals as part of the amended and restated development agreement (note 6).

6. MINERAL PROPERTIES

9 Months Ended
Nov. 30, 2012

[Notes to Financial Statements](#)
6. MINERAL PROPERTIES

6. MINERAL PROPERTIES

The Company incurred exploration expenses as follows in the nine months ended November 30, 2012:

	Cieneguita $	Cerro Delta $	New Projects $	Total $
Drilling and sampling	3,592	13,910	3,854	21,356
Field work preparations	-	369,204	-	369,204
Salaries	86,340	-	-	86,340
Land use permits	8,675	-	-	8,675
Travel	18,441	-	-	18,441
Consulting	594,147	7,265	-	601,412
Equipment	159,539	-	-	159,539
General	9,885	892	50,659	61,436
	880,619	391,271	54,513	1,326,403

The Company incurred exploration expenses as follows in the nine months ended November 30, 2011:

	Cieneguita $	Cerro Delta $	Encino Gordo $	Total $
Geological, geochemical, geophysics	20,640	28,751	-	49,391
Land use permits	7,503	910	2,166	10,579
Automotive	-	-	-	-
Travel	8,138	-	-	8,138
Consulting	107,859	30,930	-	138,789
Equipment	86,759	-	-	86,759
General	6,199	37,152	-	43,351
	237,098	97,743	2,166	337,007

Since May 2004, the Company has held interests in gold exploration properties in Mexico.

In August 2005, the Company formed its wholly owned subsidiary, Sunburst de Mexico, which allowed the Company to take title to the properties in the name of Sunburst de Mexico. On August 25, 2005, the Company entered into property agreements with MRT, which provided Sunburst de Mexico options to purchase the mineral concessions of the Cieneguita and Guazapares properties and the right of refusal on three Encino Gordo properties. The Company also entered into an development and sale agreement, in October 2006, with Minera Emilio S.A. de C.V. for the mineral concessions of the Sahuayacan property.

In August 2005, the parties also entered into an operator's agreement, that gave MRT the sole and exclusive right and authority to manage the Cieneguita property, and a share option agreement which granted MRT the exclusive option to acquire up to 100% of all outstanding shares of Sunburst de Mexico if the Company did not comply with the terms of the property agreements. The operator's agreement and share option agreement were subsequently cancelled when the Company and Sunburst de Mexico entered into a new contract with MRT as described below under "Encino Gordo".

In February 2009, the Company entered into an exploration agreement with MRT, which was amended in December 2009. Pursuant to the terms of the amended development agreement, MRT agreed to invest up to $8,000,000 to put the first phase of the Cieneguita project into production and complete a feasibility study. The first phase of production was limited to the mining of the mineralized material that is available from the surface to a depth of 15 meters ("First Phase Production"). In exchange, the Company assigned MRT an interest to 74% of the net cash flows from First Phase Production and MRT would have earned a 54% ownership interest by spending up to $4,000,000 to take the Cieneguita project through the feasibility stage.

In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company was to receive 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest was 80% and MRT was reduced to a 20% working interest, subject to certain dilution provisions.

In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

The material provisions of the property agreements are as follows:

Cieneguita

MRT assigned to Sunburst de Mexico, with the permission of the Cieneguita property's owner, Corporativo Minero, S.A. de C.V. ("Corporativo Minero"), all of MRT's rights and obligations acquired under a previous agreement (the Cieneguita option agreement), including the exclusive option to acquire the Cieneguita property for a price of $2,000,000. Prior to assigning the Cieneguita property to the Company, MRT had paid $350,000 to Corporativo Minero. As the Cieneguita property was not in production by May 6, 2006, Sunburst de Mexico was required to pay $120,000 to Corporativo Minero to extend the contract. Corporativo Minero agreed to reduce the obligation to $60,000, of which $10,000 was paid in April 2006 and the balance paid on May 6, 2006. The Company made this payment to Corporativo Minero and the contract was extended.

The Company had the obligation to pay a further $120,000 per year for the next 13 years and the balance of the payments in the 14th year, until the total amount of

$2,000,000 was paid. The Company renegotiated the payment due May 6, 2007, to $60,000 payable on November 6, 2007, which was paid, and the balance of $60,000 was paid on December 20, 2007. The Company paid $60,000 on May 12, 2008, of the $120,000 due on May 6, 2008, and the balance was paid in June 2008. The Company paid $30,000 each for a total of $120,000 on May 22, 2009, June 26, 2009, September 4, 2009 and November 20, 2009. In 2010, the Cieneguita project was put into production under the development agreement as described above and the payment terms were changed based on the following formula:

The Company must pay the Cieneguita owners $20 per ounce of gold produced from the Cieneguita property to the total of $2,000,000 due. In the event that the price of gold is above $400 per ounce, the property payments payable to the Cieneguita owners from production will be increased by $0.10 for each dollar increment over $400 per ounce. The total payment of $2,000,000 does not change with fluctuations in the price of gold. Non-payment of any portion of the $2,000,000 total payment will constitute a default. In such case, the Cieneguita owners will retain ownership of the concessions, but the Company will not incur any additional default penalty.

In September 2011, the Company, MRT and Corporativo Minero entered into a new agreement, where Corporativo Minero was entitled to a monthly payment of $30,000, to be paid from the net cash flows from production at Cieneguita until the completion of the first 15 meters of production or December 31, 2012, whichever occurs first.

In September 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT whereby the Company's share of net cash flow from the pilot project operated by MRT increases from 20% to 29% beginning retroactively from March 1, 2012 to December 31, 2012. From January 1, 2013 to December 31, 2013, this amount increases to 35%.

Based on production at Cieneguita, the joint venture paid $240,000 during the nine months ended November 30, 2012 (February 29, 2012 - $227,241) to the Cieneguita owners. As of November 30, 2012, Corporativo Minero has been paid a total of $1,417,241 for the Cieneguita property. The Company is not presently in default on its payments for the Cieneguita property.

On February 12, 2009, the Company entered into a definitive agreement for development of the Cieneguita project with MRT. The definitive agreement covered project financing of up to $9,000,000. The major points of the agreement were as follows:

(i) MRT and/or its investors will subscribe for $1,000,000 of a secured convertible debenture at 8% interest (payable in stock or cash). The debenture was convertible into units at $0.60 per unit. Each unit comprised two common shares and one warrant. Each warrant is exercisable at $0.50 per share for a period of three years. The placement will be used for continued development of the Company's properties and general working capital.

(ii) MRT is to provide the necessary working capital to begin and maintain mining operations estimated to be $3,000,000 used for the purpose of putting the Cieneguita property into production. MRT will spend 100% of the money to earn 75% of the net cash flow from production. The agreement will limit the mining to the mineralized material that is available from surface to a depth of 15 meters or approximately 10% of the mineralized material found to date.

(iii) MRT will spend up to $5,000,000 to take the Cieneguita property through the feasibility stage. In doing so, MRT will earn a 60% interest in the Company's rights to the property. After the expenditure of the $5,000,000 all costs will be shared on a ratio of 60% to MRT and 40% to the Company. If the Company elects not to pay its portion of costs after the $5,000,000 has been spent, the Company' s position shall revert to a 25% carried interest on the property.

To generate funding for the Company' s continued operations, the Company issued $1,500,000 of convertible debentures in March 2009, of which an aggregate of $880,000 was issued to Mario Ayub, a former director of the Company, and his affiliated entity, MRT. Pursuant to the terms of the convertible debentures, the holders irrevocably converted the debentures into a 10% ownership interest in the Cieneguita project and a 10% interest in the net cash flow from First Phase Production.

In December 2009, Mario Ayub and MRT agreed to resell an aggregate 4% ownership interest in the Cieneguita project back to the Company, along with 4% of the net cash flow from First Phase Production, in return for $550,000. In a private transaction not involving the Company, the other holders contributed their remaining 6% ownership interest in the Cieneguita project to a newly formed entity, Marje Minerals SA ("Marje Minerals").

In December 2009, the Company amended the development agreement and its agreements with the debenture holders. According to the amended development agreement, the ownership interest in the Cieneguita project and the net cash flows from the First Phase Production were held by the Company, MRT and Marje Minerals as follows:

Holder	**Ownership Percentage**	**Net Cash Flow Interest From First Phase Production**	**Net Cash Flow Interest Following First Phase Production**
MRT	54% (1)	74%	54% (1)
Marje Minerals	6%	6%	6%
Panam	40%	20%	40%

(1) Was to be earned by MRT by spending $4,000,000 to take the Cieneguita project through the feasibility stage.

Any additional costs for the First Phase Production and the feasibility study for the Cieneguita project, after MRT invested $8,000,000, would have been shared by the Company, MRT and Marje Minerals on a pro-rata basis based on their respective ownership percentages in the Cieneguita project.

The major terms of the amended development agreement with MRT and Marje Minerals were as follows:

(i) MRT purchased $1,000,000 of secured convertible debentures at 8% interest (payable in stock or cash). The proceeds from this investment were used for continued development and exploration of the Cieneguita project and general working capital. On November 5, 2009, MRT exercised its conversion rights on the debenture and MRT was issued 3,333,333 common shares and a warrant to purchase 1,666,667 shares of common stock at an exercise price of $0.50 per share.

(ii) MRT agreed to provide the necessary working capital to begin and maintain mining operations, estimated to be $3,000,000, to put the first phase of the Cieneguita project into production. In exchange for these funds, the Company assigned MRT an interest to 74% of the net cash flow from First Phase Production. The agreement limits the mining during First Phase Production to the mineralized material that is available from the surface to a depth of 15 meters.

(iii) MRT committed to spend up to $4,000,000 to take the Cieneguita project through the feasibility stage. In doing so, the Company assigned MRT a 54% interest in its rights to the Cieneguita project. After the expenditure of the $4,000,000, all costs will be shared on a pro rata ownership basis (i.e. 54% to MRT, 40% to the Company and 6% to Marje Minerals). If any party cannot pay its portion of the costs after the $4,000,000 has been spent, then their ownership position in the Cieneguita project will be reduced by 1% for every $100,000 invested by the other owners. The Company's ownership interest in the Cieneguita project, however, cannot be reduced below 25%. In addition, the Company has the right to cover Marje Minerals' pro rata portion of costs if they cannot pay their portion of the costs. In return, the Company will receive 1% of Marje Minerals' ownership position in the Cieneguita project for every $100,000 the Company invests on their behalf.

(iv) The MRT agreement was contingent on the Company repaying its debenture to Paramount. In March 2009, the Company repaid $1,000,000, or approximately two-thirds of the debt, and Paramount released a security interest it had on the Cieneguita project. In October 2009, the Company repaid the remaining amount of the debt and Paramount released its security interests on the Sahuayacan, Guazapares and Encino Gordo properties.

In September 2011, the Company executed a new amended and restated development agreement with MRT and Marje Minerals, for the restructure of its Cieneguita joint venture. Under the restructured joint venture agreement the Company receives 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions. The Company also bought back 6% interest in Cieneguita from Marje Minerals in exchange for 3,333,333 common shares of the Company.

Under the agreement, the parties agreed to restructure their respective ownership interests in the Cieneguita project as follows:

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	20%	74%	20%
Marje Minerals	0%	6%	0%
Panam	80%	20%	80%

The Company and MRT shall be responsible for the cost of a feasibility study on a pro rata basis based on their respective amended ownership percentages of the Cieneguita project.

Marje Minerals will also assume approximately $490,000 in debt of the Company in consideration for receiving half of all monthly net cash flows that the Company is entitled from operations on the first 15 meters, if any, until the sooner of December 31, 2012 or until Marje Minerals receives $490,000 from these cash flows (note 7).

In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company's Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company's share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company's share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters.

The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT.

In connection with the revised development agreement, MRT also purchased 2 million shares of the Company's common stock at a price of $0.12 per share for net proceeds of $240,000 pursuant to the Company's private placement subscription agreement. The Company will issue the shares to MRT in reliance on exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

Encino Gordo

On December 8, 2005, the Company and Sunburst de Mexico entered into a "New Agreement" with MRT to exercise their option under the sale and purchase of the mining concessions agreement, dated August 18, 2005, to obtain two mining concessions in the Encino Gordo region. The New Agreement also provided the Company the option to obtain three additional concessions in the Encino Gordo region.

The following were additional material terms of the New Agreement:

(a) The share option agreement with MRT was cancelled;

(b) The Company granted MRT the option to buy all of the outstanding shares of Sunburst de Mexico for $100 if the Company failed to transfer $1,500,000 to Sunburst de Mexico by April 30, 2006. On April 6, 2006, MRT agreed to waive its option to purchase the shares of Sunburst de Mexico and also waived the Company's obligation to transfer $1,500,000 to Sunburst de Mexico. The property agreements were modified to change the NSR to a maximum of 2.5% for all properties covered by the agreements. The property agreements contained NSRs ranging from 0.5% to 7%;

(c) The Company agreed to issue 2,000,000 shares of the Company's common stock to MRT within four months of the date of signing of the New Agreement. These shares were issued to MRT and its assignee at the market value of $1.05 per share on February 23, 2006, and $2,100,000 was charged to operations for the year ended February 28, 2006. This issuance fulfilled the Company's payment obligations under the previous property agreements;

(d) The Company agreed to issue 1,000,000 additional shares of the Company's common stock to MRT if and when the Cieneguita property is put into production and reaches 85% of production capacity over a 90-day period, as defined in the New Agreement; and

(e) The operator's agreement with MRT was cancelled.

Sunburst de Mexico purchased two of the Encino Gordo concessions from MRT for a price of 1,000 pesos (approximately US$100), and MRT assigned to Sunburst de

Mexico a first right of refusal to acquire three additional Encino Gordo concessions. The total payments to acquire 100% of these three additional concessions were as follows: $10,000 on June 30, 2006 (paid); $25,000 on December 31, 2006 (paid), $50,000 on December 31, 2007 ($20,000 of this payment was made on January 3, 2008 and the balance was paid on February 29, 2008) and $75,000 on December 31, 2008 (the payment was not made and the Company was in default). In August 2009, the Company decided to surrender the Encino Gordo 2 mining concession eliminating any future concession payments on these properties.

In May 2012, the Company transferred its interest in concessions at the Encino Gordo project located in the Barranca region of Chihuahua State in Mexico, which included two concessions owned by the Company and two additional concessions the Company had the option to acquire, to MRT. In connection with the transfer, MRT paid $100,000 cash, waived $200,000 in payments the Company owed to MRT in connection with the Encino Gordo Project and agreed to assume all of the Company' s obligations related to the transferred concessions.

Cerro Delta

In February 2011, the Company management entered into an agreement with Compania Minera Alto Rio Salado S.A., a private Argentine entity, for the acquisition of the 15,000 hectare Cerro Delta project in northwest La Rioja Province, Argentina. Under the terms of the agreement, the Company must pay $150,000 upon signing (paid), and $200,000 on the first anniversary (paid), $500,000 on the second anniversary, $750,000 on the third anniversary, $1.2 million on the fourth anniversary, and $2.2 million on the fifth anniversary of the signing, with a final option payment of $5 million to purchase a 100% interest in the project payable on the sixth anniversary of the signing. The vendor will retain a 1% NSR.

12. WARRANTS (Tables)

Notes to Financial Statements

9 Months Ended Nov. 30, 2012

Company's share purchase warrants

	Number of Warrants		Weighted Average Exercise Price
Balance, February 28, 2011	25,826,733	$	0.41
Issued	19,060,000		0.30
Cancelled/expired	(12,875,000)		0.30
Exercised	-		-
Balance, February 29, 2012	32,011,733	$	0.35
Issued	2,100,000		0.26
Cancelled/expired	(4,951,733)		0.68
Exercised	-		-
November 30, 2012	29,160,000	$	0.29

Purchase warrants were outstanding

Number of Warrants	Exercise Price $	Expiry Date
300,000	0.20	May 22, 2014
1,000,000	0.25	April 30, 2022
3,000,000	0.25	July 26, 2020
300,000	0.25	August 22, 2021
200,000	0.25	September 6, 2013
300,000	0.30	May 15, 2014
500,000	0.30	December 31, 2012
3,325,000	0.30	March 17, 2013
1,735,000	0.30	April 13, 2013
500,000	0.30	April 29, 2021
1,500,000	0.30	June 2, 2013
500,000	0.30	July 21, 2013
4,400,000	0.30	December 30, 2013
5,000,000	0.30	December 29, 2016
500,000	0.30	February 20, 2014
100,000	0.30	February 28, 2014
500,000	0.30	February 15, 2022
5,000,000	0.30	December 24, 2020
500,000	2.00	August 28, 2014
29,160,000		

14. SUPPLEMENTAL CASH FLOW INFORMATION

9 Months Ended

Nov. 30, 2012

[Notes to Financial Statements]
[14. SUPPLEMENTAL CASH FLOW INFORMATION]

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended November 30, 2012 $	Nine months ended November 30, 2011 $	Period From Inception of Exploration Stage (March 1, 2004) to November 30, 2012 $
Interest paid	-	-	310,053
Common stock issued on conversion of debt	131,900	128,651	4,453,551
Common stock issued on settlement of notes payable	-	775,490	3,908,812
Common stock issued for interest costs	-	-	82,500
Common stock issued for financing costs	84,000	-	229,000
Common stock issued for mineral property costs	407,334	-	1,206,667
Common stock issued for bonuses	-	-	512,750
Shares issued for services	138,250	268,750	1,015,090

10. COMMON STOCK

9 Months Ended
Nov. 30, 2012

[Notes to Financial Statements](#)
[10. COMMON STOCK](#)

10. COMMON STOCK

In September 2012, the Company issued 500,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.13 per share.

In September 2012, the Company issued the remaining 2,166,666 common shares relating to the acquisition of 6% of ownership interest in the Cieneguita project (see December 2011 issuance below).

In November 2012, the Company issued 250,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.12 per share.

In July 2012, the Company converted outstanding fees in the amount of $71,900 owed to the Company' s directors into shares of the Company' s common stock, at a conversion price of $0.10 per share (note 13).

In July 2012, the Company completed a $2.1 million private placement offering, whereby the Company issued 17,500,000 shares of its common stock at a subscription price of $0.12 per share. Of the aggregate purchase price, $1,050,000 was paid in cash and $1,050,000 was paid through the transfer of real property in Argentina. The Company intends to liquidate this property as soon as practical. In conjunction with the offering, the Company paid a finder' s fee of $84,000 and 700,000 shares of common stock.

In June 2012, the Company issued 194,444 common shares pursuant to a debt settlement agreement to settle $20,000 of debt. The shares were valued at the time of issuance at $0.10 per share.

In May 2012, the Company converted subscription proceeds of $45,000 and issued 300,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and two warrants each exercisable at $0.20 and $0.30, which expire in two years. In July 2012, the Company paid a finder' s fee of $2,400 related to the private placement.

In April 2012, the Company issued 235,294 common shares pursuant to a debt settlement agreement to settle $40,000 of debt. The shares were valued at the time of issuance at $0.17 per share.

In April 2012, the Company issued 250,000 common shares to a consultant pursuant to a consulting agreement. The shares were valued at the time of issuance at $0.18 per share.

In February 2012, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on February 29, 2014, to a consultant.

Between September 2011 and February 2012, the Company converted subscription proceeds of $900,000 and issued 4,500,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and one warrant each exercisable at $0.30, which expires in two years.

In December 2011, the Company acquired 6% ownership interest in the Cieneguita project in exchange for 3,333,333 common shares, of which, the Company had issued 1,166,667 common shares as of February 29, 2012.

In October 2011, the Company and note holders agreed to cancel $979,476 of outstanding debt in exchange for 3,340,880 shares of the Company' s common shares. The Company recognized a gain on settlement of debt in the amount of $277,891. In November 2011, the Company also issued 267,271 shares to a consultant as consulting fee relating to the settlement of debt.

In August 2011, the Company negotiated return of 750,000 shares to the treasury from a former president. The shares were valued at the time of issuance at $0.28 per share.

In July 2011, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on July 21, 2013, to a consultant.

In June 2011, the Company converted subscription proceeds of $300,000 and issued 1,500,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and one warrant each exercisable at $0.30, which expires in two years.

In June 2011, the Company issued 125,000 shares to a consultant pursuant to a consulting agreement.

In June 2011, the Company issued the 423,752 shares pursuant to the April 2011 debt settlement agreement. The shares were valued at the time of the debt settlement agreement of $0.28 per share.

In April 2011, the Company converted subscription proceeds of $347,000 and issued 1,735,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and one warrant each exercisable at $0.30, which expires in two years.

In March 2011, the Company converted subscription proceeds of $665,000 and issued 3,325,000 shares of common stock in a private placement. The subscribers to the subscription proceeds have agreed to purchase one unit for each $0.20 of subscription proceeds. Each unit consists of one share of the Company' s common stock and one warrant each exercisable at $0.30, which expires in two years.

In March 2011, the Company and a note holder agreed to cancel $17,778 in outstanding debt in exchange for 55,000 shares of the Company' s common stock.

In March 2011, the Company issued 500,000 shares of common stock and warrants to purchase 500,000 shares of common stock at $0.30, expiring on December 31, 2012, to a consultant.

8. LOANS PAYABLE

	9 Months Ended
	Nov. 30, 2012

Notes to Financial Statements

8. LOANS PAYABLE

8. LOANS PAYABLE

As at November 30, 2012, there were loans payable in the amount of $25,247 (February 29, 2012- $12,887). The loans were repayable in monthly instalments of $3,702 (February 29, 2012 - $3,272), including interest of 7.50% per annum.

9. PREFERRED STOCK	9 Months Ended Nov. 30, 2012
Equity [Abstract]	
9. PREFERRED STOCK	**9. PREFERRED STOCK** The Company is authorized to issue 20,000,000 shares of preferred stock. The Company' s board of directors is authorized to divide the preferred stock into series, and with respect to each series, to determine the preferences and rights and qualifications, limitations or restrictions thereof, including the dividend rights, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions, and the number of shares constituting the series and the designations of such series. The board of directors could, without stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting rights of the holders of common stock, which issuance could have certain anti-takeover effects. There were no shares of preferred stock issued or outstanding at November 30, 2012 or February 29, 2012.

11. STOCK COMPENSATION PROGRAM

9 Months Ended

Nov. 30, 2012

Notes to Financial Statements

11. STOCK COMPENSATION PROGRAM

11. STOCK COMPENSATION PROGRAM

On March 18, 2009, the board of directors approved the granting of stock options according to the 2009 Nonqualified Stock Option Plan ("2009 Option Plan") whereby the board is authorized to grant to employees and other related persons stock options to purchase an aggregate of up to 6,000,000 shares of the Company's common stock. Subject to the adoption of the 2009 Option Plan, the options were granted and vest, pursuant to the terms of the 2009 Option Plan, in six equal instalments, with the first instalment vesting at the date of grant, and the balance vesting over 2.5 years, every six months.

In the nine months ended November 30, 2012, the Company awarded nil options to purchase common shares (November 30, 2011 – 1,600,000) and recorded stock-based compensation expense for the vesting options of $153,300 (November 30, 2011- $272,075). The following weighted average assumptions were used for the Black-Scholes option-pricing model to value stock options granted in fiscal 2013 and 2012:

	2013	2012
Expected volatility	-	110.11%
Weighted-average volatility	-	110.11%
Expected dividend rate	-	-
Expected life of options in years	-	10
Risk-free rate	-	3.38%

There were no capitalized stock-based compensation costs at November 30, 2012 or November 30, 2011.

The weighted-average grant-date fair value of options granted during the nine months ended November 30, 2012 and November 30, 2011 was $nil and $0.29, respectively.

The summary of option activity under the 2009 Option Plan as of November 30, 2012, and changes during the period then ended, is presented below:

Options	Weighted Average Exercise Price $	Number of Shares	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at March 1, 2012	0.34	6,215,000		
Options granted	-	-		
Options exercised	-	-		
Options cancelled/forfeited	-	-		
Balance at November 30, 2012	0.34	6,215,000	6.89	-

Exercisable at November 30, 2012	0.36	5,348,336	6.66	-

A summary of the status of the Company' s non-vested options as of November 30, 2012, and changes during the nine months ended November 30, 2012, is presented below:

Non-vested options	Shares	Weighted-average Grant-Date Fair Value $
Non-vested at February 29, 2012	1,566,665	0.26
Granted	-	-
Vested	(700,001)	0.27
Cancelled/forfeited	-	-
Non-vested at November 30, 2012	866,664	0.27

As of November 30, 2012, there was an estimated $224,300 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2009 nonqualified stock option plan. That cost is expected to be recognized over a weighted-average period of approximately 0.80 years.

On April 29, 2011, the Company repriced the exercise price of 1,125,000 vested stock options by reducing the exercise prices of $0.36 and $0.44 to $0.28. As a result, the Company recorded incremental stock-based compensation of $6,000 during the year ended February 29, 2012.

12. WARRANTS (Details Narrative) (USD $)	Nov. 30, 2012	Feb. 29, 2012
Notes to Financial Statements		
Total warrants	$ 29,160,000	$ 32,011,733
Common stock shares8	29,160,000	

6. MINERAL PROPERTIES (Tables)

9 Months Ended Nov. 30, 2012

Notes to Financial Statements

Company incurred exploration expenses

	Cieneguita $	Cerro Delta $	New Projects $	Total $
Drilling and sampling	3,592	13,910	3,854	21,356
Field work preparations	-	369,204	-	369,204
Salaries	86,340	-	-	86,340
Land use permits	8,675	-	-	8,675
Travel	18,441	-	-	18,441
Consulting	594,147	7,265	-	601,412
Equipment	159,539	-	-	159,539
General	9,885	892	50,659	61,436
	880,619	391,271	54,513	1,326,403

Company incurred exploration expenses1

	Cieneguita $	Cerro Delta $	Encino Gordo $	Total $
Geological, geochemical, geophysics	20,640	28,751	-	49,391
Land use permits	7,503	910	2,166	10,579
Automotive	-	-	-	-
Travel	8,138	-	-	8,138
Consulting	107,859	30,930	-	138,789
Equipment	86,759	-	-	86,759
General	6,199	37,152	-	43,351
	237,098	97,743	2,166	337,007

MRT and Marje Minerals

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	54% (1)	74%	54% (1)
Marje Minerals	6%	6%	6%
Panam	40%	20%	40%

Ownership interests in the Cieneguita project

Holder	Ownership Percentage	Net Cash Flow Interest From First Phase Production	Net Cash Flow Interest Following First Phase Production
MRT	20%	74%	20%
Marje Minerals	0%	6%	0%
Panam	80%	20%	80%

3. GOING CONCERN (Details Narrative) (USD $)	Nov. 30, 2012	Jul. 31, 2012	May 31, 2012	Feb. 29, 2012	Jun. 30, 2011	Mar. 31, 2011	Jul. 31, 2009
Notes to Financial Statements							
Cumulative loss	$ 50,771,592			$ 49,701,810			
Company shares		17,500,000					
Per shares		0.12					
Total gross proceeds		1,050,000		900,000			
Total cash and an additional		1,050,000					
Company converted subscription proceeds			45,000				
Common stock issued shares			300,000				
Purchase subscription proceeds			$ 0.20				
Warrant each exercisable			$ 0.30				
Company completed a private placement				4,500,000	1,500,000	6,560,000	
Per units				$ 0.20	$ 0.20	$ 0.20	
Common stock, each exercisable				$ 0.30	$ 0.30		
Total proceeds					300,000	1,312,000	
Common stock per share						$ 0.30	
Total consideration							5,300,000
First payment							3,700,000
Additional payment							$ 1,600,000

Statements of Cash Flows (Unaudited) (USD $)	9 Months Ended Nov. 30, 2012	Nov. 30, 2011	21 Months Ended Nov. 30, 2012
Cash flows from operating activities			
Net loss	$ (1,069,782)	$ (2,053,135)	$ (50,771,592)
Adjustments to reconcile net (loss) to net cash flows:			
Write off of note receivable			57,500
Impairment of mineral property costs		776,668	14,421,668
Issuance of shares for consulting services			510,590
Issuance of shares for interest costs			82,500
Discount on convertible debenture			569,549
Deposit on equipment written off			25,300
Gain on disposal of assets			(15,130)
Gain on sale of assets	31,952		(4,358,002)
Non-cash component of gain on settlement of debt	42,080	(937,159)	(953,563)
Beneficial conversion feature			4,081,091
Stock-based compensation	540,000	921,825	12,780,436
Amortization	10,803	31,961	357,106
Net change in operating assets and liabilities:			
Prepaid expense	13,343	(67,125)	(38,285)
Accounts receivable	(587,939)	(276,745)	(573,382)
Inventory	64,202		
Customer deposits			(194,809)
Notes payable			109,337
Accounts payable and accrued liabilities	49,872	(456,817)	7,296,948
Cash used in operating activities	(905,469)	(2,060,527)	(16,612,738)
Sale of equipment	49,650		82,966
Purchase of property and equipment	(584)		(604,201)
Cash provided (used) in investing activities	49,066		(521,235)
Financing activities			
Proceeds from loans payable	32,250	28,550	348,867
Proceeds from notes payable			3,162,196
Proceeds from convertible debentures			7,462,500
Proceeds from exercise of options			78,000
Proceeds from exercise of warrants			3,144,377
Repayment of loans payable	(19,890)	(19,757)	(316,739)
Repayment of notes payable			(586,620)
Repayment of convertible debentures			(2,051,047)
Stock subscriptions	1,008,600	2,033,672	3,326,862
Issuance of common stock			2,756,994
Cash provided (used) by financing activities	1,020,960	2,042,465	17,325,390
Net change in cash	164,557	(18,062)	191,417
Effect of foreign currency translation on cash	(18,471)	112,224	50,484
Cash and cash equivalents, beginning	117,892	407,912	22,077

Cash and cash equivalents, ending	$ 263,978	$ 502,074	$ 263,978

5. JOINT VENTURE WITH MRT	9 Months Ended Nov. 30, 2012
Notes to Financial Statements	
5. JOINT VENTURE WITH MRT	**5. JOINT VENTURE WITH MRT** On February 12, 2009, the Company entered into a joint venture through a definitive agreement for development of its Cieneguita project with MRT. The purpose of the joint venture is to put Cieneguita property into production. As per the agreement, MRT is to provide the necessary working capital to begin and maintain mining operations estimated to be $3,000,000. MRT will spend 100% of the funds in exchange for a 75% interest in the net cash flow from production. The agreement was amended in December 2009 for MRT to earn a 74% interest in the net cash flow from production (note 6). In September 2011, the Company executed an amended and restated development agreement for the restructure of its Cieneguita joint venture related to the Cieneguita project. Under the restructured joint venture agreement the Company receives 20% of the net operating profits after royalties for material processed through a small-scale pilot operation and mined from the first 15 meters depth of the Cieneguita deposit until December 31, 2012. For all other material processed from the property, the Company's interest is 80% and MRT is reduced to a 20% working interest, subject to certain dilution provisions (note 6). The agreement limits the mining of the mineralized material that is available from the surface to a depth of 15 meters or approximately 10% of the mineralized material found as of the date of the definitive agreement. The Company incurs no obligations to the joint venture' s creditors as the operations and working capital requirements are controlled by MRT and as such, the Company has concluded that it is not the primary beneficiary of the joint venture. Accordingly, the Company' s share of income and expenses are reflected in these financial statements under the proportionate consolidation method. In September, 2012, the Company entered into a Second Amended and Restated Development Agreement with MRT related to the mineral exploration, production and development of the Company' s Cieneguita Project. Under the Second Amended and Restated Development Agreement, the Company' s share of net cash flow from the pilot project operated by MRT on the Cieneguita project increases from 20% to 29% beginning retroactive to March 1, 2012 through December 31, 2012. Beginning January 1, 2013 through December 31, 2013, the Company' s share of net cash flow from the pilot project increases to 35%. At all times, the Company retains its 80% ownership interest in the entire Cieneguita Project. This agreement eliminates the additional fees previously payable by MRT for minerals mined below the first 15 meters. The Second Amended and Restated Development Agreement extended the date of the pilot project from December 31, 2012 to December 31, 2013. MRT may terminate the pilot project by providing the Company with ninety (90) days advanced written notice, and the Company may terminate the pilot project upon an uncured breach of the Second Amended and Restated Development Agreement by MRT. The Company' s proportionate share of revenues was $3,889,753 and proportionate share of the net profit was $2,020,738 for the nine months ended November 30, 2012. The Company' s proportionate share of accounts receivable of the joint venture was $770,150 at November 30, 2012. The joint venture did not have any other assets or liabilities at November 30, 2012.

5. JOINT VENTURE WITH MRT (Details Narrative) (USD $)	9 Months Ended	
	Nov. 30, 2012	Feb. 12, 2009
Notes to Financial Statements		
Maintain mining operations estimated		$ 3,000,000
Company's proportionate share of revenues	3,889,753	
Net profit	2,020,738	
Accounts receivable of the joint venture	$ 770,150	

4. EQUIPMENT (Tables)

Notes to Financial Statements	9 Months Ended
	Nov. 30, 2012

EQUIPMENT

	November 30, 2012			February 29 2012
	Cost $	Accumulated Depreciation $	Net Book Value $	Net Book Value $
Software	24,061	18,458	5,603	5,944
Machinery	14,509	6,887	7,622	142,957
Vehicles	76,700	71,201	5,499	9,418
Computers	13,853	12,422	1,431	98
Office equipment	16,304	9,802	6,502	7,787
	145,427	118,770	26,657	166,204