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Pan American
SILVER CORP.

FIRST QUARTER REPORT TO SHAREHOLDERS

For the period ending MARCH 31, 2015

Pan American SILVER CORP.

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PAN AMERICAN SILVER ANNOUNCES 2015 FIRST QUARTER RESULTS AND DECLARES THE SECOND DIVIDEND OF THE YEAR

(All amounts in US$ unless otherwise indicated)

Vancouver, B.C. – May 11, 2015 – Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) ("Pan American", or the "Company") today reported unaudited results for the quarter ended March 31, 2015. The following table displays the key operational and financial highlights.

This news release should be read in conjunction with the Financial Statements, Notes to the Financial Statements and MD&A dated March 31, 2015, which have been filed on SEDAR and are available at www.sedar.com and on the Company website at www.panamericansilver.com.

First Quarter 2015 Highlights (unaudited) (1)

- Silver production of 6.08 million ounces
- Gold production of 37,500 ounces
- Consolidated All-in Sustaining Costs per Silver Ounce Sold, net of by-product credits ("AISCSOS")(2) of $14.24
- Consolidated cash costs(3) of $11.71 per silver ounce, net of by-product credits
- Revenue of $178.1 million
- Mine operating earnings of $2.6 million
- Cash flow generated by operating activities of $11.9 million, or $0.08 per share
- Adjusted loss(4) of $19.9 million or $(0.13) per share

Financial Position at March 31, 2015

- Cash and short term investments of $292.4 million
- Working capital(5) of $488.5 million
- Total debt of $65.3 million

(1) Financial information in this news release is based on International Financial Reporting Standards ("IFRS"); results are unaudited; percentages compare the first quarter of 2015 against the first quarter of 2014.

(2) All-In Sustaining Costs per Silver Ounce Sold ("AISCSOS") is a measure of a silver mining company's consolidated operating performance and the ability to generate cash flow from all operations collectively. We believe it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow. Please refer to the section "Alternative Performance (non-GAAP) Measures" in the Company's Management Discussion & Analysis for the quarter ended March 31, 2015, for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

(3) Consolidated cost per ounce of silver is a non-GAAP measure. The Company believes that in addition to production costs, depreciation and amortization, and royalties, cash cost per ounce is a useful and complementary benchmark that investors use to evaluate the Company's performance and ability to generate cash flows and is well understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by IFRS as an indicator of performance. Investors are cautioned that cash costs per ounce should not be construed as an alternative to production costs, depreciation and amortization, and royalties determined in accordance with IFRS as an indicator of performance. The Company's method of calculating cash costs per ounce may differ from the methods used by other entities. Please refer to the section "Alternative Performance (non-GAAP) Measures" in the Company's Managements Discussion & Analysis for the quarter ended March 31, 2015, for a detailed description of the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

(4) Adjusted loss and adjusted loss per share attributable to common shareholders are non-GAAP measures. Adjusted (loss) earnings is calculated as net (loss) earnings for the period adjusting for the gains or losses recorded on fair market value adjustments on the Company's outstanding derivative instruments, impairment of mineral property, unrealized foreign exchange gains or losses, unrealized gain or loss on commodity contracts, net realizable value adjustment to long term heap inventory, gain or loss on sale of assets and the effect for taxes on the above items. The Company considers this measure to better reflect normalized earnings as it does not include items

which may be volatile from period to period. Please refer to the section "Alternative Performance (non-GAAP) Measures" in the Company's Managements Discussion & Analysis for the quarter ended March 31, 2015, for a detailed description of this measure.

(5) Working capital is a non-GAAP measure calculated as current assets less current liabilities. The Company and certain investors use this information to evaluate whether the Company is able to meet its current obligations using its current assets.

Commenting on the Company's 2015 first quarter results, Geoff Burns, Chief Executive Officer said, "We have had a reasonable start to 2015, albeit our silver and gold production were slightly behind our forecast, which was reflected in our quarterly financial performance. Stacking and leaching of higher grade ore at Dolores was about a month behind plan and similarly, we didn't mine some of the expected higher grade ore at Manantial Espejo until mid-April, which was about 8 weeks later than scheduled." Burns continued, "I am happy to report that both Dolores and Manantial Espejo rebounded nicely through April and now into May, and we should be right where we expected to be by the end of the 2nd quarter. Consequently, I remain totally confident that we will meet our annual production forecast of between 25.50 and 26.50 million ounces of silver at cash costs of between $10.80 and $11.80 per ounce of silver, net of by-product credits, with AISCSOS of between $15.50 and $16.50 per ounce."

Financial Results

During the first quarter of 2015, Pan American generated $178.1 million in revenue, 15% less than revenue generated in the comparable quarter of 2014. The decline in sales was caused primarily by lower metal prices and less silver ounces sold during the reporting quarter. The decline in revenue was partially offset by higher quantities of gold and copper sold.

Inclusive of settlement adjustments on concentrate sales, the Company realized an average price of $16.43 per silver ounce and $1,226 per gold ounce during the first quarter of 2015, which were 18% and 4% lower than the prices realized in the first quarter of 2014, respectively. The average realized price of lead declined to $1,671 per tonne from $2,103 a year ago, and the average realized price of copper declined to $5,386 per tonne, from $6,995 per tonne a year ago. The average realized price of zinc was relatively unchanged from the first quarter of 2014, at $2,032 per tonne.

Pan American generated a net loss of $19.8 million, or $(0.13) per share, during the first quarter of 2015, compared to net income of $6.8 million, or $0.05 per share generated in the comparable quarter of 2014. The loss was the result of lower silver sales volumes combined with lower realized metal prices, higher depreciation charges and a $(6.4) million foreign exchange loss, partially offset by lower income taxes.

After adjusting for the $2.1 million unrealized portion of the foreign exchange loss and reversing a $2 million net realizable value recovery on Dolores' heap leach inventory, the Company recorded an adjusted loss of $19.9 million, or $(0.13) per share during the three months ended March 31, 2015.

Cash flow from operations generated during the first quarter of 2015 was $11.9 million or $0.08 per share, compared to $36.1 million or $0.24 per share generated in the first quarter of 2014. The decline in quarterly revenue previously described was the primary driver behind the current quarter's decline in operating cash flow, partially offset by $7.8 million less cash income taxes paid as compared to the first quarter of 2014.

Pan American posted AISCSOS of $14.24, net of by-product credits, for the first quarter of 2015, 5% lower than AISCSOS posted for the first quarter of 2014 and well below the Company's 2015 full-year forecast of $15.50 to $16.50, net of by-product credits. AISCSOS for the first three months of 2015 declined mainly due to lower costs of sales as a result of lower royalties and smelting, refining, and transportation charges, as well as the forecasted reduction in sustaining capital.

At March 30, 2015, Pan American had $292.4 million in cash and short-term investments and working capital of $488.5 million, a decline of $38.0 and $34.2 million, respectively, as compared to December 31, 2014. During the first quarter of 2015, the Company paid $19.0 million in cash dividends to its shareholders.

On April 15, 2015, Pan American entered into a senior secured revolving credit facility (the "Facility") with a syndicate of eight lenders. The Facility is a US$300 million secured revolving line of credit that matures on April 15, 2019 and is available for general corporate purposes, including organic growth opportunities and acquisitions. The terms of the Facility provide the Company with the flexibility of various borrowing and letter of credit options. No drawings have been made under the Facility to date.

Operational Results

Pan American produced 6.08 million ounces of silver and 37,500 ounces of gold during the first quarter of 2015. Silver production declined 8% in comparison to silver produced in the first quarter of 2014, primarily due to less ounces produced at Alamo Dorado and Manantial Espejo due to lower silver grades at both mines, partially offset by more ounces produced at Huaron and La Colorada. Gold production during the reporting quarter was 37,500 ounces, 18% lower than a year ago. Lower gold production during the reporting quarter was a result of fewer ounces produced at Manantial Espejo, due to the delay in mining a higher grade area of the Maria pit, partially offset by more ounces produced at Dolores. The Company expects gold production from Manantial Espejo to rise significantly in the second and third quarter of 2015 as the higher grade ore originally scheduled to be produced in the first quarter is mined and processed over the balance of the year.

During the first quarter of 2015, Pan American's consolidated copper production was 3,100 tonnes, 82% higher than copper produced in the first quarter of 2014, on account of significant increases at the Company's Peruvian operations. Morococha's copper production grew almost three-fold due to higher grades and recoveries, while Huaron's production rose 36% due to higher throughput and grades.

Pan American's consolidated lead production during the first quarter of 2015 was practically unchanged from a year ago at 3,500 tonnes. In contrast, zinc production declined from 11,400 tonnes during the first quarter of 2014 to 9,300 tonnes during the reporting quarter as a result of lower zinc grades at Morococha and San Vicente.

Mexico

During the first quarter of 2015, La Colorada produced 1.26 million silver ounces at cash costs of $7.75 per ounce, net of by-product credits. Silver production rose 5% from the first quarter of 2014 due to higher grades and this had a positive effect on cash costs, which were 5% lower due to more silver ounces produced.

During the first three months of 2015, Dolores produced 1.0 million silver ounces at cash costs of $8.79 per ounce, net of by-product credits. Silver production declined 2% compared to the first quarter of 2014 as higher silver grades were offset by lower throughput and lower recoveries due to stacking and leaching sequencing. Cash costs declined 26% in comparison to the first quarter of 2014 as a result of higher gold by-product credits on more gold ounces produced due to higher gold grades, partially offset by lower recoveries. Operating costs in Mexico have come down with the effect of the weakening local currency, reduced fuel prices and decreased unit costs of certain supplies.

Alamo Dorado produced 0.69 million silver ounces during the first quarter of 2015 at cash costs of $15.98 per ounce, net of by-product credits. As expected, silver production declined as higher throughput was offset by lower grades given the increased proportion of lower-grade stockpile ore being fed to the plant. Cash costs increased from $10.69 per silver ounce in the first quarter of 2014, due to consistent operating expenditures year-over-year being offset by lower by-product credits from less ounces of gold produced and lower gold prices.

Peru

Huaron produced 0.90 million silver ounces during the first quarter of 2015 at cash costs of $11.87 per ounce, net of by-product credits. Silver production rose 8% from the comparable period of 2014 as a result of higher throughput and grades and slightly better recoveries. Cash costs were relatively unchanged from the $11.93 per silver ounce posted during the first quarter of 2014, as the benefits of lower operating costs were almost completely offset by lower by-product credits from lower zinc production, and lower copper and lead prices.

Morococha produced 0.52 million silver ounces during the first quarter of 2015 at cash costs of $17.11 per ounce, net of by-product credits. Silver production declined 13% from the first quarter of 2014, due to lower silver grades and recoveries that were partly offset by higher throughput. A revised mine plan has been developed that involves transitioning out of some marginal narrow veins into a newly discovered area of larger ore bodies with higher copper grades known as the Esperanza area. This area contributed to the significant increase in copper production, from 500 tonnes in the first quarter of 2014 to 1,500 tonnes in the reporting quarter. Cash costs during the first quarter of 2015 rose 15% from the comparable quarter of 2014, as a consequence of higher smelting charges and lower silver production, offset by higher by-product credits from more copper produced.

Bolivia

San Vicente produced 0.97 million silver ounces during the first quarter of 2015 at cash costs of $12.57 per ounce, net of by-product credits. Silver production was slightly lower than in the first quarter of 2014 as a result of lower silver grades due to mine sequencing. Cash costs were practically unchanged from the comparable period of 2014 as a consequence of lower royalties on lower prices, reduced operating, smelting and refining costs being partially offset by lower by-product credits from less zinc produced, and lower prices.

Argentina

Manantial Espejo produced 0.75 million ounces of silver during the first quarter of 2015 at cash costs of $13.75 per ounce, net of by-product credits. Silver production was 27% lower than in the first quarter of 2014 due to lower silver grades as lower-grade stockpiles compensated for less ore mined from the open pit due to delays in open pit waste pre-stripping during the previous 6 months. Cash costs rose from $(4.82) during the first quarter of 2014 to $13.75 during the first quarter of 2015 due to higher throughput being offset by lower silver grades and lower by-product credits from less gold produced. The reduced gold production was also caused by the delayed pre-stripping described before.

Consolidated Cash Costs

Pan American's consolidated cash costs during the first quarter of 2015 rose to $11.71 per silver ounce, net of by-product credits, from $8.66 per silver ounce during the first quarter of 2014. The increase was due to the combination of lower silver production and lower by-product credits on lower gold production. Cash costs for the reporting quarter were at the high end of management's annual forecast of $10.80 to $11.80 per silver ounce, net of by-product credits. However, management is confident that cash costs should decline in the second quarter (at current metal prices) with Manantial Espejo rebounding nicely from the effects of the delay in pre-stripping at the Maria pit.

Capital Spending

During the first quarter of 2015, Pan American spent $16.6 million on sustaining capital. Dolores and Manantial Espejo spent $4.9 million each, mainly on pre-stripping activities. At Huaron, $2.3 million was spent primarily on equipment replacement and maintenance, and on exploration. At La Colorada, $2.1 million was used on equipment replacement and rehabilitation, exploration drilling, and on processing plant infrastructure.

In addition, the Company spent $8.7 million in long term project capital to advance the La Colorada expansion, and another $8.0 million on projects at the Dolores mine, further described in the Project Development section below.

Project Development

At the La Colorada expansion project, activities focused on engineering work and procurement of equipment for the new sulphide processing plant, where construction is scheduled to start in the second quarter of 2015. In addition, drilling of the pilot hole for the new raise bore shaft reached a depth of 380 meters. Meanwhile, work on the new shaft components, hoist, and head frame advanced as planned during the quarter with fabrication of the new hoist now substantially complete. To prepare for the increased mine production, 500 metres of underground mine development was completed during the first quarter. In addition, the Company continues to negotiate with local authorities for the installation of a new 115 kV power line to the mine. To date, Pan American has invested a total of $25.5 million on the expansion project.

At Dolores, Pan American advanced the development of the new power line and the mobilization and commencement of the new underground access ramp as part of a just approved Dolores expansion project. Right of way agreements for the power line have been completed and the Company has awarded construction of the project to a local company. The Company expects to receive the final environmental permit for construction of the power line in the second quarter and completion of the power line project is scheduled for mid-2016.

Dolores Expansion Project

As announced earlier today, the Company’s Board of Directors has approved the $112.4 million expansion project for the Dolores mine (the “Project”) (see the Company’s news release dated May 11, 2015, entitled, “Pan American Silver to Proceed With Dolores Pulp Agglomeration and Underground Expansion Project”). The Project involves the construction of a 5,600 tonnes per day (“tpd”) pulp agglomeration plant and development of a 1,500 tpd underground mine. The Project is anticipated to be built over the next 24 months and upon completion will increase the mine’s processing capacity from today’s 16,500 tpd to approximately 20,000 tpd. The underground mine will provide access to higher grade mineralization under the current open pit design and the pulp agglomeration plant should improve overall recovery rates from the higher grade ores when the plant is scheduled to start operations in 2017. The Project is expected to increase silver production by approximately 40% to 6.3 million ounces, and gold production by 52% to 205,700 ounces in the first five years.

The Project is also expected to provide significant operating costs savings. Once completed, cash costs are anticipated to decline by approximately $4.37 to $(11.28) per silver ounce, net of by-product credits for the first five years and by approximately $0.99 to $(8.46) per silver ounce, net of by-product credits over the remaining life of the mine. The Project should provide excellent economic returns at both the Company’s reserves prices for gold and silver and at current prices. Using the Company’s long-term reserve prices of $18.50 per silver ounce and $1,250 per gold ounce thereafter, the Project is expected to yield an internal rate of return of 35% and a payback period of 23 months. Using current prices of $17.00 per silver ounce and $1,150 per gold ounce, it is anticipated that the Project would yield an internal rate of return of 26% with a payback period of 26 months.

For further technical information relating to the Project, please refer the NI 43-101 technical report entitled "Technical Report for the Dolores Property, Chihuahua, Mexico - Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option" with an effective date of May 31, 2014, (the "PEA") filed on SEDAR at www.sedar.com. The results of the PEA are preliminary in nature in that they include inferred mineral resources that are considered too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves have no demonstrated economic viability.

Current and Future Dividends

The Board of Directors has also approved its second quarterly cash dividend of 2015 in the amount of $0.05 per common share. The cash dividend will be payable on or about Tuesday, June 2, 2015, to holders of record of common shares as of the close of Friday, May 22, 2015. Pan American's dividends are designated as eligible dividends for the purposes of the Income Tax Act (Canada

The Company's decision to reduce the quarterly dividend by 60%, to $0.05 per share, is directly related to the concurrent decision to invest $112.4 million in the Dolores mine expansion project, as well as in recognition of the current challenging silver price environment. The savings to the Company from lowering the quarterly dividend payments will be redirected to funding the expansion.

As is standard practice, all future dividends will be evaluated and determined by the Board of Directors on an ongoing basis.

Outlook

Pan American reaffirms its annual precious metals production forecast of between 25.50 million and 26.50 million silver ounces, and between 165,000 ounces and 175,000 ounces of gold. Provided metal prices remain at or near current levels, the Company also believes that it will be within its annual guidance for AISCSOS of between $15.50 and $16.60, net of by-product credits and annual consolidated cash costs of between $10.80 and $11.80 per silver ounce, net of by-product credits.

In addition, the Company reaffirms its forecast for 2015 annual sustaining capital of between $71.0 and $84.0 million. With the addition of the Dolores expansion project, the Company now expects to invest between $111.0 million and $120.0 million in project development in 2015.

Technical information contained in this news release with respect to Pan American has been reviewed and approved by Michael Steinmann, P.Geo., President, and Martin Wafforn, P.Eng., VP Technical Services, who are the Company's Qualified Persons for the purposes of NI 43-101.

Pan American will host a conference call to discuss these results on Tuesday, May 12, 2015 at 10:00 am EST (07:00 am PST). To participate in the conference, please dial toll number 1-604-638-5340.

A live audio webcast and Power Point presentation will be available at http://services.choruscall.ca/links/pan150512.html. The call and webcast will also be available for replay for one week after the call by dialing 1-604-638-9010 and entering code 6218 followed by the # sign.

About Pan American Silver

Pan American Silver's mission is to be the world's pre-eminent silver producer, with a reputation for excellence in discovery, engineering, innovation and sustainable development. The Company has seven operating mines in Mexico, Peru, Argentina and Bolivia. Pan American also owns several development projects in Mexico, USA, Peru and Argentina.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS NEWS RELEASE CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS OR INFORMATION. FORWARD-LOOKING STATEMENTS OR INFORMATION IN THIS NEWS RELEASE RELATE TO, AMONG OTHER THINGS: THE APPROVAL OF ANY FUTURE DIVIDENDS AND THE AMOUNT AND TIMING FOR THE SAME; OUR FORECAST PRODUCTION OF SILVER, GOLD AND OTHER METALS IN 2015; OUR FORECAST CASH COSTS PER OUNCE OF SILVER IN 2015; OUR ESTIMATED AISCSOS FOR 2015; OUR ANTICIPATED CAPITAL INVESTMENTS FOR 2015; THE ABILITY OF THE COMPANY TO SUCCESSFULLY COMPLETE ANY CAPITAL INVESTMENT PROGRAMS AND PROJECTS, INCLUDING THE DOLORES EXPANSION PROJECT, AND THE IMPACTS OF ANY SUCH PROGRAMS AND PROJECTS ON THE COMPANY; AND ANY ANTICIPATED LEVEL OF FINANCIAL AND OPERATIONAL SUCCESS IN 2015.

THESE STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS THAT, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT OPERATIONAL, BUSINESS, ECONOMIC AND REGULATORY UNCERTAINTIES AND CONTINGENCIES. THESE ASSUMPTIONS INCLUDE: TONNAGE OF ORE TO BE MINED AND PROCESSED; ORE GRADES AND RECOVERIES; PRICES FOR SILVER, GOLD AND BASE METALS; CAPITAL, DECOMMISSIONING AND RECLAMATION ESTIMATES; OUR MINERAL RESERVE AND RESOURCE ESTIMATES AND THE ASSUMPTIONS UPON WHICH THEY ARE BASED; PRICES FOR ENERGY INPUTS, LABOUR, MATERIALS, SUPPLIES AND SERVICES (INCLUDING TRANSPORTATION); NO LABOUR-RELATED DISRUPTIONS AT ANY OF OUR OPERATIONS: NO UNPLANNED DELAYS IN OR INTERRUPTIONS IN SCHEDULED PRODUCTION; ALL NECESSARY PERMITS, LICENCES AND REGULATORY APPROVALS FOR OUR OPERATIONS ARE RECEIVED IN A TIMELY MANNER; AND OUR ABILITY TO COMPLY WITH ENVIRONMENTAL, HEALTH AND SAFETY LAWS. THE FOREGOING LIST OF ASSUMPTIONS IS NOT EXHAUSTIVE.

THE COMPANY CAUTIONS THE READER THAT FORWARD-LOOKING STATEMENTS AND INFORMATION INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS AND DEVELOPMENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS OR INFORMATION CONTAINED IN THIS NEWS RELEASE AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS INCLUDE, WITHOUT LIMITATION: FLUCTUATIONS IN SILVER, GOLD AND BASE METALS PRICES; FLUCTUATIONS IN PRICES FOR ENERGY INPUTS, LABOUR, MATERIALS, SUPPLIES AND SERVICES (INCLUDING TRANSPORTATION); FLUCTUATIONS IN CURRENCY MARKETS (SUCH AS THE CANADIAN DOLLAR, PERUVIAN SOL, MEXICAN PESO AND BOLIVIAN BOLIVIANO VERSUS THE U.S. DOLLAR); OPERATIONAL RISKS AND HAZARDS INHERENT WITH THE BUSINESS OF MINING (INCLUDING ENVIRONMENTAL ACCIDENTS AND HAZARDS, INDUSTRIAL ACCIDENTS, EQUIPMENT BREAKDOWN, UNUSUAL OR UNEXPECTED GEOLOGICAL OR STRUCTURAL FORMATIONS, CAVE-INS, FLOODING AND SEVERE WEATHER); RISKS RELATING TO THE CREDIT WORTHINESS OR FINANCIAL CONDITION OF SUPPLIERS, REFINERS AND OTHER PARTIES WITH WHOM THE COMPANY DOES BUSINESS; INADEQUATE INSURANCE, OR INABILITY TO OBTAIN INSURANCE, TO COVER THESE RISKS AND HAZARDS; EMPLOYEE RELATIONS; RELATIONSHIPS WITH, AND CLAIMS BY, LOCAL COMMUNITIES AND INDIGENOUS POPULATIONS; OUR ABILITY TO OBTAIN ALL NECESSARY PERMITS, LICENSES AND REGULATORY APPROVALS IN A TIMELY MANNER; CHANGES IN LAWS, REGULATIONS AND GOVERNMENT PRACTICES IN THE JURISDICTIONS WHERE WE OPERATE, INCLUDING LABOUR, ENVIRONMENTAL, IMPORT AND EXPORT LAWS AND REGULATIONS, AND TAX; DIMINISHING QUANTITIES OR GRADES OF MINERAL RESERVES AS PROPERTIES ARE MINED; INCREASED COMPETITION IN THE MINING INDUSTRY FOR EQUIPMENT AND QUALIFIED PERSONNEL; AND THOSE FACTORS IDENTIFIED UNDER THE CAPTION "RISKS RELATED TO PAN AMERICAN'S BUSINESS" IN THE COMPANY'S MOST RECENT FORM 40-F AND ANNUAL INFORMATION FORM FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE AS ANTICIPATED, ESTIMATED, DESCRIBED OR INTENDED. INVESTORS ARE CAUTIONED AGAINST UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS AND INFORMATION. FORWARD-LOOKING STATEMENTS AND INFORMATION ARE DESIGNED TO HELP READERS UNDERSTAND MANAGEMENT'S CURRENT VIEWS OF OUR NEAR AND LONGER TERM PROSPECTS AND MAY NOT BE APPROPRIATE FOR OTHER PURPOSES. THE COMPANY DOES NOT INTEND, NOR DOES IT ASSUME ANY OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS AND INFORMATION, WHETHER AS A RESULT OF NEW INFORMATION, CHANGES IN ASSUMPTIONS, FUTURE EVENTS OR OTHERWISE, EXCEPT TO THE EXTENT REQUIRED BY APPLICABLE LAW.

Pan American Silver Corp.

Financial & Operating Highlights

		Three months ended March 31, 2015		2014
Consolidated Financial Highlights				
(Unaudited in thousands of U.S. Dollars, except as noted)				
Net (loss) earnings for the period	**$**	**(19,785)**	$	6,760
(Loss) earnings per share attributable to common shareholders (basic)	**$**	**(0.13)**	$	0.05
Adjusted (loss) earnings for the period [(1)]	**$**	**(19,907)**	$	12,827
Adjusted loss per share attributable to common shareholders (basic)	**$**	**(0.13)**	$	0.08
Mine operating earnings	**$**	**2,630**	$	31,576
Net cash generated from operating activities	**$**	**11,946**	$	36,125
Net cash generated from operating activities per share	**$**	**0.08**	$	0.23
Operating cash flows before changes in non-cash operating working capital	**$**	**7,424**	$	40,198
Capital spending	**$**	**32,446**	$	36,811
Dividends paid	**$**	**18,955**	$	18,940
Cash and short-term investments	**$**	**292,449**	$	394,381
Working capital [(2)]	**$**	**488,453**	$	680,318
Consolidated Metal Production				
Silver metal – million ounces		**6.08**		6.61
Gold metal – thousand ounces		**37.5**		45.9
Zinc metal – thousand tonnes		**9.3**		11.4
Lead metal – thousand tonnes		**3.5**		3.6
Copper metal – thousand tonnes		**3.1**		1.7
Average Market Metal Prices				
Silver metal ($/oz)	**$**	**16.71**	$	20.48
Gold metal ($/oz)	**$**	**1,218**	$	1,293
Consolidated Costs per Ounce of Silver (net of by-product credits)				
Cash cost per payable ounce produced [(3)(4)]	**$**	**11.71**	$	8.66
All-in sustaining cost per silver ounce sold [(5)]	**$**	**14.24**	$	15.06
Payable ounces of silver sold – million ounces		**5.88**		6.74

(1) Adjusted loss and adjusted loss per share attributable to common shareholders are Non-GAAP measures. Adjusted (loss) earnings is calculated as net (loss) earnings for the period adjusting for the gains or losses recorded on fair market value adjustments on the Company's outstanding derivative instruments, impairment of mineral property, unrealized foreign exchange gains or losses, unrealized gain or loss on commodity contracts, net realizable value adjustment to long term heap inventory, gain or loss on sale of assets and the effect for taxes on the above items. The Company considers this measure to better reflect normalized earnings as it does not include items which may be volatile from period to period.

Adjusted (loss) Earnings Reconciliation		Three months ended March 31, 2015		2014
Net (loss) earnings for the period	$	(19,785)	$	6,760
Adjust derivative gain		(229)		99
Adjust unrealized foreign exchange losses		2,073		1,704
Adjust realized and unrealized gain on commodity contracts		(544)		-
Adjust gain on sale of mineral properties		(133)		(6)
Adjust net realizable value of inventory		(2,036)		6,599
Adjust for effect of taxes on above items		747		(2,329)
Adjusted (loss) earnings for the period	$	**(19,907)**	$	12,827
Weighted average shares for the period		**151,643**		151,500
Adjusted (loss) earnings per share for the period	$	**(0.13)**	$	0.08

(2) Working capital is a non-GAAP measure calculated as current assets less current liabilities. The Company and certain investors use this information to evaluate whether the Company is able to meet its current obligations using its current assets.

(3) Consolidated cost per ounce of silver is a non-GAAP measure. The Company believes that in addition to production costs, depreciation and amortization, and royalties, cash cost per ounce is a useful and complementary benchmark that investors use to evaluate the Company's performance and ability to generate cash flows and is well understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by IFRS as an indicator of performance. Investors are cautioned that cash costs per ounce should not be construed as an alternative to production costs, depreciation and amortization, and

royalties determined in accordance with IFRS as an indicator of performance. The Company's method of calculating cash costs per ounce may differ from the methods used by other entities.

(4) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Consolidated cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections on Q1 2014's cash costs was a $0.41 per ounce increase to consolidated cash.

(5) All-In Sustaining Costs per Silver Ounce Sold ("AISCSOS") is a measure of a silver mining company's consolidated operating performance and the ability to generate cash flow from all operations collectively. We believe it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow.

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PAN AMERICAN SILVER TO PROCEED WITH DOLORES PULP AGGLOMERATION AND UNDERGROUND EXPANSION PROJECT

(All amounts in US$ except unless otherwise indicated)

Vancouver, B.C. – May 11, 2015 – Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) ("Pan American", or the "Company") today announced that its Board of Directors has approved the investment of $112.4 million required to expand its Dolores mine in Chihuahua, Mexico, by adding a milling and pulp agglomeration circuit to improve silver and gold recoveries, as well as by developing an underground mine to extract mineral resources that exist beneath and to the south of the ultimate open pit (the "Project").

Commenting on the Project, Geoff Burns, CEO of Pan American said, "I am very pleased that our Board of Directors has approved the investment required to expand our Dolores mine. The Project is a low risk, modest cost, organic growth opportunity at a property that we know very well and where we already have a proven and capable operating team. Furthermore, it should yield excellent returns at both our reserve prices and at current prices for silver and gold."

In its news release dated June 23, 2014, Pan American announced positive results of a preliminary economic assessment ("PEA"), which indicated that the Project had the potential to generate excellent after-tax economic returns at metal prices of $22 per silver ounce and $1,300 per gold ounce. A decision on whether or not to proceed with the Project was deferred at that time, in order to further de-risk the project. Over the last 10 months the Company has refined the metallurgical, capital and operating cost estimates, and gained further confidence in the performance of the mine's mineral resource model.

The economic model for the Project has been updated to recognize current economic conditions, including lower costs for reagents and diesel and favorable movements in the Mexican Peso vs US Dollar exchange rate, partially offset by modestly increased capital cost estimates for the construction of the pulp agglomeration plant, the underground mine and additional leach pad capacity.

Highlights

- 40% increase in the average annual silver production during the first five years from 4.5 million to 6.3 million ounces of silver
- 52% increase in the estimated annual gold production during the same period from 135,100 to 205,700 ounces
- Increased life of mine metal production to 50 million ounces of silver and 1.5 million ounces of gold, from 41 million ounces of silver and 1.3 million ounces of gold
- Construction of a 5,600 tonnes per day pulp agglomeration plant to treat the high grade portion of the mine production, increasing the overall processing rate to 20,000 tonnes per day from the current 16,500 tonnes per day
- 18% increase in estimated silver recovery and a 13% increase in estimated gold recovery for the high grade ore processed through the pulp agglomeration plant
- Development of a 1,500 tonnes per day mechanized underground mine beneath and to the south of the ultimate open pit to provide supplemental high grade feed to the pulp agglomeration plant
- Incremental initial capital has been estimated at $112.4 million, comprised of $73.0

million for the pulp agglomeration plant and $39.4 million for the underground mine

- Estimated after-tax net present value (NPV)[(2)] of the incremental cash flow at an 8% discount of $46 million, with an internal rate of return of 35% and a capital payback period of 23 months, using current reserve metal prices of $18.50 per ounce of silver and $1,250 per ounce of gold
- At long term metal prices of $20 per ounce of silver and $1,350 per ounce of gold, the estimated NPV at an 8% discount is $65 million, while the estimated internal rate of return is 43%
- Cash cost per ounce of silver, net of by-product credits[(3)], is estimated to average a negative ($11.28) over the first five years and a negative ($8.46) over the life of mine

[(1)] The net present value ("NPV") is calculated based on the differential cash flow from expanding the mine versus status quo.

[(2)] Cash costs per ounce of silver, net of by-product credits, is a non-GAAP measure. Cash costs per ounce does not have a standardized meaning prescribed by IFRS as an indicator of performance. Investors are cautioned that cash costs per ounce should not be construed as an alternative to production costs, depreciation, and amortization, and royalties determined in accordance with IFRS as an indicator of performance. The Company's method of calculating cash costs per ounce may differ from the methods used by other entities, and accordingly, the Company's cash costs per ounce may not be comparable to similarly titled measures used by other entities. Please refer to the section "Alternative Performance (non-GAAP) Measures" in the Company's Managements Discussion & Analysis for the quarter ended March 31, 2015, for a detailed description of the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

Burns added, "The Dolores Expansion Project, coupled with our La Colorada expansion that is well underway, should allow us to maintain and even increase our consolidated production profile for silver and gold even as the final reserves are exhausted at our highly successful Alamo Dorado mine over the next couple of years."

The results of the PEA are preliminary in nature in that they include inferred mineral resources that are considered too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves have no demonstrated economic viability.

Expansion Project - Scope

The scope of the Project remains virtually unchanged from the PEA dated effective May 31, 2014, with construction of a 5,600 tpd pulp agglomeration plant estimated over a period of approximately 18 months and development of a 1,500 tpd underground mine over the next 24 months. Upon Project completion, Dolores' total heap ore placement rate will increase from today's 16,500 tpd to approximately 20,000 tpd, in time to capitalize and improve overall recovery rates from the higher grade material that exists deeper in the deposit and which we have scheduled to be mined starting in 2017 as pre-stripping waste mining continues to advance at a satisfactory pace. The higher grade material from the open pit and underground will be ground and cement agglomerated with the crushed lower grade portion of the open pit mined material and together conveyed to the heap leach pad for leaching. The Project contemplates commissioning the pulp agglomeration plant at the beginning of 2017.

Underground development of the mine access ramp has already started and will continue through 2017 to access the high grade material, with underground production expected to reach capacity of 1,500 tpd in 2018. A mechanized and highly-efficient open stoping mining method is planned in order to take advantage of the anticipated good ground conditions, based on the geotechnical studies conducted on our available drill core in the area of the mineralized zones.

The pulp agglomeration plant will allow the Company to harvest increased silver and gold recoveries of 18% and 13%, respectively for the high-grade material fed to the pulp agglomeration plant. In addition the time required for ultimate silver recovery will be reduced from 6 years to 2 years and the time for ultimate gold recovery will be reduced from 3 years to 1 year for all material processed through the pulp agglomeration plant.

After Project completion, annual silver production will increase approximately 40% to 6.3 million ounces and gold production will rise approximately 52% to 205,700 ounces for the first five years. Life of mine, the Project will boost silver production by approximately 8.9 million ounces and gold production by 257,400 ounces.

Updated Operating and Capital Costs

Cost savings currently being realized and the increased production rates from the addition of the pulp agglomeration plant and underground mine will significantly reduce operating unit costs. These unit cost savings will drive cash costs per ounce down 63% to a negative $(11.28) per silver ounce, net of by-product gold credits for the first five years of operation, and 13% to a negative $(8.46) over the life of the project when compared to continuing with the existing open pit and heap leach circuit.

The new initial capital investment has been estimated at $112.4 million, $7.9 million higher than the original estimate disclosed in the PEA, primarily due to some necessary scope additions. The pulp agglomeration plant will require an investment of $73 million, while underground mine development and construction is estimated to be $39.4 million.

Sustaining capital costs over life-of-mine are estimated at $173.9 million, $3.6 million higher than the original estimate disclosed in the PEA, primarily due to anticipated increases in heap leach pad construction cost estimates, offset by reduced underground tonnages (due to lower metal prices and a deeper ultimate pit design). The differential sustaining capital over the life of the mine is now $42.5 million versus the differential capital in the PEA of $51.5 million.

Economic Evaluation

The Project's estimated life-of-mine internal rate of return ("IRR"), NPV and payback period at the different price scenarios used is detailed in the following table:

Scenario	IRR	NPV @ 8%	Payback Period
Low Case (Ag $17.00/oz, Au $1,150/oz)	26%	$28 million	26 months
Base Case (Ag $18.50/oz, Au $1,250/oz)	35%	$46 million	23 months
High Case (Ag $20.00/oz, Au $1,350/oz	43%	$65 million	21 months

The Company believes that Dolores' expansion provides a healthy IRR at the Company's current long-term reserve prices and can be entirely financed using its current balance sheet. The Project is considered relatively low-risk given it is an organic growth project of a stable operating asset in Mexico, at a time when industry costs are trending downward, particularly in engineering, equipment procurement and construction contracting for the execution of the Project.

Technical information contained in this news release with respect to Pan American has been reviewed and approved by Michael Steinmann, P.Geo., President, Martin Wafforn, P.Eng., VP Technical

Services, and Americo Delgado, P.Eng., Director Metallurgy, who are Qualified Persons for the purposes of National Instrument 43-101 - Standards of Disclosure for Mineral Projects *(''NI 43-101''). For further technical information relating to the Project, please refer the NI 43-101 technical report entitled "Technical Report for the Dolores Property, Chihuahua, Mexico - Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option" with an effective date of May 31, 2014, filed on SEDAR at www.sedar.com.*

NOTE ON FORWARD-LOOKING STATEMENTS AND INFORMATION

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS NEWS RELEASE CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN SECURITIES LAWS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS NEWS RELEASE THE WORDS, "ESTIMATES", "EXPECTS", "PROJECTS", "PLANS", "CONTEMPLATES", "CALCULATES", "OBJECTIVE", "POTENTIAL" "WILL" AND OTHER SIMILAR WORDS AND EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: THE SUCCESSFUL EXPANSION OF THE DOLORES MINE; THE RESULTS OF THE PEA, INCLUDING FORECASTS OF IRR, CAPITAL, SUSTAINING AND OPERATING COSTS, AND PAYBACK PERIOD; FUTURE PRODUCTION OF SILVER AND GOLD AND THE TIMING AND RATES FOR SUCH PRODUCTION; MINE-LIFE OF THE DOLORES MINE; EXPECTED MINING AND PROCESSING RATES; FUTURE CASH COSTS PER OUNCE OF SILVER; THE PRICE OF SILVER AND GOLD; THE SUFFICIENCY OF PAN AMERICAN'S CURRENT WORKING CAPITAL, ANTICIPATED OPERATING CASH FLOW OR ITS ABILITY TO RAISE NECESSARY FUNDS; THE CAPITAL NECESSARY TO EXPAND THE DOLORES MINE AND THE TIME-LINE FOR ANY SUCH EXPANSION WORK; THE ACCURACY OF MINERAL RESOURCE AND RESERVE ESTIMATES; THE ESTIMATE OF METALLURGICAL RECOVERIES FOR SILVER AND GOLD; THE ESTIMATED COST OF SUSTAINING CAPITAL; AND ONGOING OR FUTURE DEVELOPMENT PLANS AND CAPITAL REPLACEMENT, IMPROVEMENT OR REMEDIATION PROGRAMS.

THESE STATEMENTS REFLECT CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE CONSIDERED REASONABLE, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, BOTH KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS NEWS RELEASE AND ASSUMPTIONS AND ESTIMATES HAVE BEEN MADE BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS INCLUDE, WITHOUT LIMITATION: FLUCTUATIONS IN PRICES FOR SILVER, GOLD, BASE METALS AND CERTAIN OTHER COMMODITIES AND INPUTS (SUCH AS NATURAL GAS, FUEL OIL AND ELECTRICITY); THE SPECULATIVE NATURE OF MINERAL EXPLORATION AND DEVELOPMENT, INCLUDING THE RISKS OF OBTAINING NECESSARY LICENSES AND PERMITS; AND THOSE FACTORS IDENTIFIED UNDER THE CAPTION "RISKS RELATED TO PAN AMERICAN'S BUSINESS" IN PAN AMERICAN'S MOST RECENT FORM 40F AND ANNUAL INFORMATION FORM FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CANADIAN SECURITIES REGULATORY AUTHORITIES. INVESTORS ARE CAUTIONED AGAINST ATTRIBUTING UNDUE CERTAINTY OR RELIANCE ON FORWARD-LOOKING STATEMENTS. ALTHOUGH PAN AMERICAN HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE AS ANTICIPATED, ESTIMATED, DESCRIBED OR INTENDED. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE THESE FORWARD-LOOKING STATEMENTS OR INFORMATION TO REFLECT CHANGES IN ASSUMPTIONS OR CHANGES IN CIRCUMSTANCES OR ANY OTHER EVENTS AFFECTING SUCH STATEMENTS OR INFORMATION, OTHER THAN AS REQUIRED BY APPLICABLE LAW.

NOTE FOR US INVESTORS

THIS NEWS RELEASE HAS BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF CANADIAN SECURITIES LAWS, WHICH DIFFER FROM THE REQUIREMENTS OF U.S. SECURITIES LAWS. UNLESS OTHERWISE INDICATED, ALL ESTIMATES INCLUDED IN THIS NEWS RELEASE HAVE BEEN BASED UPON MINERAL RESOURCE ESTIMATES PREPARED IN ACCORDANCE WITH CANADIAN NI 43-101 AND THE CANADIAN

INSTITUTE OF MINING, METALLURGY AND PETROLEUM CLASSIFICATION SYSTEM. NI 43-101 IS A RULE DEVELOPED BY THE CANADIAN SECURITIES ADMINISTRATORS THAT ESTABLISHES STANDARDS FOR ALL PUBLIC DISCLOSURE AN ISSUER MAKES OF SCIENTIFIC AND TECHNICAL INFORMATION CONCERNING MINERAL PROJECTS.

CANADIAN STANDARDS, INCLUDING NI 43-101, DIFFER SIGNIFICANTLY FROM THE REQUIREMENTS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND INFORMATION CONCERNING MINERALIZATION, DEPOSITS, AND MINERAL RESOURCE INFORMATION CONTAINED OR REFERRED TO HEREIN MAY NOT BE COMPARABLE TO SIMILAR INFORMATION DISCLOSED BY U.S. COMPANIES. IN PARTICULAR, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ESTIMATES INCLUDED IN THIS NEWS RELEASE HAVE BEEN BASED UPON ''INDICATED RESOURCES'' AND ''INFERRED RESOURCES''. U.S. INVESTORS ARE ADVISED THAT, WHILE SUCH TERMS ARE RECOGNIZED AND REQUIRED BY CANADIAN SECURITIES LAWS, THE SEC DOES NOT RECOGNIZE THEM. UNDER U.S. STANDARDS, MINERALIZATION MAY NOT BE CLASSIFIED AS A ''RESERVE'' UNLESS THE DETERMINATION HAS BEEN MADE THAT THE MINERALIZATION COULD BE ECONOMICALLY AND LEGALLY PRODUCED OR EXTRACTED AT THE TIME THE RESERVE DETERMINATION IS MADE. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OF AN "INDICATED RESOURCE" WILL EVER BE CONVERTED INTO A "RESERVE". U.S. INVESTORS SHOULD ALSO UNDERSTAND THAT "INFERRED RESOURCES" HAVE A GREAT AMOUNT OF UNCERTAINTY AS TO THEIR EXISTENCE AND GREAT UNCERTAINTY AS TO THEIR ECONOMIC AND LEGAL FEASIBILITY. IT CANNOT BE ASSUMED THAT ALL OR ANY PART OF "INFERRED RESOURCES" EXIST, ARE ECONOMICALLY OR LEGALLY MINEABLE OR WILL EVER BE UPGRADED TO A HIGHER CATEGORY. UNDER CANADIAN SECURITIES LAWS, ESTIMATED "INFERRED RESOURCES" MAY NOT FORM THE BASIS OF FEASIBILITY OR PRE-FEASIBILITY STUDIES EXCEPT IN RARE CASES. DISCLOSURE OF "CONTAINED OUNCES" IN A MINERAL RESOURCE IS PERMITTED DISCLOSURE UNDER CANADIAN SECURITIES LAWS. HOWEVER, THE SEC NORMALLY ONLY PERMITS ISSUERS TO REPORT MINERALIZATION THAT DOES NOT CONSTITUTE "RESERVES" BY SEC STANDARDS AS IN PLACE TONNAGE AND GRADE, WITHOUT REFERENCE TO UNIT MEASURES. ACCORDINGLY, INFORMATION CONCERNING MINERAL DEPOSITS SET FORTH HEREIN MAY NOT BE COMPARABLE WITH INFORMATION MADE PUBLIC BY COMPANIES THAT REPORT IN ACCORDANCE WITH U.S. STANDARDS.

Pan American
SILVER CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE FIRST QUARTER ENDING MARCH 31, 2015

Pan American Silver Corp.
Condensed Interim Consolidated Statements of Financial Position
(unaudited in thousands of U.S. dollars)

	March 31, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents (Note 18)	**$ 109,921**	$ 146,193
Short-term investments (Note 5)	**182,528**	184,220
Trade and other receivables (Note 4)	**101,721**	105,644
Income taxes receivable	**45,546**	37,626
Inventories (Note 6)	**239,495**	252,549
Derivative financial instruments (Note 4)	**544**	-
Prepaids and other current assets	**7,733**	4,464
	687,488	730,696
Non-current assets		
Mineral properties, plant and equipment (Note 7)	**1,268,036**	1,266,391
Long-term refundable tax	**7,926**	7,698
Deferred tax assets	**7,823**	2,584
Other assets (Note 9)	**7,375**	7,447
Goodwill (Note 8)	**3,057**	3,057
Total Assets	**$ 1,981,705**	$ 2,017,873
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 112,991**	$ 126,209
Loan payable (Note 11)	**22,718**	17,600
Current portion of long-term debt (Note 14)	**34,986**	34,797
Provisions (Note 12)	**3,154**	3,121
Current portion of finance lease (Note 13)	**3,952**	3,993
Current income tax liabilities	**21,234**	22,321
	199,035	208,041
Non-current liabilities		
Provisions (Note 12)	**46,063**	45,063
Deferred tax liabilities	**169,271**	160,072
Long-term portion of finance lease (Note 13)	**3,663**	4,044
Other long-term liabilities (Note 15)	**32,331**	30,716
Total Liabilities	**450,363**	447,936
Equity		
Capital and reserves (Note 16)		
Issued capital	**2,296,672**	2,296,672
Share option reserve	**22,268**	22,091
Investment revaluation reserve	**(517)**	(485)
Deficit	**(793,512)**	(755,186)
Total Equity attributable to equity holders of the Company	**1,524,911**	1,563,092
Non-controlling interests	**6,431**	6,845
Total Equity	**1,531,342**	1,569,937
Total Liabilities and Equity	**$ 1,981,705**	$ 2,017,873

Commitments and Contingencies (Notes 4, 23)
See accompanying notes to the condensed interim consolidated financial statements.

APPROVED BY THE BOARD ON MAY 11, 2015

"signed" *Ross Beaty, Director* *"signed"* *Geoff A. Burns, Director*

Pan American Silver Corp.
Condensed Interim Consolidated Income Statements
(unaudited in thousands of U.S. dollars, except for earnings per share)

	Three months ended March 31, 2015	2014
Revenue (Note 19)	**$ 178,125**	$ 209,734
Cost of sales		
Production costs (Note 20)	**(128,974)**	(130,878)
Depreciation and amortization	**(40,518)**	(36,860)
Royalties	**(6,003)**	(10,420)
	(175,495)	(178,158)
Mine operating earnings	**$ 2,630**	$ 31,576
General and administrative	**(5,700)**	(5,578)
Exploration and project development	**(3,754)**	(2,980)
Foreign exchange losses	**(6,386)**	(5,540)
Gain on commodity, diesel fuel swap and foreign currency contracts (Note 4)	**641**	-
Gain on sale of mineral properties, plant and equipment	**133**	6
Other income	**1,014**	239
(Loss) earnings from operations	**(11,422)**	17,723
Gain (loss) on derivatives (Note 4)	**229**	(99)
Investment income	**333**	593
Interest and finance expense (Note 21)	**(2,224)**	(2,764)
(Loss) earnings before income taxes	**(13,084)**	15,453
Income taxes (Note 22)	**(6,701)**	(8,693)
Net (loss) earnings for the period	**$ (19,785)**	$ 6,760
Attributable to:		
Equity holders of the Company	**$ (19,371)**	$ 6,844
Non-controlling interests	**(414)**	(84)
	$ (19,785)	$ 6,760
(Loss) earnings per share attributable to common shareholders (Note 17)		
Basic (loss) earnings per share	**$ (0.13)**	$ 0.05
Diluted (loss) earnings per share	**$ (0.13)**	$ 0.05
Weighted average shares outstanding (in 000's) Basic	**151,643**	151,500
Weighted average shares outstanding (in 000's) Diluted	**151,643**	151,570

Condensed Interim Consolidated Statements of Comprehensive Income
(unaudited in thousands of U.S. dollars)

	Three months ended March 31, 2015	2014
Net (loss) earnings for the period	**$ (19,785)**	$ 6,760
Items that may be reclassified subsequently to net earnings:		
Unrealized net losses on available for sale securities (net of zero dollars tax in 2015 and 2014)	**(175)**	(334)
Reclassification adjustment for net losses on available for sale securities included in earnings (net of zero dollars tax in 2015 and 2014)	**143**	315
Total comprehensive (loss) income for the period	**$ (19,817)**	$ 6,741
Total comprehensive (loss) income attributable to:		
Equity holders of the Company	**$ (19,403)**	$ 6,825
Non-controlling interests	**(414)**	(84)
Total comprehensive (loss) income for the period	**$ (19,817)**	$ 6,741

See accompanying notes to the condensed interim consolidated financial statements.

Pan American Silver Corp.
Condensed Interim Consolidated Statements of Cash Flows
(unaudited in thousands of U.S. dollars)

	Three months ended March 31, 2015	2014 As adjusted (Note 18)
Cash flow from operating activities		
Net (loss) earnings for the period	**$ (19,785)**	$ 6,760
Current income tax expense (Note 22)	**4,379**	9,208
Deferred income tax expense (recovery) (Note 22)	**2,322**	(515)
Interest expense	**1,339**	1,768
Depreciation and amortization	**40,518**	36,860
Accretion on closure and decommissioning provision (Note 12)	**810**	819
Unrealized losses on foreign exchange	**2,073**	1,704
Share-based compensation expense	**784**	1,165
Unrealized gains on diesel fuel swap contracts (Note 4)	**(544)**	-
Unrealized (gain) loss on derivatives (Note 4)	**(229)**	99
Gain on sale of mineral property, plant and equipment	**(133)**	(6)
Net realizable value adjustment for inventory	**(12,060)**	2,308
Changes in non-cash operating working capital (Note 18)	**4,522**	(4,073)
Operating cash flows before interest and income taxes	**23,996**	56,097
Interest paid	**(1,038)**	(1,220)
Interest received	**193**	298
Income taxes paid	**(11,205)**	(19,050)
Net cash generated from operating activities	**$ 11,946**	$ 36,125
Cash flow from investing activities		
Payments for mineral properties, plant and equipment	**(32,446)**	(36,811)
Payments for short term investments	**(1,240)**	(47,679)
Proceeds from sale of mineral property, plant and equipment	**140**	104
Net refundable tax and other asset expenditures	**-**	(314)
Net cash used in investing activities	**$ (33,546)**	$ (84,700)
Cash flow from financing activities		
Dividends paid	**(18,955)**	(18,940)
Payment of short term loan (Note 11)	**-**	(4,708)
Proceeds from short term loan (Note 11)	**5,293**	2,040
Payment of construction and equipment leases	**(1,341)**	(1,132)
Net cash used in financing activities	**$ (15,003)**	$ (22,740)
Effects of exchange rate changes on cash and cash equivalents	**331**	(525)
Net decrease in cash and cash equivalents	**(36,272)**	(71,840)
Cash at the beginning of the period	**146,193**	249,937
Cash and cash equivalents at the end of the period	**$ 109,921**	$ 178,097

See accompanying notes to the condensed interim consolidated financial statements.

Pan American Silver Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited in thousands of U.S. dollars, except for number of shares)

	Attributable to equity holders of the Company							
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Deficit	Total	Non-controlling interests	Total equity
Balance, December 31, 2013	**151,500,294**	**$ 2,295,208**	**$ 21,110**	**$ (137)**	**$ (133,847)**	**$ 2,182,334**	**$ 6,455**	**$ 2,188,789**
Total comprehensive loss	-	-	-	-	-		-	
Net loss for the year	-	-	-	-	(545,588)	(545,588)	765	(544,823)
Other comprehensive loss	-	-	-	(348)	-	(348)	-	(348)
	-	-	-	(348)	(545,588)	(545,936)	765	(545,171)
Shares issued as compensation	142,986	1,461	-	-	-	1,461	-	1,461
Shares issued on the exercise of warrants	92	3	-	-	-	3	-	3
Distributions by subsidiaries to non-controlling interests	-	-	-	-	-	-	(375)	(375)
Stock-based compensation on option grants	-	-	981	-	-	981	-	981
Dividends paid	-	-	-	-	(75,751)	(75,751)	-	(75,751)
Balance, December 31, 2014	**151,643,372**	**2,296,672**	**22,091**	**(485)**	**(755,186)**	**1,563,092**	**6,845**	**1,569,937**
Total comprehensive loss								
Net loss for the period	-	-	-	-	(19,371)	(19,371)	(414)	(19,785)
Other comprehensive loss	-	-	-	(32)	-	(32)	-	(32)
	-	-	-	(32)	(19,371)	(19,403)	(414)	(19,817)
Share-based compensation on option grants	-	-	177	-		177	-	177
Dividends paid	-	-	-	-	(18,955)	(18,955)	-	(18,955)
Balance, March 31, 2015	**151,643,372**	**$ 2,296,672**	**$ 22,268**	**$ (517)**	**$ (793,512)**	**$ 1,524,911**	**$ 6,431**	**$ 1,531,342**

	Attributable to equity holders of the Company							
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Deficit	Total	Non-controlling interests	Total equity
Balance, December 31, 2013	**151,500,294**	**$ 2,295,208**	**$ 21,110**	**$ (137)**	**$ (133,847)**	**$ 2,182,334**	**$ 6,455**	**$ 2,188,789**
Total comprehensive income								
Net earnings (loss) for the period	-	-	-	-	6,844	6,844	(84)	6,760
Other comprehensive loss	-	-	-	(19)	-	(19)	-	(19)
	-	-	-	(19)	6,844	6,825	(84)	6,741
Share-based compensation on option grants	-	-	239	-	-	239	-	239
Dividends paid	-	-	-	-	(18,940)	(18,940)	-	(18,940)
Balance, March 31, 2014	**151,500,294**	**$ 2,295,208**	**$ 21,349**	**$ (156)**	**$ (145,943)**	**$ 2,170,458**	**$ 6,371**	**$ 2,176,829**

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of Operations

Pan American Silver Corp. is the ultimate parent company of its subsidiary group (collectively, the "Company", or "Pan American"). The Company is incorporated and domiciled in Canada, and its registered office is at Suite 1500 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

The Company is engaged in the production and sale of silver, gold and base metals including copper, lead and zinc as well as other related activities, including exploration, extraction, processing, refining and reclamation. The Company's primary product (silver) is produced in Mexico, Peru, Argentina and Bolivia. Additionally, the Company has project development activities in Mexico, Peru and Argentina, and exploration activities throughout South America, Mexico and the United States.

2. Summary of Significant Accounting Policies

a. Basis of Preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2014. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014, as they do not include all the information and disclosures required by accounting principles generally accepted in Canada for complete financial statements.

In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for a fair presentation of these condensed interim consolidated financial statements have been included. Operating results for the three-month period ending March 31, 2015 are not necessarily indicative of the results that may be expected for the year ended December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 2014.

b. Changes in Accounting Policies

There were no significant accounting standards or interpretations along with any consequential amendments, required for the Company to adopt effective January 1, 2015.

c. Accounting Standards Issued But Not Yet Effective

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard and amendments on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. On April 28, 2015, the IASB decided to propose to defer the effective date of IFRS 15 to January 1, 2018. The Company will apply IFRS 15 when the effective date is finalized. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

d. Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the wholly-owned and partially-owned subsidiaries of the Company, the most significant of which are presented in the following table:

Subsidiary	Location	Ownership Interest	Status	Operations and Development Projects Owned
Pan American Silver Huaron S.A.	Peru	100%	Consolidated	Huaron Mine
Compañía Minera Argentum S.A.	Peru	92%	Consolidated	Morococha Mine
Minera Corner Bay S.A. de C.V.	Mexico	100%	Consolidated	Alamo Dorado Mine
Plata Panamericana S.A. de C.V.	Mexico	100%	Consolidated	La Colorada Mine
Compañía Minera Dolores S.A. de C.V.	Mexico	100%	Consolidated	Dolores Mine
Minera Tritón Argentina S.A.	Argentina	100%	Consolidated	Manantial Espejo Mine
Pan American Silver (Bolivia) S.A.	Bolivia	95%	Consolidated	San Vicente Mine
Minera Argenta S.A.	Argentina	100%	Consolidated	Navidad Project

3. Management of Capital

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and providing returns to its shareholders. The Company's capital structure consists of equity, comprised of issued capital plus share option reserve plus investment revaluation reserve plus retained deficit with a balance of $1.5 billion as at March 31, 2015 (December 31, 2014 - $1.6 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2014.

4. Financial Instruments

a) Financial assets and liabilities classified as at fair value through profit or loss ("FVTPL")

The Company's financial assets and liabilities classified as at FVTPL are as follow:

	March 31, 2015	December 31, 2014
Current derivative assets		
Diesel fuel swap	**$ 544**	$ -
	$ 544	$ -
Current derivative liabilities		
Conversion feature on convertible notes	**$ 49**	$ 278
	$ 49	$ 278

In addition, accounts receivable arising from sales of metal concentrates have been designated and classified as at FVTPL.

	March 31, 2015	December 31, 2014
Trade receivables from provisional concentrates sales	**$ 27,627**	$ 29,288
Not arising from sale of metal concentrates	**74,094**	76,356
Trade and other receivables	**$ 101,721**	$ 105,644

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

The net gains (losses) on derivatives for the three months ended March 31 were comprised of the following:

		2015		2014
Gain on commodity, diesel fuel swap and foreign currency contracts:				
Realized gains on foreign currency, diesel fuel swap and commodity contracts	**$**	**97**	$	-
Unrealized gains on commodity, diesel fuel swap and foreign currency contracts		**544**		-
	$	**641**	$	-
Gain (loss) on derivatives				
Gain on share purchase warrants	**$**	**-**	$	144
Gain (loss) on conversion feature of convertible notes		**229**		(243)
	$	**229**	$	(99)

b) Financial assets designated as available-for-sale

The Company's investments in marketable securities are designated as available-for-sale. The unrealized losses on available-for-sale investments recognized in other comprehensive (loss) income for the three months ended March 31 were as follows:

		March 31, 2015		March 31, 2014
Unrealized losses on equity securities	**$**	**(175)**	$	(334)
Reclassification adjustment for realized losses on equity securities included in earnings		**143**		315
	$	**(32)**	$	(19)

c) Fair Value of Financial Instruments

(i) Fair value measurement of financial assets and liabilities recognized in the condensed interim consolidated financial statements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table sets forth the Company's financial assets and liabilities measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no observable market data).

At March 31, 2015, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Consolidated Statements of Financial Position at fair value on a recurring basis are categorized as follows:

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

	March 31, 2015		December 31, 2014	
	Level 1	**Level 2**	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	$ 182,528	$	$ 184,220	$ -
Trade receivable from provisional concentrate sales	-	27,627	-	29,288
Diesel swap contracts	-	544	-	-
Conversion feature of convertible notes	-	(49)	-	(278)
	$ 182,528	**$ 28,122**	$ 184,220	$ 29,010

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between level 1 and level 2 during the three months ended March 31, 2015.

At March 31, 2015, there were no financial assets or liabilities measured and recognized in the condensed interim consolidated income statements at a fair value that would be categorized as a level 3 in the fair value hierarchy above (December 31, 2014 - $nil).

(ii) Valuation Techniques

Short-term investments
The Company's short-term investments and other investments are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy and are primarily money market securities and U.S. Treasury securities. The fair value of investment securities is calculated as the quoted market price of the investment and in the case of equity securities, the quoted market price multiplied by the quantity of shares held by the Company.

Receivables from provisional concentrate sales
The Company's trade receivables arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange ("LME") for copper, zinc and lead and the London Bullion Market Association P.M. fix ("London P.M. fix") for gold and silver.

Derivative financial assets
The Company's unrealized gains and losses on commodity, diesel fuel swap and foreign currency contracts are valued using observable market prices and as such are classified as Level 2 of the fair market value hierarchy.

During the three months ended March 31, 2015 the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices (the "Diesel Swaps"). The Diesel Swaps had an initial notional value of $13.0 million. The Company recorded a $0.6 million gain on the Diesel Swaps in the three months ended March 31, 2015 (2014 - $nil).

Convertible notes
The Company's unrealized gains and losses on the conversion feature of the convertible note are valued using observable inputs and as such are classified as Level 2 of the fair market value hierarchy. The conversion feature on the convertible notes is considered an embedded derivative and is classified as and accounted for as a financial liability at fair value with changes in fair value included in earnings. The fair value of the conversion feature of the convertible notes is determined using a model that includes the volatility and price of the Company's common shares and a credit spread structure with reference to the corresponding fair value of the debt component of the convertible notes.

d) Financial Instruments and Related Risks

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are metal price risk, credit risk, foreign exchange rate risk, and liquidity risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(i) Metal Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, gold, lead, copper, and zinc. The Company's sales are directly dependent on metal prices that have shown extreme volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in silver prices, the Company's policy is to not hedge the price of silver. The Company mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production from time to time under forward sales and option contracts. The Board of Directors continually assess the Company's strategy towards its base metal exposure, depending on market conditions. As at March 31, 2015, the Company had zero tonnes of lead, zinc and copper under contract. (December 31, 2014 - zero tonnes of lead, zinc and copper under contract).

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables. The carrying value of financial assets represents the maximum credit exposure.

The Company has long-term concentrate contracts to sell the zinc, lead and copper concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At March 31, 2015, the Company had receivable balances associated with buyers of its concentrates of $27.6 million (December 31, 2014 - $29.3 million). The vast majority of the Company's concentrate is sold to eight well known concentrate buyers.

Silver doré production from La Colorada, Alamo Dorado, Dolores and Manantial Espejo is refined under long-term agreements with fixed refining terms at three separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At March 31, 2015, the Company had approximately $28.4 million (December 31, 2014 - $44.7 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at the Company's mine sites, in-transit to refineries and whilst at the refineries.

The Company maintains trading facilities with several banks and bullion dealers for the purposes of transacting the Company's trading activities. None of these facilities are subject to margin arrangements. The Company's trading activities can expose the Company to the credit risk of its counterparties to the extent that our trading positions have a positive mark-to-market value. However, the Company minimizes this risk by ensuring there is no excessive concentration of credit risk with any single counterparty, by active credit management and monitoring.

Refined silver and gold is sold in the spot market to various bullion traders and banks. Credit risk may arise from these activities if the Company is not paid for metal at the time it is delivered, as required by spot sale contracts.

Management constantly monitors and assesses the credit risk resulting from its refining arrangements, concentrate sales and commodity contracts with its refiners, trading counterparties and customers. Furthermore, management carefully considers credit risk when allocating prospective sales and refining business to counterparties. In making allocation decisions, Management attempts to avoid unacceptable concentration of credit risk to any single counterparty.

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The credit risk, which the Company regularly assesses, is that the bank as an issuer of a financial instrument will default.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

(iii) Foreign Exchange Rate Risk

The Company reports its financial statements in United States dollars ("USD"); however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations as reported in USD are subject to changes in the value of the USD relative to local currencies. Since the Company's sales are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse.

To mitigate this exposure, from time to time the Company has purchased Peruvian New soles ("PEN"), Mexican pesos ("MXN") and CAD to match anticipated spending. At March 31, 2015, the Company had no contracts outstanding to purchase foreign currency. The Company's net earnings are affected by the revaluation of its monetary assets and monetary liabilities at each balance sheet date. At March 31, 2015, the Company's cash and short-term investments include $34.7 million in CAD, $1.0 million in PEN and $21.2 million in MXN. (December 31, 2014 - $74.3 million in CAD, $4.8 million in PEN, and $18.7 million in MXN).

(iv) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and short-term investments, and its committed loan facilities.

(v) Commitments

The Company's commitments at March 31, 2015 have contractual maturities as summarized below:

	Payments due by period				
	Total	**Within 1 year**[(2)]	**2 - 3 years**	**4- 5 years**	**After 5 years**
Current liabilities	$ 111,076	$ 111,076	$ -	$ -	$ -
Loan obligation (Note 11)	24,050	24,050	-	-	-
Finance lease obligations[(1)]	7,941	4,169	3,772	-	-
Severance accrual	4,251	1,228	335	764	1,924
Provisions	4,979	3,154	455	733	637
Income taxes payable	21,234	21,234	-	-	-
Restricted share units ("RSUs") [(3)] (Note 16)	2,112	1,400	712	-	-
Preferred share units ("PSUs") [(4)] (Note 16)	267	-	267	-	-
Current portion of long term debt [(5)]	37,866	37,866	-	-	-
Total contractual obligations[(6)]	**$ 213,776**	**$ 204,177**	**$ 5,541**	**$ 1,497**	**$ 2,561**

(1) Includes lease obligations in the amount of $7.9 million (December 31, 2014 - $8.4 million) with a net present value of $7.6 million (December 31, 2014 - $8.0 million) discussed further in Note 13.
(2) Includes all current liabilities as per the statement of financial position plus items presented separately in this table that are expected to be paid but not accrued in the books of the Company. A reconciliation of the current liabilities balance per the statement of financial position to the total contractual obligations within one year per the commitment schedule is shown in the table below.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

March 31, 2015		Future interest component	**Within 1 year**
Current portion of:			
Accounts payable and other liabilities	$ 111,076	$ -	**$ 111,076**
Loan obligation	22,718	1,332	**24,050**
Current severance liability	1,228	-	**1,228**
Current portion of finance lease	3,952	217	**4,169**
Employee Compensation PSU's & RSU's	687	713	**1,400**
Convertible note	34,986	2,880	**37,866**
Provisions	3,154	-	**3,154**
Income tax payable	21,234	-	**21,234**
Total contractual obligations within one year	$ 199,035	$ 5,142	**$ 204,177**

(3) Includes RSU obligation in the amount of $2.1 million (December 31, 2014 – $2.2 million) that will be settled in cash. The RSUs vest in two instalments, 50% one year from date of grant and 50% two years from date of grant.
(4) Includes PSU obligation in the amount of $0.3 million (December 31, 2014- $nil) that will be settled in cash. The PSU's vest three years from date of grant.
(5) Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 14 for further details.
(6) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 15, and deferred tax liabilities.

5. Short Term Investments

	March 31, 2015			December 31, 2014		
Available for sale	**Fair Value**	**Cost**	**Accumulated unrealized holding losses**	Fair Value	Cost	Accumulated unrealized holding gains
Short term investments	**$ 182,528**	**$ 183,045**	**$ (517)**	$ 184,220	$ 184,705	$ (485)

6. Inventories

Inventories consist of:

	March 31, 2015	December 31, 2014
Concentrate inventory	**$ 18,125**	$ 16,679
Stockpile ore(1)	**45,584**	44,236
Heap leach inventory and in process (2)	**82,448**	78,564
Doré and finished inventory (3)	**36,720**	57,175
Materials and supplies	**56,618**	55,895
	$ 239,495	$ 252,549

(1) Includes an impairment charge of $2.9 million to reduce the cost of inventory to net realizable value ("NRV ") at Manantial Espejo mine (December 31, 2014 – $0.9 million).
(2) Includes an impairment charge of $23.2 million to reduce the cost of inventory to NRV at Dolores, Manantial Espejo and Alamo Dorado mines (December 31, 2014 - $32.3 million).
(3) Includes an impairment charge of $4.8 million to reduce the cost of inventory to NRV at Dolores, Alamo Dorado and Manantial Espejo mines (December 31, 2014 - $9.7 million).

7. Mineral Properties, Plant and Equipment

Acquisition costs of investment and non-producing properties together with costs directly related to mine development expenditures are capitalized. Exploration expenditures on investment and non-producing properties are charged to operations in the period they are incurred.

Capitalization of evaluation expenditures commences when there is a high degree of confidence in the project's viability and hence it is very likely that future economic benefits will flow to the Company. Evaluation expenditures, other than that acquired from the purchase of another mining company, are carried forward as an asset provided that such costs are expected to be recovered in full through successful development and exploration of the area of interest or alternatively, by its sale. Evaluation expenditures include delineation drilling, metallurgical evaluations, and geotechnical evaluations, amongst others.

Mineral properties, plant and equipment consist of:

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

	March 31, 2015			December 31, 2014		
	Cost	**Accumulated Depreciation and Impairment**	**Carrying Value**	**Cost**	**Accumulated Depreciation and Impairment**	**Carrying Value**
Huaron mine, Peru	**$ 160,837**	**$ (74,101)**	**$ 86,736**	$ 158,750	$ (71,351)	$ 87,399
Morococha mine, Peru	**213,125**	**(91,433)**	**121,692**	211,545	(86,936)	124,609
Alamo Dorado mine, Mexico	**193,812**	**(181,703)**	**12,109**	193,715	(179,274)	14,441
La Colorada mine, Mexico	**150,186**	**(64,294)**	**85,892**	140,784	(61,650)	79,134
Dolores mine, Mexico	**870,919**	**(460,171)**	**410,748**	859,655	(452,645)	407,010
Manantial Espejo mine, Argentina	**352,223**	**(284,620)**	**67,603**	346,498	(277,296)	69,202
San Vicente mine, Bolivia	**128,457**	**(65,514)**	**62,943**	128,014	(63,812)	64,202
Other	**24,860**	**(15,881)**	**8,979**	24,745	(15,696)	9,049
Total	**$ 2,094,419**	**$ (1,237,717)**	**$ 856,702**	$ 2,063,706	$ (1,208,660)	$ 855,046
Land and Exploration and Evaluation:						
Land			**$ 4,977**			$ 4,977
Navidad Project, Argentina			**190,471**			190,471
Minefinders Group, Mexico			**180,074**			180,074
Morococha, Peru			**9,674**			9,674
Other			**26,138**			26,149
Total non-producing properties			**$ 411,334**			$ 411,345
Total mineral properties, plant and equipment			**$ 1,268,036**			$ 1,266,391

8. Impairment of Non-Current Assets and Goodwill

Non-current assets are tested for impairment when events or changes in assumptions indicate that the carrying amount may not be recoverable. The Company performs an impairment test for goodwill at each financial year end and when events or changes in circumstances indicate that the related carrying value may not be recoverable.

Based on the Company's assessment at March 31, 2015 of potential impairments with respect to its mineral properties, the Company has concluded that there are no impairment charges required as at March 31, 2015.
Goodwill consists of:

	2015	2014
As at January 1,	**$ 3,057**	$ 7,134
	-	-
As at March 31,	**$ 3,057**	$ 7,134

	2014
As at January 1,	**$** 7,134
Impairment of La Virginia and other exploration properties(1)	(4,077)
As at December 31, 2014	**$** 3,057

(1) Exploration properties were tested for impairment based on fair value less cost to sell. It was determined that the estimated recoverable value of the exploration properties on a fair value less costs to sell basis was below its carrying value, and as a result an impairment charge of approximately $24.1 million was recorded, including goodwill of $4.1 million.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

9. Other Assets

Other assets consist of:

		March 31, 2015		December 31, 2014
Long-term prepaid expense[1]	**$**	**5,402**	$	5,461
Investments in Associates		**1,450**		1,450
Reclamation bonds		**91**		91
Lease receivable		**395**		408
Other assets		**37**		37
	$	**7,375**	$	7,447

(1) Represents a deposit related to the Gas Line Project at the Manantial Espejo mine.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

		March 31, 2015		December 31, 2014
Trade accounts payable[1]	**$**	**47,820**	$	52,985
Royalties payable		**8,284**		6,019
Other accounts payable and trade related accruals		**27,203**		33,780
Payroll and related benefits		**18,795**		18,808
Severance accruals		**1,228**		749
Other taxes payable		**1,462**		1,541
Advances on concentrate inventory		**1,400**		2,345
Other		**6,799**		9,982
	$	**112,991**	$	126,209

(1) No interest is charged on the trade accounts payable ranging from 30 to 60 days from the invoice date. The Company has policies in place to ensure that all payables are paid within the credit terms.

11. Loan payable

		March 31, 2015[1]		December 31, 2014[2]
Loan payable	**$**	**23,070**	$	17,658
Unrealized gain on foreign exchange		**(352)**		(58)
Net loan payable	**$**	**22,718**	$	17,600

(1) On October 31, 2014, one of the Company's subsidiaries (Minera Triton Argentina S.A.) received an unsecured bank loan for $60.0 million Argentine pesos (equivalent to USD $7.0 million) in order to meet its short term obligations. On January 28, 2015 an additional loan was received for USD $4.7 million. The loan terms are one year from October 31, 2014 and 90 days from January 28, 2015 with interest rates of 32.9% and 3.2% respectively. In addition to the loans the subsidiary had drawn on an available line of credit for an additional $96.5 million Argentine pesos (equivalent to USD$11.4 million) at an interest rate of 19.8% due April 1, 2015. At March 31, 2015, the combined fair values of the loans payable were $22.7 million.

(2) On October 31, 2014, one of the Company's subsidiaries (Minera Triton Argentina S.A.) received an unsecured bank loan for $60.0 million Argentine pesos (equivalent to USD$7.0 million) in order to meet its short term obligations. On November 13, 2014 an additional loan was received for USD$4.7 million. The loan terms are one year from October 31, 2014 and 90 days from November 13, 2014 with interest rates of 32.9% and 3.2% respectively. In addition to the loans the subsidiary had drawn on an available line of credit for an additional $49.5 million Argentine pesos (equivalent to USD$6.0 million) at an interest rate of 25.0% due January 2, 2015. At December 31, 2014, the combined fair values of the loans payable were $17.6 million. .

12. Provisions

		Closure and Decommissioning		**Litigation**		**Total**
December 31, 2014	$	43,173	$	5,011	$	48,184
Revisions in estimates and obligations incurred		1,362		-		1,362
Charged (credited) to earnings:						
-new provisions		-		81		81
-unused amounts reversed		-		(4)		(4)
-exchange gains on provisions		-		(76)		(76)
Charged in the year		(1,107)		(33)		(1,140)
Accretion expense (Note 21)		810		-		810
March 31, 2015	**$**	44,238	$	4,979	$	49,217

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

Maturity analysis of total provisions:

		March 31, 2015		December 31, 2014
Current	**$**	**3,154**	$	3,121
Non-Current		**46,063**		45,063
	$	**49,217**	$	48,184

13. Finance Lease Obligations

		March 31, 2015		December 31, 2014
Lease obligations[(1)]	**$**	**7,615**	$	8,037

		March 31, 2015		December 31, 2014
Maturity analysis of finance leases:				
Current	**$**	**3,952**	$	3,993
Non-current		**3,663**		4,044
	$	**7,615**	$	8,037

(1) Represents equipment lease obligations at several of the Company's subsidiaries. A reconciliation of the total future minimum lease payments at March 31, 2015 and December 31, 2014 to their present value is presented in the table below.

		March 31, 2015		December 31, 2014
Less than a year	**$**	**4,169**	$	4,238
2 years		**2,729**		2,697
3 years		**1,043**		1,490
4 years		**-**		-
5 years		**-**		-
		7,941		8,425
Less future finance charges		**(326)**		(388)
Present value of minimum lease payments	**$**	**7,615**	$	8,037

14. Long Term Debt

		March 31, 2015		December 31, 2014
Convertible notes	**$**	**34,937**	$	34,519
Conversion feature on the convertible notes		**49**		278
Total long-term debt	**$**	**34,986**	$	34,797

		March 31, 2015		December 31, 2014
Maturity analysis of Long Term Debt:				
Current	**$**	**34,986**	$	34,797
Non-Current		**-**		-
	$	**34,986**	$	34,797

As part of the 2012 Minefinders acquisition the Company issued replacement unsecured convertible senior notes with an aggregate principal amount of $36.2 million (the "Notes"). Until such time as the earlier of December 15, 2015 and the date the Notes are converted, each Note shall bear interest at 4.5% payable semi-annually on June 15 and December 15 of each year. The principal outstanding on the Notes is due on December 15, 2015, if any Notes are still outstanding at that time. The Notes are convertible into a combination of cash and Pan American shares.

The interest and principal amounts of the Notes are classified as debt liabilities and the conversion option is classified as a derivative liability. The debt liability is measured at amortized cost. As a result, the carrying value of the debt liability is lower than the aggregate face value of the Notes. The unwinding of the discount is accreted as interest expense over the terms of the notes using an effective interest rate. For the three months ended March 31, 2015, $0.7 million was capitalized to mineral property, plant and equipment (March 31, 2014 – $0.4 million). The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the conversion feature on the convertible notes is considered an embedded derivative and re-measured at fair value each reporting period. The fair value of the conversion feature of the convertible notes is determined using a model that includes the volatility and price of the Company's common shares and a credit spread structure with reference to the corresponding fair value of the debt component of the convertible notes. Assumptions used in the fair value calculation of the embedded derivative component at March 31, 2015 were expected stock price volatility of 48.37%, expected life of 0.7 years, and expected dividend yield of 5.7%.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

During the three months ended March 31, 2015, the Company recorded a $0.2 million gain on the revaluation of embedded derivative on the convertible notes (2014 – $0.2 million loss).

The approximate current fair value of the notes, excluding the conversion feature at March 31, 2015 is $35.9 million (December 31, 2014 - $35.6 million).

15. Other Long Term Liabilities

Other long term liabilities consist of:

		March 31, 2015		December 31, 2014
Deferred credit(1)	**$**	**20,788**	$	20,788
Other income tax payable		**8,520**		6,542
Severance accruals		**3,023**		3,386
	$	**32,331**	$	30,716

(1) As part of the 2009 Aquiline transaction the Company issued a replacement convertible debenture that allowed the holder to convert the debenture into either 363,854 Pan American Shares or a Silver Stream contract related to certain production from the Navidad project. Regarding the replacement convertible debenture, it was concluded that the deferred credit presentation was the most appropriate and best representation of the economics underlying the contract as of the date the Company assumed the obligation as part of the Aquiline acquisition. Subsequent to the acquisition, the counterparty to the replacement debenture selected the silver stream alternative. The final contract for the alternative is being discussed and pending the final resolution of this discussion, the Company continues to classify the fair value calculated at the acquisition of this alternative, as a deferred credit.

16. Share Capital and Employee Compensation Plans

The Company has a comprehensive stock compensation plan for its employees, directors and officers (the "Compensation Plan"). The Compensation Plan provides for the issuance of common shares and stock options, as incentives. The maximum number of shares which may be issued pursuant to options granted or bonus shares issued under the Compensation Plan may be equal to, but will not exceed 6,461,470 shares. The exercise price of each option shall be the weighted average trading price of the Company's stock for the five days prior to the award date. The options can be granted for a maximum term of 10 years with vesting provisions determined by the Company's Board of Directors. Any modifications to the Compensation Plan require shareholders' approval.

The Board has developed long-term incentive plan ("LTIP") guidelines, which provides annual compensation to the senior managers of the Company based on the long-term performance of both the Company and the individuals that participate in the plan. The LTIP consists of annual grants of restricted shares, restricted share units, and/or options to participants to buy shares of the Company, whereby at least 25% of the total annual award is comprised of restricted share units. For the remaining 75% of the award amount, participants may elect a mix of restricted shares, restricted share units, and option grants. Restricted share units vest in two tranches, one-half (50%) on the first anniversary of the grant date and the second half (50%) on the second anniversary date of the award. For share awards, participants are issued Pan American shares, with a two year "No Trading Legend," and are therefore required to hold the shares for a minimum of two years. There is no gross-up on common share awards, making the common share component of all awards net of required withholding taxes. For option awards, no options vest immediately. 50% of options granted in a particular year vest on the one year anniversary of being granted, and the other 50% on the second anniversary of being granted. The options expire after seven years as set out under the LTIP guidelines.

Transactions concerning stock options and share purchase warrants are summarized as follows in CAD:

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

	Stock Options			Share Purchase Warrants			
	Shares		Weighted Average Exercise Price CAD$	Warrants		Weighted Average Exercise Price CAD$	Total
As at December 31, 2013	**1,397,370**	**$**	**20.76**	**7,814,605**	**$**	**35.00**	**9,211,975**
Granted	212,869	$	11.58	-	$	-	212,869
Exercised	-	$	-	(92)	$	35.00	(92)
Expired	(195,562)	$	17.73	(7,814,513)	$	35.00	(8,010,075)
Forfeited	(20,162)	$	23.02	-	$	-	(20,162)
As at December 31, 2014	**1,394,515**	**$**	**19.74**	**-**	**$**	**-**	**1,394,515**
Granted	-	$	-	-	$	-	-
Exercised	-	$	-	-	$	-	-
Expired	(190,862)	$	25.19	-	$	-	(190,862)
Forfeited	-	$	-	-	$	-	-
As at March 31, 2015	**1,203,653**	**$**	**18.87**	**-**	**$**	**-**	**1,203,653**

Share Purchase Warrants

As part of the acquisition of Aquiline Resources Inc. in 2009 the Company issued share purchase warrants. The outstanding warrants of 7,814,513 expired on December 7, 2014 as per the agreement. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. During the three months ended March 31, 2014, there was a derivative gain of $0.1 million.

Long Term Incentive Plan

During the quarter ended March 31, 2015, nil common shares were exercised in connection with the options under the plan (2014 – nil common shares), 190,862 options expired (2014 – 195,562) and nil options were forfeited (2014 – 18,321).

Performance Shares Units

In early 2014, the Board approved the adding of performance share units ("PSUs") to the Company's LTIP. PSUs are notional share units that mirror the market value of the Company's common shares (the "Shares"). Each vested PSU entitles the participant to a cash payment equal to the value of an underlying share, less applicable taxes, at the end of the term, plus the cash equivalent of any dividends distributed by the Company during the three-year performance period. PSU grants will vest on the date that is three years from the date of grant subject to certain exceptions. Performance results at the end of the performance period relative to predetermined performance criteria and the application of the corresponding performance multiplier determine how many PSUs vest for each participant. The Board approved the issuance of 30,408 PSUs with a share price of CAD $11.51. For the three month period ended March 31, 2015 compensation expense for PSUs was $0.02 million in (2014-$nil) and is presented as a component of general and administrative expense.

PSU	Number Outstanding		Fair Value
As at December 31, 2013	-	$	-
Granted	30,408		305
Paid out	-		-
Forfeited	-		-
Change in value	-		(24)
As at December 31, 2014	**30,408**	$	**281**
Granted	-		-
Paid out	-		-
Forfeited	-		-
Change in value	-		(14)
As at March 31, 2015	**30,408**	**$**	**267**

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at March 31, 2015. The underlying options agreements are specified in Canadian dollar amounts.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices CAD$	Number Outstanding as at March 31, 2015	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price CAD$	Number Exercisable as at March 31, 2015	Weighted Average Exercise Price CAD$
$11.49 - $11.57	**305,405**	68.47	$ 11.49	**152,706**	$ 11.49
$11.58 - $17.01	**233,511**	81.97	$ 11.68	**20,642**	$ 12.70
$17.02 - $18.53	**226,185**	58.01	$ 18.45	**226,185**	$ 18.45
$18.54 - $24.90	**347,964**	43.61	$ 24.89	**347,964**	$ 24.89
$24.91 – $40.22	**90,588**	32.36	$ 40.22	**90,588**	$ 40.22
	1,203,653	59.22	$ 18.87	**838,085**	$ 22.07

During the three months ended March 31, 2015, the total employee share-based compensation expense related to options recognized in the income statement was $0.2 million (2014 - $0.2 million). In addition, the Company accrued for $0.6 million in share-based compensation expense related to estimated shares to be issued under the plan (2014 - $0.4 million).

Convertible Senior Debt

The conversion feature on the convertible note, further discussed in Note 14, is considered an embedded derivative and is classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings.

Restricted Share Units (“RSUs”)

Under the Company’s RSU plan, selected employees are granted RSUs where each RSU has a value equivalent to one Pan American common share. The RSUs are settled in cash and vest in two instalments, the first 50% vest on the first anniversary date of the grant and a further 50% vest on the second anniversary date of the grant. Additionally, RSUs are credited to reflect dividends paid on Pan American common shares over the vesting period.

Compensation expense for RSUs was $0.2 million for the quarter ended March 31, 2015 (2014 – $0.4 million) and is presented as a component of general and administrative expense.

At March 31, 2015, the following RSU’s were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2013	**196,102**	$ **2,288**
Granted	165,240	1,670
Paid out	(116,381)	(1,224)
Forfeited	(4,204)	(44)
Change in value	-	(429)
As at December 31, 2014	**240,757**	**$ 2,261**
Granted	-	-
Paid out	-	-
Forfeited	(7,419)	(65)
Change in value	-	(84)
As at March 31, 2015	**233,338**	**$ 2,112**

Normal Course Issuer Bid

On December 17, 2014, the Company received regulatory approval for a normal course issuer bid to purchase up to 7,575,290 of its common shares, during one year period from December 22, 2014 and December 21, 2015.

No common shares were purchased during the quarter ended March 31, 2015.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

Dividends

On February 19, 2015, the Company declared dividends payable of $0.125 per common share payable to holders of record of its common shares as of the close of business day on March 2, 2015.

On May 11, 2015, the Company declared a quarterly dividend of $0.05 per common share to be paid to holders of record of its common shares as of the close of business on May 22, 2015. These dividends were not recognized in these condensed interim consolidated financial statements during the period ended March 31, 2015.

17. (Loss) Earnings Per Share (Basic and Diluted)

Three months ended March 31,	2015			2014		
	Loss (Numerator)	**Shares (Denominator)**	**Per-Share Amount**	Earnings (Numerator)	Shares (Denominator)	Per-Share Amount
Net (Loss) Earnings[1]	**$ (19,371)**	**-**	**-**	$ 6,844	-	-
Basic EPS	**$ (19,371)**	**151,643**	**$ (0.13)**	$ 6,844	151,500	$ 0.05
Effect of Dilutive Securities:						
Stock Options	**-**	**-**	**-**	-	70	-
Convertible Notes	**-**	**-**	**-**	-	-	-
Diluted EPS	**$ (19,371)**	**151,643**	**$ (0.13)**	$ 6,844	151,570	$ 0.05

(1) Net earnings attributable to equity holders of the Company.

Potentially dilutive securities excluded in the diluted earnings per share calculation for the three months ended March 31, 2015 were 1,203,653 out-of-money options (2014 – 8,672,045 options and warrants).

18. Supplemental Cash Flow Information

The following tables summarize the changes in operating working capital items and significant non-cash items:

Three months ended March 31,	**2015**	2014[1]
Changes in non-cash operating working capital items:		
Trade and other receivables	**$ 2,424**	$ (21,220)
Inventories	**14,692**	11,132
Prepaid expenditures	**(3,269)**	1,146
Accounts payable and accrued liabilities	**(8,250)**	5,306
Provisions	**(1,075)**	(437)
	$ 4,522	$ (4,073)

(1) The disclosure for Condensed Interim Consolidated Statements of Cash Flows for the three month period ending March 31, 2014 has been changed from prior year presented amounts to reflect interest expense of $1.8 million and net realizable value adjustments of $2.3 million as individual lines on the Condensed Interim Consolidated Statements of Cash Flows for the three month period ended March 31, 2014 in order to correct an immaterial error. There is no net impact on the Condensed Interim Consolidated Income Statements or Loss or diluted loss per share. Details of the change are reflected in the following table:

	Previously Reported	Current Report	Difference
Inventories	$ 13,440	$ 11,132	$ (2,308)
Accounts payable and Accrued liabilities	$ 7,074	$ 5,306	$ (1,768)
Changes in non-cash operating working capital Items	$ 3	$ (4,073)	$ (4,076)

Significant Non-Cash Items:	**2015**	2014
Advances received for equipment leases	**$ 920**	$ 1,179

Cash and cash equivalents are comprised of:	**March 31, 2015**	December 31, 2014
Cash in banks	**$ 90,336**	$ 118,099
Short term money markets	**19,585**	28,094
Cash and cash equivalents	**$ 109,921**	$ 146,193

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

19. Segmented Information

All of the Company's operations are within the mining sector, conducted through operations in six countries. Major products are silver, gold, zinc, lead and copper produced from mines located in Mexico, Peru, Argentina and Bolivia. Due to geographic and political diversity, the Company's mining operations are decentralized whereby Mine General Managers are responsible for achieving specified business results within a framework of global policies and standards. Country corporate offices provide support infrastructure to the mines in addressing local and country issues including financial, human resources, and exploration support. The Company has a separate budgeting process and measures the results of operations and exploration activities independently. The Company's head office provides support to the mining and exploration activities with respect to financial, human resources and technical support.

	Three months ended March 31, 2015									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 19,952	$ 17,352	$ 45,318	$ 19,016	$ 25,318	$ 38,455	$ -	$ 12,714	$ -	**$ 178,125**
Depreciation and amortization	$ (2,910)	$ (4,977)	$ (15,074)	$ (3,045)	$ (2,742)	$ (10,190)	$ (43)	$ (1,372)	$ (165)	**$ (40,518)**
Exploration and project development	$ (73)	$ (169)	$ (124)	$ (2)	$ (1)	$ -	$ (2,656)	$ -	$ (729)	**$ (3,754)**
Interest income	$ 40	$ 3	$ 1	$ 132	$ -	$ 41	$ -	$ -	$ (24)	**$ 193**
Interest and financing expenses	$ (179)	$ (163)	$ (88)	$ (60)	$ (63)	$ (1,410)	$ (11)	$ (56)	$ (194)	**$ (2,224)**
Gain on disposition of assets	$ 4	$ 94	$ 15	$ 3	$ 17	$ -	$ -	$ -	$ -	**$ 133**
Gain on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 229	**$ 229**
Foreign exchange gain (loss)	$ 28	$ (137)	$ 168	$ (714)	$ (376)	$ 433	$ (43)	$ 218	$ (5,963)	**$ (6,386)**
Gain on diesel fuel swaps and foreign currency contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 641	**$ 641**
(Loss) earnings before income taxes	$ (97)	$ (7,065)	$ 1,664	$ (1,808)	$ 3,602	$ (7,488)	$ (3,277)	$ 1,936	$ (551)	**$ (13,084)**
Income taxes (expense) recovery	$ (815)	$ 909	$ (4,278)	$ (1,063)	$ (1,782)	$ 2,703	$ (13)	$ (516)	$ (1,846)	**$ (6,701)**
Net (loss) earnings for the period	$ (912)	$ (6,156)	$ (2,614)	$ (2,871)	$ 1,820	$ (4,785)	$ (3,290)	$ 1,420	$ (2,397)	**$ (19,785)**
Capital expenditures	$ 1,798	$ 1,493	$ 12,929	$ -	$ 10,767	$ 4,880	$ 104	$ 464	$ 11	**$ 32,446**
Total assets	$ 124,647	$ 158,715	$ 746,295	$ 93,454	$ 124,755	$ 175,660	$ 193,351	$ 92,610	$ 272,218	**$ 1,981,705**
Total liabilities	$ 34,430	$ 32,689	$ 176,755	$ 11,394	$ 21,698	$ 78,370	$ 1,686	$ 23,988	$ 69,353	**$ 450,363**

	Three months ended March 31, 2014									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 21,681	$ 18,269	$ 44,649	$ 25,944	$ 27,134	$ 44,579	$ -	$ 27,478	$ -	**$ 209,734**
Depreciation and amortization	$ (2,771)	$ (4,685)	$ (12,491)	$ (3,961)	$ (2,042)	$ (7,669)	$ (41)	$ (3,036)	$ (164)	**$ (36,860)**
Exploration and project development	$ (400)	$ (188)	$ (244)	$ (9)	$ (3)	$ (102)	$ (778)	$ -	$ (1,256)	**$ (2,980)**
Interest income	$ 79	$ 8	$ 1	$ 46	$ 43	$ -	$ 15	$ -	$ 106	**$ 298**
Interest and financing expenses	$ (187)	$ (227)	$ (89)	$ (60)	$ (64)	$ (1,665)	$ (11)	$ (56)	$ (405)	**$ (2,764)**
Gain on disposition of assets	$ -	$ 108	$ -	$ -	$ -	$ (103)	$ -	$ 1	$ -	**$ 6**
Loss on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (99)	**$ (99)**
Foreign exchange gain (loss)	$ 17	$ (24)	$ 74	$ 57	$ 163	$ 4,506	$ 176	$ 211	$ (10,720)	**$ (5,540)**
Earnings (loss) before income taxes	$ 791	$ (3,676)	$ (9,753)	$ 5,585	$ 7,361	$ 16,545	$ (527)	$ 6,288	$ (7,161)	**$ 15,453**
Income taxes (expense) recovery	$ (342)	$ 509	$ 4,331	$ (2,467)	$ (2,809)	$ (4,217)	$ (54)	$ (3,077)	$ (567)	**$ (8,693)**
Net earnings (loss) for the period	$ 449	$ (3,167)	$ (5,422)	$ 3,118	$ 4,552	$ 12,328	$ (581)	$ 3,211	$ (7,728)	**$ 6,760**
Capital expenditures	$ 3,133	$ 1,819	$ 16,003	$ 90	$ 6,524	$ 8,357	$ 2	$ 786	$ 97	**$ 36,811**
Total assets	$ 125,657	$ 178,441	$ 974,895	$ 117,940	$ 112,007	$ 283,951	$ 469,089	$ 101,362	$ 367,620	**$ 2,730,962**
Total liabilities	$ 37,963	$ 42,204	$ 248,167	$ 12,312	$ 27,787	$ 99,050	$ 1,207	$ 31,345	$ 54,098	**$ 554,133**

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

	Three months ended March 31,	
Product Revenue	**2015**	2014
Refined silver and gold	**$ 109,188**	$ 120,895
Zinc concentrate	**19,008**	18,490
Lead concentrate	**22,690**	26,668
Copper concentrate	**27,239**	43,681
Total	**$ 178,125**	$ 209,734

20. Production Costs

Production costs are comprised of the following:

For the three months ended March 31,	2015	2014
Consumption of raw materials and consumables	**$ 51,176**	$ 51,593
Employee compensation and benefits expense	**39,193**	32,271
Contractors and outside services	**20,912**	18,266
Utilities	**5,640**	10,071
Other expenses	**8,711**	8,529
Changes in inventory	**3,342**	10,148
	$ 128,974	$ 130,878

21. Interest and Finance Expense

For the three months ended March 31,	2015	2014
Interest expense	**$ 1,339**	$ 1,768
Finance fees	**75**	177
Accretion of closure and decommissioning provision (Note 12)	**810**	819
	$ 2,224	$ 2,764

22. Income Taxes

For the three months ended March 31,	2015	2014
Current income tax expense	**$ 4,379**	$ 9,208
Deferred income tax expense (recovery)	**2,322**	(515)
Provision for income taxes	**$ 6,701**	$ 8,693

Income tax expense differs from the amounts that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the items shown on the following table, which result in effective tax rates that vary considerably from the comparable periods. The main factors which have affected the effective tax rates for the three months ended March 31, 2015 and the comparable period of 2014 were foreign tax rate differences, non-deductible, foreign exchange rate (gains)/losses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes paid on payments from foreign subsidiaries. The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

(unaudited tabular amounts are in thousands of U.S. dollars except number of options, share units and warrants and per share amounts)

Three months ended March 31,		**2015**		2014
(Loss) Income before taxes	**$**	**(13,084)**	$	15,453
Statutory tax rate		**26.00%**		26.00%
Income tax (recovery) expense based on above rates	**$**	**(3,402)**	$	4,018
Increase (decrease) due to:				
Non-deductible expenses		**895**		991
Foreign tax rate differences		**(1,244)**		999
Change in net deferred tax assets not recognized				
- Argentina exploration expenses		**1,149**		183
- Other deferred tax assets not recognized		**581**		2,289
Non-taxable unrealized (gains) losses on derivative financial instruments		**(60)**		26
Effect of other taxes paid (mining and withholding)		**3,276**		1,626
Non-deductible foreign exchange losses (gains)		**5,294**		(1,765)
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12		**300**		855
Other		**(88)**		(529)
Income tax expense	**$**	**6,701**	$	8,693
Effective tax rate		**(51.22)%**		56.25%

23. Commitments and Contingencies

a. General

The Company is subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company. In the opinion of management, none of these matters are expected to have a material effect on the results of operations or financial condition of the Company.

b. Purchase Commitments

The Company had no purchase commitments other than those commitments described in Note 4.

c. Credit Facility

On April 15, 2015, Pan American entered into a $300 million secured revolving line of credit facility (“the Facility”) with a syndicate of eight lenders (“the Lenders”). The purpose of the Facility is for general corporate purposes, capital expenditures, investments or potential acquisitions. The Facility, which is principally secured by a pledge of Pan American’s equity interests in its material subsidiaries, has a term of four years. The interest margin on the Facility ranges from 2.125% to 3.125% over LIBOR, based on the Company’s leverage ratio at the time of a specified reporting period. Pan American has agreed to pay a commitment fee of between 0.47% and 0.703% on undrawn amounts under the Facility, depending on the Company’s leverage ratio. As at March 31, 2015, the Company has made no drawings under this Facility.

d. Environmental Matters

The Company’s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect the public health and environment and believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures.

Estimated future reclamation costs are based the extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company’s environmental policies. As of March 31, 2015 and

December 31, 2014, $44.2 million, and $43.2 million, respectively, were accrued for closure and decommissioning costs relating to mineral properties. See also Note 12.

e. Income Taxes

The Company operates in numerous countries around the world and accordingly it is subject to, and pays annual income taxes under the various income tax regimes in the countries in which it operates. Some of these tax regimes are defined by contractual agreements with the local government, and others are defined by the general corporate income tax laws of the country. The Company has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time the Company is subject to a review of its historic income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Company's business conducted within the country involved.

In December 2014, the Peruvian Parliament approved a bill that decreases the effective tax rate applicable to the Company's Peruvian operations. The law is effective January 1, 2015 and decreases the future corporate income tax rate from 30% in 2014, to 28% in 2015 and 2016, 27% in 2017 and 2018, and to 26% in 2019 and future years. In addition, this new law will increase withholding tax on dividends paid to non-resident shareholders from 4.1% in 2014, to 6.8% in 2015 and 2016, 8% in 2017 and 2018, and to 9.3% in 2019 and future years.

In December 2013, the Mexican President passed a bill that increases the effective tax rate applicable to the Company's Mexican operations. The law is effective January 1, 2014 and increases the future corporate income tax rate to 30%, creates a 10% withholding tax on dividends paid to non-resident shareholders (subject to any reduction by an Income Tax Treaty) and creates a new Extraordinary Mining Duty equal to 0.5% of gross revenues from the sale of gold, silver, and platinum. In addition, the law requires taxpayers with mining concessions to pay a new 7.5% Special Mining Duty. The Extraordinary Mining Duty and Special Mining Duty will be tax deductible for income tax purposes. The Special Mining Duty will generally be applicable to earnings before income tax, depreciation, depletion, amortization, and interest. In calculating the Special Mining Duty there will be no deductions related to development type costs but exploration and prospecting costs are deductible when incurred.

f. Finance Leases

The present value of future minimum lease payments classified as finance leases at March 31, 2015 is $7.6 million (December 31, 2014 - $8.0 million) and the schedule of timing of payments for this obligation is found in Note 13.

g. Law changes in Argentina

Government regulation in Argentina related to the economy has increased substantially over the past year. In particular, the government has intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. During 2012, an Argentinean Ministry of Economy and Public Finance resolution reduced the time within which exporters were required to repatriate net proceeds from export sales from 180 days to 15 days after the date of export. As a result of this change, the Manantial Espejo operation temporarily suspended doré shipments while local management reviewed how the new resolution would be applied by the government. In response to petitions from numerous exporters for relief from the new resolution, on July 17, 2012 the Ministry issued a revised resolution which extended the 15-day limit to 120 days.

The Argentine government has also imposed restrictions on the importation of goods and services and increased administrative procedures required to import equipment, materials and services required for operations at Manantial Espejo. In addition, in May 2012, the government mandated that mining companies establish an internal function to be responsible for substituting Argentinian-produced goods and materials for imported goods and materials. Under this mandate, the Company is required to submit its plans to import goods and materials for government review 120 days in advance of the desired date of importation.

The government of Argentina has also tightened control over capital flows and foreign exchange, including informal restrictions on dividend, interest, and service payments abroad and limitations on the ability of individuals and businesses to convert Argentine pesos into United States dollars or other hard currencies. These measures, which are intended to curtail the outflow of hard currency and protect Argentina's international currency reserves, may adversely affect the Company's ability to convert dividends paid by current operations or revenues generated by future operations into hard currency and to distribute those revenues to offshore shareholders. Maintaining operating revenues in Argentine pesos could expose the Company to the risks of peso devaluation and high domestic inflation.

In September 2013, the provincial government of Santa Cruz, Argentina passed amendments to its tax code that introduced a new mining property tax with a rate of 1% to be charged annually on published "measured" reserves, which has the potential to affect the Manantial Espejo mine as well as other companies operating in the province. The new law came into effect on July 5, 2013. The Company has in place certain contracts that could potentially affect or exempt the Company from having this new tax applicable and as such is evaluating its options with its advisors. The Company and other mining companies in the province are also evaluating options that include challenging the legality and constitutionality of the tax.

On September 23, 2013, Argentina's federal Income Tax Statute was amended to include a 10% income tax withholding on dividend distributions by Argentine corporations and branch profit distributions by foreign corporations.

h. Labour law changes in Mexico

In December 2012, the Mexican government introduced changes to the Federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to employee benefits. These amendments may have an effect on the distribution of profits to workers and this could result in additional financial obligations to the Company. At this time, the Company is evaluating these amendments in detail, but currently believes that it continues to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for the Company. Based on this assessment, the Company has not accrued any additional amounts for the quarter ended March 31, 2015. The Company will continue to monitor developments in Mexico and to assess the potential impact of these amendments.

i. Political changes in Bolivia

I

On May 28, 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). Among other things, the New Mining Law has established a new Bolivian mining authority to provide principal mining oversight (varying the role of COMIBOL) and sets out a number of new economic and operational requirements relating to state participation in mining projects. Further, the New Mining Law provides that all pre-existing contracts are to migrate to one of several new forms of agreement within a prescribed period of time. As a result, we anticipate that our current joint venture agreement with COMIBOL relating to the San Vicente mine will be subject to migration to a new form of agreement and may require renegotiation of some terms in order to conform to the New Mining Law requirements. We are assessing the potential impacts of the New Mining Law on our business and are awaiting further regulatory developments, but the primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the existing contract, and the full impact may only be realized over time. In the meantime, we understand that pre-existing agreements will be respected during the period of migration and we will take appropriate steps to protect and, if necessary, enforce our rights under our existing agreement with COMIBOL. There is, however, no guarantee that governmental actions, including possible expropriation or additional changes in the law, and the migration of our contract will not impact our involvement in the San Vicente operation in an adverse way and such actions could have a material adverse effect on us and our business.

j. Other Legal Matters

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, many of them relating to ex-employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. The Company establishes provisions for matters that are probable and can be reasonably estimated, included within current liabilities, and amounts are not considered material.

In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. In the opinion of management there are no claims expected to have a material effect on the results of operations or financial condition of the Company.

k. Title Risk

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, unregistered prior agreements or transfers and may be affected by undetected defects.

l. Royalty Agreements and Participation Agreements

The Company has various royalty agreements on certain mineral properties entitling the counterparties to the agreements to receive payments per terms as summarized below. Royalty liabilities incurred on acquisitions of properties are netted against mineral property while royalties that become payable upon production are expensed at the time of sale of the production.

On September 22, 2011, Peru's Parliament approved new laws that increase mining taxes to fund anti-poverty infrastructure projects in the country, effective October 1, 2011. The new law changes the scheme for royalty payments, so that mining companies that have not signed legal stability agreements with the government will have to pay royalties of 1% to 12% on operating profit; royalties under the previous rules were 1% to 3% on net sales. In addition to these royalties, such companies will be subject to a "special tax" at a rate ranging from 2% to 8.4% of operating profit. Companies that have concluded legal stability agreements (under the General Mining Law) will be required to pay a "special contribution" of between 4% and 13.12% of operating profits. The Company's calculations of the change in the royalty and the new tax indicate that no material impact is expected on the results of the Company's Peruvian operations.

In the province of Chubut, Argentina which is the location of the Company's Navidad property, there is a provincial royalty of 3% of the "Operating Income". Operating income is defined as revenue minus production costs (not including mining costs), treatment and transportation charges. Additionally, in late June 2012 the governor of the province of Chubut, Argentina, has submitted to the provincial legislature draft law which if passed will introduce a 5% net smelter return royalty, in addition to the 3% provincial royalty discussed above. Refer below to the Navidad project section below for further details.

As part of the 2009 Aquiline transaction the Company issued a replacement convertible debenture that allowed the holder to convert the debenture into either 363,854 Pan American shares or a silver stream contract related to certain production from the Navidad project. Subsequent to the acquisition, the counterparty to the replacement debenture has indicated its intention to elect the silver stream alternative. The final contract for the alternative is being discussed and pending the final resolution to this alternative, the Company continues to classify the fair value calculated at the acquisition of this alternative, as a deferred credit as disclosed in Note 15.

Huaron and Morococha mines

In June 2004, Peru's Congress approved a bill that allows royalties to be charged on mining projects. These royalties are payable on Peruvian mine production at the following progressive rates: (i) 1.0% for companies with sales up to $60 million; (ii) 2.0% for companies with sales between $60 million and $120 million; and (iii) 3.0% for companies with sales greater than $120 million. This royalty is a net smelter returns royalty, the cost of which is deductible for income tax purposes.

Manantial Espejo mine

Production from the Manantial Espejo property is subject to royalties to be paid to Barrick Gold Corp. according to the following: (i) $0.60 per metric tonne of ore mined from the property and fed to process at a mill or leaching facility to a maximum of 1 million tonnes; and (ii) one-half of one percent (0.5%) of net smelter returns derived from the production of minerals from the property. In addition, the Company has negotiated a royalty equal to 3.0% of operating cash flow payable to the Province of Santa Cruz.

San Vicente mine

Pursuant to an option agreement entered into with COMIBOL, a Bolivian state mining company, with respect to the development of the San Vicente property, the Company is obligated to pay COMIBOL a participation fee of 37.5% (the "Participation Fee") of the operations cash flow. Once full commercial production of San Vicente began, the Participation was reduced by 75% until the Company recovers its investment in the property. Thereafter, the Participation Fee will revert back to its original percentage. For the three months ended March 31, 2015 the royalties to COMIBOL amounted to approximately $2.5 million (2014 - $4.5 million).

A royalty is also payable to EMUSA, a former partner of the Company on the project. The royalty is a 2% net smelter royalty payable only after the Company has recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater. For the three months ended March 31, 2015 the royalties to EMUSA amounted to approximately $0.2 million. For the three months ended March 31, 2014 the royalties amounted to $0.4 million.

In December 2007, the Bolivian government introduced a new mining royalty that affects the San Vicente project. The royalty is applied to gross metal value of sales (before smelting and refining deductions) and the royalty percentage is a sliding scale depending on metal prices. At current metal prices, the royalty is 6% for silver metal value and 5% for zinc and copper metal value of sales. The royalty is income tax deductible. For the three month ended March 31, 2015 and 2014 the royalty amounted to $0.9 million and $2.4 million, respectively.

Dolores mine

Production from the Dolores mine is subject to underlying net smelter return royalties comprised of 2% on gold and silver production and 1.25% on gold production. These royalties are payable to Royal Gold Inc. and were effective in full as of May 1, 2009, on the commencement of commercial production at the Dolores mine. For the three months ended March 31, 2015, the royalties to Royal Gold amounted to approximately $1.5 million (2014 – $1.4 million).

Navidad project

In late June 2012, the governor of the province of Chubut submitted to the provincial legislature a draft law which, if passed, would regulate all future oil and gas and mining activities in the province. The draft legislation incorporated the expected re-zoning of the province, allowing for the development of Navidad as an open pit mine. However, the draft legislation also introduced a series of new regulations that would have greatly increased provincial royalties and imposed the province's direct participation in all mining projects, including Navidad.

In October 2012, the proposed bill was withdrawn for further study; however, as a result of uncertainty over the zoning, regulatory and tax laws which will ultimately apply, the Company has been forced to temporarily suspend project development activities at Navidad.

The Company remains committed to the development of Navidad and to contributing to the positive economic and social development of the province of Chubut upon the adoption of a favorable legislative framework.

24. Related Party Transactions

During the quarter ended March 31, 2015, a company indirectly owned by a trust of which a director of the Company is a beneficiary, was paid approximately $1.4 million (Q1 2014 -$0.2 million) for consulting services, inclusive of a termination of services payment, charged to general and administrative costs. These transactions are at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Management's Discussion and Analysis for the First Quarter ended March 31, 2015

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

May 11, 2015

INTRODUCTION

Management's discussion and analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Pan American Silver Corp.'s and its subsidiaries' ("Pan American" or the "Company") performance and such factors that may affect its future performance. The MD&A should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended December 31, 2014 and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014 and the related notes contained therein. All amounts in this MD&A and in the Condensed interim consolidated financial statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Pan American's significant accounting policies are set out in Note 2 of the Audited Consolidated Financial Statements.

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "total cost per ounce of silver", "adjusted earnings" and "basic adjusted earnings per share", which are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these non-GAAP measures as calculated by the Company, additional information has been provided in this MD&A. Please refer to the section entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of all-in sustaining cost per silver ounce sold, total cost per ounce of silver, adjusted earnings and basic adjusted earnings per share, as well as the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the unaudited condensed interim consolidated financial Statements.

Any reference to "cash costs" or "cash costs per ounce of silver" in this MD&A should be understood to mean cash costs per ounce of silver, net of by-product credits.

Except for historical information contained in this MD&A, the following disclosures are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian provincial securities laws or are future oriented financial information and as such are based on an assumed set of economic conditions and courses of action. Please refer to the cautionary note regarding the risks associated with forward looking statements at the back of this MD&A and the "Risks Related to Pan American's Business" contained in the Company's most recent Form 40-F and Annual Information Form on file with the U.S. Securities and Exchange Commission and the Canadian provincial securities regulatory authorities. Additional information about Pan American and its business activities, including its Annual Information Form, is available on SEDAR at www.sedar.com

CORE BUSINESS AND STRATEGY

Pan American engages in silver mining and related activities, including exploration, mine development, extraction, processing, refining and reclamation. The Company owns and operates silver mines located in Peru, Mexico, Argentina, and Bolivia. In addition, the Company is exploring for new silver deposits and opportunities throughout North and South America. The Company is listed on the Toronto Stock Exchange (Symbol: PAA) and on the Nasdaq Global Select Market ("NASDAQ") Exchange in New York (Symbol: PAAS).

Pan American's vision is ***to be the world's pre-eminent silver producer, with a reputation for excellence in discovery, engineering, innovation and sustainable development***. To achieve this vision, we base our business on the following strategy:

- *Generate sustainable profits and superior returns on investments through the safe, efficient and environmentally sound development and operation of silver assets*
- *Constantly replace and grow our mineable silver reserves and resources through targeted near-mine exploration and global business development*
- *Foster positive long term relationships with our employees, our shareholders, our communities and our local governments through open and honest communication and ethical and sustainable business practices*
- *Continually search for opportunities to upgrade and improve the quality of our silver assets both internally and through acquisition*
- *Encourage our employees to be innovative, responsive and entrepreneurial throughout our entire organization*

To execute this strategy, Pan American has assembled a sector leading team of mining professionals with a depth of knowledge and experience in all aspects of our business that allows the Company to confidently advance early stage projects through construction and into operation.

Pan American is determined to conduct its business in a responsible and sustainable manner. Caring for the environment in which we operate, contributing to the long-term development of our host communities and ensuring that our employees can work in a safe and secure manner are core values at Pan American. We are committed to maintaining positive relations with our employees, the local communities and the government agencies, all of whom we view as partners in our enterprise.

HIGHLIGHTS FOR Q1 2015

OPERATIONS & PROJECT DEVELOPMENT

- ***Silver Production of 6.08 million ounces***

Pan American's Q1 2015 silver production of 6.08 million ounces was 8% lower than the 6.61 million ounces produced in Q1 2014. The majority of the quarter over quarter decrease was attributable to grade driven lower production at Manantial Espejo and Alamo Dorado, which produced 0.28 million and 0.22 million less silver ounces, respectively. Huaron and La Colorada partially offset these decreases, both of which improved silver production by 0.07 million and 0.06 million ounces, respectively.

- ***AISCSOS and Cash Costs Targets Achieved***

Consolidated all-in sustaining costs per silver ounce sold net of by-product credits ("AISCSOS") in the three month period ended March 31, 2015 ("Q1 2015") were $14.24, better than the low end of management's 2015 guidance of $15.50 to $16.50, as provided in the Company's 2014 year-end MD&A. Period end net realizable value ("NRV") adjustments to inventories had a $2.05 per ounce favorable effect on Q1 2015 AISCSOS, excluding these effects Q1 2015 AISCSOS would have been $16.29 per ounce, still within the 2015 guidance range. Consolidated cash costs, net of by-product credits for Q1 2015 of $11.71 per silver ounce were within management's 2015 guidance of $10.80 to $11.80 per ounce.

- ***Significant Progress on the La Colorada Expansion Project***

Significant progress was achieved on key components of the expansion project in Q1 2015 including: completing half of the detailed engineering for the new plant; substantially completing the fabrication of the new hoist; making significant advancements in the pilot hole drilling; and completing half of the engineering for the headframe and shaft infrastructure.

FINANCIAL

- ***Strong Liquidity and Working Capital Position, and Continued Returns to Shareholders***

The Company had cash and short-term investment balances of $292.4 million and a working capital position of $488.5 million at March 31, 2015, a decrease of $38.0 million and $34.2 million, respectively, from December 31, 2014. The Company had a modest total debt outstanding of $65.3 million at the end of Q1 2015. The Company's strong balance sheet and positive operating cash flow facilitated the continued return of value to shareholders in Q1 2015 by way of $19.0 million in dividend payments.

- ***Continued Cost Control Discipline***

The Company continued to focus on cost management in the face of a challenging metal price environment. Production costs in Q1 2015 were $1.9 million less than those in Q1 2014. As previously highlighted in Q1 2015 both AISCSOS and cash costs per ounce met or exceeded managmement's expectations and were within the 2015 guidance ranges.

Q1 OPERATING PERFORMANCE

The following table reflects silver production and cash costs, net of by-product credits, at each of Pan American's operations for Q1 2015, as compared to the same period of 2014.

	Silver Production (ounces '000s)		Cash Costs[(1)(2)] ($ per ounce)	
	Three months ended March 31,		Three months ended March 31,	
	2015	2014	2015	2014
La Colorada	**1,263**	1,201	**7.75**	8.14
Dolores	**991**	1,011	**8.79**	11.92
Alamo Dorado	**687**	911	**15.98**	10.69
Huaron[(2)]	**901**	831	**11.87**	11.93
Morococha [(2) (3)]	**515**	590	**17.11**	14.86
San Vicente[(4)]	**967**	1,041	**12.57**	12.73
Manantial Espejo	**753**	1,030	**13.75**	(4.82)
Consolidated Total[(5)]	**6,077**	6,614	**11.71**	8.66

(1) Please refer to the section Alternative Performance (Non-GAAP) Measures for a detailed description of the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the Unaudited Consolidated Financial Statements.

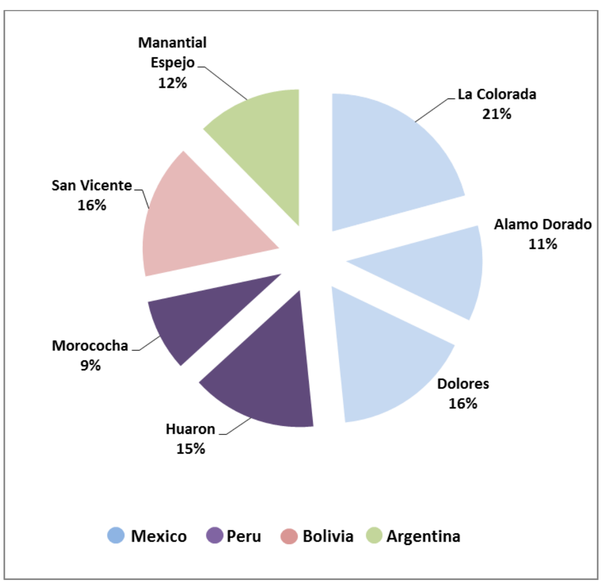
(2) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections on Q1 2014's cash costs was as follows: a $0.41 per ounce increase to consolidated cash costs; a $2.62 per ounce increase to Huaron cash costs; and a $1.32 per ounce increase to Morococha cash costs.

(3) Morococha data represents Pan American's 92.3% interest in the mine's production.

(4) San Vicente data represents Pan American's 95.0% interest in the mine's production.

(5) Totals may not add due to rounding.

The graph below presents silver production by mine in Q1 2015:



Pan American's Q1 2015 silver production of 6.08 million ounces was 8% lower than the 6.61 million ounces produced in Q1 2014. The majority of the quarter over quarter decrease was attributable to lower production at Manantial Espejo and Alamo Dorado, which produced 0.28

million and 0.22 million less silver ounces, respectively. Both decreases were driven by lower silver grades. Huaron and La Colorada partially offset these decreases, both of which improved silver production by 0.07 million and 0.06 million ounces, respectively.

- ***Q1 2015 Cash Costs***

Consolidated cash costs per ounce of silver were $11.71 in Q1 2015, a 35% increase from the cash costs per ounce of $8.66 in the same period of 2014. The cash cost increase was primarily the result of an $18.57 per ounce increase at Manantial Espejo, from a negative $4.82 per ounce cash costs in Q1 2014 to $13.75 per ounce in Q1 2015. This increase resulted from a combination of decreased silver production and gold by-product credits, and a 7% increase in costs. Partially offsetting the increased cash costs was a $3.13 per ounce decrease in quarter over quarter cash costs at Dolores, driven by a 6% decrease in per ounce costs and a 6% increase in per ounce gold by-product credits.

- ***Q1 By-Product Production***

The following tables set out the Company's by-product production for Q1 2015 and the average price for each metal produced, together with comparable amounts for Q1 2014:

By-Product Production For the three months ended March 31,		
	2015	2014
Gold - ounces '000s ("koz")	**37.5**	45.9
Zinc - tonnes '000s ("kt")	**9.3**	11.4
Lead - kt	**3.5**	3.6
Copper - kt	**3.1**	1.7

Average Market Metal Prices For the three months ended March 31,		
	2015	2014
Silver/ounce	**$ 16.71**	$ 20.48
Gold/ounce	**$ 1,218**	$ 1,293
Zinc/tonne	**$ 2,080**	$ 2,029
Lead/tonne	**$ 1,806**	$ 2,106
Copper/tonne	**$ 5,818**	$ 7,041

In Q1 2015 gold production decreased by 8,400 ounces or 18% compared to the same period of 2014. The decrease was primarily the result of Manantial Espejo producing 9.8koz less gold in Q1 2015 due to significantly lower gold grades compared to Q1 2014. This gold production decrease was partially offset by an 11% increase in Dolores gold production, which increased by 1.75koz as a result of improved gold grades offset partially by reduced recovery.

Q1 2015 consolidated copper production from the Company's Peruvian operations was 3.1kt, an 82% increase from the 1.7kt produced in Q1 2014. The increase was mostly attributable to the Morococha mine, which produced almost three times the copper produced in the same quarter in 2014, driven by both improved grades and recoveries. Copper production at Huaron increased by 36% from the same quarter in 2014 because of higher throughput rates and grades.

Consolidated zinc production in Q1 2015 decreased by 2.1kt from that produced in Q1 2014. The decreased zinc production was largely the result of lower grades at the Morococha and San

Vicente mines as compared to Q1 2014. Lead production decreased slightly quarter over quarter as lower lead grades and recoveries at Morococha were mostly offset by higher grades at San Vicente and Huaron.

- ***Q1 2015 AISCSOS***

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for Q1 2015, as compared to Q1 2014.

	Payable Silver Sold (ounces '000s)		AISCSOS[(1)] ($ per ounce)	
	Three months ended March 31,		Three months ended March 31,	
	2015	2014	2015	2014
La Colorada	**1,310**	**1,163**	**9.45**	**10.50**
Dolores	**1,150**	**1,068**	**4.17**	**21.58**
Alamo Dorado	**790**	**1,007**	**14.58**	**10.44**
Huaron	**734**	**653**	**17.02**	**19.97**
Morococha	**498**	**496**	**22.77**	**19.17**
San Vicente[(2)]	**588**	**1,482**	**13.11**	**14.39**
Manantial Espejo	**805**	**865**	**17.86**	**4.96**
Consolidated Total[(2) (3)]	**5,875**	**6,735**	**14.24**	**15.06**

(1) Please refer to the section "Alternative Performance (Non-GAAP) Measures" for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014. Corporate G&A costs are included in the Consolidated AISCSOS, but not allocated in calculating AISCSOS for each operation.

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for quarter ended March 31, 2014 was a $0.48 decrease to the Company's previously reported consolidated AISCSOS of $15.54.

(3) Totals may not add due to rounding.

Consolidated AISCSOS in Q1 2015 were $14.24 per ounce, a 5% reduction from the $15.06 per ounce AISCSOS in Q1 2014. The decline in quarter over quarter AISCSOS resulted mainly from decreased sustaining capital and lower production costs, royalties and treatment and refining costs, partially offset by the impact of lower consolidated silver sales quantities in Q1 2015 compared to Q1 2014.

- ***Q1 Individual Mine Performance***

An analysis of each operation's Q1 2015 operating performance follows, as compared to the operating performance for the comparable period of 2014. Reported metal figures in the tables in this section reflect actual volumes of metals produced.

La Colorada mine

	Three months ended March 31,			
	2015		**2014**	
Tonnes milled - kt		**115.1**		114.2
Average silver grade – grams per tonne		**380**		364
Average silver recovery - %		**89.9**		89.8
Silver – koz		**1,263**		1,201
Gold – koz		**0.61**		0.70
Zinc – kt		**2.05**		1.89
Lead – kt		**0.98**		0.99
Cash cost per ounce net of by-products(1)	**$**	**7.75**	$	8.14
AISCSOS(2)	**$**	**9.45**	$	10.50
Payable silver sold - koz		**1,310**		1,163
Sustaining capital expenditures – thousands(3)	**$**	**2,062**	$	2,899

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

(3) Sustaining capital expenditures excludes $8.7 million of investing activity cash outflow in Q1 2015 ($3.6 million in Q1 2014) related to investment capital incurred on the expansion project as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

The La Colorada mine produced 5% more silver in Q1 2015 than in Q1 2014, primarily the result of increased grades.

The Q1 2015 cash costs of $7.75 per ounce were $0.39 lower than the $8.14 per ounce cash costs in Q1 2014. This 5% decrease was mainly due to higher silver production levels achieved while operating costs remained consistent in Q1 2015 compared to those in Q1 2014.

Q1 2015 AISCSOS decreased by 10% to $9.45 from $10.50 in the comparable quarter of 2014 due primarily to a decrease in sustaining capital expenditures and a 13% increase in the amount of payable silver ounces sold from Q1 2014 levels.

Sustaining capital expenditures at La Colorada during Q1 2015 totalled $2.1 million, the majority of which was spent on mine equipment replacement and rehabilitation, exploration drilling and on processing plant infrastructure.

Dolores mine

	Three months ended March 31,			
	2015		2014	
Tonnes milled - kt		**1,483.2**		1,542.2
Average silver grade – grams per tonne		**47**		38
Average gold grade – grams per tonne		**0.56**		0.37
Average silver recovery - %		**44.2**		54.2
Average gold recovery - %		**67.7**		90.7
Silver – koz		**991**		1,011
Gold – koz		**18.18**		16.43
Cash cost per ounce net of by-products(1)	**$**	**8.79**	$	11.92
AISCSOS(2)	**$**	**4.17**	$	21.58
Payable silver sold - koz		**1,150**		1,068
Sustaining capital expenditures – thousands(3)	**$**	**4,910**	$	6,439

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

(3) Sustaining capital expenditures excludes $8.0 million of investing activity cash outflow in Q1 2015 ($9.6 million in Q1 2014) related to investment capital incurred on Dolores expansion projects as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

Silver production at Dolores in Q1 2015 was 2% lower than in Q1 2014. The relatively consistent silver production was a net result of an improvement in silver grades being offset by lower throughput and recoveries resulting from the sequencing of stacking and leaching of ore on the leach pads.

Cash costs of $8.79 per ounce in Q1 2015 were $3.13 per ounce lower than those in Q1 2014. The 26% decrease in cash costs was the combined result of a 7% decrease in costs before by-product credits, and a $1.30 per ounce increase in by-product credits that resulted from an 11% increase in gold production. The higher gold production was primarily the result of processing higher gold grades, partially offset by lower recoveries.

Q1 2015 AISCSOS decreased by 81% to $4.17 from $21.58 in the comparable quarter of 2014 due primarily to NRV inventory adjustments, which had an $11.84 per ounce favorable effect on Q1 2015 AISCSOS compared to a $2.16 unfavorable effect in Q1 2014. Other factors that improved AISCSOS in Q1 2015 included the combined impact of higher by-product gold credits, lower sustaining capital expenditures and an increase in the quantity of payable silver ounces sold from Q1 2014 levels.

Q1 2015 sustaining capital expenditures at Dolores totalled $4.9 million, comprised almost entirely of pre-stripping activities.

Alamo Dorado mine

	Three months ended March 31,			
	2015		2014	
Tonnes milled - kt		**452.8**		349.7
Average silver grade – grams per tonne		**61**		100
Average gold grade – grams per tonne		**0.21**		0.39
Average silver recovery - %		**81.1**		81.1
Silver – koz		**687**		911
Gold – koz		**3.06**		3.51
Cash cost per ounce net of by-products[(1)]	**$**	**15.98**	$	10.69
AISCSOS[(2)]	**$**	**14.58**	$	10.44
Payable silver sold - koz		**790**		1,007
Sustaining capital expenditures – thousands	**$**	**nil**	$	90

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

As anticipated, Alamo Dorado silver production in Q1 2015 was significantly lower than that in the same period in 2014. Despite higher throughput rates, silver production declined by 25% quarter over quarter due to the expected decline in silver grades as the open pit mining is nearing completion.

Cash costs for Q1 2015 were $15.98 per ounce, an increase of $5.29 per ounce from $10.69 per ounce a year ago. The increase to cash costs was primarily attributable to the decreased silver production as operating costs at the mine remained consistent quarter over quarter. Additionally, by-product credits declined from Q1 2014 to Q1 2015 as a result of lower gold production and prices.

Q1 2015 AISCSOS increased by 40% to $14.58 from $10.44 in the comparable quarter of 2014 due primarily to a 22% decrease in the amount of payable silver ounces sold from Q1 2014 levels.

No capital expenditures were made at Alamo Dorado during Q1 2015.

Huaron mine

	Three months ended March 31,			
	2015		2014[1]	
Tonnes milled - kt		**223.6**		209.1
Average silver grade – grams per tonne		**153**		147
Average copper grade - %		**0.97**		0.75
Average zinc grade - %		**2.38**		2.46
Average silver recovery - %		**83.9**		83.2
Silver – koz		**901**		831
Gold – koz		**0.32**		0.29
Zinc – kt		**3.41**		3.61
Lead – kt		**1.61**		1.43
Copper – kt		**1.62**		1.19
Cash cost per ounce net of by-products[1] [2]	**$**	**11.87**	$	11.93
AISCSOS[3]	**$**	**17.02**	$	19.97
Payable silver sold - koz		**734**		653
Sustaining capital Expenditures – thousands	**$**	**2,318**	$	4,312

(1) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q1 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $2.62 per ounce increase to Huaron's Q1 2014's cash costs per ounce.

(2) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

Q1 2015 silver production at Huaron was 8% more than that produced in Q1 2014. The increased silver production resulted from improved throughput rates and grades, and a slight increase in silver recoveries.

Cash costs per ounce in Q1 2015 were $11.87, relatively consistent with the $11.93 cash costs in Q1 2014. Operating costs in Q1 2015 declined, resulting in a $1.25 per ounce decrease in cash costs before by-product credits, aided by the increased silver production. Largely offsetting this decrease to operating costs was a $1.19 per ounce decrease in by-product credits, which was primarily attributable to decreased zinc production and from lower realized copper and lead prices.

Q1 2015 AISCSOS decreased by 15% to $17.02 from $19.97 in the comparable quarter of 2014 due primarily to a decrease in sustaining capital expenditures and a 12% increase in the amount of payable silver ounces sold from Q1 2014 levels, partially offset by lower by-product credits.

Capital expenditures during Q1 2015 totaled $2.3 million at the Huaron mine and related primarily to equipment refurbishments and replacements, as well as exploration drilling.

Morococha mine[1]

	Three months ended March 31,			
		2015		**2014** [2]
Tonnes milled - kt		**144.8**		139.3
Average silver grade – grams per tonne		**130**		156
Average copper grade - %		**1.25**		0.56
Average zinc grade - %		**2.88**		3.68
Average silver recovery - %		**84.8**		86.6
Silver– koz		**515**		590
Gold – koz		**0.63**		0.50
Zinc – kt		**2.67**		4.09
Lead – kt		**0.76**		1.10
Copper – kt		**1.47**		0.52
Cash cost per ounce net of by-products[2] [3]	**$**	**17.11**	$	14.86
AISCSOS[4]	**$**	**22.77**	$	19.17
Payable silver sold - koz		**498**		496
Sustaining capital expenditures – thousands	**$**	**1,893**	$	1,819

(1) Production figures are for Pan American's 92.3% share only.

(2) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q1 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $1.32 per ounce increase to Morococha's Q1 2014's cash costs per ounce.

(3) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(4) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

The Morococha mine produced 0.51 million ounces of silver during Q1 2015, down 13% from the silver production in the comparable 2014 period. The decrease was mainly attributable to 17% lower grades as throughput rates increased and recoveries declined slightly. The silver grade decline was attributable to mine sequencing into zones of higher copper grades.

Cash costs per ounce in Q1 2015 were $17.11, 15% higher than the $14.86 per ounce a year earlier. The higher cash costs per ounce were primarily due to increased smelting charges associated with higher copper grade ores combined with the impact of lower silver production. The increase to cash costs were partially offset by an improvement in by-product credits driven by the significant increase in copper production in Q1 2015, which was 950 tonnes more than in Q1 2014, partially offset by lower average copper prices. Unit operating costs per tonne processed improved by 10% compared to Q1 2014 as the benefits of the mechanized mining methods in the higher grade copper zones were realized.

Similarly to cash costs, Q1 2015 AISCSOS increased by 19% to $22.77 from $19.17 in the comparable quarter of 2014 due primarily to an increase in production costs and smelting and refining costs, partially offset by higher by-product credits.

Capital expenditures during Q1 2015 totalled $1.9 million at the Morococha mine and related primarily to equipment refurbishments and replacements as well as exploration drilling.

San Vicente mine[1]

	Three months ended March 31,			
	2015		**2014**	
Tonnes milled - kt		**77.7**		79.3
Average silver grade – grams per tonne		**417**		442
Average zinc grade - %		**1.88**		2.96
Average silver recovery - %		**93.4**		92.5
Silver – koz		**967**		1,041
Zinc – kt		**1.13**		1.81
Lead – kt		**0.18**		0.13
Cash cost per ounce net of by-products[2]	**$**	**12.57**	$	12.73
AISCSOS[3]	**$**	**13.11**	$	14.39
Payable silver sold - koz		**588**		1,482
Sustaining capital expenditures – thousands	**$**	**464**	$	786

(1) Production figures are for Pan American's 95.0% share only.

(2) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

Silver production at the San Vicente mine in Q1 2015 was 0.97 million ounces, a 7% decrease from the 1.04 million ounces produced during the same quarter last year. The decrease in silver production was primarily attributable to a 6% decline in silver grades due to mine sequencing. Throughput rates and recoveries remained relatively stable as compared to Q1 2014.

Cash costs at San Vicente were $12.57 per ounce, which was 1% lower than the comparable quarter last year. The reduction in cash costs was largely the result of reductions in royalty costs due to lower metal prices, as well as reduced operating, smelting and refining costs. Partially offsetting these cost reductions was a $0.98 per ounce decrease in by-product credits resulting from the decline in zinc production and lower by-product metal prices.

Q1 2015 AISCSOS decreased by 9% to $13.11 from $14.39 in the comparable quarter of 2014 due primarily to higher by-product credits, and much lower production costs, royalties and smelting and refining costs which resulted from a 60% decrease in the quantity of payable silver ounces sold compared to Q1 2014 levels. Silver sales volumes were lower in Q1 2015 due to the timing of shipments of high-grade silver concentrates from the mine.

Capital expenditures at San Vicente during Q1 2015 totalled $0.5 million and comprised mainly of minor infrastructure investments and equipment rebuilds.

Manantial Espejo mine

	Three months ended March 31,			
	2015		2014	
Tonnes milled -		**199.2**		191.2
Average silver grade – grams per tonne		**126**		174
Average gold grade – grams per tonne		**2.41**		3.85
Average silver recovery - %		**91.7**		92.3
Average gold recovery - %		**94.4**		95.9
Silver – koz		**753**		1,030
Gold – koz		**14.69**		24.45
Cash cost per ounce net of by-products(1)	**$**	**13.75**	$	(4.82)
AISCSOS(2)	**$**	**17.86**	$	4.96
Payable silver sold - koz		**805**		865
Sustaining capital expenditures – thousands	**$**	**4,880**	$	8,357

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed reconciliation of this measure to our cost of sales.

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014.

Silver production at the Manantial Espejo mine in Q1 2015 was 0.75 million ounces, a 27% decrease from the same quarter last year, primarily the result of a 28% decline in silver grades. The decline in silver grades resulted from the processing of lower-grade stockpiles in the quarter while the open pit undertook waste stripping activities; whereas, open pit mining during Q1 2014 encountered high grade ore zones. It is anticipated that open pit mining will access higher-grade ore zones in the subsequent quarters of 2015.

Cash costs per ounce increased from a negative $4.82 per ounce in Q1 2014 to $13.75 per ounce in Q1 2015. This increase to cash costs was the combined effect of an $11.83 per ounce increase in cash costs per ounce before by-product credits, and a $6.74 per ounce decrease in by-product credits. The increased cash costs per ounce before by-product credits resulted predominantly from the grade driven decline in silver production and secondly from increased operating costs resulting from the increased throughput. Operating costs in Q1 2014 benefitted from a significant local currency devaluation that occurred during that quarter. The decrease in by-product credits per ounce was due to a 40% decrease in gold production, resulting from lower gold grades, combined with lower realized gold prices.

Similarly to cash costs, Q1 2015 AISCSOS increased by 260% to $17.86 from $4.96 in the comparable quarter of 2014 due to the combined impact of higher operating costs and net realizable value adjustments on inventory, lower by-product gold credits and a decrease in the amount of payable silver ounces sold from Q1 2014 levels. These impacts were partially offset by lower sustaining capital in Q1 2015 compared to Q1 2014.

Capital expenditures at Manantial Espejo during Q1 2015 totalled $4.9 million and consisted mainly of capitalized open-pit pre-stripping activities and exploration drilling.

2015 OPERATING OUTLOOK

Although the Q1 2015 consolidated silver production of 6.08 million ounces is slightly less than the production rate required to achieve management's full year forecast range of 25.50 to 26.50 million silver ounces, as indicated in the 2014 year end MD&A, management reaffirms the annual production forecast. Similarly, despite the gold production of 37.5koz in the quarter being slightly less than management's expected annual production rate, the annual production forecast of between 165koz to 175koz remains. Copper production in Q1 2015 was ahead of management's expectations while zinc and lead production was slightly less than the expected annual production rate. Based on the Company's operating plans for the balance of 2015, management remains confident that full year production of all base metals will be within the guidance ranges provided in the 2014 year end MD&A.

Cash costs in Q1 2015 of $11.71 per ounce and AISCSOS of $14.24 met and surpassed management's 2015 full year forecast of $10.80 to $11.80 per ounce and $15.50 to $16.50 per ounce, respectively. At the date of this MD&A, management reaffirms the guidance for cash costs per ounce and AISCSOS for the full year of 2015 as presented in the 2014 Annual MD&A.

Total sustaining capital investments for Q1 2015 was $16.5 million, while invested project development capital totaled $12.6 million for the quarter. This level of capital investment was in line with management's plans and forecasts for the full 2015 year. Management continues to expect sustaining capital and investment capital for 2015 to be approximately $71.0 to $84.0 million, and $90.0 to 97.0 million, respectively.

Q1 2015 PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's significant projects in Q1 2015 as compared to Q1 2014:

Project Development (thousands of USD)	**Three months ended March 31,**	
	2015	**2014**
Dolores Projects	$ **4,991**	$ 9,565
La Colorada Expansion	**7,570**	3,628
Navidad (1)	**2,656**	778
Total	$ **15,217**	$ 13,971

(1) Development spending at Navidad is expensed as incurred which will continue until such time a change in circumstances regarding the project warrant project costs being capitalized.

- ***La Colorada Expansion Project***

Pan American invested $7.6 million in Q1 2015 comprised largely of: (i) new equipment and engineering work for the new sulphide plant; (ii) new shaft and hoist development, including pilot-hole drilling, new infrastructure, headframe engineering, and underground equipment and development; and, (iii) project site infrastructure and related indirect costs.

There were $8.7 million of investing activity cash outflows relating to the expansion project in Q1 2015 resulting from investments and changes in accounts payable during the quarter.

The following progress on the expansion project was achieved during the quarter:

- Completed approximately half of the detailed engineering for the new sulphide plant, and started receiving the primary process equipment;
- Substantially completed the fabrication of the new hoist;

- Completed the drilling of 270 meters of the shaft pilot hole, and completed 500 meters of underground development;
- Completed approximately half of the detailed engineering of the headframe and shaft infrastructure; and
- Continued negotiations with the local power authority related to the installation of a new 115 kV power line.

In the second quarter of the year ("Q2 2015") the construction of the new plant is expected to commence, with the planned completion of the plant expected in mid-2016. The shaft pilot hole drilling is expected to be completed in Q2 2015, as is the commencement of the full-diameter reaming of the new shaft. Other project milestones planned for 2015 include: completing detailed engineering for the new head-frame and shaft infrastructure; procuring the head-frame; and, installation of the new hoist.

- ***Dolores Projects***

Pan American invested $5.0 million relating to Dolores projects in Q1 2015 comprised predominantly of approximately $3.4 million invested in the new power line development, with the remainder of the investment relating mostly to a new exploration ramp.

With regards to the new power-line, the Company successfully completed the right of way agreements in the quarter, and an agreement for the construction of the new line was negotiated with a Chihuahua based company. Work on the new line commenced in Q1 2015 including beginning the development of the transformer station, the grid-power connection point, and preparation of holes for the new powerline poles. The Company expects receipt of the environmental permit for the construction of the power-line in the second quarter, and the construction completion continues to be expected by mid-2016.

There were $8.0 million of investing activity cash outflows relating to the expansion project in Q1 2015 resulting from investments and changes in accounts payable during the quarter.

OVERVIEW OF Q1 FINANCIAL RESULTS

- ***Quarterly Information***

The following tables set out selected quarterly results for the past nine quarters, which are stated in thousands of USD, except for the per share amounts. The dominant factors affecting results in the quarters presented below are volatility of metal prices realized, industry wide cost pressures, and the timing of the sales of production which varies with the timing of shipments. The fourth quarter of 2014 included impairment charges related to Dolores, Manantial Espejo, Alamo Dorado and certain exploration and development properties including Navidad. The fourth quarter of 2013 included impairment charges to Dolores, and the second quarter of 2013 included impairment charges to Dolores and certain exploration and development properties.

2015		Quarter Ended (unaudited)
(In thousands of USD, other than per share amounts)		March 31
Revenue	$	178,125
Mine operating earnings	$	2,630
Attributable loss for the period	$	(19,371)
Basic loss per share	$	(0.13)
Diluted loss per share	$	(0.13)
Cash flow from operating activities	$	11,946
Cash dividends paid per share	$	0.125
Other financial information		
Total assets	$	1,981,705
Total long term financial liabilities	$	82,057
Total attributable shareholders' equity	$	1,524,911

2014	Quarter Ended (unaudited)								Year Ended	
(In thousands of USD, other than per share amounts)	March 31		June 30		Sept 30		Dec 31		Dec 31	
Revenue	$	209,734	$	200,847	$	178,265	$	163,096	$	751,942
Mine operating earnings (loss)	$	31,576	$	10,245	$	(12,378)	$	(21,369)	$	8,073
Attributable earnings (loss) for the period	$	6,844	$	(5,472)	$	(20,254)	$	(526,706)	$	(545,588)
Basic earnings (loss) per share	$	0.05	$	(0.04)	$	(0.13)	$	(3.48)	$	(3.60)
Diluted earnings (loss) per share	$	0.05	$	(0.04)	$	(0.15)	$	(3.48)	$	(3.60)
Cash flow from operating activities	$	36,125	$	48,895	$	38,345	$	823	$	124,188
Cash dividends paid per share	$	0.125	$	0.125	$	0.125	$	0.125	$	0.50
Other financial information										
Total assets									$	2,017,873
Total long term financial liabilities									$	79,823
Total attributable shareholders' equity									$	1,563,092

2013	Quarters Ended (unaudited)								Year Ended	
(In thousands of USD, other than per share amounts)	March 31		June 30		Sept 30		Dec 31		Dec 31	
Revenue	$	243,012	$	175,576	$	213,556	$	192,360	$	824,504
Mine operating earnings	$	74,816	$	3,814	$	33,934	$	18,955	$	131,519
Attributable earnings (loss) for the period	$	20,148	$	(186,539)	$	14,154	$	(293,615)	$	(445,851)
Basic earnings (loss) per share	$	0.13	$	(1.23)	$	0.09	$	(1.94)	$	(2.94)
Diluted earnings (loss) per share	$	0.10	$	(1.23)	$	0.09	$	(1.94)	$	(2.96)
Cash flow from operating activities	$	32,251	$	469	$	40,730	$	46,156	$	119,606
Cash dividends paid per share	$	0.125	$	0.125	$	0.125	$	0.125	$	0.50
Other financial information										
Total assets									$	2,767,456
Total long term financial liabilities									$	110,088
Total attributable shareholders' equity									$	2,182,334

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- ***Income Statement***

A Net loss of $19.8 million recorded in Q1 2015 compared to net income of $6.8 million earned in Q1 2014, this corresponds to a basic loss per share of $0.13 in Q1 2015 compared to basic earnings per share of $0.05 in Q1 2014. The majority of the decrease to net income was due to $28.9 million less in mine operating earnings, which was primarily attributable to lower realized metal prices in the quarter compared to those in Q1 2014. Partially offsetting the negative effect of decreased revenues were positive variances in production costs, royalties and income taxes.

The following table highlights the key items that resulted in the net loss in Q1 2015 as compared to the net income recorded in Q1 2014:

Q1 2014 net income (in thousands of USD)			**$ 6,760**
Decreased revenue:			
Lower realized metal prices	$	(29,583)	
Lower quantities of metal sold		(6,050)	
Settlement adjustments		2,287	
Decreased treatment and refining charges		1,737	
Total change in revenue			**$ (31,609)**
Decreased cost of sales:			
Lower production costs and royalty charges		6,321	
Higher depreciation and amortization		(3,658)	
Total change in cost of sales			**2,663**
Increased foreign exchange loss			(846)
Increased exploration and project development expense			(774)
Increased general and administrative expense			(122)
Decreased income taxes			1,992
Increased gain on commodity contracts asset sales and derivatives			1,096
Increased other and investment income, net			515
Decreased interest and finance expense			540
Q1 2015 net loss			**$ (19,785)**

Revenue for Q1 2015 was $178.1 million, a 15% decrease from the $209.7 million of revenue recognized in Q1 2014. The major factors behind the revenue decrease was a $29.6 million price variance from lower metal prices realized for all metals and a $6.1 million variance from lower quantities of metals sold. Offsetting these revenue effects was $2.3 million less in negative settlement adjustments and $1.7 million positive variance in treatment and refining charges.

The following table reflects the metal prices realized by the Company and the quantities of metal sold during each quarter. Realized prices for all metals sold decreased from those realized in Q1 2014. Copper, lead, and silver prices experienced the most significant decreases, falling 23%, 21% and 18%, respectively. Silver sales volumes in Q1 2015 were 13% lower than Q1 2014 volumes, the combined result of lower quarter over quarter silver production and the build-up of silver inventories at certain mines in Q1 2015. Gold sales quantities in Q1 2015 outpaced volumes in the same period of 2014 as several shipments of 2014 production from Manantial Espejo were released in Q1 2015. Copper sales in Q1 2015 were more than twice Q1 2014 copper sales, a direct result of the increased copper production.

	Realized Metal Prices For the three months ended March 31,		Quantities of Metal Sold For the three months ended March 31,	
	2015	**2014**	**2015**	**2014**
Silver[1] – ounces	**$ 16.43**	$ 19.99	**5,875,031**	6,735,313
Gold[1] – ounces	**$ 1,226**	$ 1,283	**49,229**	46,695
Zinc[1] – tonnes	**$ 2,032**	$ 2,038	**8,596**	9,547
Lead[1] – tonnes	**$ 1,671**	$ 2,103	**3,128**	3,234
Copper[1] – tonnes	**$ 5,386**	$ 6,995	**2,760**	1,323

(1) Metal price stated as dollars per ounce for silver and gold, and dollars per tonne for zinc, lead and copper, inclusive of final settlement adjustments on concentrate sales.

Mine operating earnings of $2.6 million in Q1 2015 were $28.9 million lower than the $31.6 million generated in Q1 2014. Mine operating earnings are equal to revenue less cost of sales, substantially the same as gross margin. The decrease in mine operating earnings was primarily the result of the $31.6 million lower revenues previously discussed. Production costs remained relatively consistent quarter over quarter, while royalties decreased $4.4 million, a function of the previously discussed decrease in metal prices. Depreciation and amortization of $40.5 million was $3.7 million higher than that expensed in Q1 2014. The depreciation increase resulted primarily from increased gold sales volumes at the Manantial Espejo and Dolores mines in Q1 2015 compared to those in Q1 2014, partially offset by decreased silver sales volumes largely at San Vicente.

General and administrative expense, including share-based compensation expense, was $5.7 million in Q1 2015, comparable to the $5.6 million expense recorded in Q1 2014. Share-based compensation for Q1 2015 was $0.8 million, lower than the $1.2 million expense recorded in Q1 2014.

Exploration and project development expenses of $3.8 million in Q1 2015 compared to $3.0 million incurred in Q1 2014. The expenses recorded in each quarter primarily related to exploration and project development activities near the Company's existing mines, at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project. During Q1 2015 there were no significant developments affecting the status of the Navidad project.

Foreign exchange losses in Q1 2015 were $6.4 million, comparable to a loss of $5.5 million in Q1 2014. Each quarters' losses were generated primarily on the Company's Canadian dollar ("CAD") treasury balances as the Canadian dollar devalued against the US dollar in both Q1 2015 and Q1 2014 by approximately 8% and 4%, respectively. At March 31, 2015, the Company had $34.7 million of its treasury balance denominated in CAD.

Interest and finance expense for Q1 2015 was $2.2 million, similar to the $2.8 million in Q1 2014, and consisted of accretion of the Company's closure liabilities and interest expense associated with short term loans, leases and the outstanding convertible notes.

Investment income for Q1 2015 totalled $0.3 million compared to $0.6 million earned in Q1 2014 and continued to consist mainly of interest income and net gains from the sales of the securities within the Company's short-term investment portfolio.

Income taxes for Q1 2015 were $6.7 million, a $2.0 million decrease from the $8.7 million income tax provision recorded in Q1 2014 and were comprised of current and deferred income taxes. The decrease in the provision for income taxes was primarily a consequence of decreased taxable earnings generated at our operations as well as the effects of various temporary and permanent differences as shown in the table below. These resulted in effective tax rates that vary considerably from the comparable period and from the amount that would result from applying the Canadian federal and provincial statutory income tax rates to earnings before income taxes, as set out in the table that follows. The main factors which have affected the effective tax rates for the three months ended March 31, 2015 and the comparable period of 2014 were foreign tax rate differences, non-deductible expenses, foreign exchange rate (gains)/losses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes paid on payments from foreign subsidiaries. The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

Three months ended March 31, (in thousands of USD)	2015	2014
(Loss) Income before taxes	$ (13,084)	$ 15,453
Statutory tax rate	26.00%	26.00%
Income tax (recovery) expense based on above rates	$ (3,402)	$ 4,018
Increase (decrease) due to:		
Non-deductible expenses	895	991
Foreign tax rate differences	(1,244)	999
Change in net deferred tax assets not recognized		
- Argentina exploration expenses	1,149	183
- Other deferred tax assets not recognized	581	2,289
Non-taxable unrealized (gains) losses on derivative financial instruments	(60)	26
Effect of other taxes paid (mining and withholding)	3,276	1,626
Non-deductible foreign exchange losses (gains)	5,294	(1,765)
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12	300	855
Other	(88)	(529)
Income tax expense	$ 6,701	$ 8,693
Effective tax rate	(51.22)%	56.25%

- ***Statement of Cash Flows***

Cash flow from operations in Q1 2015 generated $11.9 million, $24.2 million less than the $36.1 million generated in Q1 2014. The operating cash flow decrease was predominantly due to the decline in cash revenue in Q1 2015 compared to Q1 2014. This reduction to cash revenue arose on the decline in metal prices as previously described in the Income Statement section. Offsetting this decrease were $7.8 million less in income taxes paid compared to those paid in Q1 2014, and an $8.6 million positive variance in quarter over quarter working capital changes. The major difference in quarter over quarter working capital movements arose on the timing of trade and other receivables balances ("Receivables"), and accounts payable and accrued liability balances ("Payables"). Receivables changes in Q1 2015 resulted in a $2.4 million source of cash compared to a $21.2 million use of cash in Q1 2014. Partially offsetting this variance were changes in Payables resulting in an $8.3 million use of cash in Q1 2015 compared to a $5.3 million source of cash in Q1 2014.

Investing activities used $33.5 million in Q1 2015, inclusive of $1.2 million spent on net purchases of short-term investments. The balance of Q1 2015 investing activities consisted primarily of spending $32.4 million on mineral property plant and equipment capital at the Company's mines and projects as previously described in the Operating Performance section. In Q1 2014, investing activities used $84.7 million inclusive of $47.7 million spent on net purchases of short-term investments, and $36.8 million spent on mineral property plant and equipment capital at the Company's various operations and projects.

Financing activities in Q1 2015 used $15.0 million compared to $22.7 million in Q1 2014. Cash used in financing activities in Q1 2015 consisted of $19.0 million paid as dividends to shareholders, $5.3 million in short term debt proceeds received and $1.3 million of lease repayments. In Q1 2014 $18.9 million in dividends were paid, $2.7 million in short-term debt repayment (net of proceeds), and $1.1 million of leases paid.

- ***Select Annual Information***

(In thousands of USD, other than per share amounts)	Years ended December 31, 2014	2013	2012
Revenue	$ 751,942	$ 824,504	$ 928,594
Mine operating earnings	$ 8,073	$ 131,519	$ 303,944
Attributable (loss) earnings for the period	$ (545,588)	$ (445,851)	$ 78,200
Basic (loss) earnings per share	$ (3.60)	$ (2.94)	$ 0.56
Diluted (loss) earnings per share	$ (3.60)	$ (2.96)	$ 0.49
Cash flow from operating activities	$ 124,188	$ 119,606	$ 193,305
Cash dividends paid per share	$ 0.50	$ 0.50	$ 0.175
Other financial information			
Total assets	$ 2,017,873	$ 2,767,456	3,394,625
Total long term financial liabilities	$ 79,823	$ 110,088	143,022
Total attributable shareholders' equity	$ 1,563,092	$ 2,182,334	2,710,243

LIQUIDITY POSITION

The Company's cash balance at March 31, 2015 was $109.9 million, which was a decrease of $36.3 million from the balance at December 31, 2014, while the balance of the Company's short-term investments at March 31, 2015 was $182.5 million, a decrease of $1.7 million from the 2014 year-end. The combined liquidity decrease in Q1 2015 of $38.0 million resulted primarily from capital expenditures on property, plant and equipment, the cash utilized for the payment of dividends, partially offset by cash generated in operating activities. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize return. The Company's strategy to achieve these objectives is to invest excess cash balances in a portfolio of primarily fixed income instruments with specified credit rating targets established by the Board of Directors, and by diversifying the currencies in which it maintains its cash balances.

Working capital at March 31, 2015 was $488.5 million, a decrease of $34.2 million from the 2014 year-end working capital of $522.7 million. The decrease in working capital was mainly due to the decrease in cash and short-term investments described above, together with a $13.1 million decrease in inventories, partially offset by an $9.0 increase in income taxes receivable (net of current income tax liabilities), and a $7.9 million net decrease in current liabilities other than current income tax liabilities.

The Company's financial position at March 31, 2015 and the operating cash flows that are expected over the next twelve months lead management to believe that the Company's liquid assets are sufficient to fund currently planned capital expenditures for existing operations and to discharge liabilities as they come due. The Company remains well positioned to take advantage of further strategic opportunities as they become available.

The impact of inflation on the Company's financial position, operational performance, or cash flows over the next twelve months cannot be determined with any degree of certainty.

CAPITAL RESOURCES

Total attributable shareholders' equity at March 31, 2015 was $1,524.9 million, a decrease of $38.2 million from December 31, 2014, primarily because of the $19.8 million net loss for the quarter and $19.0 million in dividends paid. As of March 31, 2015, the Company had approximately 151.6 million common shares outstanding for a share capital balance of $2,296.7 million (December 31, 2014 – 151.6 million and $2,296.7 million). The basic weighted average number of common shares outstanding was 151.6 million and 151.5 million for the quarter ended March 31, 2015, and 2014, respectively.

On December 17, 2014, the Company announced that the Toronto Stock Exchange (the "TSX") accepted the Company's notice of its intention to make a normal course issuer bid ("NCIB") to purchase up to 7,575,290 of its common shares, representing up to 5% of Pan American's issued and outstanding shares. The period of the bid began on December 22, 2014 and will continue until December 21, 2015 or an earlier date should the Company complete its purchases. This is the Company's fourth consecutive NCIB program. However, no shares have been repurchased under this current program up until the date of this MD&A. Under the Company's previous program that ended on December 4, 2014, nil shares were purchased. Since initiating share buy backs in 2011, the Company has acquired and cancelled approximately 6.5 million of its shares.

Purchases pursuant to the NCIB are required to be made on the open market through the facilities of the TSX and the NASDAQ at the market price at the time of acquisition of any common shares, and in accordance with the rules and policies of the TSX and NASDAQ and applicable securities laws. Pan American is not obligated to make any further purchases under the program. All common shares acquired by the Company under the share buy-back programs have been cancelled and purchases were funded out of Pan American's working capital.

Pan American maintains the NCIB because, in the opinion of its Board of Directors, the market price of its common shares, from time to time, may not fully reflect the underlying value of its mining operations, properties and future growth prospects. The Company believes that in such circumstances, the outstanding common shares represent an appealing investment for Pan American since a portion of the Company's excess cash generated on an annual basis can be invested for an attractive risk adjusted return on capital through the share buy-back program.

A copy of the Company's notice of its intention to make a NCIB filed with the TSX can be obtained from the Corporate Secretary of Pan American without charge.

As at March 31, 2015, the Company had approximately 1.2 million stock options outstanding, with exercise prices in the range of CAD $11.49 to CAD $40.22 and a weighted average life of 59 months. $0.8 million of the stock options were vested and exercisable at March 31, 2014 with an average weighted exercise price of $22.07 per share.

The following table sets out the common shares, warrants and options outstanding as at the date of this MD&A:

	Outstanding as at May 11, 2015
Common shares	151,643,372
Options	1,203,653
Total	**152,847,025**

Additionally, as described in the March 31, 2015 unaudited condensed interim consolidated financial statements in the note entitled Long Term Debt (Note 14), the Company has outstanding convertible notes associated with the Minefinders acquisition that could result in the issuance of a variable amount of common shares.

On April 15, 2015, the Company entered into a senior secured revolving credit facility (the "Facility") with a syndicate of eight lenders. The Facility is a US$300 million secured revolving line of credit that matures on April 15, 2019 and is available for general corporate purposes, including acquisitions. The terms of the Facility provide the Company with the flexibility of various borrowing and letter of credit options. With respect to loans drawn based on the average annual rate of interest at which major banks in the London interbank market are offering deposits in US Dollars ("LIBOR"), the interest margin on such loan is between 2.125% and 3.125% over LIBOR, depending on the Company's leverage ratio at the time of a specified reporting period. At the date of this MD&A, no drawings had been made under the Facility.

FINANCIAL INSTRUMENTS

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts. However, at March 31, 2015, the Company had no metal under contract.

A part of the Company's operating and capital expenditures is denominated in local currencies other than the USD. These expenditures are exposed to fluctuations in USD exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit the Company's exposure to changes in the value of local currencies relative to the USD, or assuming liability positions to offset financial assets subject to currency risk. The Company held cash and short-term investments of $34.7 million in CAD, $21.2 million in Mexican Pesos and $1.0 million in Peruvian Soles at March 31, 2015. The Company had no open foreign currency forward contract positions at the end of Q1 2015 and at the date of this MD&A. During Q1 2015, the Company maintained short term bank loans in Argentina and at March 31, 2015 had a balance outstanding of $22.7 million (December 31, 2014: $17.6 million). These loans are denominated in Argentine Pesos and were drawn for the purposes of short-term cash management and to partially offset the foreign exchange exposure of holding local currency denominated financial assets.

During Q1 2015, the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices (the "Diesel Swaps"). The Diesel Swaps had an initial notional value of $13.0 million.

The Company recorded a $0.6 million gain on the Diesel Swaps in Q1 2015, compared to no such gain or loss in Q1 2014, other than this there were no other gains or losses on any commodity or foreign currency contracts in either Q1 2015 or Q1 2014.

The Company's share purchase warrants with an exercise price of CAD $35 per share expired in December 2014. During Q1 2014, the Company recorded a gain on the revaluation of the share purchase warrants of $0.1 million.

The carrying value of the conversion feature on convertible notes is at fair value; while cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments.

The conversion feature of the convertible notes acquired in the Minefinders transaction was reflected at fair value and is adjusted each period. The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative were recognized initially at their respective fair values. The embedded derivative is now recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized as amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date. Assumptions used in the fair value calculation of the embedded derivative component at March 31, 2015 were expected stock price volatility of 48%, expected life of 0.7 years, and expected dividend yield of 5.7%.

During Q1 2015 and Q1 2014, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $0.2 million and $(0.2) million, respectively.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company does not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material, other than those disclosed in this MD&A and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 and 2014, and the related notes contained therein.

The Company had the following contractual obligations at March 31, 2015:

Payments due by period (in thousands of USD)	Total	Within 1 year[2]	2 - 3 years	4 - 5 years	After 5 years
Current liabilities	$ 111,076	$ 111,076	$ -	$ -	$ -
Loan obligation	24,050	24,050	-	-	-
Finance lease obligations[1]	7,941	4,169	3,772	-	-
Severance accrual	4,251	1,228	335	764	1,924
Provisions	4,979	3,154	455	733	637
Income taxes payable	21,234	21,234	-	-	-
Restricted share units ("RSUs") [3]	2,112	1,400	712	-	-
Preferred share units ("PSUs") [4]	267	-	267	-	-
Current portion of long term debt [5]	37,866	37,866	-	-	-
Total contractual obligations[6]	**$ 213,776**	**$ 204,177**	**$ 5,541**	**$ 1,497**	**$ 2,561**

(1) Includes lease obligations in the amount of $7.9 million (December 31, 2014 - $8.4 million) with a net present value of $7.6 million (December 31, 2014 - $8.0 million) discussed further in Note 13 of the Unaudited Condensed Interim Consolidated Financial Statements.

(2) Includes all current liabilities as per the statement of financial position plus items presented separately in this table that are expected to be paid but not accrued in the books of the Company. A reconciliation of the current liabilities balance per the statement of financial position to the total contractual obligations within one year per the commitment schedule is shown in the table below.

March 31, 2015		Future interest component	Within 1 year
Current portion of:			
Accounts payable and other liabilities	$ 111,076	$ -	**$ 111,076**
Loan obligation	22,718	1,332	**24,050**
Current severance liability	1,228	-	**1,228**
Current portion of finance lease	3,952	217	**4,169**
Employee Compensation PSU's & RSU's	687	713	**1,400**
Convertible note	34,986	2,880	**37,866**
Provisions	3,154	-	**3,154**
Income tax payable	21,234	-	**21,234**
Total contractual obligations within one year	$ 199,035	$ 5,142	**$ 204,177**

(3) Includes RSU obligation in the amount of $2.1 million (December 31, 2014 – $2.2 million) that will be settled in cash. The RSUs vest in two instalments, 50% one year from date of grant and 50% two years from date of grant. Refer to Note 16 of the Unaudited Condensed Interim Consolidated Financial Statements for further details.

(4) Includes PSU obligation in the amount of $0.3 million (December 31, 2014- $nil) that will be settled in cash. The PSU's vest three years from date of grant.

(5) Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 14 of the Unaudited Condensed Interim Consolidated Financial Statements for further details.

(6) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 15 of the Unaudited Condensed Interim Consolidated Financial Statements, and deferred tax liabilities.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2015, a company indirectly owned by a trust of which a director of the Company, Robert Pirooz, is a beneficiary, was paid approximately $1.4 million (Q1 2014 -$0.2 million) for consulting services, inclusive of a termination of services payment, charged to general and administrative costs. These transactions are at the exchange amount, which is the amount of consideration established and agreed to by the parties.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- ***AISCSOS***

We believe that AISCSOS reflects a comprehensive measure of the full cost of operating our consolidated business given it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow. To facilitate a better understanding of this measure as calculated by the Company, the following table provides the detailed reconciliation of this measure to the applicable cost items, as reported in the consolidated income statements for the respective periods:

Three months ended March 31, (In thousands of USD, except as noted)			**2015**		**2014 (1)**
Direct operating costs		**$**	**141,034**	$	128,570
Net realizable value ("NRV") inventory adjustments			**(12,060)**		2,308
Production costs		**$**	**128,974**	$	130,878
Royalties			**6,003**		10,420
Smelting, refining and transportation charges(2)			**19,789**		21,526
Less by-product credits(2)			**(97,899)**		(95,437)
Cash cost of sales net of by-products		**$**	**56,865**	$	67,388
Sustaining capital(3)		**$**	**16,526**	$	24,698
Exploration and project development			**3,754**		2,980
Reclamation cost accretion			**810**		819
General & administrative expense			**5,700**		5,578
All-in sustaining costs(4)	**A**	**$**	**83,655**	$	101,463
Payable ounces sold (in thousands)	**B**		**5,875**		6,735
All-in sustaining cost per silver ounce sold, net of by-products	**A/B**	**$**	**14.24**	$	15.06
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV adjustments)		**$**	**16.29**	$	14.72

(1) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. For the three months ended March 31, 2014 the effect of this revision was a $0.48 decrease to the previously reported consolidated Q1-14 AISCSOS of $15.54.

(2) Included in the revenue line of the unaudited condensed interim consolidated income statements and are reflective of realized metal prices for the applicable periods.

(3) Please refer to the table below.

(4) Totals may not add due to rounding.

As part of the AISCSOS measure, sustaining capital is included while expansionary or acquisition capital (referred to by the Company as investment capital) is not. Inclusion of sustaining capital only is a better measure of capital costs associated with current ounces sold as opposed to investment capital, which is expected to increase future production. For the periods under review, the below noted items associated with the La Colorada expansion project, Navidad project, and Dolores' leach pad and other expansionary expenditures are considered investment capital projects.

Reconciliation of payments for mineral property, plant and equipment and sustaining capital (in thousands of USD)	Three months ended March 31, 2015	2014
Payments for mineral property, plant and equipment[1]	**$ 32,446**	$ 36,811
Add/(Subtract)		
Advances received for leases	**920**	1,179
Non-Sustaining capital (Dolores and La Colorada projects, and other)	**(16,840)**	(13,292)
Sustaining Capital[2]	**$ 16,526**	**$** 24,698

(1) As presented on the unaudited condensed interim consolidated statements of cash flows.

(2) Totals may not add due to rounding

Three months ended March 31, 2015 [1] (in thousands of USD except as noted)

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total
Direct Operating Costs	$ 12,861	$ 37,833	$ 17,665	$ 17,097	$ 18,473	$ 5,782	$ 31,322	-	**$ 141,034**
Net Realizable Value Adjustments	-	(13,609)	(478)	-	-	-	2,027	-	**(12,060)**
Production costs	$ 12,861	$ 24,224	$ 17,187	$ 17,097	$ 18,473	$ 5,782	$ 33,349	-	**$ 128,974**
Royalties	106	1,451	95	-	-	3,558	794	-	**6,003**
Smelting, refining and other direct selling charges	2,949	31	100	6,467	6,750	1,551	1,941	-	**19,789**
Less by-product credits	(5,663)	(26,092)	(5,922)	(13,616)	(16,046)	(3,707)	(26,853)	-	**(97,899)**
Cash cost of sales net of by-products	**$ 10,253**	**$ (387)**	**$ 11,459**	**$ 9,948**	**$ 9,177**	**$ 7,184**	**$ 9,231**	**$ -**	**$ 56,865**
Sustaining capital	2,062	4,910	-	2,318	1,893	464	4,880	-	**16,526**
Exploration	1	188	2	73	169	-	-	3,321	**3,754**
Reclamation cost accretion	59	90	58	150	96	56	274	26	**810**
General & Administrative expense	-	-	-	-	-	-	-	5,700	**5,700**
All-in sustaining costs	**$ 12,376**	**$ 4,801**	**$ 11,520**	**$ 12,489**	**$ 11,335**	**$ 7,705**	**$ 14,384**	**$ 9,047**	**$ 83,655**
Payable silver ounces sold	**1,310,147**	**1,150,000**	**790,000**	**733,728**	**497,865**	**587,864**	**805,427**	-	**5,875,031**
All-in Sustaining Costs per Silver Ounce Sold	**$ 9.45**	**$ 4.17**	**$ 14.58**	**$ 17.02**	**$ 22.77**	**$ 13.11**	**$ 17.86**	-	**$ 14.24**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 9.45**	**$ 16.01**	**$ 15.19**	**$ 17.02**	**$ 22.77**	**$ 13.11**	**$ 15.34**	-	**$ 16.29**

(1) Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total
Three months ended March 31, 2014 (1) (in thousands of USD except as noted)									
Direct Operating Costs	$ 12,220	$ 35,245	$ 16,102	$ 17,159	$ 16,068	$ 10,880	$ 20,896	-	**$ 128,570**
Net Realizable Value Adjustments	-	2,308	-	-	-	-	-	-	**2,308**
Production costs	$ 12,220	$ 37,553	$ 16,102	$ 17,159	$ 16,068	$ 10,880	$ 20,896	-	**$ 130,878**
Royalties	112	1,401	132	-	-	7,263	1,511	-	**10,420**
Smelting, refining and other direct selling charges	2,741	49	189	5,855	4,248	5,450	2,995	-	**21,526**
Less by-product credits	(5,817)	(22,860)	(6,063)	(14,841)	(12,904)	(3,099)	(29,852)	-	**(95,437)**
Cash cost of sales net of by-products	**$ 9,256**	**$ 16,143**	**$ 10,359**	**$ 8,173**	**$ 7,412**	**$ 20,494**	**$ (4,450)**	**$ -**	**$ 67,388**
Sustaining capital	2,899	6,439	90	4,312	1,819	786	8,356		**24,698**
Exploration	3	376	9	400	188	-	102	1,901	**2,980**
Reclamation cost accretion	59	90	58	150	96	56	284	26	**819**
General & Administrative expense	-	-	-	-	-	-	-	5,578	**5,578**
All-in sustaining costs	**$ 12,216**	**$ 23,048**	**$ 10,515**	**$ 13,035**	**$ 9,515**	**$ 21,336**	**$ 4,293**	**$ 7,504**	**$ 101,463**
Payable silver ounces sold	1,163,293	1,068,000	1,007,277	652,733	496,455	1,482,350	865,206	-	**6,735,313**
All-in Sustaining Costs per Silver Ounce Sold	**$ 10.50**	**$ 21.58**	**$ 10.44**	**$ 19.97**	**$ 19.17**	**$ 14.39**	**$ 4.96**	**$ -**	**$ 15.06**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 10.50**	**$ 19.42**	**$ 10.44**	**$ 19.97**	**$ 19.17**	**$ 14.39**	**$ 4.96**	**$ -**	**$ 14.72**

(1) Totals may not add due to rounding.

- ***Cash Costs per Ounce of Silver, net of by-product credits***

Pan American produces by-product metals incidentally to our silver mining activities. We have adopted the practice of calculating the net cost of producing an ounce of silver, our primary payable metal, after deducting revenues gained from incidental by-product production, as a performance measure. This performance measurement has been commonly used in the mining industry for many years and was developed as a relatively simple way of comparing the net production costs of the primary metal for a specific period against the prevailing market price of that metal.

Cash costs per ounce, net of by-product credits, were utilized extensively in our internal decision making processes. We believe they are useful to investors as these metrics facilitate comparison, on a mine by mine basis, notwithstanding the unique mix of incidental by-product production at each mine, of our operations' relative performance on a period by period basis, and against the operations of our peers in the silver industry on a consistent basis.

To facilitate a better understanding of these measures as calculated by the Company, the following table provides the detailed reconciliation of these measures to the production costs, as reported in the consolidated income statements for the respective periods:

Total Cash Costs per ounce of Payable Silver, net of by-product credits (in thousands of U.S. dollars except as noted)		Three months ended March 31, 2015	2014[1]
Production costs		**$ 128,974**	$ 130,878
Add/(Subtract)			
Royalties		**6,003**	10,420
Smelting, refining, and transportation charges		**21,995**	17,748
Worker's participation and voluntary payments		**(25)**	(144)
Change in inventories		**(16,404)**	(3,512)
Other		**(1,754)**	(1,180)
Non-controlling interests[2]		**(1,219)**	(1,260)
Metal inventories recovery (write-down)		**12,060**	(2,308)
Cash Operating Costs before by-product credits[3]		**149,631**	150,642
Less gold credit		**(44,932)**	(58,679)
Less zinc credit		**(16,504)**	(20,137)
Less lead credit		**(5,997)**	(7,281)
Less copper credit		**(15,473)**	(10,330)
Cash Operating Costs net of by-product credits[3]	**A**	**66,725**	54,214
Payable Silver Production (koz.)	**B**	**5,696**	6,263
Cash Costs per ounce net of by-product credits	**(A*$1000)/B**	**$ 11.71**	**$** 8.66

(1) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections on Q1 2014's cash costs was as follows: a $0.41 per ounce increase to consolidated cash; a $2.62 per ounce increase to Huaron cash costs; and a $1.32 per ounce increase to Morococha cash costs.

(2) Figures presented in the reconciliation table above are on a 100% basis as presented in the unaudited condensed interim consolidated financial statements with an adjustment line item to account for the portion of the Morococha and San Vicente mines owned by non-controlling interests, an expense item not included in operating cash costs. The associated tables below are for the Company's share of ownership only.

(3) Figures in this table and in the associated tables below may not add due to rounding.

Three months ended March 2015 (1)
(in thousands of USD except as noted)

		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 15,232	$ 30,774	$ 14,614	$ 24,554	$ 21,349	$ 13,523	$ 28,302	**$ 148,349**
Less gold credit	b1	(625)	(22,085)	(3,746)	(84)	(330)	(59)	(17,971)	**(44,902)**
Less zinc credit	b2	(3,613)	-	-	(5,837)	(4,589)	(1,976)	-	**(16,015)**
Less lead credit	b3	(1,643)	-	-	(2,717)	(1,281)	(237)	-	**(5,877)**
Less copper credit	b4	-	-	(2)	(7,161)	(7,667)	-	-	**(14,831)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (5,881)**	**$ (22,085)**	**$ (3,748)**	**$ (15,799)**	**$ (13,867)**	**$ (2,272)**	**$ (17,971)**	**$ (81,624)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,350	$ 8,689	$ 10,866	$ 8,755	$ 7,482	$ 11,251	$ 10,331	**$ 66,725**
Payable ounces of silver (thousand)	D	1,206	989	680	738	437	895	752	**5,696**
Cash cost per ounce net of by-products	**C/D**	**$ 7.75**	**$ 8.79**	**$ 15.98**	**$ 11.87**	**$ 17.11**	**$ 12.57**	**$ 13.75**	**$ 11.71**

(1) Totals may not add due to rounding.

Three months ended March 2014(1)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	A	$ 15,305	$ 33,222	$ 14,323	$ 24,651	$ 19,821	$ 15,553	$ 26,547	**$ 149,423**
Less gold credit	b1	(713)	(21,206)	(4,562)	(117)	(467)	(66)	(31,505)	**$ (58,637)**
Less zinc credit	b2	(3,257)	-	-	(6,121)	(6,899)	(3,118)	-	**(19,395)**
Less lead credit	b3	(1,929)	-	-	(2,826)	(2,155)	(182)	-	**(7,091)**
Less copper credit	b4	-	-	(100)	(7,070)	(2,916)	-	-	**(10,086)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (5,898)**	**$ (21,206)**	**$ (4,662)**	**$ (16,134)**	**$ (12,437)**	**$ (3,365)**	**$ (31,505)**	**$ (95,209)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,407	$ 12,016	$ 9,661	$ 8,516	$ 7,384	$ $ 12,187	$ (4,958)	**$ 54,214**
Payable ounces of silver (thousand)	D	1,155	1,008	903	714	497	958	1,028	**6,263**
Cash cost per ounce net of by-products	**C/D**	**$ 8.14**	**$ 11.92**	**$ 10.69**	**$ 11.93**	**$ 14.86**	**$ $ 12.73**	**$ (4.82)**	**$ 8.66**

(1) Totals may not add due to rounding.

- ***Adjusted Earnings and Basic Adjusted Earnings Per Share***

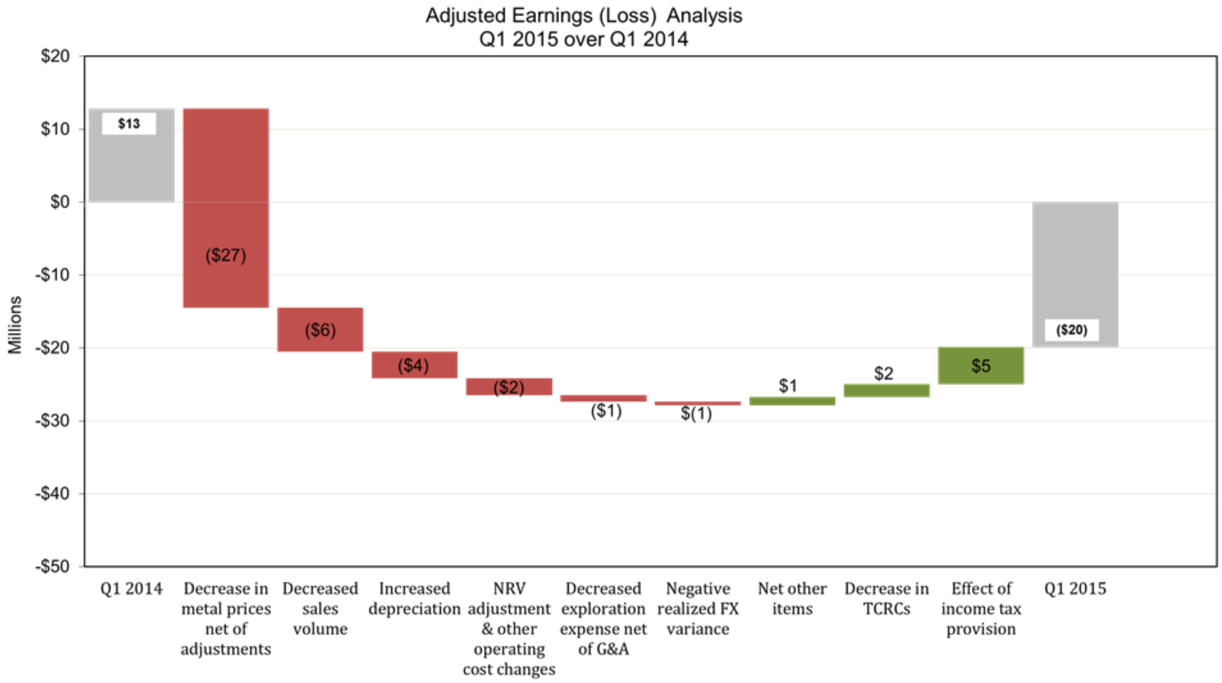
Adjusted earnings is a non-GAAP measure that the Company considers to better reflect normalized earnings as it eliminates items that may be volatile from period to period, relating to positions which will settle in future periods, and items that are non-recurring. Certain items that become applicable in a period may be adjusted for, with the Company retroactively presenting comparable periods with an adjustment for such items and conversely, items no longer applicable may be removed from the calculation. The Company adjusts certain items in the periods that they occurred but does not reverse or otherwise unwind the effect of such items in future periods.

The following table shows a reconciliation of adjusted loss and earnings for the first quarter of 2015 and 2014, to the net (loss) earnings for each period.

Adjusted (loss) Earnings Reconciliation (in thousands of USD other than per share amounts)	**Three months ended March 31, 2015**	2014(1)
Net (loss) earnings for the period	**$ (19,785)**	$ 6,760
Adjust derivative (gain) loss	**(229)**	99
Adjust unrealized foreign exchange losses	**2,073**	1,704
Adjust realized and unrealized gain on commodity contracts	**(544)**	-
Adjust gain on sale of mineral properties	**(133)**	(6)
Adjust net realizable value of inventory	**(2,036)**	6,599
Adjust for effect of taxes on above items	**747**	(2,329)
Adjusted (loss) earnings for the period	**$ (19,907)**	$ 12,827
Weighted average shares for the period	**151,643**	151,500
Adjusted (loss) earnings per share for the period	**$ (0.13)**	$ 0.08

(1) Beginning in Q2 2014 the Company began excluding net realizable value adjustments to long-term heap inventory from adjusted earning, certain previously reported adjusted earnings amounts have been revised to reflect this change. Adjusted earnings for the three-month period ended March 31, 2014 increased by $4,273 from the $ 8,554 earnings previously reported as result of this treatment change.

The following graph illustrates the key factors leading to the change from adjusted net earnings for the quarter ended March 31, 2014 to the adjusted net loss incurred in 2015.



RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver, zinc, lead, copper, and gold; credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD whereas the Company operates in jurisdictions that utilize other currencies; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political risks; and environmental risks and risks related to its relations with employees. These and other risks are described in Pan American's Annual Information Form (available on SEDAR at www.sedar.com), Form 40-F filed with the SEC, and the Audited Annual Consolidated Financial Statements for the year ended December 31, 2014. Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to Pan American's business.

- ***Foreign Jurisdiction Risk***

Pan American currently conducts operations in Peru, Mexico, Argentina and Bolivia. All of these jurisdictions are potentially subject to a number of political and economic risks, including those described in the following section. The Company is unable to determine the impact of these risks on its future financial position or results of operations and the Company's exploration, development and production activities may be substantially affected by factors outside of Pan American's control. These potential factors include, but are not limited to: royalty and tax increases or claims by governmental bodies, expropriation or nationalization, foreign exchange controls, import and export regulations, cancellation or renegotiation of contracts and environmental and permitting regulations. The Company currently has no political risk insurance coverage against these risks.

All of Pan American's current production and revenue is derived from its operations in Peru, Mexico, Argentina and Bolivia. As Pan American's business is carried on in a number of developing countries, it is exposed to a number of risks and uncertainties, including the following: expropriation or nationalization without adequate compensation; economic and regulatory instability; military repression and increased likelihood of international conflicts or aggression; possible need to obtain political risk insurance and the costs and availability of this and other insurance; unreliable or undeveloped infrastructure; labour unrest; lack of availability of skilled labour; difficulty obtaining key equipment and components for equipment; regulations and restrictions with respect to import and export and currency controls; changing fiscal regimes; high rates of inflation; the possible unilateral cancellation or forced renegotiation of contracts; unanticipated changes to royalty and tax regimes; extreme fluctuations in currency exchange rates; volatile local political and economic developments; uncertainty regarding enforceability of contractual rights; difficulty understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, mines and mining operations, and with respect to permitting; violence and more prevalent or stronger organized crime groups; terrorism and hostage taking; difficulties enforcing judgments obtained in Canadian or United States courts against assets and entities located outside of those jurisdictions; and increased public health concerns. In most cases, the effect of these factors cannot be accurately predicted.

The Company's Mexican operations, Alamo Dorado and La Colorada, have suffered from armed robberies of doré in the past. The Company has instituted a number of additional security measures and a more frequent shipping schedule in response to these incidents. The Company has subsequently renewed its insurance policy to mitigate some of the financial loss that would result from such criminal activities in the future, however a substantial deductible amount would apply to any such losses in Mexico.

In December 2012, the Mexican government introduced changes to the Federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to employee benefits. These amendments may have an effect on the distribution of profits to workers and this could result in additional financial obligations to the Company. At this time, the Company believes that it continues to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for the Company. Based on this assessment, the Company has not accrued any amounts. The Company will continue to monitor developments in Mexico to assess the potential impact of these amendments.

In 2013, the Mexican government introduced various 2014 tax reforms. Amongst other changes, the bill proposed a deductible royalty of 7.5% on mine operating income before certain deductions including amortization and depreciation as well as a 0.5% mining duty on mining companies' precious metal revenue. In addition, the corporate income tax rate is expected to remain at 30% whereas it was previously forecast to be reduced to 28% by 2015. The Company has evaluated the effects of the tax reforms on our future cash flows and future earnings, and recorded a deferred tax charge of $86.0 million in the fourth quarter of 2013, in addition to incorporating the impact of the tax returns in our impairment models for the Company's Mexican mining assets.

Local opposition to mine development projects has arisen periodically in some of the jurisdictions in which we operate, and such opposition has at times been violent. There can be no assurance that similar local opposition will not arise in the future with respect to Pan American's foreign operations. If Pan American were to experience resistance or unrest in connection with its foreign operations, it could have a material adverse effect on Pan American's operations or profitability.

Government regulation in Argentina related to the economy has increased substantially over the past few years. In particular, the government has intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. An example of the changing regulations which have affected the Company's activities in Argentina was the

Argentinean Ministry of Economy and Public Finance resolution in 2012 that reduced the time within which exporters were required to repatriate net proceeds from export sales from 180 days to 15 days after the date of export. As a result of this change, the Manantial Espejo operation temporarily suspended doré shipments while local management reviewed how the new resolution would be applied by the government. In response to petitions from numerous exporters for relief from the new resolution, shortly thereafter, the Ministry issued a revised resolution which extended the 15-day limit to 120 days and the effect of the delayed shipments and sales was made up during the remainder of 2012.

The Argentine government has also imposed restrictions on the importation of goods and services and increased administrative procedures required to import equipment, materials and services required for operations at Manantial Espejo. In addition, in May 2012, the government mandated that mining companies establish an internal function to be responsible for substituting Argentinian-produced goods and materials for imported goods and materials. Under this mandate, the Company is required to submit its plans to import goods and materials for government review 120 days in advance of the desired date of importation.

The government of Argentina has also tightened control over capital flows and foreign exchange, including informal restrictions on dividend, interest, and service payments abroad and limitations on the ability of individuals and businesses to convert Argentine pesos into United States dollars or other hard currencies. These measures, which are intended to curtail the outflow of hard currency and protect Argentina's international currency reserves, may adversely affect the Company's ability to convert dividends paid by current operations or revenues generated by future operations into hard currency and to distribute those revenues to offshore shareholders. Maintaining operating revenues in Argentine pesos could expose the Company to the risks of peso devaluation and high domestic inflation.

In September 2013, the provincial government of Santa Cruz, Argentina passed amendments to its tax code that introduced a new mining property tax with a rate of 1% to be charged annually on published proven reserves, which has the potential to affect the Manantial Espejo mine as well as other companies operating in the province. The new law came into effect on July 5, 2013. The Company has in place certain contracts that could potentially affect or exempt the Company from having this new tax applicable and as such is evaluating its options with its advisors. The Company and potentially other mining companies in the province are also evaluating options that include challenging the legality and constitutionality of the tax.

On May 28, 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). Among other things, the New Mining Law has established a new Bolivian mining authority to provide principal mining oversight (varying the role of COMIBOL) and sets out a number of new economic and operational requirements relating to state participation in mining projects. Further, the New Mining Law provides that all pre-existing contracts are to migrate to one of several new forms of agreement within a prescribed period of time. As a result, we anticipate that our current joint venture agreement with COMIBOL relating to the San Vicente mine will be subject to migration to a new form of agreement and may require renegotiation of some terms in order to conform to the New Mining Law requirements. We are assessing the potential impacts of the New Mining Law on our business and are awaiting further regulatory developments, but the primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the existing contract, and the full impact may only be realized over time. In the meantime, we understand that pre-existing agreements will be respected during the period of migration and we will take appropriate steps to protect and, if necessary, enforce our rights under our existing agreement with COMIBOL. There is, however, no guarantee that governmental actions, including possible expropriation or additional changes in the law, and the migration of our contract will not impact our involvement in the San Vicente operation in an adverse way and such actions could have a material adverse effect on us and our business.

Management and the Board of Directors continuously assess risks that the Company is exposed to, and attempt to mitigate these risks where practical through a range of risk management strategies, including employing qualified and experienced personnel.

- ***Metal Price Risk***

Pan American derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Pan American Silver takes the view that its precious metals production should not be hedged, thereby, allowing the Company to maintain maximum exposure to precious metal prices. From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production under forward sales and option contracts, as described under the "Financial Instruments" section of this MD&A. Since base metal and gold revenue are treated as a by-product credit for purposes of calculating cash costs per ounce of silver and AISCSOS, these non-GAAP measures are highly sensitive to base metal and gold prices. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions.

- ***Exchange Rate Risk***

Pan American reports its financial statements in USD; however, the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations, as reported in USD, are subject to changes in the value of the USD relative to local currencies. Since the Company's revenues are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse. The local currencies that the Company has the most exposure to are the Peruvian soles ("PEN"), Mexican pesos ("MXN") and Argentine pesos ("ARS").

In order to mitigate this exposure, the Company maintains a portion of its cash balances in PEN, MXN and CAD and, from time to time, enters into forward currency positions to match anticipated spending as discussed in the section "Financial Instruments".

The Company's balance sheet contains various monetary assets and liabilities, some of which are denominated in foreign currencies. Accounting convention dictates that these balances are translated at the end of each period, with resulting adjustments being reflected as foreign exchange gains or losses on the Company's income statement.

- ***Claims and Legal Proceedings***

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex- or current employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. The Company carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future which may result in a material adverse impact on our financial condition, cash flow and results of operations. Please refer to Commitments and Contingencies Note 23 of the Q1 2015 Financial Statements for further information.

SIGNIFICANT JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

In preparing financial statements in accordance with International Financial Reporting Standards, management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. These critical accounting estimates represent management estimates and judgments that are uncertain and any changes in these could materially impact the Company's financial statements. Management continuously reviews its estimates, judgments, and assumptions using the most current information available.

Readers should also refer to Note 2 of the consolidated financial statements for the year ended December 31, 2014, for the Company's summary of significant accounting policies.

CHANGES IN ACCOUNTING STANDARDS

There was no significant accounting standards or interpretations or any consequential amendments, required for the Company to adopt effective January 1, 2015.

a. **Accounting Standards Issued But Not Yet Effective**

IFRS 9 Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board (**"**IASB") on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard and amendments on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. On April 28, 2015, the IASB decided to propose to defer the effective date of IFRS 15 to January 1, 2018. The Company will apply IFRS 15 when the effective date is finalized. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

DISCLOSURE CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

Management of Pan American is responsible for establishing and maintaining an adequate system of internal control, including internal controls over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. It includes those policies and procedures that:

a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Pan American,

b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that receipts and expenditures of Pan American are being made only in accordance with authorizations of management and Pan American's directors, and

c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Pan American's assets that could have a material effect on the annual financial statements or interim financial reports.

The Company's management, including its President and Chief Executive Officer and Chief Financial Officer, believe that due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2015 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

Michael Steinmann and Martin Wafforn, each of whom are Qualified Persons, as the term is defined in NI 43-101, have reviewed and approved the contents of this MD&A.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

CERTAIN OF THE STATEMENTS AND INFORMATION IN THIS MD&A CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND "FORWARD-LOOKING INFORMATION" WITHIN THE MEANING OF APPLICABLE CANADIAN PROVINCIAL SECURITIES LAWS RELATING TO THE COMPANY AND ITS OPERATIONS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT, ARE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS MD&A THE WORDS, "BELIEVES", "EXPECTS", "INTENDS", "PLANS", "FORECAST", "OBJECTIVE", "OUTLOOK", "POSITIONING", "POTENTIAL", "ANTICIPATED", "BUDGET", AND OTHER SIMILAR WORDS AND EXPRESSIONS, IDENTIFY FORWARD-LOOKING STATEMENTS OR INFORMATION. THESE FORWARD-LOOKING STATEMENTS OR INFORMATION RELATE TO, AMONG OTHER THINGS: FUTURE PRODUCTION OF SILVER, GOLD AND OTHER METALS PRODUCED BY THE COMPANY; FUTURE CASH COSTS PER OUNCE OF SILVER AND ALL-IN SUSTAINING COSTS PER SILVER OUNCE SOLD; THE PRICE OF SILVER AND OTHER METALS; THE EFFECTS OF LAWS, REGULATIONS AND GOVERNMENT POLICIES AFFECTING PAN AMERICAN'S OPERATIONS OR POTENTIAL FUTURE OPERATIONS, INCLUDING BUT NOT LIMITED TO THE LAWS IN THE PROVINCE OF CHUBUT, ARGENTINA, WHICH, CURRENTLY HAVE SIGNIFICANT RESTRICTIONS ON MINING, AMENDMENTS TO THE LABOUR AND TAX LAWS IN MEXICO THE INTRODUCTION OF THE NEW MINING PROPERTY TAX IN SANTA CRUZ, ARGENTINA, AND THE NEW MINING LAW IN BOLIVIA, EACH OF WHICH COULD PLACE ADDITIONAL FINANCIAL OBLIGATIONS ON OUR SUBSIDIARIES; THE CONTINUING NATURE OF HIGH INFLATION, RISING CAPITAL AND OPERATING COSTS, CAPITAL RESTRICTIONS AND RISKS OF EXPROPRIATION RELATIVE TO CERTAIN OF OUR OPERATIONS, PARTICULARLY IN ARGENTINA AND BOLIVIA, AND THEIR EFFECTS ON OUR BUSINESS; FUTURE SUCCESSFUL DEVELOPMENT OF THE NAVIDAD PROJECT AND OTHER DEVELOPMENT PROJECTS OF THE COMPANY; THE SUFFICIENCY OF THE COMPANY'S CURRENT WORKING CAPITAL, ANTICIPATED OPERATING CASH FLOW OR ITS ABILITY TO RAISE NECESSARY FUNDS; TIMING OF PRODUCTION AND THE CASH AND TOTAL COSTS OF PRODUCTION AT EACH OF THE COMPANY'S PROPERTIES; THE ESTIMATED COST OF AND AVAILABILITY OF FUNDING NECESSARY FOR SUSTAINING CAPITAL; THE SUCCESSFUL IMPLEMENTATION AND EFFECTS OF ONGOING OR FUTURE DEVELOPMENT AND EXPANSION PLANS AND CAPITAL REPLACEMENT, IMPROVEMENT OR REMEDIATION PROGRAMS; FORECAST CAPITAL AND NON-OPERATING SPENDING; FUTURE SALES OF THE METALS, CONCENTRATES OR OTHER PRODUCTS PRODUCED BY THE COMPANY; AND THE COMPANY'S PLANS AND EXPECTATIONS FOR ITS PROPERTIES AND OPERATIONS.

THESE STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, POLITICAL AND SOCIAL UNCERTAINTIES AND CONTINGENCIES. MANY FACTORS, BOTH KNOWN AND UNKNOWN, COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT ARE OR MAY BE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MD&A AND THE COMPANY HAS MADE ASSUMPTIONS AND ESTIMATES BASED ON OR RELATED TO MANY OF THESE FACTORS. SUCH FACTORS INCLUDE, WITHOUT LIMITATION: FLUCTUATIONS IN SPOT AND FORWARD MARKETS FOR SILVER, GOLD, BASE METALS AND CERTAIN OTHER COMMODITIES (SUCH AS NATURAL GAS, FUEL OIL AND ELECTRICITY); FLUCTUATIONS IN CURRENCY MARKETS (SUCH AS THE PERUVIAN SOL, MEXICAN PESO, ARGENTINE PESO, BOLIVIAN BOLIVIANO AND CANADIAN DOLLAR VERSUS THE U.S. DOLLAR); RISKS RELATED TO THE TECHNOLOGICAL AND OPERATIONAL NATURE OF THE COMPANY'S BUSINESS; CHANGES IN NATIONAL AND LOCAL GOVERNMENT, LEGISLATION, TAXATION, CONTROLS OR REGULATIONS AND POLITICAL OR ECONOMIC DEVELOPMENTS IN CANADA, THE UNITED STATES, MEXICO, PERU, ARGENTINA, BOLIVIA OR OTHER COUNTRIES WHERE THE COMPANY MAY CARRY ON BUSINESS IN THE FUTURE; RISKS AND HAZARDS ASSOCIATED WITH THE BUSINESS OF MINERAL EXPLORATION, DEVELOPMENT AND MINING (INCLUDING ENVIRONMENTAL HAZARDS, INDUSTRIAL ACCIDENTS, UNUSUAL OR UNEXPECTED GEOLOGICAL OR STRUCTURAL FORMATIONS, PRESSURES, CAVE-INS AND FLOODING); RISKS RELATING TO THE CREDIT WORTHINESS OR FINANCIAL CONDITION OF SUPPLIERS, REFINERS AND OTHER PARTIES WITH WHOM THE COMPANY DOES BUSINESS; INADEQUATE INSURANCE, OR INABILITY TO OBTAIN INSURANCE, TO COVER THESE RISKS AND HAZARDS; EMPLOYEE RELATIONS; RELATIONSHIPS WITH AND CLAIMS BY LOCAL COMMUNITIES AND INDIGENOUS POPULATIONS; AVAILABILITY AND INCREASING COSTS ASSOCIATED WITH MINING INPUTS AND LABOUR; THE SPECULATIVE NATURE OF MINERAL EXPLORATION AND DEVELOPMENT, INCLUDING THE RISKS OF OBTAINING NECESSARY LICENSES AND PERMITS AND THE PRESENCE OF LAWS AND REGULATIONS THAT MAY IMPOSE RESTRICTIONS ON MINING, INCLUDING THOSE CURRENTLY IN THE PROVINCE OF CHUBUT, ARGENTINA; DIMINISHING QUANTITIES OR GRADES OF MINERAL RESERVES AS PROPERTIES ARE MINED; GLOBAL FINANCIAL CONDITIONS; THE COMPANY'S ABILITY TO COMPLETE AND SUCCESSFULLY INTEGRATE ACQUISITIONS AND TO MITIGATE OTHER BUSINESS COMBINATION RISKS; CHALLENGES TO, OR DIFFICULTY IN MAINTAINING, THE COMPANY'S TITLE TO PROPERTIES AND CONTINUED OWNERSHIP THEREOF; THE ACTUAL RESULTS OF CURRENT EXPLORATION ACTIVITIES, CONCLUSIONS OF ECONOMIC EVALUATIONS, AND CHANGES IN PROJECT PARAMETERS TO DEAL WITH UNANTICIPATED ECONOMIC OR OTHER FACTORS; INCREASED COMPETITION IN THE MINING INDUSTRY FOR PROPERTIES, EQUIPMENT, QUALIFIED PERSONNEL, AND THEIR COSTS; AND THOSE FACTORS IDENTIFIED UNDER THE CAPTION "RISKS RELATED TO PAN AMERICAN'S BUSINESS" IN THE COMPANY'S MOST RECENT FORM 40-F AND ANNUAL INFORMATION FORM FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CANADIAN PROVINCIAL SECURITIES REGULATORY AUTHORITIES. INVESTORS ARE CAUTIONED AGAINST ATTRIBUTING UNDUE CERTAINTY OR RELIANCE ON FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE AS ANTICIPATED, ESTIMATED, DESCRIBED OR INTENDED. THE COMPANY DOES NOT INTEND, AND DOES NOT ASSUME ANY OBLIGATION, TO UPDATE THESE FORWARD-LOOKING STATEMENTS OR INFORMATION TO REFLECT CHANGES IN ASSUMPTIONS OR CHANGES IN CIRCUMSTANCES OR ANY OTHER EVENTS AFFECTING SUCH STATEMENTS OR INFORMATION, OTHER THAN AS REQUIRED BY APPLICABLE LAW.

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