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PAN AMERICAN SILVER

FIRST QUARTER REPORT TO SHAREHOLDERS

For the period ending MARCH 31, 2016

PAN AMERICAN SILVER

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PAN AMERICAN SILVER ANNOUNCES ITS UNAUDITED 2016 FIRST QUARTER RESULTS

(All amounts in US$ unless otherwise indicated. Financial information is based on International Financial Reporting Standards ("IFRS"). Results are unaudited.)

This news release contains forward-looking information about expected future events and financial and operating performance of the Company. Readers should refer to the risks and assumptions set out in the "Cautionary Note Regarding Forward-Looking Statements and Information" contained in this news release.

Vancouver, B.C. – May 11, 2016 – Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) ("Pan American", or the "Company") today reported unaudited results for the three months ended March 31, 2016.

Strategic Achievements First Quarter ("Q1") 2016 vs Q1 2015

Operating and Financial

- Increased silver production 6% to 6.42 million ounces
- Increased gold production 10% to 41,200 ounces
- Reduced consolidated cash costs(1) 31% to $8.03 per payable ounce of silver, net of by-product credits
- Reduced consolidated All-In Sustaining Costs per Silver Ounce Sold(2) ("AISCSOS") 8% to $13.12, net of by-product credits
- Generated $1.9 million in net earnings, compared to a loss of $19.8 million
- Adjusted earnings(3) were $3.5 million ($0.02 per share), compared to an adjusted loss(3) of $19.9 million ($0.13 per share)
- Increased operating cash flows before working capital changes to $28.4 million, or $0.19 per share, from $7.4 million, or $0.05 per share

Project Development

- La Colorada expansion – project remains on budget and on schedule for the planned production increase to 1,800 tonnes per day by the end of 2017
- Dolores expansion – project remains on budget and on schedule for the pulp agglomeration plant and underground operations to reach full design capacity by the end of 2017

(1) Cash cost per payable ounce of silver, net of by-product credits ("cash costs") is not a generally accepted accounting principle (a "non-GAAP") measure. Cash costs does not have a standardized meaning prescribed by IFRS as an indicator of performance. The Company's method of calculating cash costs may differ from the methods used by other entities and, accordingly, the Company's cash costs may not be comparable to similarly titled measures used by other entities. Investors are cautioned that cash costs 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. Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Company's management's discussion and analysis for the three months ended March 31, 2016 (the "Q1 2016 MD&A") for a more detailed discussion of this measure and its calculation.

(2) All-In Sustaining Costs per Silver Ounce Sold ("AISCSOS") is a non-GAAP measure. The Company has adopted AISCSOS as a measure of its consolidated operating performance and its ability to generate cash from all operations collectively, and the Company believes it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash costs per payable 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. AISCSOS does not have a standardized meaning prescribed by GAAP, and readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Q1 2016 MD&A for a more detailed discussion of this measure and its calculation.

(3) Adjusted earnings (loss), and adjusted earnings (loss) per share, are non-GAAP measures that the Company considers to better reflect normalized earnings as it eliminates items that may be volatile from period to period relating to positions that will settle in future periods, and items that are non-recurring. Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Q1 2016 MD&A for a more detailed discussion of these measures and their calculation.

Michael Steinmann, President and Chief Executive Officer of the Company commented on the first quarter 2016 results, "We are off to a very good start in 2016, delivering robust production and a respectable financial performance. We produced more silver, gold and base metals as compared to the same quarter of last year, significantly reduced our costs, generated adjusted earnings of $0.02 per share and cash flow from operations of $28.4 million (before changes in working capital). These results were achieved in spite of lower prices on our silver and gold sales than in Q1 2015, which trimmed our revenue by nearly $20 million." Steinmann continued, "Our two expansion projects at La Colorada and Dolores are advancing on schedule and on budget, funded completely by our strong balance sheet, as we progress steadily towards becoming an even lower cost producer".

Consolidated Financial Results

	Three months ended March 31,			
(Unaudited in thousands of U.S. Dollars, except per share and per ounce figures)		**2016**		2015
Revenue	**$**	**158,275**	$	178,125
Mine operating earnings	**$**	**16,698**	$	2,630
Net earnings (loss) for the period	**$**	**1,875**	$	(19,785)
Adjusted earnings (loss) for the period(1)	**$**	**3,455**	$	(19,907)
Operating cash flow excluding changes in non-cash working capital	**$**	**28,371**	$	7,424
All-in sustaining cost per silver ounce sold(2)	**$**	**13.12**	$	14.24
Net earnings (loss) per share attributable to common shareholders (basic)	**$**	**0.01**	$	(0.13)
Adjusted earnings (loss) per share attributable to common shareholders (basic)	**$**	**0.02**	$	(0.13)
Operating cash flow excluding changes in non-cash working capital per share	**$**	**0.19**	$	0.05

(1) Adjusted earnings (loss), and adjusted earnings (loss) per share, are non-GAAP measures that the Company considers to better reflect normalized earnings as it eliminates items that may be volatile from period to period relating to positions that will settle in future periods, and items that are non-recurring. Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Q1 2016 MD&A for a more detailed discussion of these measures and their calculation.

(2) AISCSOS is a non-GAAP measure and does not have a standardized meaning prescribed by GAAP. Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Q1 2016 MD&A for a more detailed discussion of this measure and its calculation.

First Quarter Consolidated Financial Results – Q1 2016 vs. Q1 2015

Pan American's Q1 2016 revenue declined 11% from Q1 2015 largely on account of lower metal prices, and to a lesser extent, due to lower quantities of metals sold. Higher treatment and refining charges during Q1 2016 were offset by positive settlement adjustments on previously shipped concentrates.

During Q1 2016, Pan American realized average prices of $14.86 per ounce of silver and $1,177 per ounce of gold, 10% and 4% lower than in Q1 2015, respectively. The prices realized for zinc and copper declined 17% and 13% from Q1 2015, respectively, while realized lead prices were 5% higher.

Net earnings of $1.9 million during Q1 2016 rose by $21.7 million from the net loss of $19.8 million that was incurred in Q1 2015. The improvement in earnings was due to a significant reduction in production costs, particularly at La Colorada, Alamo Dorado, Manantial Espejo and Morococha, as well as lower depreciation and amortization charges, partially offset by lower revenue.

Adjusted earnings for Q1 2016 were $3.4 million, or $0.02 per share, representing a $23.4 million increase compared to the adjusted loss reported in Q1 2015. Adjusting items in Q1 2016 included net realizable value changes, unrealized gains and losses on commodity contracts and foreign exchange.

Net cash generated from operating activities, before changes in working capital during Q1 2016, was $28.4 million, $20.9 million more than in Q1 2015. The improvement in operating cash flows was driven by lower cash production costs, and declines in income taxes and interest paid, partially offset by lower revenues.

Consolidated AISCSOS during Q1 2016 declined 8%, or $1.12, from Q1 2015 to $13.12 per ounce. The decline was directly attributable to the lower production costs previously mentioned, partially offset by lower by-product credits and higher sustaining capital costs. The increase in sustaining capital was primarily at the Dolores mine, where the Company is investing in a significant leach pad expansion.

During Q1 2016, Pan American paid $1.9 million in cash dividends to its shareholders and made repayments of $2.0 million on its short-term debt and lease obligations. Total debt at the end of Q1 2016 was $59.5 million.

At March 31, 2016, Pan American had $177.6 million in cash and short term investments and $383.7 million in working capital.

Consolidated Operational Results – Q1 2016 vs. Q1 2015

	Q1 2016 Production			Q1 2015 Production		
	Ag (Moz)	Au (koz)	Cash Costs[(1)] $	Ag (Moz)	Au (koz)	Cash Costs [(1)] $
La Colorada	1.37	0.7	6.34	1.26	0.6	7.75
Dolores	1.07	21.4	6.10	0.99	18.2	8.79
Alamo Dorado	0.56	3.3	11.85	0.69	3.1	15.98
Huaron	0.95	0.2	7.95	0.90	0.3	11.87
Morococha	0.70	0.7	5.24	0.52	0.6	17.11
San Vicente	1.09	n/a	11.84	0.97	n/a	12.57
Manantial Espejo	0.68	14.9	8.13	0.75	14.7	13.75
TOTAL [(2)]	**6.42**	**41.2**	**8.03**	**6.08**	**37.5**	**11.71**

(1) Average by-product metal prices for Q1 2016 were Au $1,183/oz, Zn $1,679/tonne, Pb $1,744/tonne, and Cu $4,672/tonne. Cash costs is a non-GAAP measure and cash costs does not have a standardized meaning prescribed by IFRS as an indicator of performance. Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Q1 2016 MD&A for a more detailed discussion of this measure and its calculation.

(2) Totals may not add up due to rounding.

Silver production in Q1 2016 rose 6% from Q1 2015 on account of increased production at all of the Company's operations, with the exception of Alamo Dorado where previously stockpiled material is now being processed following the completion of open pit mining activities, and Manantial Espejo due to harder ore encountered in the Concepcion open pit.

Gold production during Q1 2016 rose 10% from Q1 2015, driven mainly by increased production at Dolores, and more ounces produced at Alamo Dorado as the mill processed higher gold grade ore from the stockpiles.

Cash costs in Q1 2016 were 31% lower than in Q1 2015 as a result of lower operating costs per ounce at all mines, as well as increased by-product metals production, partially offset by lower by-product metals prices.

During Q1 2016, the Company produced 12,800 tonnes of zinc, 4,800 tonnes of lead, and 3,900 tonnes of copper, 38%, 37% and 26% more than in Q1 2015, respectively. Base metals production increased primarily due to higher grades and increased recoveries at the Company's Peruvian operations.

Sustaining Capital and Project Development – Q1 2016 vs. Q1 2015

During Q1 2016, Pan American spent $22.9 million in sustaining capital at its operating mines, an increase of 39% from the sustaining capital spent during Q1 2015. The increase was primarily due to higher capital spending at Dolores for the expansion of the heap leach pad and at La Colorada for mining equipment, exploration drilling, road upgrades and the expansion of the tailings storage facility.

Pan American invested a total of $22.5 million in long term project capital in Q1 2016, $9.9 million more than in Q1 2015. At La Colorada, the Company spent over $12.7 million during Q1 2016 to advance the new sulphide processing plant to approximately 85% completion and the new shaft to approximately 65% completion. The expansion project is progressing on budget and on schedule for the mine to reach the new increased production rate of 1,800 tonnes per day by the end of 2017.

At Dolores, Pan American invested $9.7 million during Q1 2016. The new high voltage power line to the site was approximately 90% complete by the end of Q1 and the underground ramp advanced as planned. The Company anticipates that construction of the new pulp agglomeration plant will start in Q2 2016. The Dolores expansion project is advancing on budget and on schedule for the pulp agglomeration plant to start operations in mid-2017, and for the underground mine operation to reach its design capacity of 1,500 tonnes per day by the end of 2017.

Current and Future Dividends

Today, the Board of Directors approved a quarterly cash dividend in the amount of $0.0125 per common share. The cash dividend will be payable on or about Monday, June 6, 2016, to holders of record of common shares as of the close on Tuesday, May 24, 2016. Pan American's dividends are designated as eligible dividends for the purposes of the Income Tax Act (Canada). As is standard practice, the amounts and specific distribution dates of any future dividends will be evaluated and determined by the Board of Directors on an ongoing basis.

Subsequent Events

On April 18, 2016, Pan American and MacMillan Minerals Inc. jointly announced they had reached agreement to launch Maverix Metals Inc. as a new publicly traded royalty and streaming company by way of a reverse take-over transaction. Maverix will consolidate and expose to market valuation, a portfolio of 13 precious metals royalties and streams, previously widely dispersed and largely unappreciated within Pan American's asset base. When the transaction is completed, Pan American will hold a 54% (63% fully diluted) majority ownership position in Maverix and therefore retain meaningful upside exposure and leverage to these assets and to Maverix's ability to grow and diversify the portfolio.

Pan American (Peru) S.A.C. ("PAS Peru"), a wholly-owned subsidiary of Pan American Silver, has completed the sale of 75% of the shares in Compania Minera Shalipayco S.A.C. ("Shalipayco") to Votorantim Metais – Cajamarquilla S.A. ("Votorantim") for $15 million in cash and a one percent (1%) net smelter returns royalty. Votorantim will also provide PAS Peru with a free carry of its remaining 25% ownership interest to commercial production. Shalipayco is the owner of the large Shalipayco zinc development project located in the departments of Pasco and Junin, Peru. The project consists of 49 mining concessions covering an area of 21,000 hectares. Pan American Silver and Votorantim initially entered an exploration and purchase option agreement for this base metal project in 2006. Votorantim has informed Pan American Silver that over the last eight years it has drilled 241 diamond holes for a total of over 88,911 metres on the project.

2016 Full Year Operational Forecast

Given the previously described operating results, the Company remains confident that it will achieve its full year 2016 operational forecasts. In 2016, Pan American expects to produce between 24.0 million and 25.0 million ounces of silver and between 175,000 and 185,000 ounces of gold.

In addition, Pan American's 2016 base metals production is expected to be between 46,000 and 48,000 tonnes of zinc, 15,000 to 15,500 tonnes of lead and 13,000 to 13,500 tonnes of copper.

Consolidated cash costs for the full year 2016 are expected to be between $9.45 and $10.45 per ounce of silver, net of by-product credits, and consolidated AISCSOS are expected to be between

$13.60 and $14.90, net of by-product credits. The Company has assumed by-product prices of Au $1,100/oz, Zn $1,700/tonne, Pb $1,600/tonne and Cu $4,600/tonne in the calculation of the forecast 2016 cash costs and AISCSOS.

Pan American currently intends to spend between $65.0 million and $75.0 million in sustaining capital at its operating mines in 2016. In addition, the Company expects to invest between $135.0 million and $140.0 million in project development at its La Colorada and Dolores mines.

Please refer to the Company's news release issued on January 19, 2016, for details of the Company's production and cash costs forecast by mine.

Technical information contained in this news release with respect to Pan American has been reviewed and approved by Martin Wafforn, P.Eng., VP Technical Services, who is the Company's Qualified Person for the purposes of National Instrument 43-101. For additional information about the Company's material mineral properties, please refer to the Company's Annual Information Form dated March 24, 2016, filed at www.sedar.com.

Pan American will host a conference call to discuss these results on Thursday, May 12, 2016, at 11:00 am EST (08:00 am PST). To participate in the conference, please dial toll number 604-638-5340.

A live audio webcast and PowerPoint presentation will be available at https://meet.panamericansilver.com/ir/L1QJ3L42. The audio and PowerPoint webcast will also be available for replay by visiting the Events page of the Company's website at www.panamericansilver.com/Investors/Events.

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 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 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: OUR ESTIMATED PRODUCTION OF SILVER, GOLD AND OTHER METALS IN 2016; OUR ESTIMATED CASH COSTS AND AISCSOS PER PAYABLE OUNCE OF SILVER IN 2016; OUR ESTIMATED CAPITAL INVESTMENTS AND SUSTAINING CAPITAL FOR 2016; THE ABILITY OF THE COMPANY TO SUCCESSFULLY COMPLETE ANY CAPITAL INVESTMENT PROGRAMS AND PROJECTS AND THE IMPACTS OF ANY SUCH PROGRAMS AND PROJECTS ON THE COMPANY; AND ANY ANTICIPATED LEVEL OF FINANCIAL AND OPERATIONAL SUCCESS IN 2016 OR FUTURE YEARS.

THESE FORWARD-LOOKING STATEMENTS AND INFORMATION 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 REMAINING AS ESTIMATED; CURRENCY EXCHANGE RATES REMAINING AS ESTIMATED; 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 ENVIRONMENTAL, EXPORT AND IMPORT LAWS AND REGULATIONS; 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 SECURITIES REGULATORY AUTHORITIES, RESPECTIVELY. 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.

Management's Discussion and Analysis for the First Quarter ended March 31, 2016

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

May 11, 2016

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected the performance of Pan American Silver Corp. and its subsidiaries (collectively "Pan American", "we", "us", "our" or the "Company") 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, 2015 (the "2015 Financial Statements"), and the related notes contained therein, and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and 2015 (the "Q1 2016 Financial Statements"), and the related notes contained therein. All amounts in this MD&A and in the Q1 2016 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 both the 2015 Financial Statements and the Q1 2016 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", "working capital', "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 of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "working capital", "adjusted earnings" and "basic adjusted earnings per share", as well as details of the Company's by-product credits and a reconciliation of these measures to the Q1 2016 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 U.S. 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 forward-looking statements and information at the back of this MD&A and the "Risks Related to Pan American's Business" contained in the Company's most recent Annual Information Form on file with the Canadian provincial securities regulatory authorities and Form 40-F on file with the U.S. Securities and Exchange Commission (the "SEC"). 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.

Q1 2016 HIGHLIGHTS AND KEY NOTES

OPERATIONS & PROJECT DEVELOPMENT

- ***Silver Production of 6.42 million ounces***

The Company produced 6.42 million ounces of silver in the three months ended March 31, 2016 (“Q1 2016”), a 6% increase from that produced in the comparable period of 2015 (“Q1 2015”). The quarter over quarter increase was accomplished despite the anticipated decline in silver production at the Alamo Dorado and Manantial Espejo mines, and is due to increased production at all other operations, most notably the Morococha, San Vicente, and La Colorada mines.

- ***Reduced Q1 Cash Costs***

Consolidated cash costs per ounce of silver were $8.03 in Q1 2016, a $3.68 or 31% decrease from cash costs per ounce of $11.71 in Q1 2015. The decreased cash costs were achieved through lower direct unit operating costs per ounce at all mines and increased production of all by-product metals despite lower quarter over quarter prices for all by-products metals.

- ***Increased Gold and Base Metal Production***

Pan American produced 41.2 thousand ounces of gold, 12.8 thousand tonnes of zinc, 4.8 thousand tonnes of lead and 3.9 thousand tonnes of copper in Q1 2016 representing a 10%, 38%, 37% and 26% increase from Q1 2015 production levels, respectively. The increased quarter over quarter gold and base metal production was driven largely by increased throughput rates and grades at the Dolores mine for gold production and at the Company’s Peruvian operations for base metal production.

- ***Progress on the La Colorada & Dolores Expansion Projects***

Substantial progress was made on the La Colorada mine expansion project during Q1 2016 including continued construction of the new sulphide processing plant, commissioning of the hoisting plant and headframe, and the advancement of the new shaft concrete lining and steel installation to a depth of 165 metres. As of the end of Q1 2016, the new sulphide plant and the new shaft were approximately 85% and 65% complete, respectively. Overall, the La Colorada expansion is advancing on budget and remains on schedule to reach the planned 1,800 tonnes per day ore production rate by the end of 2017.

The Dolores mine expansion projects also advanced during the quarter including construction of the new high voltage power-line to the site, advancing the underground ramp an additional 222 metres, and continued engineering and procurement for the new pulp agglomeration plant in anticipation of commencing construction in Q2 2016.

FINANCIAL

- ***Financial Results***

Net earnings of $1.9 million in Q1 2016, or basic income per share of $0.01, represented a $21.7 million, or $0.14 per share increase from Q1 2015 net loss and basic net loss per share of $19.8 million and $0.13 per share, respectively. Mine operating earnings of $16.7 million in Q1 2016 was $14.1 million more than the $2.6 million earned in Q1 2015, and was achieved through cost reductions, and despite a $19.9 million quarter over quarter decrease in revenues driven by lower metal prices. Operating cash flow before changes in non-cash operating working capital was $28.4 million, a $20.9 million increase from the comparative amount in Q1 2015, due largely to decreases in cash production costs and income taxes paid, which more than offset the quarter over quarter decline in cash revenue.

- ***Reduced Q1 All-in Sustaining Costs per Silver Ounce Sold***

Consolidated AISCSOS in Q1 2016 was $13.12 per ounce, an 8% reduction from the $14.24 per ounce in Q1 2015. The decline in quarter over quarter AISCSOS resulted mainly from lower production costs, partially offset by decreased by-product credits driven by decreased gold sales volumes and lower prices and the impact of increased sustaining capital.

- ***Strong Liquidity and Working Capital Position***

The Company had cash and cash equivalents and short-term investment balances of $177.6 million, and a working capital position of $383.7 million at March 31, 2016, a decrease of $49.0 million and $8.6 million, respectively, from December 31, 2015. The Company had total debt outstanding of $59.5 million at the end of Q1 2016.

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 2016, as compared to Q1 2015.

	Silver Production (ounces '000s)		Cash Costs[1] ($ per ounce)	
	Three months ended March 31,		Three months ended March 31,	
	2016	2015	2016	2015
La Colorada	**1,371**	1,263	**$ 6.34**	$ 7.75
Dolores	**1,073**	991	**6.10**	8.79
Alamo Dorado	**560**	687	**11.85**	15.98
Huaron	**952**	901	**7.95**	11.87
Morococha [2]	**699**	515	**5.24**	17.11
San Vicente[3]	**1,087**	967	**11.84**	12.57
Manantial Espejo	**676**	753	**8.13**	13.75
Consolidated Total [4]	**6,421**	6,077	**$ 8.03**	$ 11.71

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

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

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

(4) Totals may not add due to rounding.

- ***Q1 Silver Production***

Pan American's Q1 2016 silver production of 6.42 million ounces was 6% higher than the 6.08 million ounces produced in Q1 2015. The majority of the increase was attributable to Morococha, San Vicente, and La Colorada which had 0.18 million, 0.12 million, and 0.11 million ounce quarter over quarter increases in silver production, respectively. These increases more than offset the anticipated production declines at Alamo Dorado and Manantial Espejo, as these two operations approach their planned end of mine life.

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

The following table shows the Company's by-product production for Q1 2016 and Q1 2015:

By-Product Production For the three months ended March 31,		
	2016	2015
Gold - ounces '000s ("koz")	**41.2**	37.5
Zinc - tonnes '000s ("kt")	**12.8**	9.3
Lead - kt	**4.8**	3.5
Copper - kt	**3.9**	3.1

Gold production during Q1 2016 rose 10% from Q1 2015, driven primarily by increased quarter over quarter gold production at the Dolores mine, where gold production in Q1 2016 increased 3.26 thousand ounces from Q1 2015 levels, on account of improved grades and throughput.

During Q1 2016, Pan American also produced 12.8 thousand tonnes of zinc, 4.8 thousand tonnes of lead, and 3.9 thousand tonnes of copper, 38%, 37% and 26% more than in Q1 2015, respectively. The quarter over quarter increase in base metal production was driven mainly by increased throughput rates at the Company's Peruvian mines which also experienced improved base metal grades with the exception of lead grades at Morococha.

- ***Q1 Average Market Metal Prices***

The following tables set out the average market price for each metal produced during Q1 2016 and Q1 2015:

Average Market Metal Prices For the three months ended March 31,		
	2016	**2015**
Silver/ounce	**$ 14.85**	$ 16.71
Gold/ounce	**$ 1,183**	$ 1,218
Zinc/tonne	**$ 1,679**	$ 2,080
Lead/tonne	**$ 1,744**	$ 1,806
Copper/tonne	**$ 4,672**	$ 5,818

- ***Q1 Cash Costs***

Consolidated cash costs per ounce of silver were $8.03 in Q1 2016, a $3.68 decrease from cash costs of $11.71 per ounce in Q1 2015. The 31% decline in consolidated cash costs from Q1 2015 was due primarily to higher production of all by-product metals and lower direct unit operating costs per ounce at all mines. The operations contributing the largest cash cost per ounce declines were the Morococha, Manantial Espejo, and Huaron mines which lowered cash costs by 69%, 41% and 33%, respectively. Each operation's cash costs are separately discussed in the "Individual Mine Performance" section of this MD&A.

- ***Q1 AISCSOS***

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for Q1 2016 as compared to Q1 2015.

	Payable Silver Sold (ounces '000s)		AISCSOS(1) ($ per ounce)	
	Three months ended March 31,		Three months ended March 31,	
	2016	**2015**	**2016**	**2015**
La Colorada	**1,150**	1,310	**$ 9.16**	$ 9.45
Dolores	**950**	1,150	**19.36**	4.17
Alamo Dorado	**686**	790	**9.60**	14.58
Huaron	**835**	734	**11.96**	17.02
Morococha	**674**	498	**7.08**	22.77
San Vicente	**749**	588	**15.02**	13.11
Manantial Espejo	**672**	805	**10.08**	17.86
Consolidated Total (2)	**5,716**	5,875	**$ 13.12**	$ 14.24

(1) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

(2) Totals may not add due to rounding.

Consolidated AISCSOS in Q1 2016 was $13.12 per ounce, an 8% reduction from the $14.24 per ounce in Q1 2015. The decline in quarter over quarter AISCSOS resulted mainly from lower production costs, partially offset by: (i) a decrease in positive NRV adjustments at the Dolores mine; (ii) lower by-product credits, largely from decreased gold sales volumes and lower prices;

and, the impact of increased sustaining capital, primarily at Dolores where an expansion of the leach pad is in progress.

- ***Q1 Individual Mine Performance***

The following tables summarize the Q1 2016 cash costs and AISCSOS achieved for each operation compared to the annual amounts forecasted in the MD&A for the fiscal year ended December 31, 2015. Actual Q1 2016 results that exceeded the 2016 annual guidance range have been noted with a "✓✓", while those that met, or did not meet, 2016 annual guidance ranges have been noted with a "✓" or an "✗", respectively, in the following tables.

	2016 Cash Costs(1) ($ per ounce)			2016 AISCSOS(2) ($ per ounce)		
	Forecast (3)	Q1 Actual		Forecast (2)	Q1 Actual	
La Colorada	$7.75 – $8.25	$ 6.34	✓✓	$9.25 – $10.30	$ 9.16	✓✓
Dolores	$5.00 – $6.50	6.10	✓	$17.00 – $18.90	19.36	✗
Alamo Dorado	$13.50 – $14.50	11.85	✓✓	$13.80 – $15.30	9.60	✓✓
Huaron	$12.25 – $13.25	7.95	✓✓	$14.40 – $16.00	11.96	✓✓
Morococha	$12.00 – $13.75	5.24	✓✓	$15.40 – $17.10	7.08	✓✓
San Vicente	$11.25 – $11.75	11.84	✗	$12.00 – $13.30	15.02	✗
Manantial Espejo	$9.25 – $10.75	8.13	✓✓	$10.00 – $11.10	10.08	✓
Consolidated Total	$9.45 – $10.45	$ 8.03	✓✓	$13.60 – $14.90	$ 13.12	✓✓

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

(3) Forecasted amount per guidance included in the annual MD&A for fiscal 2015 dated March 24, 2016.

An analysis of each operation's Q1 2016 operating performance follows, as compared to the operating performance for the comparable period of 2015. Reported metal figures in the tables in this section reflect actual quantities of metals produced and payable metal sold as indicated.

La Colorada mine

	Three months ended March 31,	
	2016	**2015**
Tonnes milled – kt	**123.6**	115.1
Average silver grade – grams per tonne	**381**	380
Average zinc grade - %	**2.65**	2.14
Average lead grade – %	**1.41**	0.99
Average silver recovery - %	**90.7**	89.9
Average zinc recovery – %	**81.7**	83.2
Average lead recovery – %	**87.6**	85.7
Production:		
Silver – koz	**1,371**	1,263
Gold – koz	**0.68**	0.61
Zinc – kt	**2.67**	2.05
Lead – kt	**1.52**	0.98
Cash cost per ounce net of by-products[(1)]	**$ 6.34**	$ 7.75
AISCSOS[(2)]	**$ 9.16**	$ 9.45
Payable silver sold – koz	**1,150**	1,310
Sustaining capital - ('000s)[(3)]	**$ 3,655**	$ 2,062

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

(3) Sustaining capital expenditures excludes $15.8 million of investing activity cash outflow in Q1 2016 ($8.7 million in Q1 2015) 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's Q1 2016 silver production was 9% more than that produced in Q1 2015, due to increases in throughput and silver recoveries. Ore mining rates continue to benefit as the mine expansion project progresses and allows for the development of new mining areas. During Q1 2016, the mine produced 2.7 thousand tonnes of zinc and 1.5 thousand tonnes of lead, 30% and 55% more than in Q1 2015, respectively. The increased base metals production was a function of the increased throughput combined with improved zinc and lead grades of 24% and 42%, respectively.

The Q1 2016 cash costs of $6.34 per ounce were $1.41 lower than the $7.75 per ounce cash costs in Q1 2015. This 18% decrease was the combined effect of lower direct operating costs, a 9% increase in payable silver ounces produced, and an 8% increase in by-product credits per ounce. The decrease in unit operating costs per tonne resulted largely from the devaluation of the Mexican peso and lower costs of certain consumables as well as reduced underground development rates that have slowed while managing the expansion project. The increased by-product credits were driven by increased lead and zinc production partially offset by lower lead and zinc prices.

Q1 2016 AISCSOS of $9.16 decreased 3% from $9.45 in Q1 2015, due primarily to a 25% decrease in direct operating costs, which was partially offset by a 12% decrease in the amount of payable silver ounces sold compared to Q1 2015 levels.

Sustaining capital expenditures at La Colorada during Q1 2016 totalled $3.7 million, a $1.6 million increase from the $2.1 million spent in Q1 2015. The majority of the Q1 sustaining capital spending in both 2016 and 2015 related to equipment replacements and rehabilitations, exploration drilling, access road upgrades and a tailings storage facility expansion.

Dolores mine

	Three months ended March 31,	
	2016	**2015**
Tonnes placed - kt	**1,539.3**	1,483.2
Average silver grade – grams per tonne	**38**	47
Average gold grade – grams per tonne	**0.64**	0.56
Average silver produced to placed ratio - %	**57.0**	44.2
Average gold produced to placed ratio - %	**67.9**	67.7
Production:		
Silver – koz	**1,073**	991
Gold – koz	**21.44**	18.18
Cash cost per ounce net of by-products[(1)]	**$ 6.10**	$ 8.79
AISCSOS[(2)]	**$ 19.36**	$ 4.17
Payable silver sold - koz	**950**	1,150
Sustaining capital - ('000s)[(3)]	**$ 14,421**	$ 4,910

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

(3) Sustaining capital expenditures excludes $7.8 million of investing activity cash outflow in Q1 2016 ($8.0 million in Q1 2015) 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 2016 was 8% higher than in Q1 2015, the result of increases in stacking rates and the ratio of average silver produced to placed, partially offset by lower grades largely driven by mine sequencing. Gold production of 21.4 thousand ounces in Q1 2016 was 18% higher than the 18.2 thousand ounces produced in Q1 2015, primarily a result of the improvement in grades from the mine sequencing and increased throughputs.

Cash costs of $6.10 per ounce in Q1 2016 were $2.69 per ounce lower than those in Q1 2015. The 31% decrease in cash costs was the result of the combined effect of lower direct unit operating costs per tonne, an 8% increase in payable silver ounces produced, and increased by-product gold production. The decrease in unit operating costs per tonne primarily resulted from the devaluation of the Mexican peso and lower costs of certain consumables particularly fuel.

Q1 2016 AISCSOS of $19.36 increased $15.19 from Q1 2015 AISCSOS of $4.17. The increase was primarily due to $9.5 million in higher sustaining capital expenditures, further discussed below, and to $9.4 million lower positive NRV adjustments in Q1 2016 compared to Q1 2015. NRV adjustments reduced production costs by $4.2 million or $4.44 per ounce in Q1 2016, compared to $13.6 million or $11.83 per ounce in Q1 2015. These negative impacts were partially offset by an $8.92 per ounce quarter over quarter decrease in direct operating costs.

Q1 2016 sustaining capital expenditures at Dolores totalled $14.4 million, comprised primarily of open pit pre-stripping, leach pad expansion, and investments in mine equipment rehabilitations. Sustaining capital in Q1 2016 increased by $9.5 million compared to Q1 2015, due primarily to the leach pad expansion works.

Alamo Dorado mine

	Three months ended March 31,			
	2016		**2015**	
Tonnes milled – kt		**464.6**		452.8
Average silver grade – grams per tonne		**51**		61
Average gold grade – grams per tonne		**0.24**		0.21
Average silver recovery - %		**74.2**		81.1
Production:				
Silver – koz		**560**		687
Gold – koz		**3.28**		3.06
Copper – tonnes		**20**		-
Cash cost per ounce net of by-products(1)	**$**	**11.85**	$	15.98
AISCSOS(2)	**$**	**9.60**	$	14.58
Payable silver sold - koz		**686**		790
Sustaining capital - ('000s)	**$**	**nil**	$	nil

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

As anticipated, Alamo Dorado silver production in Q1 2016 was 18% lower than that in Q1 2015, the result of lower silver grades from processing of surface stockpiles as open pit mining operations were completed in the fourth quarter of 2015 ("Q4 2015"). Gold production rose 7% due to higher grades and recoveries carrying forward from residual stockpiles built from mining a high-grade gold zone in the final stages of the pit in late 2015.

Cash costs for Q1 2016 were $11.85 per ounce, a 26% decrease from $15.98 per ounce cash costs in Q1 2015. The decrease to cash costs per ounce was attributable to the elimination of open pit mining activities; favorable currency exchange rate movements; reduced costs of certain consumables; and a $1.52 per ounce increase in by-product credits, resulting from the increased gold production partially offset by decreased gold prices.

Q1 2016 AISCSOS of $9.60 decreased $4.98 from $14.58 in Q1 2015. The quarter over quarter reduction was attributable to a 30% decrease in direct operating costs, which decreased for the same reasons as those discussed in cash costs, partially offset by the negative impact of a 13% reduction in the amount of silver ounces sold.

No capital expenditures were made at Alamo Dorado during Q1 2016.

Huaron mine

	Three months ended March 31,	
	2016	**2015**
Tonnes milled – kt	**226.3**	223.6
Average silver grade – grams per tonne	**160**	153
Average zinc grade - %	**2.83**	2.38
Average lead grade – %	**1.41**	1.04
Average copper grade - %	**0.98**	0.97
Average silver recovery - %	**83.3**	83.9
Average zinc recovery – %	**72.2**	66.6
Average lead recovery – %	**76.1**	72.5
Average copper recovery – %	**77.1**	77.2
Production:		
Silver – koz	**952**	901
Gold – koz	**0.19**	0.32
Zinc – kt	**4.57**	3.41
Lead – kt	**2.40**	1.61
Copper – kt	**1.68**	1.62
Cash cost per ounce net of by-products(1)	**$ 7.95**	$ 11.87
AISCSOS(2)	**$ 11.96**	$ 17.02
Payable silver sold – koz	**835**	734
Sustaining capital - ('000s)	**$ 2,138**	$ 2,318

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

Q1 2016 silver production at Huaron was 6% more than that produced in Q1 2015, primarily the result of increased silver grades. During Q1 2016, Huaron produced 4.6 thousand tonnes of zinc, 2.4 thousand tonnes of lead, and 1.7 thousand tonnes of copper, which was 34%, 49% and 4%, respectively, more than in Q1 2015. The quarter over quarter increase in base metal production was primarily a function of higher grades on account of mine sequencing.

Cash costs per ounce in Q1 2016 were $7.95, a 33% decrease from the $11.87 per ounce in Q1 2015. The reduced cash cost performance was the result of a 10% increase in payable silver ounce production; increased by-product base metal production, partially offset by lower base metal prices; increased smelter treatment and refining costs; and lower unit operating costs per tonne, driven by cost benefits from mechanization efforts and favorable currency exchange rate movements.

AISCSOS of $11.96 in Q1 2016 was 30% lower than the $17.02 reported in Q1 2015. The decrease was mainly attributable to: a 14% increase in the amount of payable silver ounces sold; a reduction in production costs; a $5.12 per ounce increase in by-product credits from increased base metal sales volumes, which more than offset the decline in base metal prices; and decreased sustaining capital; which were all partially offset by increased treatment, smelting and refining charges ("TCRCs").

Sustaining capital expenditures at the Huaron mine during Q1 2016 totaled $2.1 million, comparable to those in Q1 2015, and related primarily to equipment refurbishments and replacements, exploration drilling, process plant and electrical supply system upgrades.

Morococha mine[(1)]

	Three months ended March 31,			
	2016		**2015**	
Tonnes milled – kt		**168.0**		144.8
Average silver grade – grams per tonne		**150**		130
Average copper grade - %		**1.56**		1.25
Average lead grade - %		**0.73**		0.83
Average zinc grade - %		**3.31**		2.88
Average silver recovery - %		**87.1**		84.8
Average zinc recovery - %		**70.3**		64.7
Average lead recovery - %		**58.2**		64.2
Average copper recovery - %		**84.0**		82.9
Production:				
Silver– koz		**699**		515
Gold – koz		**0.71**		0.63
Zinc – kt		**3.89**		2.67
Lead – kt		**0.70**		0.76
Copper – kt		**2.15**		1.47
Cash cost per ounce net of by-products[(2)]	**$**	**5.24**	$	17.11
AISCSOS[(3)]	**$**	**7.08**	$	22.77
Payable silver sold (100%) - koz		**674**		498
Sustaining capital (100%) - ('000s)	**$**	**1,321**	$	1,893

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

(2) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(3) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

Q1 2016 silver production at Morococha was 36% more than that produced in Q1 2015, the combined result of a 16% increase in throughput and a 15% increase in silver grades. During Q1 2016, Morococha produced 3.9 thousand tonnes of zinc and 2.2 thousand tonnes of copper, both 46% more than in Q1 2015, whereas quarter over quarter lead production declined 8%. The quarter over quarter differences were due to mine sequencing.

Cash costs of $5.24 per ounce were $11.87 per ounce or 69% lower than the $17.11 cash costs in Q1 2015. The significant quarter over quarter decrease was the result of 30% lower unit operating costs per tonne, a 35% increase in the amount of payable silver ounces produced, and an increase in by-product production. The decreased operating costs were driven by substantial productivity benefits obtained from mechanization efforts as well as favorable currency exchange rate movements.

AISCSOS of $7.08 in Q1 2016 was 69% lower than the $22.77 reported in Q1 2015. The decrease was mainly attributable to a reduction in production costs; a 35% increase in the amount of payable silver ounces sold; a $3.71 per ounce increase in by-product credits from increased base metal sales volumes, which more than offset the decline in base metal prices; and decreased sustaining capital, which were all partially offset by increased TCRCs.

Sustaining capital expenditures at the Morococha mine during Q1 2016 totalled $1.3 million, $0.6 million less than those in Q1 2015, and related primarily to equipment refurbishments and replacements, Manuelita mine area deepening, as well as exploration drilling.

San Vicente mine[(1)]

	Three months ended March 31,			
		2016		**2015**
Tonnes milled - kt		**83.0**		77.7
Average silver grade – grams per tonne		**448**		417
Average zinc grade - %		**2.63**		1.88
Average lead grade - %		**0.35**		0.29
Average silver recovery - %		**92.1**		93.4
Average zinc recovery - %		**76.4**		77.2
Average lead recovery - %		**81.0**		81.3
Production:				
Silver – koz		**1,087**		967
Zinc – kt		**1.67**		1.13
Lead – kt		**0.22**		0.18
Cash cost per ounce net of by-products[(2)]	**$**	**11.84**	$	12.57
AISCSOS[(3)]	**$**	**15.02**	$	13.11
Payable silver sold - koz		**749**		588
Sustaining capital expenditures – thousands	**$**	**460**	$	464

(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 of this MD&A 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 Q1 2016 Financial Statements.

(3) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

Silver production at the San Vicente mine in Q1 2016 was 1.10 million ounces, a 12% increase from the 0.97 million ounces produced in Q1 2015. The higher silver production was a result of a 7% increase in both throughput rates and silver grades on account of mine sequencing. Zinc production in Q1 2016 increased by 48% while lead production increased by 22% compared to production in Q1 2015, again on account of higher grades from mine sequencing and increased throughput rates.

Q1 2016 cash costs of $11.84 per ounce declined 6% from Q1 2015, driven by higher ore grades.

Q1 2016 AISCSOS increased by 15% to $15.02 from $13.11 in Q1 2015. The increase was largely driven by: a $1.71 per ounce decrease in by-product credits, from lower prices and quantities of lead sold; increased TCRCs; and by a $1.16 per ounce increase in royalties that resulted from royalty expenses being recorded for royalties due on shipments made prior to quarter-end for metals that were not sold until after quarter-end. Partially offsetting these factors was the 27% quarter over quarter increase in the amount of payable silver ounces sold.

Sustaining capital expenditures at San Vicente during Q1 2016 and Q1 2015 totalled $0.5 million and were comprised mainly of mine infrastructure and equipment rebuilds and replacements.

Manantial Espejo mine

	Three months ended March 31,	
	2016	**2015**
Tonnes milled – kt	**181.0**	199.2
Average silver grade – grams per tonne	**123**	126
Average gold grade – grams per tonne	**2.69**	2.41
Average silver recovery - %	**92.2**	91.7
Average gold recovery - %	**94.4**	94.4
Production:		
Silver – koz	**676**	753
Gold – koz	**14.89**	14.69
Cash cost per ounce net of by-products[(1)]	**$ 8.13**	$ 13.75
AISCSOS[(2)]	**$ 10.08**	$ 17.86
Payable silver sold - koz	**672**	805
Sustaining capital - ('000s)	**$ 945**	$ 4,880

(1) Cash costs per ounce is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A 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 Q1 2016 Financial Statements.

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2016 Financial Statements.

Q1 2016 silver production at Manantial Espejo was 10% lower than in Q1 2015 due to a 9% decline in throughput rates that resulted from harder ores being encountered at the Concepcion pit, power supply problems, and unscheduled mechanical breakdowns which were experienced and resolved during the quarter. Q1 2016 gold production of 14.9 thousand ounces was similar to the 14.7 thousand produced in Q1 2015, a result of higher gold grades compensating for the lower throughput rates.

Q1 2016 cash costs of $8.13 per silver ounce were $5.62 per ounce lower than the $13.75 per ounce cash costs in Q1 2015. The main factors driving the 41% quarter over quarter decline in cash costs stem from: the sharp devaluation of the local currency; lower diesel fuel prices; reduced royalties on account of the legislative elimination of the export tariff and a new export credit; and, the tapering down of mining during the final stages of open pit mining, partially offset by a 10% decline in payable silver ounces produced.

Q1 2016 AISCSOS decreased by 44% to $10.08 from $17.86 in Q1 2015. The decrease was primarily due to a 33% quarter over quarter reduction in direct operating costs, and lower TCRCs, which were partially offset by a $14.62 per ounce decrease in by-product credits, from lower gold prices and gold sales volumes, and a 17% quarter over quarter decrease in the amount of payable silver ounces sold.

Sustaining capital expenditures at Manantial Espejo in Q1 2015 totalled $0.9 million, a $3.9 million decrease from the $4.9 million in Q1 2015. The quarter over quarter decrease was due to the anticipated reduction in pre-stripping activities, which were completed in 2015. The Q1 2016 sustaining capital consisted primarily of exploration drilling and the installation of the supplemental mill feed crusher.

2016 OPERATING OUTLOOK

Q1 2016 consolidated silver production of 6.42 million ounces was in line with the production rate required to achieve management's full year forecast range of 24.0 to 25.0 million silver ounces. With the expected silver production for the remainder of the year, management reaffirms the annual silver production forecast as indicated in the 2015 year-end MD&A.

Q1 2016 gold production of 41,200 ounces was slightly lower than the quarterly production rate required to achieve the low-end of management's 2016 annual forecast range of 175.0 to 185.0 thousand ounces. However, with the expected gold production anticipated for the remainder of the year based on the current mine plans, management reaffirms the annual gold production forecast.

Q1 2016 zinc, lead, and copper production of 12,810 tonnes, 4,840 tonnes and 3,850 tonnes, respectively, was on-pace with management's 2016 annual guidance of 46,000 tonnes to 48,000 tonnes, 15,000 tonnes to 15,500 tonnes, and 13,000 tonnes to 13,500 tonnes, respectively. With the expected base metal production for the remainder of the year, management reaffirms the annual base metal production forecasts.

Cash costs per ounce of $8.03 in Q1 2016 were $1.42 per ounce less than the low end of management's 2016 annual forecast range of $9.45 to $10.45. Based on the Q1 2016 performance, and the expected results for the remainder of 2016, which are largely influenced by currency exchange rate assumptions, management reaffirms the annual 2016 cash costs guidance.

Q1 2016 AISCSOS of $13.12 was $0.48 below the low-end of management's 2016 annual forecast of $13.60 to $14.90 per ounce. Based on the Q1 2016 AISCSOS results, and the expected results for the remainder of 2016, management reaffirms the annual 2016 AISCSOS guidance.

Total sustaining capital investment for Q1 2016 was $22.9 million, while investment (project development) capital totaled $23.6 million. Management continues to expect sustaining capital for the full year of 2016 to be approximately $65.0 to $75.0 million. Based on the spending to date for the La Colorada and Dolores expansion projects, and the forecast for the remainder of the year, the Company continues to expect 2016 spending of between $64.0 million to $66.5 million at La Colorada, and between $71.0 million to $73.5 million at Dolores, for a total consolidated project spending of between $135.0 million to $140.0 million.

Q1 2016 PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts capitalized at each of Pan American's significant projects in Q1 2016 as compared to Q1 2015:

Project Development (thousands of USD)	Three months ended March 31, 2016	Three months ended March 31, 2015
La Colorada Expansion	$ **$12,747**	$ 7,570
Dolores Projects	**9,744**	4,991
Total	$ **22,491**	$ 12,561

- ***La Colorada Expansion Project***

During Q1 2016, $12.7 million was invested in the La Colorada expansion project comprised primarily of: (i) purchasing of process equipment and construction of the new sulphide plant; (ii) construction and commissioning of the new headframe, sinking winches, and hoist; (iii) shaft development; (iv) underground mine development in support of the future increased production levels; and (v) construction of the first of the two new substations required for the new 115 kV high voltage power line to the site.

There was $3.0 million more in investing activity cash outflows relating to the La Colorada expansion project in Q1 2016, compared to that capitalized in the quarter, resulting from changes in accounts payable balances (Q1 2015, $1.1 million more).

The following progress on the La Colorada expansion project was achieved during Q1 2016:

- Construction of the new sulphide process plant continued on schedule with installation of structural steel, process equipment, and piping and electrical systems. A purchase order was placed for the concentrate filter press, which is the last major piece of process equipment to be purchased for the new plant.
- The headframe was erected at the shaft site, the hoists and winches were roped-up, and the Galloway system, hoists and winches were commissioned. Shaft sinking, lining, and shaft steel installation commenced, and by the end of the quarter the shaft slashing had advanced to a 165 meter depth. The first 200 metres of shaft length requires slashing of the existing 2.4-meter raise bore hole to the full 5.1 meter diameter, with the bottom 411 metres requiring only minimal contouring as it was originally bored to the full 5.1 metre diameter.
- Underground mine development continued with 930 metres of development completed. Preparation of new mining areas in the Estrella vein continued, and development of the loading pocket level and associated ore storage bins commenced.
- Construction of the new 115 kV substation at Chalchihuites advanced satisfactorily during the quarter following receipt of the environmental approval for the powerline in Q1 2016.

The Company anticipates the completion of all shaft and loading pocket level construction by the end of the third quarter of 2016 ("Q3 2016") and the Company continues to forecast that the new shaft will be fully commissioned before year-end 2016.

The Company will also advance the necessary underground development during 2016 to prepare new areas for production in order to ramp up ore production in late 2016 and beyond as anticipated in the original project schedule. In addition, the Company is making provisions to provide necessary temporary power supplies to operate the new shaft and new sulphide plant, with the anticipated completion and energizing of the new 115 kV power line in early 2017.

Overall, the La Colorada expansion is advancing on budget and Pan American anticipates overcoming the three-month delay in the shaft excavation that occurred during 2015 due to the challenging ground conditions encountered in the shaft raise boring. The project remains on schedule to reach the planned 1,800 tpd ore production rate by the end of 2017.

- ***Dolores Projects***

During Q1 2016, the Company invested $9.7 million in Dolores projects comprised predominantly of: (i) $5.2 million on the new pulp agglomeration plant; (ii) $2.5 million to advance the new underground ramp decline; and (iii) $1.4 million for construction of a new power line.

There were $1.9 million less in investing activity cash outflows relating to Dolores projects in Q1 2016, compared to that capitalized in the quarter, resulting from changes in accounts payable balances (Q1 2015, $3.0 million more).

The following progress on the Dolores project was achieved during Q1 2016:

- The pulp agglomeration plant engineering and equipment purchases continued in Q1 2016, with the majority of the selection of equipment suppliers and initiation of the manufacturing for the major pieces of process equipment. The project permit was approved by the Mexican Secretariat of Environment and Natural Resources (SEMARNAT), which allows for construction to proceed.
- The Dolores underground ramp advanced during Q1 2016, with the completion of the main ramp decline. A total of 222 metres of ramp development was completed in Q1 2016, in addition to 156 metres of additional development for service excavations. The Company anticipates installing the first ventilation raise, commencing lateral development, and performing initial stope definition drilling during Q2 and Q3 2016 in accordance with the project schedule.
- The construction of the powerline project which includes installation of a new 115 kV powerline, a transformer station at the Dolores site, and connection to the Mexican national grid continued as planned during the quarter. The project remains on track for completion by mid-year and energizing in the third quarter of 2016.

Overall, the Dolores expansion project is on budget and the Company anticipates meeting a scheduled start-up of the pulp agglomeration plant by mid-2017, while ramping up underground operations to the full 1,500 tpd design capacity by the end of 2017.

Apart from the Dolores expansion project and the installation of the new high voltage power line, the projects team has also initiated the next phase of the leach pad sustaining capital expansion at Dolores, which is scheduled for completion during 2016, and will provide an additional 18 million tonnes of ore stacking capacity.

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 and years 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 2015 included impairment charges to Morococha, Dolores, and Alamo Dorado, while the third quarter of 2015 included impairment charges to Manantial Espejo. The fourth quarter of 2014 included impairment charges related to Dolores, Manantial Espejo, Alamo Dorado and certain exploration and development properties, including Navidad.

2016	Quarter Ended (unaudited)	
(In thousands of USD, other than per share amounts)		March 31
Revenue	$	158,275
Mine operating earnings	$	16,698
Attributable earnings for the period	$	1,875
Basic income per share	$	0.01
Diluted income per share	$	0.01
Cash flow from operating activities	$	771
Cash dividends paid per share	$	0.0125
Other financial information		
Total assets	$	1,710,703
Total long term financial liabilities	$	118,327
Total attributable shareholders' equity	$	1,298,732

2015	Quarter Ended (unaudited)								Year Ended	
(In thousands of USD, other than per share amounts)		March 31(1)		June 30		Sept 30		Dec 31		Dec 31
Revenue	$	178,125	$	174,189	$	159,414	$	162,960	$	674,688
Mine operating earnings (loss)	$	2,630	$	(952)	$	(25,996)	$	(7,771)	$	(32,089)
Attributable loss for the period	$	(19,371)	$	(7,322)	$	(67,048)	$	(132,909)	$	(226,650)
Basic loss per share	$	(0.13)	$	(0.05)	$	(0.44)	$	(0.88)	$	(1.49)
Diluted loss per share	$	(0.13)	$	(0.05)	$	(0.44)	$	(0.88)	$	(1.49)
Cash flow from operating activities (1)	$	11,848	$	20,577	$	32,866	$	23,401	$	88,692
Cash dividends paid per share	$	0.125	$	0.05	$	0.05	$	0.05	$	0.275
Other financial information										
Total assets									$	1,715,037
Total long term financial liabilities									$	114,354
Total attributable shareholders' equity									$	1,297,222

(1) During the second quarter of 2015 it was determined that certain unrealized gains and losses relating to outstanding commodity contracts were incorrectly included in cash flow from operating activities for the Q1 2015, as such Q1 2015 operating cash flows have been revised from those previously reported. The effect of this correction was a $98 thousand decrease to the $11.9 million previously reported Q1 2015 operating cash flows.

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

- ***Income Statement***

Net earnings in Q1 2016 were $1.9 million, or a basic earnings per share of $0.01. This represents an increase of $21.7 million or $0.14 per share from the $19.8 million loss and $(0.13) basic loss per share recorded in Q1 2015. The majority of the quarter over quarter earnings increase was due to a $14.1 million increase in mine operating earnings, which was primarily attributable to decreased cost of sales that more than offset reduced revenues driven by lower metal prices.

The following table highlights the key items that resulted in the net income in Q1 2016 compared to the net loss recorded in Q1 2015:

Q1 2015 net loss (in thousands of USD)		**$ (19,785)**
Decreased revenue:		
Lower realized metal prices	$ (17,063)	
Lower quantities of metal sold	(2,520)	
Increased TCRCs	(2,366)	
Settlement adjustments	2,099	
Total change in revenue		**$ (19,850)**
Decreased cost of sales:		
Lower production costs and royalty charges	$ 22,771	
Lower depreciation and amortization	11,147	
Total change in cost of sales		**$ 33,918**
Decreased foreign exchange loss		4,614
Decreased income taxes		2,601
Decreased exploration and project development expense		2,472
Decreased interest and finance expense		426
Decreased other and investment income, net		(1,530)
Decreased gain on commodity contracts asset sales and derivatives		(957)
Increased general and administrative expense		(34)
Q1 2016 net income		**$ 1,875**

Revenue for Q1 2016 was $158.3 million, an 11% decrease from the $178.1 million recognized in Q1 2015. The major factors behind the revenue decrease was a $17.1 million price variance from lower metal prices realized for all metals except lead, a $2.5 million variance from lower quantities of metals sold, and a $2.4 million quarter over quarter increase in TCRCs. Partially offsetting these negative effects to revenue was a $2.1 million positive variance in settlement adjustments on concentrate shipments.

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, other than lead, decreased from prices realized in Q1 2015. Zinc, copper and silver prices experienced the most significant decreases, falling 17%, 13% and 10%, respectively. Gold and silver sales volumes in Q1 2016 were 20% and 3% lower than Q1 2015 volumes, respectively, the result of a build-up of silver and gold inventories at certain mines in Q1 2016. Quantities of base metals sold in Q1 2016 were all higher than in Q1 2015, a direct result of the increased base metal production.

	Realized Metal Prices For the three months ended March 31,		Quantities of Metal Sold For the three months ended March 31,	
	2016	**2015**	**2016**	**2015**
Silver[(1)] – ounces	**$ 14.86**	$ 16.43	**5,715,772**	5,875,031
Gold[(1)] – ounces	**$ 1,177**	$ 1,226	**39,329**	49,229
Zinc[(1)] – tonnes	**$ 1,686**	$ 2,032	**10,727**	8,596
Lead[(1)] – tonnes	**$ 1,754**	$ 1,671	**4,058**	3,128
Copper[(1)] – tonnes	**$ 4,665**	$ 5,386	**3,938**	2,760

(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 $16.7 million in Q1 2016 were $14.1 million higher than the $2.6 million generated in Q1 2015. Mine operating earnings are equal to revenue less cost of sales, substantially the same as gross margin. The increase in mine operating earnings was primarily the result of a $33.9 million quarter over quarter decrease in cost of sales driven by reduced production costs and depreciation and amortization expense, which more than offset the previously discussed $19.9 million decrease in revenue.

The majority of the decrease in consolidated production costs was from the Manantial Espejo, Alamo Dorado, Morococha and La Colorada mines, and was driven by a combination of reductions in labour and consumable raw materials costs, aided by favorable exchange rate changes, and by decreased mining activities at Alamo Dorado and Manantial Espejo. Partially offsetting these quarter over quarter production cost decreases was an $8.6 million reduction in positive NRV inventory adjustments. There was a consolidated $3.4 million positive NRV inventory adjustment that reduced production costs in Q1 2016 compared to a consolidated $12.1 million positive NRV adjustment primarily at the Dolores mine in Q1 2015.

Depreciation and amortization of $29.4 million in Q1 2016 was $11.1 million, or 28% lower than the $40.5 million recorded in Q1 2015. The reduced depreciation was attributable to the quarter over quarter decrease in depreciable assets that resulted largely from asset impairment charges taken in 2015, and from the decrease in sales volumes at certain mines. The decline in depreciation was most significant at the Manantial Espejo, Dolores, and Alamo Dorado mines.

General and administrative expense, including share-based compensation expense, was $5.7 million in Q1 2016 and Q1 2015. Share-based compensation for Q1 2016 was $0.7 million, comparable to the $0.8 million expense recorded in Q1 2015.

Exploration and project development expenses of $1.3 million in Q1 2016 was $2.5 million lower than the $3.8 million incurred in Q1 2015. Q1 2016 and Q1 2015 exploration and project development expenditures related to activities near the Company's existing mines, at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project. Navidad costs were approximately $0.03 million in Q1 2016 compared to approximately $2.7 million in Q1 2015.

Foreign exchange losses in Q1 2016 were $1.8 million, $4.6 million less than the $6.4 million in Q1 2015. The quarter over quarter decline in losses from the comparable period was primarily attributable to a devaluation of the Canadian dollar ("CAD") to the USD in Q1 2015 compared to CAD appreciation in Q1 2016. The losses recorded in Q1 2016 were primarily caused by the ongoing devaluation of the Argentine peso ("ARS") against ARS denominated assets. At March 31, 2016, the Company had $6.7 million of its treasury balance denominated in CAD compared to $34.7 million at March 31, 2015.

Investment income for Q1 2016 and Q1 2015 totalled $0.3 million and consisted mainly of interest income and net gains from the sales of securities within the Company's short-term investment portfolio.

Interest and finance expense for Q1 2016 was $1.8 million, comparable to $2.2 million recorded in Q1 2015. The expenses were comprised of accretion of the Company's closure liabilities, and interest and fees associated with the revolving credit facility, short-term loans, and leases. The decline in this interest and finance expense was primarily attributable to the settlement of the convertible notes in Q4 2015.

Income taxes for Q1 2016 were $4.1 million, a $2.6 million decrease from the $6.7 million in Q1 2016. The tax provisions in both quarters were comprised of current and deferred income taxes. The decrease in income tax expense was primarily a consequence of the effects of various temporary and permanent differences as shown in the table below. These items 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. The main factors that have affected the effective tax rates for Q1 2016 and Q1 2015 were foreign tax rate differences, foreign exchange rate changes, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes 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)	2016	2015
(Loss) Income before taxes	**$ 5,975**	$ (13,084)
Statutory tax rate	**26.00%**	26.00%
Income tax expense (recovery) based on above rates	**$ 1,554**	$ (3,402)
Increase (decrease) due to:		
Non-deductible expenses	**1,495**	895
Foreign tax rate differences	**(524)**	(1,244)
Change in net deferred tax assets not recognized		
- Argentina exploration expenses	**205**	1,149
- Other deferred tax assets not recognized	**3,244**	1,806
Non-taxable portion of net earnings of affiliates	**(1,229)**	(1,225)
Effect of other taxes paid (mining and withholding)	**1,157**	3,276
Effect of foreign exchange on tax expense	**(2,214)**	5,294
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12	**331**	300
Other	**81**	(148)
Income tax expense	**$ 4,100**	$ 6,701
Effective tax rate	**68.62%**	(51.22)%

- ***Statement of Cash Flows***

Cash flow from operations in Q1 2016 generated $0.8 million, $11.2 million less than the $11.9 million generated in Q1 2015. The operating cash flow decrease was predominantly due to changes in non-cash operating working capital, which reduced operating cash flow by $27.6 million in Q1 2016, compared to increasing operating cash flow by $4.5 million in Q1 2015. Operating cash flow excluding non-cash operating working capital changes was $28.4 million in Q1 2016, a $20.9 million increase from that in Q1 2015. The increase in operating cash flow before working capital changes was driven primarily by decreases in cash production costs and income taxes paid, which more than offset the quarter over quarter decline in cash revenue.

The major difference in quarter over quarter working capital movements arose on the timing of trade and other receivables balances ("Receivables") and changes in inventory balances during the quarters. Receivables changes in Q1 2016 resulted in a $22.3 million use of cash compared to a $2.4 million source of cash in Q1 2015. Inventory balance changes resulted in a $4.4 million source of cash in Q1 2016, $10.3 million less than the $14.7 million source of cash in Q1 2015. Partially offsetting these quarter over quarter variance were changes in accounts payable and accrued liability balances which resulted in a $6.6 million use of cash in Q1 2016, $1.6 million less than the $8.3 million use of cash in Q1 2015.

Investing activities used $10.3 million in Q1 2016, inclusive of $36.0 million generated on net sales of short-term investments. The balance of Q1 2016 investing activities consisted primarily of spending $44.9 million on mineral property plant and equipment capital at the Company's mines and projects. In Q1 2015, investing activities used $33.5 million inclusive of $32.4 million spent on mineral property plant and equipment, and $1.2 million spent on net purchases of short-term investments.

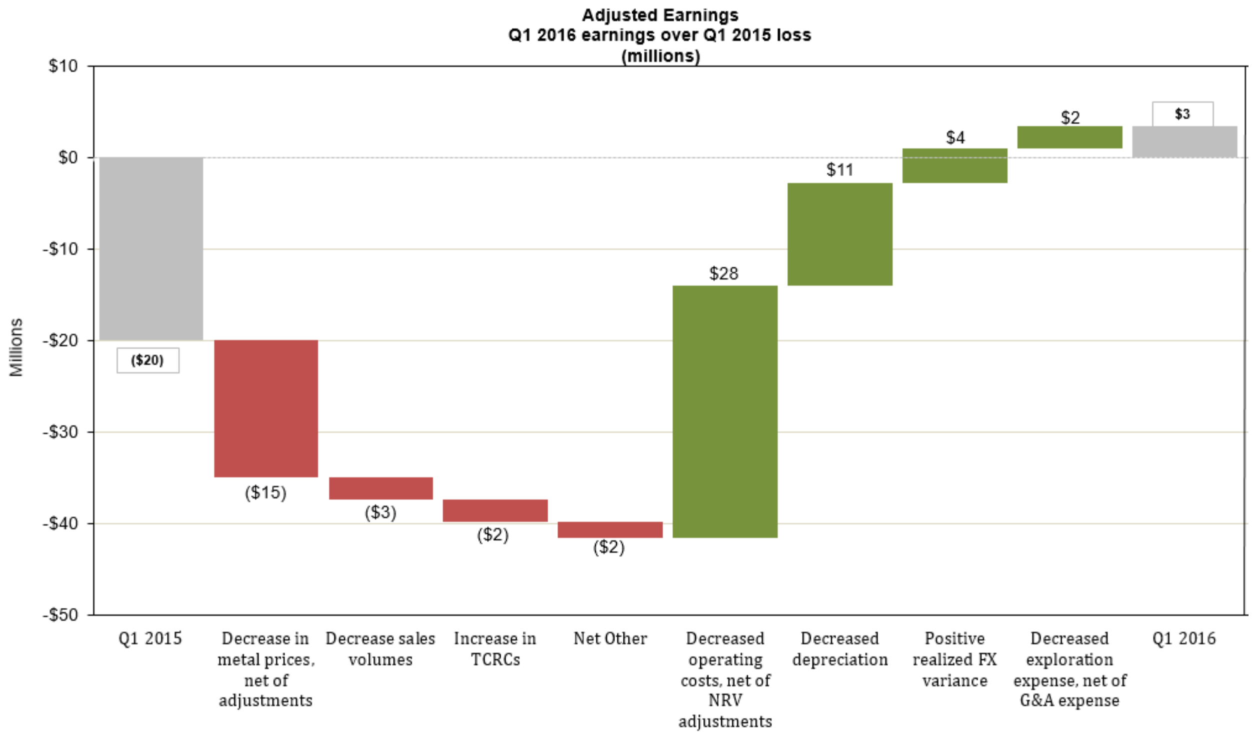
Financing activities in Q1 2016 used $3.7 million compared to $15.0 million in Q1 2015. Cash used in financing activities in Q1 2016 consisted of $1.9 million paid as dividends to shareholders, $1.2 million in short-term debt payments and $0.7 million of lease repayments. In Q1 2015, $19.0 million was paid as dividends, $5.3 million in short-term debt proceeds were received (net of repayments), and $1.3 million of lease payments were made.

- ***Q1 2016 Adjusted Earnings***

Adjusted earnings and basic adjusted earnings per share are non-GAAP measures that the Company considers to better reflect normalized earnings as they eliminate items that may be volatile from period to period, relating to positions, which will settle in future periods, and items that are non-recurring. Neither adjusted earnings nor basic adjusted earnings per share have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "adjusted earnings" and "basic adjusted earnings per share", and a reconciliation of these first quarter measures to the Q1 2016 Financial Statements.

Adjusted earnings in Q1 2016 was $3.5 million, representing a basic adjusted earnings per share of $0.02, which was $23.4 million, or $0.15 per share, higher than Q1 2015 adjusted net losses and basic losses per share of $19.9 million, and $0.13, respectively. The following graph illustrates the key factors leading to the change from adjusted net losses for the quarter ended March 31, 2015 to the adjusted net income in 2016:



LIQUIDITY POSITION

The Company's cash and cash equivalents balance at March 31, 2016, was $120.4 million, which was a decrease of $13.6 million from the $134.0 million balance at December 31, 2015. The balance of the Company's short-term investments at March 31, 2016, was $57.2 million, which was a decrease of $35.4 million from the $92.7 million balance at December 31, 2015. The combined liquidity decrease in Q1 2016 of $49.0 million resulted primarily from $44.9 million in capital expenditures used on mineral properties, plant and equipment and $3.7 million used in financing activities, which included $1.9 million of dividend payments.

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize returns. 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. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

Working capital at March 31, 2016, was $ 383.7 million, which was a decrease of $8.6 million from December 31, 2015 working capital of $392.2 million. The decrease in working capital was due to the previously described $49.0 million decrease in cash and short-term investments and a net $40.4 million increase in other working capital accounts that arose primarily from: a $26.9 million increase in receivables; a $10.2 million decrease in current liabilities, primarily from a $7.5 million decline in accounts payable and accrued liabilities; and a $2.8 million increase in prepaid expenses and other current assets.

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 $300.0 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. On December 29, 2015, the Company made a $36.2 million drawdown on the Facility by way of Libor loan at an annual rate of 2.55%. As of March 31, 2016, and at the date of this MD&A, $36.2 million remained drawn on the Facility through LIBOR loans with an average annual rate of 2.55%.

The Company's financial position at March 31, 2016, 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 satisfy our 2016 working capital requirements, 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. Liquidity risks are discussed further in the "Risks and Uncertainties" section of this MD&A.

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, 2016, was $1,298.7 million, an increase of $1.5 million from December 31, 2015. As of March 31, 2016, the Company had approximately 152.0 million common shares outstanding for a share capital balance of $2,299.4 million (December 31, 2015, 151.9 million and $2,298.4 million). The basic weighted average number of common shares outstanding was 152.0 million and 151.6 million for the quarters ended March 31, 2016, and 2015, respectively.

As at March 31, 2016, the Company had approximately 1.5 million stock options outstanding, with exercise prices in the range of CAD $9.76 to CAD $40.22 and a weighted average life of 57 months. Approximately 1.0 million of the stock options were vested and exercisable at March 31, 2016, with an average weighted exercise price of CAD $19.37 per share.

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

	Outstanding as at May 11, 2016
Common shares	152,008,083
Options	1,505,764
Total	**153,513,847**

FINANCIAL INSTRUMENTS

A part of the Company's operating and capital expenditures is denominated in local currencies other than 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 $6.7 million in CAD, $7.9 million in MXN, $3.2 million in Peruvian Soles,

$1.1 million in Argentine pesos ("ARS"), and $1.0 million in Bolivian Bolivianos ("BOB") at March 31, 2016.

At March 31, 2016, the Company had collars on its foreign currency exposure of MXN purchases made up of put and call contracts with a nominal value of $26.2 million and settlement dates between April 2016 and December 2016. The positions have a weighted average floor of $16.63 and average cap of $18.62. The Company recorded gains of $0.2 million and $nil on the MXN forward contracts in the three months ended March 31, 2016 and 2015, respectively. Risks relating to foreign exchange rates are discussed in the "Risks and Uncertainties" section of this MD&A.

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. Risks relating to metal prices and hedging activities undertaken in relation to metal prices are discussed in the "Risks and Uncertainties" section of this MD&A.

During Q1 2016, in order to limit its exposure to lower zinc prices on a portion of its zinc production, the Company collared the prices on 5,040 metric tonnes ("MT") of zinc at a fixed minimum price of $1,700 and a maximum price of $1,900 per MT. The contracts have settlement dates between March 2016 and February 2017. The Company recorded losses of $0.1 million and $nil on zinc positions during the three months ended March 31, 2016 and 2015.

Further, in Q1 2016, in order to limit its exposure to lower lead prices a portion of its lead production, the Company collared the prices on 3,720 MT of lead at a fixed minimum price of $1,650 and a maximum price of $1,965 per MT. These contracts have settlement dates between March, 2016 and February, 2017. The Company recorded gains of $0.2 million and $nil on the lead positions during the three months ended March 31, 2016 and 2015.

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. During the fourth quarter of 2015 ("Q4 2015"), the Company entered into additional Diesel Swaps with an initial notional value of $12.5 million. A total of $9.2 million of the notional amounts of the Diesel Swaps remained outstanding as of March 31, 2016. The Company recorded a loss of $0.3 million and a gain of $0.6 million on the Diesel Swaps during the three months ended March 31, 2016, and 2015, respectively.

Other than the contracts described above, there were no other gains or losses on any commodity or foreign currency contracts in either the three months ended March 31, 2016, and 2015.

The Company maintains short-term bank loans in Argentina, which at March 31, 2016, had a balance outstanding of $18.4 million (December 31, 2015: $19.6 million). These loans were denominated in USD and ARS as at March 31, 2016 and December 31, 2015, 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.

The carrying value of the conversion feature on convertible notes assumed by the Company in the Minefinders transaction, which was settled in December 2015, was 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 Company had the right to pay all or part of the liability associated with the Company's previously outstanding convertible notes in cash on the conversion date. Accordingly, the

Company classified 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 was 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 were recognized in profit or loss.

During the first quarter of 2016 and 2015, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $nil 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. The classification of financial instruments and the significant assumptions made in determining the fair value of financial instruments are described in note 4 of the Q1 2016 Financial Statements.

CLOSURE AND DECOMMISSIONING COST PROVISION

The estimated future closure and decommissioning costs are based principally on the requirements of relevant authorities and the Company's environmental policies. The provision is measured using management's assumptions and estimates for future cash outflows. The Company accrues these costs initially at their fair value, which are determined by discounting costs using rates specific to the underlying obligation. Upon recognition of a liability for the closure and decommissioning costs, the Company capitalizes these costs to the related mine and amortizes such amounts over the life of each mine on a unit-of-production basis except in the case of exploration projects for which the offset to the liability is expensed. The accretion of the discount due to the passage of time is recognized as an increase in the liability and a finance expense.

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs as at March 31, 2016, is $109.1 million (December 31, 2015 - $107.2 million) which has been inflated using inflation rates of between 1% and 17%. The inflated and discounted (using discount rates between 1% and 20%) provision on the statement of financial position as at March 31, 2016, was $53.7 million (December 31, 2015, is $50.5 million). Spending with respect to decommissioning obligations at the Alamo Dorado and Manantial Espejo mines is expected throughout 2016, while the remainder of the obligations are expected to be paid through 2035 or later if mine lives are extended. Revisions made to the reclamation obligations in Q1 2016 were primarily a result of increased site disturbance related to the La Colorada expansion project and from the ordinary course of operations at the mines. These obligations will be funded from operating cash flows, reclamation deposits, and cash on hand.

The accretion of the discount charged to Q1 2016 and Q1 2015 earnings as finance expense was $0.7 million and $0.8 million, respectively. Reclamation expenditures incurred during Q1 2016 were $0.6 million (Q1 2015 - $1.1 million).

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. The Company had the following contractual obligations at March 31, 2016:

	Payments due by period				
	Total	Within 1 year[1]	2 - 3 years	4- 5 years	After 5 years
Current liabilities	$ 102,660	$ 102,660	$ -	$ -	$ -
Credit facility	39,160	960	1,920	36,280	-
Loan obligation	18,490	18,490	-	-	-
Finance lease obligations[2]	5,103	2,458	2,645	-	-
Severance accrual	4,833	1,387	776	370	2,300
Employee compensation[3]	5,277	2,824	2,453	-	-
Loss on commodity contracts	1,601	1,601	-	-	-
Provisions[4]	4,362	3,225	374	436	327
Income taxes payable	11,866	11,866	-	-	-
Total contractual obligations[4]	**$ 193,352**	**$ 145,471**	**$ 8,168**	**$ 37,086**	**$ 2,627**

(1) 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.

(2) Includes lease obligations in the amount of $5.1 million (December 31, 2015 - $4.1 million) with a net present value of $4.9 million (December 31, 2015 - $4.0 million) discussed further in Note 16 of the Q1 2016 Financial Statements.

March 31, 2016		**Future interest component**	**Within 1 year**
Current portion of:			
Accounts payable and other liabilities	$ 102,660	$ -	**$ 102,660**
Credit facility	-	960	**960**
Loan obligation	18,401	89	**18,490**
Current portion of finance lease	2,354	104	**2,458**
Current severance liability	1,387	-	**1,387**
Employee Compensation & Restricted Share Units	1,318	1,506	**2,824**
Unrealized loss on commodity contracts	1,601	-	**1,601**
Provisions[4]	3,225	-	**3,225**
Income tax payable	11,866	-	**11,866**
Total contractual obligations within one year[4]	$ 142,812	$ 2,659	**$ 145,471**

(3) Includes RSU obligation in the amount of $4.1 million (2015 – $2.5 million) that will be settled in cash. The RSUs vest in two instalments, 50% in December 2016 and 50% in December 2017.

(4) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation (current of $7.0 million, long-term $46.7 million), the deferred credit arising from the Aquiline acquisition ($20.8 million) discussed in Note 15 of the Q1 2016 Financial Statements, and deferred tax liabilities ($142.3 million).

RELATED PARTY TRANSACTIONS

There were no related party transactions recorded in Q1 2016.

During Q1 2015, a company indirectly owned by a trust of which a director of the Company, is a beneficiary, was paid approximately $1.4 million for consulting services, inclusive of a termination of services payment, charged to general and administrative costs.

SUBSEQUENT EVENTS

On April 18, 2016, the Company entered into an arrangement ("the Arrangement") with MacMillan Minerals Inc. ("MacMillan") and Maverix Metals Inc. ("Maverix"). MacMillan is a TSX-V listed company and Maverix is a private company whose Chairman is Pan American's former CEO. Pursuant to the terms of the Arrangement once the necessary regulatory, shareholder, and court approvals have been obtained and the transaction closes, Maverix will be a wholly-owned subsidiary of MacMillan, MacMillan will be renamed "Maverix Metals Inc." ("New

Maverix") and New Maverix will be a publically listed royalty and streaming company that will trade as MMX on the TSX Venture Exchange.

Under the terms of the Arrangement, Pan American will sell thirteen royalties and precious metal streams on certain of the Company's mineral property assets to New Maverix and will receive approximately 54% of the issued and outstanding common shares of New Maverix (approximately 63% fully diluted), together with 20 million common share purchase warrants, exercisable for five years after closing of the arrangement. Pan American's former CEO will be appointed as the Chairman of New Maverix, and Pan American representatives will make up two of five members of New Maverix's Board of Directors. The Company is currently evaluating the accounting treatment of this transaction.

In management's opinion, this transaction represents an attractive opportunity to unlock value for a group of its assets that have gone largely unrecognized by the market. As the majority shareholder, Pan American will maintain meaningful upside exposure and leverage to these assets, and to Maverix's ability to grow the portfolio, led by a trusted and experienced management team. Please refer to the news release of April 18, 2016 for further details.

On May 6, 2016 the Company completed the sale of 75% of the shares in its wholly-owned subsidiary Compania Minera Shalipayco S.A.C. ("Shalipayco") to Votorantim Metais – Cajamarquilla S.A. ("Votorantim") for $15.0 million in cash and a 1% net smelter returns royalty. Votorantim will also provide the Company with a free carry of its remaining 25% ownership interest to commercial production. Shalipayco owns the Shalipayco zinc development project consisting of forty-nine mining concessions covering an area of 21,000 hectares located in the Pasco and Junin departments of Peru (the "Shalipayco Asset"). As of March 31, 2016 the Shalipayco Asset had a balance sheet carrying value of nil.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- ***AISCSOS***

AISCSOS is a non-GAAP financial measure. AISCSOS does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. We believe that AISCSOS reflects a comprehensive measure of the full cost of operating our consolidated business given it includes the cost of replacing silver 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:

(In thousands of USD, except as noted)		Three months ended March 31, 2016	2015
Direct operating costs		**$ 109,232**	$ 141,034
Net realizable value ("NRV") inventory adjustments		**(3,424)**	(12,060)
Production costs		**$ 105,808**	$ 128,974
Royalties		**6,398**	6,003
Smelting, refining and transportation charges[1]		**22,155**	19,789
Less by-product credits[1]		**(90,047)**	(97,899)
Cash cost of sales net of by-products [2]		**$ 44,314**	$ 56,865
Sustaining capital[3]		**$ 22,941**	$ 16,526
Exploration and project development		**1,282**	3,754
Reclamation cost accretion		**719**	810
General & administrative expense		**5,734**	5,700
All-in sustaining costs[2]	**A**	**$ 74,989**	**$** 83,655
Payable ounces sold (in thousands)	**B**	**5,716**	5,875
All-in sustaining cost per silver ounce sold, net of by-products	**A/B**	**$ 13.12**	$ 14.24
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV) adjustments)		**$ 13.72**	$ 16.29

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

(2) Totals may not add due to rounding.

(3) Please refer to the table below.

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, 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, 2016	2015
Payments for mineral property, plant and equipment[1]	**$ 44,900**	$ 32,446
Add/(Subtract)		
Advances received for leases	**1,664**	920
Non-Sustaining capital (Dolores, La Colorada projects, and other)	**(23,624)**	(16,840)
Sustaining Capital[2]	**$ 22,941**	$ 16,526

(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, 2016									
(In thousands of USD, except as noted)	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	9,650	29,358	12,401	16,431	14,303	5,966	21,121	-	109,232
NRV inventory adjustments	-	(4,222)	(145)	-	-	-	943	-	(3,424)
Production costs	9,650	25,136	12,256	16,431	14,303	5,966	22,065	-	105,808
Royalties	84	1,077	79	-	-	4,426	733	-	6,398
Smelting, refining and transportation charges	2,934	31	217	9,142	7,433	2,766	(369)	-	22,155
Less by-product credits	(5,979)	(22,485)	(5,688)	(17,892)	(18,545)	(2,425)	(17,033)	-	(90,047)
Cash cost of sales net of by-products (1)	6,689	3,759	6,864	7,681	3,191	10,733	5,396	-	44,314
Sustaining capital	3,655	14,421	-	2,138	1,321	460	945	-	22,941
Exploration and project development	122	34	-	46	155	-	-	925	1,282
Reclamation cost accretion	72	179	(286)	126	104	54	433	37	719
General & administrative expense	-	-	-	-	-	-	-	5,734	5,734
All-in sustaining costs(1)	10,538	18,391	6,578	9,990	4,772	11,248	6,774	6,696	74,987
Payable ounces sold	1,149,880	950,000	685,596	835,364	674,384	748,888	671,661	-	5,715,772
All-in sustaining cost per silver ounce sold, net of by-products	$ 9.16	$ 19.36	$ 9.60	$ 11.96	$ 7.08	$ 15.02	$ 10.08	-	$ 13.12
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV adjustments)	$ 9.16	$ 23.80	$ 9.81	$ 11.96	$ 7.08	$ 15.02	$ 8.68	-	$ 13.72

(1) Totals may not add due to rounding.

Three months ended March 31, 2015									
(In thousands of USD, except as noted)	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	12,861	37,833	17,665	17,097	18,473	5,782	31,322	-	141,034
NRV inventory 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 transportation 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 (1)	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 and project development	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(1)	12,376	4,801	11,520	12,489	11,335	7,705	14,384	9,047	83,655
Payable ounces sold	1,310,147	1,150,000	790,000	733,728	497,865	587,864	805,427	-	5,875,031
All-in sustaining cost per silver ounce sold, net of by-products	$ 9.45	$ 4.17	$ 14.58	$ 17.02	$ 22.77	$ 13.11	$ 17.86	-	$ 14.24
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV adjustments)	$ 9.45	$ 16.01	$ 15.19	$ 17.02	$ 22.77	$ 13.11	$ 15.34		$ 16.29

(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 metrics, net of by-product credits, are 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. Cash costs per ounce is conceptually understood and widely reported in the silver mining industry. However, cash cost per ounce of silver is a non-GAAP measure and does not have a standardized meaning prescribed by GAAP and the Company's method of calculating cash costs may differ from the methods used by other entities.

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		Three months ended March 31,	
(in thousands of U.S. dollars except as noted)		**2016**	2015
Production costs		$ 105,808	$ 128,974
Add/(Subtract)			
Royalties		6,398	6,003
Smelting, refining, and transportation charges		24,354	21,995
Worker's participation and voluntary payments		(203)	(25)
Change in inventories		1,605	(16,404)
Other		(1,272)	(1,754)
Non-controlling interests (1)		(883)	(1,219)
Metal inventories recovery (write-down)		3,424	12,060
Cash Operating Costs before by-product credits(2)		**139,230**	149,631
Less gold credit		(47,814)	(44,932)
Less zinc credit		(18,510)	(16,504)
Less lead credit		(7,917)	(5,997)
Less copper credit		(16,716)	(15,473)
Cash Operating Costs net of by-product credits (2)	**A**	**48,274**	66,725
Payable Silver Production (koz)	**B**	**6,010,873**	5,696,180
Cash Costs per ounce net of by-product credits	**(A*$1000) /B**	**$ 8.03**	**$ 11.71**

(1) 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.

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

Three months ended March 31, 2016 (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	$ 15,209	$ 31,965	$ 10,481	$ 23,674	$ 18,940	$ 14,562	$ 22,929	$ 137,760
Less gold credit	b1	(633)	(25,436)	(3,835)	(1)	(360)	(75)	(17,439)	(47,780)
Less zinc credit	b2	(3,809)		-	(6,290)	(5,482)	(2,345)	-	(17,927)
Less lead credit	b3	(2,473)		-	(3,921)	(1,132)	(282)	-	(7,807)
Less copper credit	b4	-		(67)	(7,029)	(8,876)	-	-	(15,972)
Sub-total by-product credits	B=(b1+ b2+ b3+ b4)	$ (6,915)	$ (25,436)	$ (3,902)	$ (17,241)	$ (15,851)	$ (2,703)	$ (17,439)	$ (89,486)
Cash Costs net of by-product credits	C=(A+B)	$ 8,295	$ 6,529	$ 6,578	$ 6,433	$ 3,089	$ 11,859	$ 5,490	$ 48,274
Payable ounces of silver (thousand)	D	1,309	1,071	555	810	589	1,002	675	6,011
Cash cost per ounce net of by-products	C/D	$ 6.34	$ 6.10	$ 11.85	$ 7.95	$ 5.24	$ 11.84	$ 8.13	$ 8.03

(1) Totals may not add due to rounding.

Three months ended March31, 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.

- ***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 2016 and 2015, to the net (loss) earnings for each period.

Adjusted Earnings (Loss) Reconciliation (in thousands of USD other than per share amounts)	Three months ended March 31, 2016	2015
Net income (loss) for the period	**$ 1,875**	$ (19,785)
Adjust derivative gain	**-**	(229)
Adjust unrealized foreign exchange losses	**1,308**	2,073
Adjust unrealized gain on commodity contracts	**(1,464)**	(544)
Adjust gain on sale of mineral properties	**(104)**	(133)
Adjust net realizable value of heap inventory	**2,793**	(2,036)
Adjust for effect of taxes on above items	**(953)**	747
Adjusted earnings (loss) for the period	**$ 3,455**	$ (19,907)
Basic weighted average shares for the period	**151,982**	151,643
Adjusted basic earnings (loss) per share for the period	**$ 0.02**	$ (0.13)

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 below and in Pan American's Annual Information Form (available on SEDAR at www.sedar.com), Form 40-F filed with the SEC, and the 2015 Financial Statements. 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, lack of an independent judiciary, 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, particularly in jurisdictions such as Argentina and Bolivia that have a history of expropriation; changing political and fiscal regimes, and economic and regulatory instability; unanticipated changes to royalty and tax regulations; unreliable or undeveloped infrastructure; labour unrest and labour scarcity; difficulty obtaining key equipment and components for equipment; regulations and restrictions with respect to imports and exports; high rates of inflation; extreme fluctuations in currency exchange rates and the imposition of currency controls; the possible unilateral cancellation or forced renegotiation of contracts, and uncertainty regarding enforceability of contractual rights; inability to obtain fair dispute resolution or judicial determinations because of bias, corruption or abuse of power; difficulties enforcing judgments generally, including judgments obtained in Canadian or United States courts against assets and entities located outside of those jurisdictions; 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; local opposition to mine development projects, which include the potential for violence and property damage; violence and more prevalent or stronger organized crime groups; terrorism and hostage taking; military repression and increased likelihood of international conflicts or aggression; and increased public health concerns. Certain of these risks and uncertainties are illustrated well by circumstances in Bolivia and Argentina.

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.

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.

In early 2009, a new constitution was enacted in Bolivia that further entrenched the government's ability to amend or enact laws, including those that may affect mining, and which enshrined the concept that all natural resources belong to the Bolivian people and that the state was entrusted with its administration.

On May 28, 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). Among other things, the New Mining Law established a new Bolivian mining authority to provide principal mining oversight (varying the role of COMIBOL) and set out a number of new economic and operational requirements relating to state participation in mining projects. Further, the New Mining Law provided that all pre-existing contracts were 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.

On June 25, 2015, the Bolivian government enacted the new Conciliation and Arbitration Law No. 708 (the "New Conciliation and Arbitration Law"), which endeavors to set out newly prescribed arbitral norms and procedures, including for foreign investors. However, whether the New Conciliation and Arbitration Law applies specifically to pre-existing agreements between foreign investors and COMIBOL, and how this new legislation interacts with the New Mining Law, remains somewhat unclear. As a result, we await clarification by regulatory authorities and will continue to assess the potential impacts of the New Conciliation and Arbitration Law on our business.

Meanwhile, under the previous political regime in Argentina, the government intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. Among other the things, the Argentine government has 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 support of this policy, 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 and required advance government review of plans to import goods and materials. In addition, the government of Argentina also tightened control over capital flows and foreign exchange in an attempt to curtail the outflow of hard currencies and protect its foreign currency reserves, including mandatory repatriation and conversion of foreign currency funds in certain circumstances, informal restrictions on dividend, interest, and service payments abroad and limitations on the ability of individuals and businesses to convert Argentine pesos into USD or other hard currencies, exposing us to additional risks of Peso devaluation and high domestic inflation. While a new federal government was elected in Argentina in late 2015 and has since taken steps to ease some of the previously instituted controls and restrictions, particularly relaxing certain rules relating to the inflow and outflow of foreign currencies, many of the policies of the previous government continue to adversely affect the Company's Argentine operations. It is unknown whether these recent changes will be lasting, what, if any, additional steps will be taken by the new administration or what financial and operational impacts these and any future changes might have on the Company. As such, the Company continues to monitor and assess the situation in Argentina.

In most cases, the effect of these risks and uncertainties cannot be accurately predicted and, in many cases, their occurrence is outside of our control. Although we are unable to determine the impact of these risks on our future financial position or results of operations, many of these risks and uncertainties have the potential to substantially affect our exploration, development and production activities and could therefore have a material adverse impact on our operations and profitability. 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. Decisions relating to hedging may have material adverse effects upon our financial performance, financial position, and results of operations. 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. If metal prices decline significantly below levels used in the Company's most recent impairment tests, for an extended period of time, the Company may need to reassess its price assumptions, and a significant decrease in the price assumptions could be an indicator of potential impairment. A description of the impact of metal price changes on certain Company assets is included in the Key Assumption and Sensitivity sections included in both the 2015 Financial Statements (included in Note 11), and in this MD&A (included in the Income Statement analysis section).

- ***Trading and Credit Risk***

The zinc, lead, and copper concentrates produced by us are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require us to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing us 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, we may incur losses for products already shipped and be forced to sell our concentrates in the spot market or we may not have a market for our concentrates and therefore our future operating results may be materially adversely impacted. For example, the Doe Run Peru smelter, a significant buyer of our production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. We continued to sell copper concentrates to other buyers but on inferior terms. The Doe Run Peru smelter remains closed and we are owed approximately $8.2 million under the terms of our contract with Doe Run Peru. We continue to pursue all legal and commercial avenues to collect the amount outstanding.

As at March 31, 2016, we had receivable balances associated with buyers of our concentrates of $40.8 million (December 31, 2015 - $21.3 million). All of this receivable balance is owed by eight well known concentrate buyers and the vast majority of our concentrate is sold to those same counterparts.

Silver doré production is refined under long-term agreements with fixed refining terms at three separate refineries worldwide. We generally retain the risk and title to the precious metals throughout the process of refining and therefore are exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that we may not be able to fully recover our precious metals in such circumstances. As at March 31, 2016, we had approximately $29.7 million contained in precious metal inventory at refineries (December 31, 2015 - $21.4 million). We maintain insurance coverage against the loss of precious metals at our mine sites, in-transit to refineries, and while at the refineries.

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

We maintain trading facilities with several banks and bullion dealers for the purposes of transacting our trading activities. None of these facilities are subject to margin arrangements. Our trading activities can expose us to the credit risk of our counterparties to the extent that our trading positions have a positive mark-to-market value.

Management constantly monitors and assesses the credit risk resulting from our concentrate sales, refining arrangements, and commodity contracts. 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.

From time to time, we may invest in equity securities of other companies. Just as investing in Pan American is inherent with risks such as those set out in this MD&A, by investing in other companies we will be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

- ***Liquidity Risk***

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. The volatility of the metals markets can impact our ability to forecast cash flow from operations.

We must maintain sufficient liquidity to meet our short-term business requirements, taking into account our anticipated cash flows from operations, our holdings of cash and cash equivalents, and committed loan facilities.

We manage our liquidity risk by continuously monitoring forecasted and actual cash flows. We have in place a rigorous reporting, planning and budgeting process to help determine the funds required to support our normal operating requirements on an ongoing basis and our expansion plans. We continually evaluate and review capital and operating expenditures in order to identify, decrease, and limit all non-essential expenditures.

- ***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 this in MD&A in the "Financial Instruments" section.

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.

Our balance sheet contains various monetary assets and liabilities, some of which are denominated in foreign currencies. Accounting convention dictates that these balances are fair valued at the end of each period, with resulting adjustments being reflected as foreign exchange gains or losses on our statement of operations.

In addition to the foregoing, governmental restrictions and controls relating to exchange rates also impact our operations. In Argentina, for example, the government has at times established official exchanges rates that were significantly different than the unofficial exchange rates more readily utilized in the local economy to determine prices and value. Our investments in Argentina are primarily funded from outside of the country, and therefore conversion of foreign currencies, like USD, at the official exchange rate has had the effect of reducing purchasing power and substantially increasing relative costs in an already high inflationary market. Maintaining monetary assets in ARS also exposes us to the risks of ARS devaluation and high domestic inflation.

- ***Taxation Risks***

Pan American is exposed to tax related risks, in assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, we give additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. We consider relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. We reassess unrecognized income tax assets at each reporting period.

- ***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. Many of these claims relate to current or ex-employees, some of which involve claims of significant value, for matters ranging from workplace illnesses such as silicosis to claims for additional profit-sharing and bonuses in prior years. Furthermore, we are in some cases the subject of claims by local communities, indigenous groups or private land owners relating to land and mineral rights and such claimants may seek sizeable monetary damages against us and/or the return of surface or mineral rights that are valuable to us and which may impact our operations and profitability if lost. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to us. We carry liability insurance coverage and establish provisions for matters that are probable and can be reasonably estimated. In addition, we may be involved in disputes with other parties in the future that may result in litigation, which may result in a material adverse effect on our financial position, cash flow and results of operations.

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 2015 Financial Statements, for the Company's summary of significant accounting policies.

CHANGES IN ACCOUNTING STANDARDS

There were no significant accounting standards or interpretations along with any consequential amendments, required for the Company to adopt effective January 1, 2016.

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 July 22, 2015, the IASB confirmed a one-year deferral of the effective date of IFRS 15 to January 1, 2018. 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.

IFRS 16, *Leases* ("IFRS 16") In January 2016, the IASB issued IFRS 16 – *Leases* which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IAS 7, *Statement of Cash Flows* ("IAS 7") Amendments to IAS 7, Statement of Cash Flows were issued in January 2016 as part of the IASB's Disclosure Initiative. The amendments require certain enhanced disclosures of the cash and non-cash components of changes in liabilities resulting from financing activities and are required to be applied for years beginning on or after January 1, 2017. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

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.

Changes in Internal Controls over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the period ended March 31, 2016 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

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

For more detailed information regarding the Company's material mineral properties and technical information related thereto, including a complete list of current technical reports applicable to such properties, please refer to the Company's Annual Information Form dated March 24, 2016 filed at www.sedar.com or the Company's most recent Form 40-F filed with the SEC.

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, “WILL”, “BELIEVES”, “EXPECTS”, “INTENDS”, “PLANS”, “FORECAST”, “OBJECTIVE”, “GUIDANCE”, “OUTLOOK”, “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, AND THE NEW MINING LAW AND THE NEW CONCILIATION AND ARBITRATION 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; 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 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; AND THE COMPANY’S PLANS AND EXPECTATIONS FOR ITS PROPERTIES AND OPERATIONS; THE TIMING AND METHOD OF REPAYMENT OF RESTRICTED SHARE UNITS AND PERFORMANCE SHARE UNITS.

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 OR INFORMATION 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; HAVING SUFFICIENT CASH TO PAY OBLIGATIONS AS THEY COME DUE 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 OR INFORMATION. ALTHOUGH THE COMPANY HAS ATTEMPTED TO IDENTIFY IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY, THERE MAY BE OTHER FACTORS THAT CAUSE RESULTS NOT TO BE 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.

PAN AMERICAN SILVER

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE FIRST QUARTER ENDING MARCH 31, 2016

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

		March 31, 2016		December 31, 2015
Assets				
Current assets				
Cash and cash equivalents (Note 18)	**$**	**120,387**	$	133,963
Short-term investments (Note 5)		**57,231**		92,678
Trade and other receivables (Note 4)		**113,912**		87,041
Income taxes receivable		**26,482**		27,373
Inventories (Note 6)		**205,897**		204,361
Derivative financial instruments (Note 4)		**230**		-
Prepaid expenses and other current assets		**9,307**		6,748
		533,446		552,164
Non-current assets				
Mineral properties, plant and equipment (Note 7)		**1,158,688**		1,145,221
Long-term refundable tax		**10,441**		8,994
Deferred tax assets		**3,221**		3,730
Other assets (Note 9)		**1,850**		1,871
Goodwill (Note 8)		**3,057**		3,057
Total Assets	**$**	**1,710,703**	$	1,715,037
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	**$**	**105,365**	$	112,829
Loan payable (Note 11)		**18,401**		19,578
Derivative financial instruments (Note 4)		**1,601**		2,835
Provisions (Note 12)		**10,193**		8,979
Current portion of finance lease (Note 13)		**2,354**		2,238
Current income tax liabilities		**11,866**		13,481
		149,780		159,940
Non-current liabilities				
Provisions (Note 12)		**47,840**		45,892
Deferred tax liabilities		**142,333**		142,127
Long-term portion of finance lease (Note 13)		**2,578**		1,759
Long-term debt (Note 14)		**36,200**		36,200
Other long-term liabilities (Note 15)		**31,709**		30,503
Total Liabilities		**410,440**		416,421
Equity				
Capital and reserves (Note 16)				
Issued capital		**2,299,358**		2,298,390
Share option reserve		**22,983**		22,829
Investment revaluation reserve		**92**		(458)
Deficit		**(1,023,701)**		(1,023,539)
Total Equity attributable to equity holders of the Company		**1,298,732**		1,297,222
Non-controlling interests		**1,531**		1,394
Total Equity		**1,300,263**		1,298,616
Total Liabilities and Equity	**$**	**1,710,703**	$	1,715,037

Commitments and Contingencies (Notes 4, 23)
Subsequent Events (Note 25)
See accompanying notes to the condensed interim consolidated financial statements.

APPROVED BY THE BOARD ON MAY 11, 2016

"signed" *Ross Beaty, Director* *"signed"* *Michael Steinmann, Director*

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

		Three months ended March 31, 2016		2015
Revenue (Note 19)	**$**	**158,275**	$	178,125
Cost of sales				
Production costs (Note 20)		**(105,808)**		(128,974)
Depreciation and amortization		**(29,371)**		(40,518)
Royalties		**(6,398)**		(6,003)
		(141,577)		(175,495)
Mine operating earnings	**$**	**16,698**	$	2,630
General and administrative		**(5,734)**		(5,700)
Exploration and project development		**(1,282)**		(3,754)
Foreign exchange losses		**(1,772)**		(6,386)
(Losses) gains on commodity and foreign currency contracts (Note 4)		**(58)**		641
Gain on sale of mineral properties, plant and equipment		**104**		133
Other (expense) income		**(487)**		1,014
Earnings (loss) from operations		**7,469**		(11,422)
Gain on derivatives (Note 4)		**-**		229
Investment income		**304**		333
Interest and finance expense (Note 21)		**(1,798)**		(2,224)
Earnings (loss) before income taxes		**5,975**		(13,084)
Income taxes (Note 22)		**(4,100)**		(6,701)
Net earnings (loss) for the period	**$**	**1,875**	$	(19,785)
Attributable to:				
Equity holders of the Company	**$**	**1,738**	$	(19,371)
Non-controlling interests		**137**		(414)
	$	**1,875**	$	(19,785)
Earnings (loss) per share attributable to common shareholders (Note 17)				
Basic earnings (loss) per share	**$**	**0.01**	$	(0.13)
Diluted earnings (loss) per share	**$**	**0.01**	$	(0.13)
Weighted average shares outstanding (in 000's) Basic		**151,982**		151,643
Weighted average shares outstanding (in 000's) Diluted		**152,062**		151,643

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

		Three months ended March 31, 2016		2015
Net earnings (loss) for the period	**$**	**1,875**	$	(19,785)
Items that may be reclassified subsequently to net earnings:				
Unrealized net gains (losses) on available for sale securities (net of zero dollars tax in 2016 and 2015)		**568**		(175)
Reclassification adjustment for net (losses) gains on available for sale securities included in earnings (net of zero dollars tax in 2016 and 2015)		**(18)**		143
Total comprehensive income (loss) for the period	**$**	**2,425**	$	(19,817)
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	**$**	**2,288**	$	(19,403)
Non-controlling interests		**137**		(414)
Total comprehensive income (loss) for the period	**$**	**2,425**	$	(19,817)

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,	
	2016	2015
Cash flow from operating activities		
Net earnings (loss) for the period	**$ 1,875**	$ (19,785)
Current income tax expense (Note 22)	**3,387**	4,379
Deferred income tax expense (Note 22)	**713**	2,322
Interest expense (Note 21)	**512**	1,339
Depreciation and amortization	**29,371**	40,518
Accretion on closure and decommissioning provision (Note 12)	**719**	810
Unrealized losses on foreign exchange	**1,308**	2,073
Share-based compensation expense	**702**	784
Losses (Gains) on commodity and foreign currency contracts (Note 4)	**58**	(544)
Gain on derivatives (Note 4)	**-**	(229)
Gain on sale of mineral properties, plant and equipment	**(104)**	(133)
Net realizable value adjustment for inventory	**(3,424)**	(12,060)
Changes in non-cash operating working capital (Note 18)	**(27,600)**	4,522
Operating cash flows before interest and income taxes	**7,517**	23,996
Interest paid	**(322)**	(1,038)
Interest received	**323**	193
Income taxes paid	**(6,747)**	(11,205)
Net cash generated from operating activities	**$ 771**	$ 11,946
Cash flow from investing activities		
Payments for mineral properties, plant and equipment	**(44,900)**	(32,446)
Proceeds from sales (purchase) of short term investments	**36,025**	(1,240)
Proceeds from sale of mineral property, plant and equipment	**110**	140
Net payments from commodity and foreign currency contracts	**(1,522)**	-
Net cash used in investing activities	**$ (10,287)**	$ (33,546)
Cash flow from financing activities		
Proceeds from issue of equity shares	**210**	-
Dividends paid	**(1,900)**	(18,955)
(Payment of) Proceeds from short term loans (Note 11)	**(1,236)**	5,293
Payment of construction and equipment leases	**(729)**	(1,341)
Net cash used in financing activities	**$ (3,655)**	$ (15,003)
Effects of exchange rate changes on cash and cash equivalents	**(405)**	331
Net decrease in cash and cash equivalents	**(13,576)**	(36,272)
Cash and cash equivalents at the beginning of the period	**133,963**	146,193
Cash and cash equivalents at the end of the period	**$ 120,387**	$ 109,921

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, 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 year	-	-	-	-	(226,650)	(226,650)	(4,906)	(231,556)
Other comprehensive income	-	-	-	27	-	27	-	27
	-	-	-	27	(226,650)	(226,623)	(4,906)	(231,529)
Shares issued as compensation	240,362	1,718	-			1,718		1,718
Distributions by subsidiaries to non-controlling interests	-	-	-	-	-	-	(545)	(545)
Stock-based compensation on option grants	-	-	738	-	-	738	-	738
Dividends paid					(41,703)	(41,703)	-	(41,703)
Balance, December 31, 2015	**151,883,734**	**$ 2,298,390**	**$ 22,829**	**$ (458)**	**$ (1,023,539)**	**$ 1,297,222**	**$ 1,394**	**$ 1,298,616**
Total comprehensive income								
Net income for the period	-	-	-	-	1,738	1,738	137	1,875
Other comprehensive income	-	-	-	550	-	550	-	550
	-	-	-	550	1,738	2,288	137	2,425
Shares issued on the exercise of stock options	24,349	288	(78)	-	-	210	-	210
Shares issued as compensation	100,000	680	-	-	-	680	-	680
Share-based compensation on option grants	-	-	232	-	-	232	-	232
Dividends paid	-	-	-	-	(1,900)	(1,900)	-	(1,900)
Balance, March 31, 2016	**152,008,083**	**$ 2,299,358**	**$ 22,983**	**$ 92**	**$ (1,023,701)**	**$ 1,298,732**	**$ 1,531**	**$ 1,300,263**

	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, 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**

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, 2015. 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, 2015, 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, 2016 are not necessarily indicative of the results that may be expected for the year ended December 31, 2016. 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, 2015.

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, 2016.

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 of the final standard and amendments on its consolidated financial statements.

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

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 defer the effective date of IFRS 15 to January 1, 2018. The Company is currently evaluating the impact of the financial standard and amendments on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16") In January 2016, the IASB issued IFRS 16 – *Leases* which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

IAS 7, *Statement of Cash Flows* ("IAS 7") Amendments to IAS 7, Statement of Cash Flows were issued in January 2016 as part of the IASB's Disclosure Initiative. The amendments require certain enhanced disclosures of the cash and non-cash components of changes in liabilities resulting from financing activities and are required to be applied for years beginning on or after January 1, 2017. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

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 $1.3 billion as at March 31, 2016 (December 31, 2015 - $1.3 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, 2015. Refer to note 14 for details of the Company's revolving credit facility and related covenants.

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

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, 2016		December 31, 2015
Current derivative assets:				
Lead contracts	**$**	**158**	$	-
Foreign currency contracts		**72**		-
	$	**230**	$	**-**
Current derivative liabilities:				
Zinc contracts	**$**	**97**	**$**	-
Foreign currency contracts		**-**		168
Diesel fuel swaps		**1,504**		2,667
	$	**1,601**	$	2,835

In addition, trade and other receivables include accounts receivable arising from sales of metal concentrates and have been designated and classified as at FVTPL. The total trade and other receivables are as follows:

		March 31, 2016		December 31, 2015
Trade receivables from provisional concentrates sales	**$**	**40,814**	$	21,272
Not arising from sale of metal concentrates		**73,098**		65,769
Trade and other receivables	**$**	**113,912**	$	87,041

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

		2016		2015
Losses (gains) on commodity, diesel fuel swap and foreign currency contracts:				
Realized (losses) gains on foreign currency, diesel fuel swap and commodity contracts	**$**	**(1,522)**	$	97
Unrealized gains on commodity, diesel fuel swap and foreign currency contracts		**1,464**		544
	$	**(58)**	$	641
Gain on derivatives				
Gain on conversion feature of convertible notes	**$**	**-**	$	229
	$	**-**	$	229

b) Financial assets designated as available-for-sale

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

		March 31, 2016		March 31, 2015
Unrealized gains (losses) on equity securities	**$**	**568**	$	(175)
Reclassification adjustment for realized (losses) gains on equity securities included in earnings		**(18)**		143
	$	**550**	$	(32)

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

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, 2016, 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:

	March 31, 2016		December 31, 2015	
	Level 1	**Level 2**	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	$ 57,231	$ -	$ 92,678	$ -
Trade receivables from provisional concentrate sales	-	40,814	-	21,272
Lead contracts	-	158	-	-
Zinc contracts	-	(97)	-	-
Foreign currency contracts	-	72	-	(168)
Diesel fuel swap contracts	-	(1,504)	-	(2,667)
	$ 57,231	**$ 39,443**	$ 92,678	$ 18,437

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the three months ended March 31, 2016. At March 31, 2016, there were no financial assets or liabilities measured at fair value on the Condensed Interim Consolidated Balance Sheet that would be categorized within Level 3 of the fair value hierarchy (December 31, 2015 - $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 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") price for copper, zinc and lead and the London Bullion Market Association P.M. fix ("London P.M. fix") for gold and silver.

Derivative financial instruments
The Company's unrealized gains and losses on commodity contracts, diesel fuel swaps, 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, 2016 the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices (the "Diesel Swaps"). During the fourth quarter of 2015 ("Q4 2015"), the Company entered into additional Diesel Swaps with an initial notional value of $12.5 million. A total of $9.2 million of the notional amounts of the Diesel Swaps remained outstanding as of March 31, 2016. The Company recorded a $0.3 million loss on the Diesel Swaps in the three months ended March 31, 2016 (2015 - $0.6 million gain).

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.

During the three months ended March 31, 2016, the Company collared a portion of its zinc production in order to limit its exposure to lower zinc prices on 5,040 metric tonnes ("MT") of zinc at a fixed minimum price of $1,700 per MT and a maximum price of $1,900 per MT. The contracts have settlement dates between March, 2016 and February, 2017. The Company recorded losses of $0.1 million and $nil on zinc positions during the three months ended March 31, 2016 and 2015, respectively.

Further, during the three months ended March 31, 2016, the Company collared a portion of its lead production in in order to limit its exposure to lower lead prices. These contracts were on 3,720 MT of lead at a fixed minimum price of $1,650 per MT and a maximum price of $1,965 per MT. These contracts have settlement dates between March, 2016 and February, 2017. The Company recorded gains of $0.2 million and $nil on the lead positions during the three months ended March 31, 2016 and 2015, respectively.

(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, 2016, the Company had receivable balances associated with buyers of its concentrates of $40.8 million (December 31, 2015 - $21.3 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, 2016, the Company had approximately $29.7 million (December 31, 2015 - $21.4 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.

(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 Nuevo soles ("PEN"), Mexican pesos ("MXN") and Canadian Dollars ("CAD") to match anticipated spending. At March 31, 2016, the Company had the following foreign cash balances stated in USD: $6.7 million of CAD, $3.2 million of PEN, and $7.9 million of MXN.

At March 31, 2016, the Company had no outstanding contracts to purchase CAD or PEN. At March 31, 2016, the Company has collared its foreign currency exposure of MXN purchases with puts and call contracts which have a nominal value of $29.7 million and have settlement dates between April, 2016 and December, 2016. The positions have a weighted average floor of $16.61 and on average cap of $18.60. The Company recorded gains of $0.2 million and $nil on the foreign exchange positions during the three months ended March 31, 2016, and 2015, respectively.

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

(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, 2016 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	$ 102,660	$ 102,660	$ -	$ -	$ -
Credit Facility	39,160	960	1,920	36,280	-
Loan obligation (Note 11)	18,490	18,490	-	-	-
Finance lease obligations(1)	5,103	2,458	2,645	-	-
Severance accrual	4,833	1,387	776	370	2,300
Employee compensation(3)	5,277	2,824	2,453	-	-
Loss on commodity contracts	1,601	1,601	-	-	-
Provisions	4,362	3,225	374	436	327
Income taxes payable	11,866	11,866	-	-	-
Total contractual obligations(4)	**$ 193,352**	**$ 145,471**	**$ 8,168**	**$ 37,086**	**$ 2,627**

(1) Includes lease obligations in the amount of $5.1 million (December 31, 2015 - $4.1 million) with a net present value of $4.9 million (December 31, 2015 - $4.0 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.

March 31, 2016		Future interest component	Within 1 year
Current portion of:			
Accounts payable and other liabilities	$ 102,660	$ -	**$ 102,660**
Credit facility	-	960	**960**
Loan obligation	18,401	89	**18,490**
Current portion of finance lease	2,354	104	**2,458**
Current severance liability	1,387	-	**1,387**
Employee Compensation RSU's & PSU's	1,318	1,506	**2,824**
Unrealized loss on commodity contracts	1,601	-	**1,601**
Provisions	3,225	-	**3,225**
Income tax payable	11,866	-	**11,866**
Total contractual obligations within one year(4)	$ 142,812	$ 2,659	**$ 145,471**

(3) Includes RSU and PSU obligation in the amount of $4.1 million (December 31, 2015 – $2.5 million) and $1.1 million (December 31, 2015 - $0.7 million) that will be settled in cash. The RSUs vest in two instalments, 50% in December 2016 and 50% in December 2017. The PSU obligation vests over three years (see Note 16).
(4) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation of: current of $7.0 million, and and long-term of $46.7 million (December 31, 2015 – current of $6.0 million, long term $44.5 million), the deferred credit arising from the Aquiline acquisition of $20.8 million (December 31, 2015 - $20.8 million) discussed in Note 15, and deferred tax liabilities of $142.3 million (December 31, 2015 - $142.1 million).

5. Short Term Investments

	March 31, 2016			December 31, 2015		
Available for sale	**Fair Value**	**Cost**	**Accumulated unrealized holding gains**	Fair Value	Cost	Accumulated unrealized holding losses
Short term investments	**$ 57,231**	**$ 57,139**	**$ 92**	$ 92,678	$ 93,136	$ (458)

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

6. Inventories

Inventories consist of:

	March 31, 2016	December 31, 2015
Concentrate inventory	**$ 19,638**	$ 17,216
Stockpile ore[(1)]	**15,160**	18,988
Heap leach inventory and in process [(2)]	**82,977**	82,846
Doré and finished inventory [(3)]	**38,852**	33,981
Materials and supplies	**49,270**	51,330
	$ 205,897	$ 204,361

(1) Includes an impairment charge of $29.5 million to reduce the cost of inventory to net realizable value ("NRV ") at Dolores, Manantial Espejo, and Alamo Dorado mines (December 31, 2015 – $28.8 million).
(2) Includes an impairment charge of $20.5 million to reduce the cost of inventory to NRV at Dolores, and Manantial Espejo mines (December 31, 2015 - $21.3 million).
(3) Includes an impairment charge of $0.4 million to reduce the cost of inventory to NRV at the Dolores mine (December 31, 2015 - $3.7 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:

	March 31, 2016			December 31, 2015		
	Cost	**Accumulated Depreciation and Impairment**	**Carrying Value**	**Cost**	**Accumulated Depreciation and Impairment**	**Carrying Value**
Huaron mine, Peru	**$ 174,355**	$ **(86,021)**	**$ 88,334**	$ 171,574	$ (82,896)	$ 88,678
Morococha mine, Peru	**216,453**	**(181,661)**	**34,792**	214,855	(177,621)	37,234
Alamo Dorado mine, Mexico	**198,714**	**(198,714)**	**-**	198,950	(198,950)	-
La Colorada mine, Mexico	**216,467**	**(75,251)**	**141,216**	200,083	(72,732)	127,351
Dolores mine, Mexico	**1,062,893**	**(569,895)**	**492,998**	921,169	(512,308)	408,861
Manantial Espejo mine, Argentina	**361,541**	**(344,003)**	**17,538**	360,735	(341,457)	19,278
San Vicente mine, Bolivia	**131,373**	**(74,433)**	**56,940**	130,595	(72,230)	58,365
Other	**24,960**	**(16,537)**	**8,423**	25,237	(16,441)	8,796
Total	**$ 2,386,756**	$ **(1,546,515)**	**$ 840,241**	$ 2,223,198	$ (1,474,635)	$ 748,563

	March 31, 2016	December 31, 2015
Land and Exploration and Evaluation:		
Land	**$ 3,515**	$ 3,515
Navidad Project, Argentina	**190,471**	190,471
Minefinders exploration projects, Mexico	**95,100**	173,401
Morococha, Peru	**3,238**	3,238
Other	**26,123**	26,033
Total non-producing properties	**$ 318,447**	$ 396,658
Total mineral properties, plant and equipment	**$ 1,158,688**	$ 1,145,221

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

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, 2016 of potential impairments with respect to its mineral properties, the Company has concluded that there are no impairment charges required as at March 31, 2016.

Goodwill arose when the Company acquired Minefinders in 2012 and consists of:

	2016	2015
As at January 1,	**$ 3,057**	$ 3,057
As at March 31,	**$ 3,057**	$ 3,057

	2015
As at January 1,	**$** 3,057
As at December 31, 2015	**$** 3,057

9. Other Assets

Other assets consist of:

	March 31, 2016	December 31, 2015
Investments in Associates	**1,450**	1,450
Reclamation bonds	**199**	199
Lease receivable	**164**	185
Other assets	**37**	37
	$ 1,850	$ 1,871

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	March 31, 2016	December 31, 2015
Trade accounts payable[1]	**$ 45,090**	$ 53,570
Royalties payable	**3,849**	1,947
Other accounts payable and trade related accruals	**30,641**	28,796
Payroll and related benefits	**15,048**	17,366
Severance accruals	**1,387**	720
Other taxes payable	**2,496**	1,220
Advances on concentrate inventory not sold	**1,355**	-
Other	**5,499**	9,210
	$ 105,365	$ 112,829

No interest is charged on the trade accounts payable ranging from 30 to 60 days from the invoice date.

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

11. Loans payable

		March 31, 2016(1)		December 31, 2015(2)
Loans payable	$	**18,401**	$	19,578
Net loans payable(1)	$	**18,401**	$	19,578

(1)

As at March 31, 2016

Due		Argentine Peso		US$	Int. Rate		Total US$
April 1, 2016	$	-	$	2,008	4.35%	$	2,008
April 20, 2016		-		2,325	4.35%		2,325
April 20, 2016		-		1,195	4.35%		1,195
April 22, 2016		-		3,030	4.41%		3,030
May 12, 2016		-		2,320	4.80%		2,320
May 27, 2016		-		4,016	4.50%		4,016
June 16, 2016		-		3,507	4.24%		3,507
	$	-	$	18,401		$	18,401

As at December 31, 2015

Due		Argentine Peso		US$	Int. Rate		Total US$
January 6, 2016	$	5,291	$	-	40.00%	$	406
January 15, 2016		89,065		-	30.00%		6,872
January 23, 2016		-		2,305	3.90%		2,305
January 29, 2016		-		300	5.30%		300
January 29, 2016		-		2,500	3.82%		2,500
February 28, 2016		-		3,195	4.25%		3,195
March 9, 2016		-		3,200	3.35%		3,200
March 9, 2016		-		800	3.85%		800
	$	94,356	$	12,300		$	19,578

12. Provisions

		Closure and Decommissioning		Litigation		Total
December 31, 2015	$	**50,453**	**$**	**4,418**	**$**	**54,871**
Revisions in estimates and obligations incurred		3,075		-		3,075
Charged (credited) to earnings:						
-new provisions		-		196		196
-unused amounts reversed		-		(66)		(66)
-exchange gains on provisions		-		10		10
Gain in the period		(576)		(196)		(772)
Accretion expense (Note 21)		719		-		719
March 31, 2016	**$**	53,671	$	4,362	$	58,033

Maturity analysis of total provisions:

		March 31, 2016		December 31, 2015
Current	**$**	**10,193**	$	8,979
Non-Current		**47,840**		45,892
	$	**58,033**	$	54,871

13. Finance Lease Obligations

		March 31, 2016		December 31, 2015
Lease obligations(1)	**$**	**4,932**	$	3,997

		March 31, 2016		December 31, 2015
Maturity analysis of finance leases:				
Current	**$**	**2,354**	$	2,238
Non-current		**2,578**		1,759
	$	**4,932**	$	3,997

(1) Represents equipment lease obligations at several of the Company's subsidiaries. A reconciliation of the total future minimum lease payments at March 31, 2016 and December 31, 2015 to their present value is presented 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, 2016	December 31, 2015
Less than a year	$ 2,458	$ 2,319
2 years	1,440	1,030
3 years	1,205	775
4 years	-	-
5 years	-	-
	5,103	4,124
Less future finance charges	(171)	(127)
Present value of minimum lease payments	$ 4,932	$ 3,997

14. Long Term Debt

	March 31, 2016	December 31, 2015
Credit Facility	$ 36,200	$ 36,200
Total long-term debt	$ 36,200	$ 36,200

	March 31, 2016	December 31, 2015
Maturity analysis of Long Term Debt:		
Current	$ -	$ -
Non-Current	36,200	36,200
	$ 36,200	$ 36,200

On April 15, 2015 the Company entered into a new $300.0 million secured revolving credit facility with a 4-year term (the "Credit Facility"). In connection with the Credit Facility the Company paid upfront costs of $3.0 million which have been recorded as an asset under the classification Prepaids and other current assets and are being amortized over the life of the Credit Facility. The Credit Facility can be drawn down at any time to finance the Company's working capital requirements, acquisitions, investments and for general corporate purposes.

At the option of the Company, amounts can be drawn under the Credit Facility and will incur interest based on the Company's leverage ratio at either (i) LIBOR plus 2.125% to 3.125% or; (ii) the Bank of Nova Scotia's Base Rate plus 1.125% to 2.125%. Undrawn amounts under the Revolving Facility are subject to a stand-by fee of 0.478% to 0.703% per annum, dependent on the Company's leverage ratio.

Under the Credit Facility, the Company is subject to various general and financial covenants, the financial covenants include the requirement for the Company to maintain: (i) a leverage ratio less than or equal to 3.5:1; (ii) an interest coverage ratio more than or equal to 3.0:1; and (iii) a tangible net worth (exclusive of any prospective write-downs of certain assets) of greater than $1,248.0 million plus 50% of the positive net earnings for each subsequent fiscal quarter. As of March 31, 2016 the Company was in compliance with all covenants required by the Credit Facility.

At March 31, 2016 and December 31, 2015 $36.2 million was drawn on the Credit Facility under LIBOR loans at an average annual rate of 2.55%. During the three months ended March 31, 2016, the Company has incurred $0.3 million (2015 - $nil) in standby charges on undrawn amounts and $0.2 million (2015 - $nil) in interest on drawn amounts under this Facility.

15. Other Long Term Liabilities

Other long term liabilities consist of:

	March 31, 2016	December 31, 2015
Deferred credit(1)	$ 20,788	$ 20,788
Other income tax payable	7,475	6,624
Severance accruals	3,446	3,091
	$ 31,709	$ 30,503

(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

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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 option and compensation share 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 trading 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. Subject to certain exceptions, any modifications to the Compensation Plan require shareholders' approval.

The Board has developed long term incentive plan ("LTIP") guidelines, which provide 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 an annual grant of options to buy shares of the Company and a grant of the Company's common shares with a two year no trading legend. The options are seven year options which vest evenly in two annual instalments. Options and common shares granted under the LTIP plan are based on employee salary levels, individual performance and their future potential. In addition, the restricted share units ("RSUs") plan described below is part of the LTIP plan. In early 2014, the Board approved the adding of performance share units ("PSUs") to the Company's LTIP, plan described below.

The Compensation Committee oversees the LTIP on behalf of the Board of Directors. The LTIP plan guidelines can be modified or suspended, at the discretion of the Board of Directors. Additionally, from time to time, the Company issues replacement awards and warrants related to acquisitions.

Transactions concerning stock options is summarized as follows in CAD:

	Stock Options		
	Shares		**Weighted Average Exercise Price CAD$**
As at December 31, 2014	**1,394,515**	**$**	**19.74**
Granted	446,279	$	9.76
Exercised	-	$	-
Expired	(190,862)	$	25.19
Forfeited	(97,009)	$	23.21
As at December 31, 2015	**1,552,923**	**$**	**15.98**
Granted	-	$	-
Exercised	(24,349)	$	11.49
Expired	-	$	-
Forfeited	(22,810)	$	20.49
As at March 31, 2016	**1,505,764**	**$**	**15.99**

Long Term Incentive Plan

During the three months ended March 31, 2016, 24,349 common shares were issued in connection with the exercise of options under the plan (2015 – nil), nil options expired (2015 – 190,862) and 22,810 options were forfeited (2015 – nil).

(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, 2016. 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, 2016	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price CAD$	Number Exercisable as at March 31, 2016	Weighted Average Exercise Price CAD$
$9.76 - $11.57	**719,477**	71.28	$ 10.42	**273,198**	$ 11.49
$11.58 - $17.01	**228,398**	69.98	$ 11.68	**124,522**	$ 11.77
$17.02 - $18.53	**174,635**	46.51	$ 18.42	**174,635**	$ 18.42
$18.54 - $24.90	**308,150**	31.50	$ 24.89	**308,150**	$ 24.89
$24.91 – $40.22	**75,104**	20.34	$ 40.22	**75,104**	$ 40.22
	1,505,764	57.53	$ 15.99	**955,609**	$ 19.37

During the three months ended March 31, 2016, the total employee share-based compensation expense related to options recognized in the income statement was $0.2 million (2015 - $0.2 million). In addition, the Company accrued for $0.5 million in share based compensation expense related to estimated shares to be issued under the LTIP plan (2015 - $0.6 million).

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 has not yet approved the issuance of PSUs for 2016 (2015 – 30,408 PSUs approved at a share price of CAD $11.51). For the three month period ended March 31, 2016 compensation expense for PSUs was $0.2 million in (2015 – $0.02 million) and is presented as a component of general and administrative expense.

PSU	Number Outstanding		Fair Value
As at December 31, 2014	**30,408**	$	**281**
Granted	**73,263**		503
Paid out	-		-
Forfeited	-		-
Change in value	-		(101)
As at December 31, 2015	**103,671**	$	**683**
Granted	-		-
Paid out	-		-
Forfeited	-		-
Change in value	-		455
As at March 31, 2016	**103,671**	**$**	**1,138**

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 or Common Shares at the discretion of the Board 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, RSU value is adjusted to reflect dividends paid on Pan American common share over the vesting period.

Compensation expense for RSU's was $0.8 million in 2016 (2015 – $0.2 million) and is presented as a component of general and administrative expense.

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

At March 31, 2016, the following RSU's were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2014	**240,757**	$ **2,261**
Granted	305,455	2,192
Paid out	(148,891)	(1,068)
Forfeited	(17,177)	(112)
Change in value	-	(778)
As at December 31, 2015	**380,144**	$ **2,495**
Granted	-	-
Paid out	-	-
Forfeited	(2,435)	(27)
Change in value	-	1,670
As at March 31, 2016	**377,709**	**$ 4,138**

Dividends

On May 11, 2016, the Company declared a quarterly dividend of $0.0125 per common share paid to holders of record of its common shares as of the close of business day on May 24, 2016. These dividends were declared subsequent to the first quarter of 2016 and have not been recognized as distributions to owners during the period presented.

On February 18, 2016, the Company declared a quarterly dividend of $0.0125 per common share paid to holders of record of its common shares as of the close of business day on February 29, 2016.

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.

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

Three months ended March 31,	**2016**			2015		
	Earnings (Numerator)	**Shares (Denominator)**	**Per-Share Amount**	Loss (Numerator)	Shares (Denominator)	Per-Share Amount
Net Earnings (Loss)[1]	**$ 1,738**			$ **(19,371)**	**-**	**-**
Basic EPS	**$ 1,738**	**151,982**	**$ 0.01**	$ **(19,371)**	**151,643**	$ **(0.13)**
Effect of Dilutive Securities:						
Stock Options		**80**		**-**	**-**	**-**
Diluted EPS	**$ 1,738**	**152,062**	**$ 0.01**	$ **(19,371)**	**151,643**	$ **(0.13)**

(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, 2016 were 578,531 out-of-money options (2015 – 1,203,653 options).

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,	**2016**	2015
Changes in non-cash operating working capital items:		
Trade and other receivables	**$ (22,262)**	$ 2,424
Inventories	**4,366**	14,692
Prepaid expenditures	**(2,558)**	(3,269)
Accounts payable and accrued liabilities	**(6,627)**	(8,250)
Provisions	**(519)**	(1,075)
	$ (27,600)	$ 4,522

Three months ended March 31,	**2016**	2015

Significant Non-Cash Items:		
Equipment acquired under finance lease	**$ 1,664**	$ 920

Cash and cash equivalents are comprised of:	**March 31, 2016**	December 31, 2015
Cash in banks	**$ 66,441**	$ 123,144
Short term money markets	**53,946**	10,819
Cash and cash equivalents	**$ 120,387**	$ 133,963

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 2016									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 22,351	$ 21,542	$ 36,755	$ 15,588	$ 22,121	$ 27,320	$ -	$ 12,598	$ -	$ 158,275
Depreciation and amortization	$ (3,285)	$ (4,334)	$ (11,284)	$ (1,986)	$ (2,383)	$ (4,358)	$ (31)	$ (1,562)	$ (148)	$ (29,371)
Exploration and project development	$ (46)	$ (155)	$ (6)	$ -	$ (122)	$ -	$ (34)	$ -	$ (919)	$ (1,282)
Interest income	$ 5	$ 1	$ -	$ -	$ -	$ 33	$ -	$ -	$ 284	$ 323
Interest and financing expenses	$ (163)	$ (120)	$ (177)	$ 285	$ (75)	$ (906)	$ (17)	$ (54)	$ (571)	$ (1,798)
Gain on disposition of assets	$ -	$ 92	$ 5	$ 5	$ 2	$ -	$ -	$ -	$ -	$ 104
Foreign exchange (loss) gain	$ (94)	$ (6)	$ 99	$ 16	$ 99	$ (780)	$ (44)	$ 242	$ (1,304)	$ (1,772)
Loss on commodity, fuel swaps and foreign currency contracts	$ -	$ -	$ -	$ -	$ -	$ -	-	$ -	(58)	$ (58)
Earnings (loss) before income taxes	$ 2,539	$ 2,142	$ (4,379)	$ 1,098	$ 4,246	$ (2,373)	$ (770)	$ 663	$ 2,809	$ 5,975
Income tax (expense) recovery	$ (791)	$ (901)	$ 954	$ (204)	$ (1,738)	$ -	$ (6)	$ (441)	$ (973)	$ (4,100)
Net earnings (loss) for the period	$ 1,748	$ 1,241	$ (3,425)	$ 894	$ 2,508	$ (2,373)	$ (776)	$ 222	$ 1,836	$ 1,875
Capital expenditures	$ 999	$ 796	$ 22,231	$ -	$ 19,428	$ 945	$ 5	$ 460	$ 36	$ 44,900
Total assets	$ 112,598	$ 65,356	$ 752,219	$ 47,545	$ 183,268	$ 91,660	$ 193,127	$ 87,333	$ 177,597	$ 1,710,703
Total liabilities	$ 34,456	$ 18,872	$ 170,242	$ 14,332	$ 18,637	$ 58,269	$ 1,073	$ 23,065	$ 71,494	$ 410,440

(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									
	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)
Loss on commodity, 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

	As at December 31, 2015									
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	Total
Total assets	$ 111,999	$ 62,012	$ 721,926	$ 68,575	$ 167,836	$ 95,866	$ 193,213	$ 81,981	$ 211,629	$ 1,715,037
Total liabilities	$ 33,576	$ 19,235	$ 164,900	$ 16,909	$ 25,305	$ 63,020	$ 1,379	$ 17,974	$ 74,123	$ 416,421

	Three months ended March 31,	
Product Revenue	**2016**	2015
Refined silver and gold	**$ 83,866**	$ 109,188
Zinc concentrate	**16,145**	19,008
Lead concentrate	**33,695**	22,690
Copper concentrate	**24,569**	27,239
Total	**$ 158,275**	$ 178,125

20. Production Costs

Production costs are comprised of the following:

For the three months ended March 31,	**2016**	2015
Consumption of raw materials and consumables	**$ 40,297**	$ 51,176
Employee compensation and benefits expense	**34,292**	39,193
Contractors and outside services	**18,062**	20,912
Utilities	**4,572**	5,640
Other expenses	**9,713**	8,711
Changes in inventory(1)	**(1,128)**	3,342
	$ 105,808	$ 128,974

(1) Includes NRV adjustments to inventory to reduce production costs by $3.4 million for the 3 months ended March 31, 2016 (2015 - $12.1 million reduction)

21. Interest and Finance Expense

For the three months ended March 31,	**2016**	2015
Interest expense	**$ 512**	$ 1,339
Finance fees	**567**	75
Accretion of closure and decommissioning provision (Note 12)	**719**	810
	$ 1,798	$ 2,224

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

22. Income Taxes

For the three months ended March 31,		2016		2015
Current income tax expense	$	3,387	$	4,379
Deferred income tax expense		713		2,322
Provision for income taxes	$	4,100	$	6,701

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, 2016 and the comparable period of 2015 were non-taxable foreign exchange rate fluctuations, 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,		2016		2015
Income (loss) before taxes	$	5,975	$	(13,084)
Statutory tax rate		26.00%		26.00%
Income tax expense (recovery) based on above rates	$	1,554	$	(3,402)
Increase (decrease) due to:				
Non-deductible expenses		1,495		895
Foreign tax rate differences		(524)		(1,244)
Change in net deferred tax assets not recognized				
- Argentina exploration expenses		205		1,149
- Other deferred tax assets not recognized		3,244		1,806
Non-taxable portion of net earnings of affiliates		(1,229)		(1,225)
Effect of other taxes paid (mining and withholding)		1,157		3,276
Effect of foreign exchange on tax expense		(2,214)		5,294
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12		331		300
Other		81		(148)
Income tax expense	$	4,100	$	6,701
Effective tax rate		68.62%		(51.22)%

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. 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, 2016 and December 31, 2015, $53.7 million, and $50.5 million, respectively, were accrued for closure and decommissioning costs relating to mineral properties. See also Note 12.

d. 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.

e. Law changes in Argentina

Under the previous political regime in Argentina, the government intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. Among other the things, the Argentine government has 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 support of this policy, 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 and required advance government review of plans to import goods and materials. In addition, the government of Argentina also tightened control over capital flows and foreign exchange in an attempt to curtail the outflow of hard currencies and protect its foreign currency reserves, including mandatory repatriation and conversion of foreign currency funds in certain circumstances, informal restrictions on dividend, interest, and service payments abroad and limitations on the ability of individuals and businesses to convert Argentine pesos into USD or other hard currencies, exposing us to additional risks of Peso devaluation and high domestic inflation.

While a new federal government was elected in Argentina in late 2015 and has since taken steps to ease some of the previously instituted controls and restrictions, particularly relaxing certain rules relating to the inflow and outflow of foreign currencies, many of the policies of the previous government continue to adversely affect the Company's Argentine operations. It is unknown whether these recent changes will be lasting, what, if any, additional steps will be taken by the new administration or what financial and operational impacts these and any future changes might have on the Company. As such, the Company continues to monitor and assess the situation in Argentina.

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. In December 2015, the legislature of the Province of Santa Cruz passed a bill abrogating this mining property tax and the bill became law and was published in the Official Gazette on December 31, 2015, as Law 3,462. Law 3,462 was promulgated through a decree that confirmed that the tax was unconstitutional because: (i) it contravened the contents of Federal Mining Investments Law, and (ii) it attempted to regulate matters reserved to Federal legislation.

f. Political changes in Bolivia

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.

g. 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.

h. 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.

i. 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. Refer 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 operation's cash flow. Once full commercial production of San Vicente began, the Participation Fee was reduced by 75% until the Company recovered its investment in the property. The Participation Fee has now reverted back to the original percentage. For the three months ended March 31, 2016, the royalties to COMIBOL amounted to approximately $3.3 million (2015 - $2.5 million).

A royalty is also payable to EMUSA, a former partner of the Company on the project. The royalty is a 2% net smelter return royalty (as per the Agreement) 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, 2016 the royalties to EMUSA amounted to approximately $0.2 million (2015 - $0.2 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, 4% for zinc metal value, and 5% for copper metal value of sales. The royalty is income tax deductible. For the three months ended March 31, 2016 and 2015 the royalty amounted to $0.9 million and $0.9 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. The royalties to Royal Gold amounted to approximately $1.1 million for the three months ended March 31, 2016 (2015 – $1.5 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

A company indirectly owned by a trust of which a director of the Company is a beneficiary, was paid approximately $1.4 million in the first quarter of 2015 for consulting services. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. This contract was terminated in March 2015.

25. Subsequent Events

On April 18, 2016, the Company entered into an arrangement ("the Arrangement") with MacMillan Minerals Inc. ("MacMillan") and Maverix Metals Inc. ("Maverix"). MacMillan is a TSX-V listed company and Maverix is a private company whose Chairman is Pan American's former CEO. Pursuant to the terms of the Arrangement once the necessary regulatory, shareholder, and court approvals have been obtained and the transaction closes, Maverix will be a wholly-owned subsidiary of MacMillan, MacMillan will be renamed "Maverix Metals Inc." ("New Maverix") and New Maverix will be a publically listed royalty and streaming company that will trade as MMX on the TSX Venture Exchange.

Under the terms of the Arrangement, Pan American will sell thirteen royalties and precious metal streams on certain of the Company's mineral property assets to New Maverix and will receive approximately 54% of the issued and outstanding common shares of New Maverix (approximately 63% fully diluted), together with 20 million common share purchase warrants, exercisable for five years after closing of the arrangement. Pan American's former CEO will be appointed as the Chairman of New Maverix, and Pan American representatives will make up two of five members of New Maverix's Board of Directors.

The Company is currently evaluating the accounting treatment of this transaction.

On May 6, 2016 the Company completed the sale of 75% of the shares in its wholly-owned subsidiary Compania Minera Shalipayco S.A.C. ("Shalipayco") to Votorantim Metais – Cajamarquilla S.A. ("Votorantim") for $15.0 million in cash and a 1% net smelter returns royalty. Votorantim will also provide the Company with a free carry of its remaining 25% ownership interest to commercial production. Shalipayco owns the Shalipayco zinc development project consisting of forty-nine mining concessions covering an area of 21,000 hectares located in the Pasco and Junin departments of Peru (the "Shalipayco Asset"). As of March 31, 2016 the Shalipayco Asset had a balance sheet carrying value of nil.

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