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PAN AMERICAN
SILVER

FIRST QUARTER REPORT TO SHAREHOLDERS

For the period ending March 31, 2018

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Pan American Silver Reports Net Earnings of $48.2 million in Q1 2018

All financial figures are in U.S. dollars unless otherwise indicated.

Vancouver, B.C. - May 9, 2018 - Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAAS) ("Pan American Silver", or the "Company") today reported unaudited results for the three-month period ended March 31, 2018 ("Q1 2018").

- $207.0 million of revenue
- Cash costs of $1.18 per ounce, the lowest in a decade
- Production on pace to achieve annual guidance
- Cash and short-term investment balance of $224.8 million
- No bank debt

"Higher revenues and lower production and royalty costs resulted in $55.1 million of mine operating earnings in the first quarter of 2018, up 68% from the comparable 2017 period. Solid operating performance helped deliver our strong financial results, particularly at Dolores where silver production was up 25% compared with last year and gold production reached a record 34.3 thousand ounces," said Michael Steinmann, President and Chief Executive Officer of the Company. "Our focus is on improving performance at the San Vicente mine through implementation of mechanized mining methods, and advancing our COSE and Joaquin projects in Argentina. We are well on track to achieve those objectives in 2018."

Consolidated Q1 2018 Highlights:

- **Production on track -** Silver production was 6.1 million ounces and gold production was 46.2 thousand ounces. Zinc, lead and copper production were 14.7 thousand tonnes, 5.2 thousand tonnes, and 3.0 thousand tonnes, respectively.
- **Costs tracking below guidance** - AISCSOS were $6.98 and cash costs per payable ounce of silver, net of by-product credits, ("cash costs") were $1.18. Cash costs were the lowest in a decade, reflecting increased throughput, higher by-product credits, and lower treatment and refining charges. NRV inventory adjustments reduced AISCSOS by $0.94 per ounce in the quarter.
- **Strong financial performance and balance sheet -** net cash generated from operating activities was $34.4 million, which factored in $32.2 million in tax payments and an $11.3 million use of cash from working capital changes. Net earnings were $48.2 million ($0.31 basic earnings per share), including an $8.0 million gain from the Company's sale of its 100% ownership of Minera Aquiline Argentina SA, which owns the Calcatreu project in Argentina. Adjusted earnings were $30.7 million ($0.20 basic adjusted earnings per share). At March 31, 2018, the Company had cash and short-term investment balances of $224.8 million, working capital of $448.7 million and $300.0 million available under its revolving credit facility. Total debt of $10.0 million was related entirely to finance lease liabilities.
- **Major projects progress** - At the Dolores expansion project, overall daily stacking rates of 21,000 tonnes were achieved in the quarter, and the new underground mine is on track to achieve targeted rates of 1,500 tonnes per day by year-end. Both the COSE and Joaquin projects in Argentina are progressing on schedule and in-line with management's budget.
- **Guidance for 2018 maintained** - The Company is maintaining its guidance of 25.0 to 26.5 million ounces of consolidated silver production at cash costs of $3.60 to $4.60 per ounce and AISCSOS of $9.30 to $10.80 in 2018. Guidance for sustaining capital expenditures of $100 to $105 million and $50 million for project capital is also unchanged.
- **Quarterly cash dividend** - the Board of Directors has approved a cash dividend of $0.035 per common share, approximately $5.4 million in aggregate cash dividends, payable on or about June 4, 2018, to holders of record of Pan American Silver's common shares as of the close on May 22, 2018. Pan American Silver'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.

The foregoing contains measures that are not generally accepted accounting principle ("non-GAAP") financial measures. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

CONSOLIDATED FINANCIAL RESULTS

Unaudited in thousands of U.S. Dollars, except per ounce and per share amounts	Three months ended March 31,	
	2018	2017
Revenue	206,961	198,687
Mine operating earnings	55,124	32,875
Net earnings for the period	48,156	19,950
Adjusted earnings for the period[1]	30,702	9,024
Net cash generated from operating activities	34,400	38,569
All-in sustaining costs per silver ounce sold[1]	6.98	12.63
Net earnings per share attributable to common shareholders (basic)	0.31	0.13
Adjusted earnings per share attributable to common shareholders (basic)[1]	0.20	0.06

(1) Adjusted earnings and all-in sustaining costs per silver ounce sold are non-GAAP measures. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

CONSOLIDATED OPERATIONAL RESULTS

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Production		Cash Costs[1] $	Production		Cash Costs[1] $
	Ag (Moz)	Au (koz)		Ag (Moz)	Au (koz)	
La Colorada	1.65	1.05	0.67	1.63	0.87	3.01
Dolores	1.20	34.35	(3.11)	0.96	24.39	(1.67)
Alamo Dorado	—	—	—	0.35	1.33	21.29
Huaron	0.93	0.22	(1.51)	0.90	0.25	0.77
Morococha[2]	0.73	0.79	(11.36)	0.64	0.60	(3.18)
San Vicente[3]	0.76	0.12	11.00	0.93	0.12	12.47
Manantial Espejo	0.83	9.70	11.92	0.79	10.13	20.38
TOTAL	**6.10**	**46.23**	**1.18**	**6.20**	**37.70**	**6.18**

Totals may not add up due to rounding.

(1) Cash costs are a non-GAAP measure. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

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

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

By-Product Production	Three months ended March 31,	
	2018	2017
Gold (thousand ounces)	46.2	37.7
Zinc (thousand tonnes)	14.7	12.8
Lead (thousand tonnes)	5.2	5.3
Copper (thousand tonnes)	3.0	3.2

Average Realized Metal Prices	Three months ended March 31,	
	2018	2017
Silver ($/ounce)	16.78	17.44
Gold ($/ounce)	1,333	1,219
Zinc ($/tonne)	3,468	2,846
Lead ($/tonne)	2,458	2,312
Copper ($/tonne)	6,993	5,827

2018 GUIDANCE

There have been no revisions to the guidance Pan American Silver provided in its news release dated January 11, 2018, as shown in the table below(1):

Production	
Silver (million ounces)	25.0 - 26.5
Gold (thousand ounces)	175 - 185
Zinc (thousand tonnes)	60.0 - 62.0
Lead (thousand tonnes)	21.0 - 22.0
Copper (thousand tonnes)	12.0 - 12.5
Cash Costs(2)($/ounce)	3.60 - 4.60
AISCSOS(2) ($)	9.30 - 10.80
Sustaining capital ($millions)	100 - 105
Project capital ($millions)	50

(1) The current suspension of operations at Huaron, if prolonged, may impact our annual guidance for 2018 and future financial and operating performance.
(2) Cash Costs and AISCSOS are non-GAAP measures. Please refer to the section titled "Alternative Performance (non-GAAP) Measures" at the end of this news release for further information on these measures.

The following table provides the price and foreign exchange rate assumptions used to forecast total cash costs and AISCSOS in the guidance**:**

Metal prices	
Silver ($/ounce)	16.50
Gold ($/ounce)	1,250
Zinc ($/tonne)	3,100
Lead ($/tonne)	2,350
Copper ($/tonne)	6,500
Average annual exchange rates relative to 1.00 U.S. dollar	
Mexican peso	18.50
Peruvian sol	3.23
Argentine peso	19.59
Bolivian boliviano	7.00

First Quarter 2018 Unaudited Results Conference Call and Webcast

Date:	May 10, 2018
Time:	10:00 am ET (7:00 am PT)
Dial-in numbers:	1-800-319-4610 (toll-free in Canada and the U.S.)
	+1-604-638-5340 (international participants)

A live and archived webcast and presentation slides will be available on the Company's website at www.panamericansilver.com.

About Pan American Silver

Pan American Silver Corp. is the world's second largest primary silver producer, providing enhanced exposure to silver through a diversified portfolio of assets, large silver reserves and growing production. We own and operate six mines in Mexico, Peru, Argentina and Bolivia. Pan American Silver maintains a strong balance sheet, has an established management team with proven operating expertise, and is committed to responsible development. Founded in 1994,

the Company is headquartered in Vancouver, B.C. and our shares trade on NASDAQ and the Toronto Stock Exchange under the symbol "PAAS".

For more information, visit: www.panamericansilver.com.

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Technical Information

Scientific and technical information contained in this news release has been reviewed and approved by Martin Wafforn, P.Eng., Senior Vice President Technical Services and Processing Optimization, and Christopher Emerson, FAusIMM, Vice President Business Development and Geology, each of whom are Qualified Persons, as the term is defined in NI Canadian National Instrument 43-101 - *Standards of Disclosure of Mineral Projects*.

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 22, 2018, filed at www.sedar.com or the Company's most recent Form 40-F filed with the SEC.

Alternative Performance (Non-GAAP) Measures

In this news release we refer to measures that are not generally accepted accounting principle ("non-GAAP") financial measures. These measures are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning as prescribed by IFRS as an indicator of performance, and may differ from methods used by other companies with similar descriptions. These non-GAAP financial measures include:

- Cash costs per payable ounce of silver, net of by-product credits ("cash costs"). 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.
- Adjusted earnings and adjusted earnings per share. The Company believes that these measures better reflect normalized earnings as they eliminate items that in management's judgment are subject to volatility as a result of factors which are unrelated to operations in the period, and/or relate to items that will settle in future periods.
- All-in sustaining costs per silver ounce sold ("AISCSOS"). 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.
- Total debt is calculated as the total current and non-current portions of: long-term debt; finance lease liabilities; and loans payable. Total debt does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate the financial debt leverage of the Company.

Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Company's Management's Discussion and Analysis for the period ended March 31, 2018, for a more detailed discussion of these and other non-GAAP measures and their calculation.

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: future financial or operational performance, including our estimated production of silver, gold and other metals in 2018 and beyond, our estimated cash costs and AISCSOS in 2018 and beyond, and our expectations with respect to future metal prices and exchange rates; the ability of the Company to successfully complete any capital investment programs and projects, including whether on time, or on or below budget, and the success, expected economic or operational results derived from those programs and projects, and the impacts of any such programs and projects on the Company, including with respect to production, associated operational efficiencies and economic returns; the realization of benefits from any transactions, including the acquisition of the Joaquin and COSE projects, and the financial and operational impacts of any such transactions on the Company; and the approval or the amount of any future cash dividends.

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 or interruptions in scheduled production; all necessary permits, licenses 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 current suspension of operations at Huaron, if prolonged, may impact our annual guidance for 2018 and future financial and operating performance.

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 metal 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, Argentine 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; legal restrictions relating to mining, including in Chubut, Argentina; risks relating to expropriation; diminishing quantities or grades of mineral reserves as properties are mined; increased competition in the mining industry for equipment and qualified personnel; and those factors identified under the caption "Risks Related to Pan American's Business" in the Company's most recent form 40-F and Annual Information Form filed with the United States Securities and Exchange Commission and Canadian provincial securities regulatory authorities, 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 or 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 or information, whether as a result of new information, changes in assumptions, future events or otherwise, except to the extent required by applicable law.

PAN AMERICAN SILVER

Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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

May 9, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that influence 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. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "2017 Financial Statements"), and the related notes contained therein, and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 (the "Q1 2018 Financial Statements"), and the related notes contained therein. All amounts in this MD&A, the 2017 Financial Statements, and the Q1 2018 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 ("IFRS"), as issued by the International Accounting Standards Board. Pan American's significant accounting policies are set out in Note 2 of the 2017 Financial Statements.

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "total debt", "working capital", "general and administrative cost per silver ounce produced", "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 under IFRS. 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", "general and administrative cost per silver ounce produced", "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 2018 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. Any reference to "AISCSOS" in this MD&A should be understood to mean all-in sustaining costs per silver ounce sold, 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: PAAS) and on the Nasdaq Global Select Market ("NASDAQ") 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, which enables 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 2018 HIGHLIGHTS

Operations & Project Development

- **Silver production of 6.1 million ounces**

Consolidated silver production for the three months ended March 31, 2018 ("Q1 2018") of 6.1 million ounces was similar to the 6.2 million produced in the three months ended March 31, 2017 ("Q1 2017"). Q1 2018 silver production was in-line with expectations and is on-track to achieve management's guidance for 2018 of 25.0 million to 26.5 million ounces.

- **By-Product production on track to achieve annual guidance**

Consolidated gold production in Q1 2018 was 46.2 thousand ounces, 8.5 thousand ounces higher than the 37.7 thousand ounces produced in Q1 2017, and is in-line with expected production required to achieve guidance for 2018 of 175.0 thousand to 185.0 thousand ounces.

Zinc production in Q1 2018 was 14.7 thousand tonnes, 15% higher than in the comparable quarter of 2017. Lead production was 5.2 thousand tonnes, which is comparable with Q1 2017 production of 5.3 thousand tonnes. Copper production of 3.0 thousand tonnes was 7% lower than in Q1 2017. Base metal production in Q1 2018 is in-line with expectations and on-track to achieve management's guidance for 2018 of 60.0 thousand to 62.0 thousand tonnes of zinc, 21.0 thousand to 22.0 thousand tonnes of lead, and 12.0 thousand to 12.5 thousand tonnes of copper.

- **Cash costs of $1.18 per ounce, the lowest in a decade**

Q1 2018 cash costs of $1.18 per ounce were $5.00 per ounce or 81% lower than in Q1 2017, largely due to increased throughput, higher by-product credits, and lower treatment and refining charges. Cash costs in Q1 2018 were significantly lower than management's 2018 full year guidance range of $3.60 to $4.60 per ounce.

Financial

- **Revenue and net earnings up quarter-over-quarter**

  Revenue in Q1 2018 of $207.0 million was up 4% from Q1 2017, mainly due to higher by-product prices and lower treatment and refining charges.

  Net earnings in Q1 2018 were $48.2 million ($0.31 basic earnings per share) compared with $20.0 million ($0.13 basic earnings per share) in Q1 2017. The increase was primarily driven by increased mine operating earnings from increased revenues and lower production costs.

  Adjusted earnings in Q1 2018 were $30.7 million ($0.20 basic adjusted earnings per share) compared with $9.0 million ($0.06 basic adjusted earnings per share) in Q1 2017. Increased revenue from higher by-product metal prices and decreased production costs were the major drivers in the quarter-over-quarter increase.

- **Strong liquidity and working capital position**

As at March 31, 2018, the Company had cash and short-term investment balances of $224.8 million, working capital of $448.7 million, and $300.0 million available under its undrawn revolving credit facility. Total debt of $10.0 million was related entirely to finance lease liabilities.

- **All-In Sustaining Costs per Silver Ounce Sold (“AISCSOS”) lower than guidance**

Q1 2018 AISCSOS of $6.98 was $2.32 below the low end of management's guidance for 2018 of $9.30 to $10.80, and was mainly attributable to higher than anticipated by-product credits.

OPERATING PERFORMANCE

The following table provides silver production and cash costs, net of by-product credits, at each of Pan American's operations for the respective three month periods ended March 31, 2018 and 2017:

	Silver Production (ounces '000s)		Cash Costs[1] ($ per ounce)	
	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
La Colorada	**1,650**	1,631	**0.67**	3.01
Dolores	**1,202**	965	**(3.11)**	(1.67)
Alamo Dorado	**—**	347	**NA**	21.29
Huaron	**930**	895	**(1.51)**	0.77
Morococha[2]	**731**	645	**(11.36)**	(3.18)
San Vicente[3]	**764**	935	**11.00**	12.47
Manantial Espejo	**825**	787	**11.92**	20.38
Total [4]	**6,102**	6,204	**1.18**	6.18

(1) Cash costs is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" 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 2018 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.

Silver Production

Consolidated silver production in Q1 2018 was 2% less than in Q1 2017 as a result of discontinued production at Alamo Dorado and lower grades at San Vicente due to mine sequencing. Higher production was recorded at all other mines, particularly at Dolores from higher throughput due to the start of the pulp agglomeration plant, and at Morococha from higher grades. Each operation's silver production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Cash Costs

Consolidated cash costs per ounce of silver for Q1 2018 were $1.18, down 81% from Q1 2017, as a result of higher by-product credits and decreased direct selling costs. By-product credits increased by $5.72 per ounce driven by increased gold and zinc production, and higher metal prices for all by-products. The decrease in direct selling costs reflects improved contract terms for concentrate treatment and refining.

By-Product Production

The following table provides the Company's by-production production for the respective three month periods ended March 31, 2018 and 2017:

	By-Product Production	
	Three months ended March 31,	
	2018	2017
Gold – koz	**46.2**	37.7
Zinc – kt	**14.7**	12.8
Lead – kt	**5.2**	5.3
Copper – kt	**3.0**	3.2

Gold production during Q1 2018 was 46.2 thousand ounces, an increase of 8.5 thousand ounces from the 37.7 thousand ounces produced in Q1 2017. The increase reflects record quarterly production at Dolores due to higher throughput and grades and faster recoveries from the pulp agglomeration plant.

Zinc production in Q1 2018 was 15% higher than Q1 2017, driven by higher throughput at the expanded La Colorada operations, and higher grades at Morococha, due to mine sequencing. Q1 2018 lead production was comparable with Q1 2017, with increases at Morococha being offset by decreases at Huaron. Q1 2018 copper production was 7% lower than in Q1 2017, primarily because of anticipated lower copper grades at Morococha.

Average Market Metal Prices

The following tables set out the average market price for each metal produced for Q1 2018 and Q1 2017:

	Average Market Metal Prices[1] Three months ended March 31,	
	2018	**2017**
Silver $/ounce	**16.77**	17.42
Gold $/ounce	**1,329**	1,219
Zinc $/tonne	**3,421**	2,780
Lead $/tonne	**2,523**	2,278
Copper $/tonne	**6,961**	5,831

(1) Average market prices for zinc, lead and copper are the London Metal Exchange cash prices for the three month period ended March 31, 2018 and 2017. Silver and gold prices are the London Bullion Metal Association prices for the same periods.

AISCSOS

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for the three months ended March 31, 2018, as compared to the same period in 2017:

	Payable Silver Sold (ounces '000s) Three months ended March 31,		AISCSOS[1] ($ per ounce) Three months ended March 31,	
	2018	**2017**	**2018**	**2017**
La Colorada	**1,544**	1,685	**1.87**	5.74
Dolores	**1,240**	892	**10.02**	10.26
Alamo Dorado	**—**	300	**—**	16.84
Huaron	**778**	784	**2.43**	6.07
Morococha	**681**	577	**(2.68)**	3.72
San Vicente	**783**	887	**11.42**	14.84
Manantial Espejo	**674**	862	**11.43**	27.54
Total [2]	**5,700**	5,986	**6.98**	12.63

(1) AISCSOS is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q1 2018 Financial Statements. G&A costs are included in the consolidated AISCSOS, but not allocated in calculating AISCSOS for each operation.

(2) Totals may not add due to rounding.

Consolidated AISCSOS for Q1 2018, were $6.98 representing a 45% decrease from the comparable period in 2017. The quarter-over-quarter decrease largely reflects the higher by-product credits at all operations, except Manantial Espejo, and the effects of net realizable value ("NRV") adjustments which reduced Q1 2018 AISCSOS by $0.94 compared to a $1.87 increase to Q1 2017 AISCSOS. These decreases in AISCSOS were partially offset by higher sustaining capital.

Individual Mine Performance

An analysis of performance at each operation in Q1 2018, compared with Q1 2017 follows. The project capital amounts invested in Q1 2018 are further discussed in the Project Development Update section of this MD&A.

La Colorada mine

	Three months ended March 31,			
		2018		2017
Tonnes milled - kt		170.4		152.4
Average silver grade – grams per tonne		333		366
Average zinc grade - %		2.83		2.78
Average lead grade - %		1.43		1.50
Average silver recovery - %		90.4		90.8
Average zinc recovery - %		85.7		83.6
Average lead recovery - %		87.1		87.0
Production:				
Silver – koz		1,650		1,631
Gold – koz		1.05		0.87
Zinc – kt		4.13		3.54
Lead – kt		2.12		1.98
Cash cost per ounce net of by-products[(1)]	$	0.67	$	3.01
AISCSOS[(2)]	$	1.87	$	5.74
Payable silver sold - koz		1,544		1,685
Sustaining capital - ('000s)[(3)]	$	2,887	$	3,035

(1) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.

(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 calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

(3) Sustaining capital expenditures exclude $1.6 million of investing activity cash outflow for Q1 2018 (Q1 2017: $2.6 million) related to investment capital incurred on the La Colorada expansion project as disclosed in the "Project Development Update" section of this MD&A.

Q1 2018 vs. Q1 2017

Production:

- Silver: Comparable, due to improved throughput being offset by lower silver grades from mine sequencing necessary to access backfill.
- By-products: 17% and 7% increases in zinc and lead, respectively, due to increased throughput of sulphide ore as a result of the mine expansion.

Cash costs: The 78% decrease was primarily the result of improved by-product credits (increased base metal production and base metal prices) and improved concentrate terms, partially offset by higher operating costs. The increase in operating costs is attributable to the higher throughput resulting from the mine expansion.

AISCSOS: The 67% decrease was due to a combination of improved by-product credits and concentrate terms.

Sustaining Capital: Primarily related to equipment replacements and rehabilitations, and brownfield exploration.

Dolores mine

	Three months ended March 31,	
	2018	**2017**
Tonnes placed - kt	**1,897.9**	1,567.2
Average silver grade – grams per tonne	**35**	42
Average gold grade – grams per tonne	**0.87**	0.60
Average silver produced to placed ratio - %	**56.6**	45.9
Average gold produced to placed ratio - %	**64.7**	80.6
Production:		
Silver – koz	**1,202**	965
Gold – koz	**34.3**	24.4
Cash cost per ounce net of by-products[(1)]	**(3.11)**	(1.67)
AISCSOS[(2)]	**10.02**	10.26
Payable silver sold - koz	**1,240**	892
Sustaining capital - ('000s)[(3)]	**$ 14,371**	$ 5,505

(1) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.

(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 calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

(3) Sustaining capital expenditures excludes $4.5 million of investing activity cash outflow for Q1 2018 (Q1 2017: $14.1 million) related to investment capital incurred on Dolores expansion projects, as disclosed in the "Project Development Update" section of this MD&A.

Q1 2018 vs. Q1 2017

Production:

- Silver: 25% higher due to higher stacking rates, and improved recovery rates, which were attributable to the start-up of the pulp agglomeration plant, partially offset by lower grades from mine sequencing.
- By-product: 41% increase in gold due to higher stacking rates and better grades from mine sequencing, offset by lower recoveries due to the timing of leach pad kinetics.
- Daily average leach pad stacking rates of over 21,000 tonnes were achieved in Q1 2018, and the new underground mine is on track to achieve targeted rates of 1,500 tonnes per day by year-end. Commissioning and debottlenecking activities on the pulp agglomeration plant continued in the quarter, particularly with the large filter units. Additional plate and frame expansion kits to maximize the capacity of the existing filter units are expected to be delivered during the second quarter of 2018.

Cash costs: Decreased $1.44 per ounce due to higher by-product credits (higher gold prices and sales volumes), partially offset by higher operating costs due to higher throughput rates and the addition of underground mining.

AISCSOS: Comparable, due to higher sustaining capital being offset by lower negative NRV adjustments.

Sustaining Capital: Up $8.9 million, primarily due to the timing of payments for Q1 2017 capital and higher pre-stripping and leach pad expansion capital, which constituted the majority of capital expenditures in Q1 2018.

Huaron mine

	Three months ended March 31,	
	2018	**2017**
Tonnes milled - kt	**234.7**	227.5
Average silver grade – grams per tonne	**147**	145
Average zinc grade - %	**2.33**	2.83
Average lead grade - %	**1.05**	1.36
Average copper grade - %	**0.86**	0.87
Average silver recovery - %	**83.8**	85.2
Average zinc recovery - %	**75.1**	76.2
Average lead recovery - %	**73.5**	78.8
Average copper recovery - %	**78.8**	78.1
Production:		
Silver – koz	**930**	895
Gold – koz	**0.22**	0.25
Zinc – kt	**4.10**	4.85
Lead – kt	**1.80**	2.40
Copper – kt	**1.58**	1.54
Cash cost per ounce net of by-products[(1)]	**$ (1.51)**	$ 0.77
AISCSOS[(2)]	**$ 2.43**	$ 6.07
Payable silver sold – koz	**778**	784
Sustaining capital - ('000s)	**$ 2,210**	$ 3,105

(1) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.

(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 calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

Q1 2018 vs. Q1 2017

Production:

- Silver: 4% higher, primarily due to higher throughput rates.
- By-products: 15% and 25% decreases in zinc and lead, respectively, due to lower grades from mine sequencing. Copper production was similar to Q1 2017.

Cash costs: Record low cash costs were $2.28 per ounce lower than in Q1 2017, due primarily to improved by-product credits from higher base metal prices, improved concentrate treatment terms, and higher payable silver production, which more than offset the lower zinc and lead production.

AISCSOS: A 60% reduction, due to the same drivers for the reduction in cash costs, as well as a decrease in sustaining capital expenditures.

Sustaining Capital: Primarily related to equipment replacements and refurbishments, plant and infrastructure upgrades, and near-mine exploration.

Morococha mine[1]

	Three months ended March 31,	
	2018	2017
Tonnes milled – kt	168.2	163.8
Average silver grade – grams per tonne	151	139
Average zinc grade - %	3.78	2.84
Average lead grade - %	0.88	0.79
Average copper grade - %	0.86	1.19
Average silver recovery - %	90.5	88.2
Average zinc recovery - %	85.9	80.1
Average lead recovery - %	75.8	66.7
Average copper recovery - %	79.9	82.6
Production:		
Silver – koz	731	645
Gold – koz	0.79	0.60
Zinc – kt	5.42	3.68
Lead – kt	1.11	0.85
Copper – kt	1.13	1.59
Cash cost per ounce net of by-products [2]	**$ (11.36)**	$ (3.18)
AISCSOS[3]	**$ (2.68)**	$ 3.72
Payable silver sold (100%) - koz	**681**	577
Sustaining capital (100%) - ('000s)	**$ 4,902**	$ 2,271

(1) Production figures are for Pan American's 92.3% share only, unless otherwise noted.
(2) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to our cost of sales.
(3) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

Q1 2018 vs. Q1 2017

Production:

- Silver: 13% higher, primarily due to higher throughput, grades and recoveries.
- By-products: 47% and 31% increase in zinc and lead, respectively, and a 29% decrease in copper. The variations were related to mine sequencing from copper zones into lead-zinc zones.

Cash costs: Record low cash costs were $8.18 per ounce lower, primarily the result of higher by-product prices, improved concentrate treatment terms, and increased lead and zinc production, which more than offset lower copper production.

AISCSOS: A $6.40 per ounce decrease due to the improvement in by-product credits, which was partially offset by higher sustaining capital expenditures.

Sustaining Capital: The $2.6 million increase was primarily related to the acquisition of mobile equipment.

San Vicente mine [1]

	Three months ended March 31,	
	2018	2017
Tonnes milled – kt	75.8	70.7
Average silver grade – grams per tonne	346	455
Average zinc grade - %	1.82	1.83
Average lead grade - %	0.34	0.31
Average silver recovery - %	93.2	92.4
Average zinc recovery - %	76.7	56.0
Average lead recovery - %	79.8	84.8
Production:		
Silver – koz	764	935
Gold – koz	0.12	0.12
Zinc – kt	1.06	0.73
Lead – kt	0.20	0.11
Copper – kt	0.29	0.08
Cash cost per ounce net of by-products [2]	$ 11.00	$ 12.47
AISCSOS[3]	$ 11.42	$ 14.84
Payable silver sold (100%) - koz	783	887
Sustaining capital (100%) - ('000s)	$ 1,458	$ 1,566

(1) Production figures are for Pan American's 95.0% share only, unless otherwise noted.
(2) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.
(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 calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

Q1 2018 vs. Q1 2017

Production:

- Silver: 18% lower due to a 24% reduction in head grades attributable to delays preparing higher-grade stopes, as well as additional mining dilution experienced with transitioning certain conventional mining areas into more mechanized mining methods.
- By-products: Increases in copper, lead and zinc were due to better recoveries for zinc, and better smelting and refining contract payability terms for the bulk silver concentrate that contains both lead and copper.

Cash costs: 12% lower due to increased base metal quantities and prices and improved concentrate terms, partially offset by decreased silver production.

AISCSOS: The 23% reduction was driven by the same factors affecting cash costs.

Sustaining Capital: Comparable. Current quarter expenditures primarily relate to a tailings storage facility expansion, mine equipment additions, brownfield exploration and mine site and camp infrastructure.

Manantial Espejo mine

	Three months ended March 31,		
	2018		**2017**
Tonnes milled - kt	**202.8**		188.4
Average silver grade – grams per tonne	**149**		142
Average gold grade – grams per tonne	**1.66**		1.76
Average silver recovery - %	**88.5**		92.1
Average gold recovery - %	**92.4**		93.5
Production:			
Silver – koz	**825**		787
Gold – koz	**9.70**		10.13
Cash cost per ounce net of by-products (1)	**$ 11.92**	$	20.38
AISCSOS(2)	**$ 11.43**	$	27.54
Payable silver sold - koz	**674**		862
Sustaining capital - ('000s)	**$ 534**	$	1,098

(1) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.

(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 calculation and a reconciliation of this measure to the Q1 2018 Financial Statements.

Q1 2018 vs. Q1 2017

Production:

- Silver: 5% higher due to higher throughput and grades from mine sequencing and greater tonnage from softer stockpile ores.
- By-products: gold 4% lower due to mine sequencing primarily related to a greater amount of stockpile ore being processed, as expected.

Cash costs: An $8.46 per ounce decrease as a result of a 19% decrease in direct unit operating costs, from the completion of open pit mining activities and a devaluation of the Argentine peso in late 2017 and into 2018.

AISCSOS: A 58% reduction due to the same drivers for the reduction in cash costs, as well as a $10.3 million cost-reducing swing in NRV adjustments.

Sustaining Capital: Primarily related to the acquisition of mobile equipment.

2018 ANNUAL OPERATING OUTLOOK

All 2018 forecast amounts in this section refer to the 2018 annual forecasts as provided in the Company's 2017 Annual MD&A dated March 22, 2018 ("2018 Forecast"). The current suspension of operations at Huaron, if prolonged, may impact our annual guidance for 2018.

Production:

The following table summarizes the Q1 2018 metal production compared to the respective 2018 Forecast amounts:

	Q1 2018 Actual	2018 Forecast	% of 2018 Forecast [(1)]
Silver – Moz	6.10	25.00 - 26.50	24%
Gold – koz	46.2	175.0 - 185.0	26%
Zinc – kt	14.7	60.0 - 62.0	24%
Lead – kt	5.2	21.0 - 22.0	24%
Copper – kt	3.0	12.0 - 12.5	24%

(1) Percentage calculated based on mid-point of the related 2018 guidance range.

Based on year-to-date production results and the expected production for the remainder of the year, management reaffirms the annual metal production guidance in the 2018 Forecast.

Cash Costs and AISCSOS:

The following table summarizes Q1 2018 cash costs and AISCSOS achieved for each operation compared to the respective 2018 Forecast amounts.

For the purposes of these comparisons, the symbols have the following meanings:

- ✓✓ Actual results were better than 2018 Forecast range
- ✓ Actual results met 2018 Forecast range
- ✗ Actual results were short of 2018 Forecast range

	Cash Costs[(1)] ($ per ounce)			AISCSOS[(1)] ($ per ounce)		
	2018 Forecast	Q1 2018 Actual		2018 Forecast	Q1 2018 Actual	
La Colorada	1.35 - 1.70	$0.67	✓✓	3.80 - 4.30	$1.87	✓✓
Dolores	(1.25) - 0.45	(3.11)	✓✓	9.00 - 12.00	$10.02	✓
Huaron	0.75 - 1.50	(1.51)	✓✓	6.50 - 7.75	$2.43	✓✓
Morococha[(2)]	(5.80) - (4.30)	(11.36)	✓✓	1.05 - 3.50	$(2.68)	✓✓
San Vicente[(2)]	10.00 -10.50	11.00	✗	11.60 - 12.50	$11.42	✓✓
Manantial Espejo	17.60 -19.00	11.92	✓✓	18.45 - 20.20	$11.43	✓✓
Total	**3.60 - 4.60**	**$1.18**	✓✓	**9.30 - 10.80**	**$6.98**	✓✓

(1) Cash Costs and AISCSOS are non-GAAP measures. 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 2018 Financial Statements.
(2) Production figures are only for Pan American's ownership share of Morococha (92.3%), and San Vicente (95.0%).

Based on the Q1 2018 cash costs and AISCSOS performance, and the expected results for the remainder of 2018, which are largely influenced by commodity prices and currency exchange rate assumptions, management reaffirms the cash costs and AISCSOS guidance in the 2018 Forecast.

Capital Expenditures:

The following table summarizes the Q1 2018 capital expenditures compared to the respective 2018 Forecast amounts:

	2018 Capital Investment ($ millions)		
	Q1 2018 Actual[1]	2018 Forecast	% of Annual Forecast [2]
La Colorada	2.3	16.5 – 17.0	14%
Dolores	13.6	47.5 – 49.0	28%
Huaron	2.0	17.0 – 17.5	12%
Morococha	4.9	12.0 – 12.5	40%
San Vicente	1.5	6.0 – 7.0	23%
Manantial Espejo	0.5	1.0 – 2.0	33%
Sustaining Capital Sub-total	**24.7**	**100.0 - 105.0**	**24%**
Morococha projects	—	2.0	—%
Mexico projects	6.7	13.0	52%
Joaquin and COSE projects	2.9	35.0	8%
Project Capital Sub-total	**9.6**	**50.0**	**19%**
Total Capital	**34.3**	**150.0 – 155.0**	**22%**

(1) Total sustaining capital investments capitalized in Q1 2018 were $1.7 million less than the $26.4 million of sustaining capital cash outflows referenced in the individual mine tables and included in the Q1 2018 AISCSOS calculations, shown in the "Alternative Performance (Non-GAAP) Measures" section of this MD&A. In addition, project capital investments in Q1 2018 were $0.5 million less than the $10.1 million of Q1 2018 project capital cash outflows. These differences are due to the timing between the cash payment of capital investments compared with the period in which the investments are capitalized.

(2) Percentage calculated based on mid-point of the related 2018 guidance range.

Based on year-to-date capital expenditures and those expected for the remainder of the year, management reaffirms the 2018 Forecasts.

PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's major projects in Q1 2018 as compared to Q1 2017.

Project Development Investment (thousands of USD)	Three months ended March 31,	
	2018	2017
Dolores Projects [1]	**5,284**	13,117
La Colorada Projects [2]	**1,383**	1,763
Joaquin & COSE Projects [3]	**2,931**	—
Total	**9,598**	14,880

(1) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q1 2018 were $0.8 million more than the project cash outflows (Q1 2017: $1.0 million less).

(2) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q1 2018 were $0.2 million less than the project cash outflows (Q1 2017: $0.8 million less).

(3) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q1 2018 were $1.1 million less than the project cash outflows.

Mexico Projects

During Q1 2018, the Company invested $5.3 million on the Dolores expansion projects, with spending directed at:

- Continued development of the new underground mine, completion of the site infrastructure, construction of the maintenance shops, and delivery of additional units of the underground mobile equipment fleet.
- The addition of a surge tank in the pulp agglomeration plant circuit to increase the filter feed density and improve throughput.

During Q1 2018 the Company invested $1.4 million on the La Colorada projects, primarily relating to a tailings storage facility raise and development of a neutralization plant.

Joaquin and COSE Project Developments:

During Q1 2018, the Company invested $2.9 million on the Joaquin and COSE projects, both projects remain on-track and in-line with management's budget.

Joaquin efforts focused on surface earthworks, the placement of a 40-person modular camp, construction of access roads, water supply development, and soil removal and preservation for the waste dump.

At COSE, development of the decline access continued with a total of 347 metres developed during the quarter (495 metres to date). The modular camp and office surface infrastructure construction was completed. As well, the remainder of underground mining equipment was received, commissioned, and put into service.

OVERVIEW OF Q1 2018 FINANCIAL RESULTS

Selected Annual and Quarterly Information

The following tables set out selected quarterly results for the past nine quarters as well as selected annual results for the past two years. The dominant factors affecting results in the quarters and years presented below are volatility of realized metal prices, and the timing of the sales of production, which varies with the timing of shipments. The fourth quarter of 2017 included an impairment reversal to Morococha and Calcatreu.

2018 (In thousands of USD, other than per share amounts)		Quarter Ended March 31
Revenue	$	**206,961**
Mine operating earnings	$	**55,124**
Earnings for the period attributable to equity holders	$	**47,376**
Basic earnings per share	$	**0.31**
Diluted earnings per share	$	**0.31**
Cash flow from operating activities	$	**34,400**
Cash dividends paid per share	$	**0.035**
Other financial information		
Total assets	$	**1,995,701**
Total long-term financial liabilities[(1)]	$	**92,597**
Total attributable shareholders' equity	$	**1,559,021**

(1) Total long-term financial liabilities are comprised of non-current liabilities excluding deferred tax liabilities, deferred revenue, and share purchase warrant liabilities.

2017 (In thousands of USD, other than per share amounts)	Quarter Ended March 31	 June 30	 Sept 30	 Dec 31	Year Ended Dec 31
Revenue	$ 198,687	$ 201,319	$ 190,791	$ 226,031	**$ 816,828**
Mine operating earnings	$ 32,875	$ 44,782	$ 47,818	$ 43,285	**$ 168,760**
Earnings for the period attributable to equity holders	$ 19,371	$ 35,472	$ 17,256	$ 48,892	**$ 120,991**
Basic earnings per share	$ 0.13	$ 0.23	$ 0.11	$ 0.32	**$ 0.79**
Diluted earnings per share	$ 0.13	$ 0.23	$ 0.11	$ 0.32	**$ 0.79**
Cash flow from operating activities	$ 38,569	$ 42,906	$ 63,793	$ 79,291	**$ 224,559**
Cash dividends paid per share	$ 0.025	$ 0.025	$ 0.025	$ 0.025	**$ 0.100**
Other financial information					
Total assets					**$ 1,993,332**
Total long-term financial liabilities[1]					**$ 90,027**
Total attributable shareholders' equity					**$ 1,516,850**

(1) Total long-term financial liabilities are comprised of non-current liabilities excluding deferred tax liabilities, deferred revenue, and share purchase warrant liabilities.

2016 (In thousands of USD, other than per share amounts)	Quarter Ended March 31	 June 30	 Sept 30	 Dec 31	Year Ended Dec 31
Revenue	$ 158,275	$ 192,258	$ 233,646	$ 190,596	$ 774,775
Mine operating earnings	$ 16,698	$ 44,730	$ 88,495	$ 48,956	$ 198,879
Earnings for the period attributable to equity holders	$ 1,738	$ 33,804	$ 42,766	$ 21,777	$ 100,085
Basic earnings per share	$ 0.01	$ 0.22	$ 0.28	$ 0.14	$ 0.66
Diluted earnings per share	$ 0.01	$ 0.22	$ 0.28	$ 0.14	$ 0.66
Cash flow from operating activities	$ 771	$ 66,019	$ 102,346	$ 45,668	$ 214,804
Cash dividends paid per share	$ 0.0125	$ 0.0125	$ 0.0125	$ 0.0125	$ 0.0500
Other financial information					
Total assets					$ 1,898,141
Total long-term financial liabilities[1]					$ 118,594
Total attributable shareholders' equity					$ 1,396,298

(1) Total long-term financial liabilities are comprised of non-current liabilities excluding deferred tax liabilities, deferred revenue, and share purchase warrant liabilities.

Income Statement: Q1 2018 vs. Q1 2017

Net earnings of $48.2 million were recorded in Q1 2018 compared to $20.0 million in Q1 2017, which corresponds to basic earnings per share of $0.31 and $0.13, respectively.

The following table highlights the key items driving the difference between net earnings in Q1 2018 compared with Q1 2017:

Net earnings, three months ended March 31, 2017 (in thousands of USD)		$ 19,950	Note
Increased revenue:			
Increased realized metal prices	$ 12,572		
Higher quantities of metal sold	1,617		
Decreased direct selling costs	2,443		
Decreased positive settlement adjustments	(8,358)		
Total increase in revenue		**8,274**	**(1)**
Decreased cost of sales:			
Decreased production costs and decreased royalty charges	$ 19,160		**(2)**
Increased depreciation and amortization	(5,185)		**(3)**
Total decrease in cost of sales		**13,975**	
Total increase in mine operating earnings		**22,249**	
Increased net gain on asset sales, commodity contracts and derivatives		7,840	**(4)**
Decreased foreign exchange gain		(4,184)	**(5)**
Decreased income tax expense		1,331	**(6)**
Increased investment income and other expense		969	
Decreased exploration and project development expense		780	
Decreased dilution gain, net of share of loss from associate		(612)	
Increased general and administrative expense		(199)	
Decreased interest and finance expense		32	
Net earnings, three months ended March 31, 2018		**$ 48,156**	

1. ***Revenue*** for Q1 2018 was $8.3 million higher than in Q1 2017. The major factor for the increase was a $12.6 million price variance, which was attributable to increased by-product prices, largely from higher zinc and gold prices. Decreased direct selling costs, primarily from favorable changes in contract terms relating to concentrate treatment and refining charges, and increased zinc and gold sales volumes also contributed to the increase in revenues. The following table reflects the metal prices realized by the Company and the quantities of metal sold during each quarter:

	Realized Metal Prices		Quantities of Metal Sold	
	Three months ended March 31,		Three months ended March 31,	
	2018	2017	2018	2017
Silver[1] – koz	**$ 16.78**	$ 17.44	**5,700**	5,986
Gold[1] – koz	**$ 1,333**	$ 1,219	**40.8**	39.0
Zinc[1] – kt	**$ 3,468**	$ 2,846	**12.5**	10.6
Lead[1] – kt	**$ 2,458**	$ 2,312	**4.8**	5.4
Copper[1] – kt	**$ 6,993**	$ 5,827	**2.7**	2.7

(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.

2. ***Production and royalty costs*** in Q1 2018 were $16.8 million lower and $2.4 million lower, respectively, than in Q1 2017. The decrease in production costs was mainly the result of a $16.5 million variance in NRV inventory adjustments at Manantial Espejo and Dolores. The NRV inventory adjustment reduced Q1 2018 production costs by $5.3 million compared with the Q1 2017 NRV inventory adjustments, which increased production

costs by $11.2 million. The decreased royalty costs were mainly the result of lower sales volumes from San Vicente.

3. ***Depreciation and amortization ("D&A") expense*** was $5.2 million higher than in Q1 2017, largely the result of increased D&A at Dolores due to increased metal production and sales volumes, and at Morococha, on account of the increased depreciable asset base from the impairment reversal in the fourth quarter of 2017, as well as increased metal production and sales volumes.

4. ***Gain on sale of mineral properties, plant and equipment*** was $7.9 million higher in Q1 2018 than in Q1 2017. The current quarter gain was attributable to the sale of 100% of the Company's shares in Minera Aquiline Argentina SA, which owns the Calcatreu project in Argentina, a gain of $8.0 million ($6.0 million, net of tax expense) was recognized on the sale.

5. ***Foreign exchange ("FX") losses*** in Q1 2018 were $1.7 million compared to FX gains of $2.5 million in Q1 2017. Losses in Q1 2018 resulted primarily from the timing of cash flows amid volatility in the Mexican peso ("MXN"). Losses in Q1 2018 resulted primarily from the approximately 8% appreciation of MXN denominated trade and tax payables. FX gains in Q1 2017 resulted primarily from the approximately 10% appreciation of MXN denominated monetary assets.

6. ***Income tax expense*** in Q1 2018 was $1.3 million lower than in Q1 2017. The decrease was mainly due to non-taxable foreign exchange gains, and a lower tax rate on the gains from the Calcatreu sale. The result was an aggregate tax benefit of approximately $8.2 million, partially offset by increased earnings before tax and non-controlling interest, which generated additional tax expense of $7.6 million.

Statement of Cash Flows: Q1 2018 vs. Q1 2017

Cash flow from operations in Q1 2018 totaled $34.4 million, $4.2 million less than the $38.6 million generated in Q1 2017. The decrease was largely the result of a $7.5 million increase in income tax payments and a $9.1 million increase in operating cash flows used in working capital changes, partially offset by an approximately $11.7 million increase in cash flows from higher mine operating earnings.

The period-over-period increase in mine operating earnings, excluding non-cash D&A and inventory adjustments, was largely driven by increased revenues and lower royalty costs. Working capital changes in Q1 2018 resulted in an $11.3 million use of cash, comprised mainly of inventory build-ups and working capital liability draw-downs, partially offset by receivables draw-downs. Comparatively, working capital changes reduced operating cash flows by $2.2 million in Q1 2017.

Investing activities utilized $32.9 million in Q1 2018, inclusive of $5.2 million for the net purchase of short-term investments. The balance related primarily to $32.6 million on mineral properties, plant and equipment at the Company's mines and projects, as previously described in the "Operating Performance" section of this MD&A. In Q1 2017, investing activities utilized $32.9 million inclusive of $14.9 million in proceeds from the net sale of short-term investments, with $31.9 million spent on mineral properties, plant and equipment additions at the Company's mines and projects.

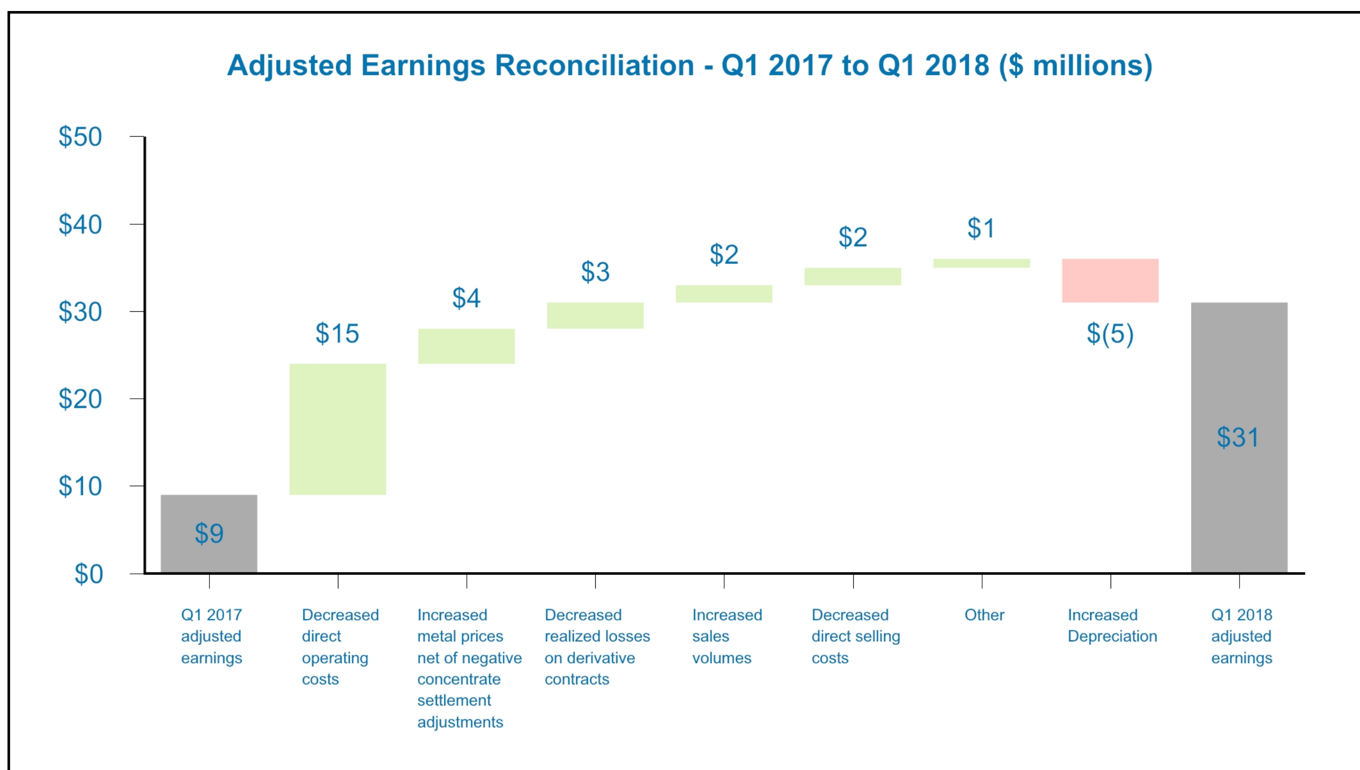
Financing activities in Q1 2018 used $10.1 million compared to $2.9 million in Q1 2017. Cash used in Q1 2018 consisted of $5.4 million paid as dividends to shareholders, $1.5 million of lease repayments and $3.0 million used to repay short-term loans. In Q1 2017 cash used in financing activities consisted of $3.8 million in dividends to shareholders and $0.9 million of lease repayments, partially offset by $2.1 million generated on the issuance of shares related to the exercise of stock options.

Adjusted Earnings: Q1 2018 vs Q1 2017

Please refer to the section of this MD&A entitled “Alternative Performance (Non-GAAP) Measures” for a detailed description of “adjusted earnings”, and a reconciliation of these measures to the Q1 2018 Financial Statements.

Adjusted Earnings in Q1 2018 were $30.7 million, representing basic adjusted earnings per share of $0.20, which was $21.7 million, or $0.14 per share, higher than Q1 2017 adjusted earnings of $9.0 million, and basic adjusted earnings per share of $0.06, respectively.

The following chart illustrates the key factors leading to the change in adjusted earnings from Q1 2017 to Q1 2018:



LIQUIDITY AND CAPITAL POSITION

Liquidity and Capital Measures (in $000s)	March 31, 2018	December 31, 2017	Change
Cash and cash equivalents ("Cash")	**167,282**	175,953	(8,671)
Short-term Investments ("STI")	**57,560**	51,590	5,970
Cash and STI	**224,842**	227,543	(2,701)
Working Capital	**448,737**	410,756	37,981
Revolving Credit Facility ("RCF")	**300,000**	300,000	—
Amount drawn on RCF	**—**	—	—
Total debt [1]	**10,017**	10,559	—

(1) Total debt is a Non-GAAP measure calculated as the total of amounts drawn on the RCF, finance lease liabilities and loans payable.

In Q1 2018, the Company's net liquidity position decreased by $2.7 million, as operating cash flows of $34.4 million, which included $32.2 million in tax payments and a $11.3 million use of cash from working capital changes, largely funded the Company's investing and financing activities in the quarter.

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 of the Company (the "Board of Directors" or "Board"), 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, 2018 increased by $38.0 million from December 31, 2017 working capital of $410.8 million. The increase was mainly attributable to increases in receivables and inventories along with decreases in accounts payables, accrued liabilities and loans payable, partially offset by the previously discussed decrease in cash and short-term investments.

The Company's four-year $300.0 million secured revolving credit facility that matures on April 15, 2012 (the “RCF”) remained undrawn as of March 31, 2018. As of March 31, 2018, the Company was in compliance with all covenants required by the RCF.

The Company’s financial position at March 31, 2018, 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 2018 working capital requirements, fund currently planned capital expenditures, 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.

In the normal course of business the Company enters into contracts that give rise to commitments for future minimum payments, details of which are described in note 7(e) of the 2017 Financial Statements, and in the Contractual Commitments and Contingencies section of the Company's annual 2017 Management Discussion and Analysis (the "2017 Annual MD&A"). Since December 31, 2017, there have been no significant changes to these contractual obligations and commitments.

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.

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, 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 of March 31, 2018 was $138.7 million (December 31, 2017 - $142.2 million) using inflation rates of between 2% and 25% (2017 - between 2% and 25%). The inflated and discounted provision on the statement of financial position as at March 31, 2018, using discount rates between 2% and 25% (December 31, 2017 - between 2% and 24%), was $63.8 million (Dec 31, 2017 - $65.4 million). Spending with respect to decommissioning obligations at Alamo Dorado and Manantial Espejo began in 2016, while the remainder of the obligations are expected to be paid through 2040 or later if the mine lives are extended. Revisions made to the reclamation obligations in Q1 2018 were primarily a result of increased site disturbance from the ordinary course of operations at the mines, reclamation activities at Alamo Dorado, as well as revisions to the estimates based on periodic reviews of closure plans and related costs, actual expenditures incurred, and closure activities completed. These obligations will be funded from operating cash flows, reclamation deposits, and cash on hand.

The accretion of the discount charged in Q1 2018 as finance expense was $1.6 million (Q1 2017, $1.5 million). Reclamation expenditures incurred during Q1 2018 were $2.9 million (Q1 2017, $1.4 million).

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services.

Related party transactions with Maverix Metals Inc. have been disclosed in Note 9 of the Q1 2018 Financial Statements. 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.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- **AISCSOS**

AISCSOS is a non-GAAP financial measure. AISCSOS does not have any standardized meaning prescribed by IFRS 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 cash flow. To facilitate a better understanding of this measure as calculated by the Company, the following table provides the detailed reconciliation of this measure to the applicable cost items, as reported in the consolidated income statements for the respective periods:

		Three months ended March 31,	
(In thousands of USD, except as noted)		**2018**	2017
Direct operating costs		**$ 117,780**	$ 118,008
Inventory NRV adjustments	**A**	**(5,331)**	11,215
Production costs		**$ 112,449**	$ 129,223
Royalties		**4,850**	7,236
Direct selling costs [(1)]		**14,856**	17,299
Less by-product credits [(1)]		**(129,094)**	(105,492)
Cash cost of sales net of by-products [(2)]		**$ 3,062**	$ 48,267
Sustaining capital [(3)]		**$ 26,361**	$ 16,580
Exploration and project development		**2,744**	3,524
Reclamation cost accretion		**1,639**	1,493
General and administrative expense		**5,958**	5,759
All-in sustaining costs [(2)]	**B**	**$ 39,764**	$ 75,623
Payable ounces sold (in thousands)	**C**	**5,700**	5,986
All-in sustaining cost per silver ounce sold, net of by-products	**B/C**	**$ 6.98**	$ 12.63
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV inventory adjustments)	**(B-A)/C**	**$ 7.91**	$ 10.76

(1) Included in the revenue line of the consolidated income statements, and for by-product credits 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. Further, Q1 2018 sustaining capital cash outflows included in this table were $1.7 million more than the $24.7 million capitalized as shown in the Capital Expenditures table included in the "2018 Operating Outlook" Section of this MD&A. The difference is due to the timing between the cash payment of capital investments compared with the period in which investments are capitalized.

Sustaining capital is included in AISCSOS while capital related to growth projects or acquisitions (referred to by the Company as project or investment capital) is not. Inclusion of only sustaining capital in the AISCSOS measure reflects the capital costs associated with current ounces sold as opposed to project capital, which is expected to increase future production. The project capital excluded in the reconciliation below is further described in the "Project Development Update" section of this MD&A.

Reconciliation of payments for mineral properties, plant and equipment and sustaining capital	Three months ended March 31,	
(in thousands of USD)	2018	2017
Payments for mineral properties, plant and equipment[1]	$ 32,565	$ 31,938
Add/(Subtract)		
Advances received for leases	3,998	1,400
Investment (non-sustaining) capital	(10,202)	(16,759)
Sustaining Capital[2]	$ 26,361	$ 16,580

(1) As presented on the consolidated statements of cash flows.
(2) Totals may not add due to rounding

Three months ended March 31, 2018								
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	15,836	37,342	18,666	16,499	7,983	21,455		117,780
NRV inventory adjustments	—	(319)	—	—	—	(5,012)		(5,331)
Production costs	15,836	37,023	18,666	16,499	7,983	16,443		112,449
Royalties	177	2,085	—	—	1,942	646		4,850
Direct selling costs	2,359	39	5,959	4,382	2,146	(28)		14,856
Less by-product credits	(18,536)	(42,120)	(25,460)	(27,813)	(4,651)	(10,514)		(129,094)
Cash cost of sales net of by-products[1]	**(165)**	**(2,973)**	**(835)**	**(6,932)**	**7,420**	**6,547**		**3,062**
Sustaining capital	2,887	14,371	2,210	4,902	1,458	534		26,361
Exploration and project development	49	680	357	122	—	(84)	1,620	2,744
Reclamation cost accretion	114	351	162	87	63	708	155	1,639
General & administrative expense	—	—	—	—	—	—	5,958	5,958
All-in sustaining costs[1]	2,886	12,429	1,892	(1,821)	8,940	7,705	7,732	39,764
Payable ounces sold (thousand)	**1,544**	**1,240**	**778**	**681**	**783**	**674**		**5,700**
All-in sustaining cost per silver ounce sold, net of by-products	**$ 1.87**	**$ 10.02**	**$ 2.43**	**$ (2.68)**	**$ 11.42**	**$ 11.43**		**$ 6.98**
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV inventory adjustments)	**1.87**	**10.28**	**2.43**	**(2.68)**	**11.42**	**18.86**		**7.91**

(1) Totals may not add due to rounding.

Three months ended March 31, 2017									
(In thousands of USD, except as noted)	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	17,632	26,313	6,190	17,188	13,953	7,092	29,637		118,008
NRV inventory adjustments	—	5,702	216	—	—	—	5,298		11,215
Production costs	17,632	32,015	6,405	17,188	13,953	7,092	34,935		129,223
Royalties	133	1,535	34	—	—	4,842	694		7,236
Direct selling costs	3,772	32	42	6,213	4,216	2,474	551		17,299
Less by-product credits	(15,050)	(30,679)	(1,517)	(22,541)	(18,671)	(2,873)	(14,162)		(105,492)
Cash cost of sales net of by-products[1]	**6,487**	**2,903**	**4,964**	**861**	**(502)**	**11,536**	**22,017**		**48,267**
Sustaining capital	3,035	5,505	—	3,105	2,271	1,566	1,098		16,580
Exploration and project development	38	450	—	628	274	—	—	2,133	3,524
Reclamation cost accretion	112	296	89	162	105	56	619	54	1,493
General & administrative expense	—	—	—	—	—	—	—	5,759	5,759
All-in sustaining costs[1]	9,671	9,154	5,053	4,755	2,148	13,158	23,734	7,945	75,623
Payable ounces sold (thousand)	**1,685**	**892**	**300**	**784**	**577**	**887**	**862**		**5,986**
All-in sustaining cost per silver ounce sold, net of by-products	**$ 5.74**	**$ 10.26**	**$ 16.84**	**$ 6.07**	**$ 3.72**	**$ 14.84**	**$ 27.54**		**$ 12.63**
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV adjustments)	**$ 5.74**	**$ 3.87**	**$ 16.12**	**$ 6.07**	**$ 3.72**	**$ 14.84**	**$ 21.39**		**$ 10.76**

(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, is used extensively in our internal decision making processes. We believe the metric is also useful to investors because it facilitates 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)		2018	2017
Production costs		**$ 112,449**	$ 129,223
Add/(Subtract)			
Royalties		**4,850**	7,236
Smelting, refining, and transportation charges		**16,272**	18,811
Workers' participation and voluntary payments		**(1,619)**	(1,172)
Change in inventories		**7,260**	(1,208)
Other		**(2,074)**	(920)
Non-controlling interests [1]		**177**	(428)
Inventory NRV adjustments		**5,331**	(11,215)
Cash Operating Costs before by-product credits[2]		**142,647**	140,328
Less gold credit		**(60,470)**	(44,885)
Less zinc credit		**(43,506)**	(30,498)
Less lead credit		**(12,281)**	(11,778)
Less copper credit		**(19,630)**	(17,034)
Cash Operating Costs net of by-product credits [2]	**A**	**6,759**	36,134
Payable Silver Production (koz)	**B**	**5,740**	5,847
Cash Costs per ounce net of by-product credits	**A/B**	**$ 1.18**	$ 6.18

(1) Figures presented in the reconciliation table above are on a 100% basis as presented in the 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, 2018 (1) (in thousands of USD except as noted)		La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	**A**	**$ 19,202**	**$ 41,846**	**$ 24,583**	**$ 19,263**	**$ 12,626**	**$ 22,671**	**$ 140,191**
Less gold credit	b1	(1,190)	(45,574)	—	(711)	(73)	(12,859)	**(60,407)**
Less zinc credit	b2	(11,972)	—	(11,475)	(15,590)	(3,004)	—	**(42,042)**
Less lead credit	b3	(4,987)	—	(4,260)	(2,648)	(155)	—	**(12,051)**
Less copper credit	b4	—	—	(10,065)	(7,427)	(1,440)	—	**(18,932)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (18,150)**	**$ (45,574)**	**$ (25,799)**	**$ (26,376)**	**$ (4,672)**	**$ (12,859)**	**$ (133,432)**
Cash Costs net of by-product credits	C=(A+B)	$ 1,052	$ (3,728)	$ (1,218)	$ (7,114)	$ 7,953	$ 9,812	**$ 6,759**
Payable ounces of silver (thousand)	D	1,560	1,200	807	626	723	823	**5,740**
Cash cost per ounce net of by-products	**C/D**	**$ 0.67**	**$ (3.11)**	**$ (1.51)**	**$ (11.36)**	**$ 11.00**	**$ 11.92**	**$ 1.18**

(1) Totals may not add due to rounding.

Three months ended March 31, 2017(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**	**$ 18,093**	**28,104**	**$ 8,900**	**$ 23,949**	**$ 17,895**	**$ 13,308**	**$ 28,305**	**$ 138,555**
Less gold credit	b1	(846)	(29,717)	(1,601)	(1)	(316)	(75)	(12,299)	**(44,855)**
Less zinc credit	b2	(8,354)	—	—	(11,098)	(8,563)	(1,677)	—	**(29,692)**
Less lead credit	b3	(4,215)	—	—	(5,124)	(2,084)	(171)	—	**(11,594)**
Less copper credit	b4	—	—	(14)	(7,139)	(8,718)	(412)	—	**(16,282)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (13,415)**	**$ (29,717)**	**$ (1,615)**	**$ (23,362)**	**$ (19,681)**	**$ (2,335)**	**$ (12,299)**	**$ (102,423)**
Cash Costs net of by-product credits	C=(A+B)	$ 4,678	$ (1,612)	$ 7,286	$ 587	$ (1,785)	$ 10,973	$ 16,006	**$ 36,132**
Payable ounces of silver (thousand)	D	1,552	963	342	763	562	880	785	**5,847**
Cash cost per ounce net of by-products	**C/D**	**$ 3.01**	**$ (1.67)**	**$ 21.29**	**$ 0.77**	**$ (3.18)**	**$ 12.47**	**$ 20.38**	**$ 6.18**

(1) Totals may not add due to rounding.

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

Adjusted earnings and basic adjusted earnings per share are non-GAAP measures that the Company considers to better reflect normalized earnings because it eliminates items that in management's judgment are subject to volatility as a result of factors which are unrelated to operations in the period, and/or relate to items that will settle in future periods. 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. 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.

The following table shows a reconciliation of adjusted earnings for the three months ended March 31, 2018 and 2017, to the net earnings for each period.

	Three Months Ended March 31,	
(In thousands of USD, except as noted)	**2018**	2017
Net earnings for the period	**$ 48,156**	$ 19,950
Adjust for:		
Derivative gains	**(2,008)**	—
Unrealized foreign exchange losses (gains)	**1,977**	(2,044)
Net realizable value adjustments to heap inventory	**1,093**	5,569
Unrealized gains on commodity contracts	**—**	(4,933)
Income from associate, net of dilution gain	**(159)**	(771)
Gain on sale of assets	**(7,986)**	(42)
Adjust for effect of taxes relating to the above	**$ 1,675**	$ (329)
Adjust for effect of foreign exchange on taxes	**$ (12,046)**	$ (8,376)
Adjusted earnings for the period	**$ 30,702**	$ 9,024
Weighted average shares for the period	**153,311**	152,757
Adjusted earnings per share for the period	**$ 0.20**	$ 0.06

- **Total Debt**

Total debt is a non-GAAP measure calculated as the total current and non-current portions of: long-term debt, finance lease liabilities, and loans payable. Total debt does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate the financial debt leverage of the Company.

- **Working Capital**

Working capital is a non-GAAP measure calculated as current assets less current liabilities. Working capital does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate whether the Company is able to meet its current obligations using its current assets.

- **General and Administrative Costs per Silver Ounce Produced**

General and administrative costs per silver ounce produced ("G&A per ounce") is a non-GAAP measure that is calculated by dividing G&A expense recorded in a period by the number of silver ounces produced in the same period. G&A per ounce does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate corporate expenses incurred in a period relative to the amount of consolidated silver produced during the same period.

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, economic and social risks related to conducting business in foreign jurisdictions such as Peru, Mexico, Argentina and Bolivia; environmental risks; and risks related to its relations with employees. Certain of these risks are described below, and are more fully described in Pan American's Annual Information Form (available on SEDAR at www.sedar.com) and Form 40-F filed with the SEC, and in the Risks and Uncertainties section of the Company's 2017 Annual MD&A, and the 2017 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.

Financial Instruments Risk Exposure

The Company's is exposed to financial risks, including metal price risk, credit risk, interest rate risk, foreign currency exchange rate risk, and liquidity risk. The Company's exposures and management of each of those risks is described in note 7(d) to the Company's 2017 Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended March 31, 2018. The following provides an update to certain relevant financial instrument risks for the quarter:

Metal Price Risk

A decrease in the market price of silver, gold and other metals could affect our profitability, along with the commercial viability of our mines and production from some of our mining properties. From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts. However, decisions relating to hedging may have material adverse effects on our financial performance, financial position, and results of operations. The Board of Directors continually assesses Pan American's strategy towards our base metal exposure, depending on market conditions. As at March 31, 2018**,** the Company had outstanding collars made up of put and call contracts for its exposure to zinc (10,500 tonnes), lead (4,650 tonnes) and copper (2,490 tonnes), settlement dates on these positions are between July 2018 and December 2018. The outstanding contracts have respective weighted average floor and cap prices per tonne of: $2,746 and $3,720 for zinc; $2,200 and $2,748 for lead; and, $6,292 and $7,345 for copper. The Company recorded total gains on these positions of $1.7 million in Q1 2018 (Q1 2017, $1.3 million).

Trading and Credit Risk

As at March 31, 2018, we had receivable balances associated with buyers of our concentrates of $49.8 million (December 31, 2017 - $52.0 million). The vast majority of the receivable balance is owed by five well-known concentrate buyers.

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, 2018, we had approximately $30.0 million contained in precious metal inventory at refineries (December 31, 2017 - $21.9 million). We maintain insurance coverage against the loss of precious metals at our mine sites, in-transit to refineries, and while at the refineries.

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which the Company operates. These advances represent a credit risk to the Company to the extent that suppliers do not deliver products or perform services as expected. As at March 31, 2018, the Company had made $15.7 million of supplier advances (December 31, 2017 - $14.3 million), which are reflected in "Trade and other receivables" on the Company's balance sheet.

Foreign currency exchange rate risk

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. At March 31, 2018 the Company held cash and short-term investments of $25.1 million in Canadian dollars, $4.5 million in Mexican pesos, $2.1 million in Peruvian nuevo soles, $3.2 million in Argentinian pesos, and $1.0 million in Bolivian bolivianos.

Taxation Risks

Pan American is exposed to tax related risks. The nature of these taxation risks and how the risks are managed are described in the Risks and Uncertainties section of the 2017 Annual MD&A, and in note 29(d) to the Company's 2017 Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended March 31, 2017.

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. The nature, assessment and management of such claims is described in the Risks and Uncertainties section of the 2017 Annual MD&A, and in note 21 to the Company's Q1 2018 Financial Statements. There were no significant changes to these claims and legal proceedings during the three months ended March 31, 2018.

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. The nature of the foreign jurisdiction risks and the Company's exposures to and management of those risks are described in the Risks and Uncertainties section of the 2017 Annual MD&A. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended March 31, 2018.

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

In preparing financial statements in accordance with IFRS, 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 2017 Financial Statements, for the Company’s summary of significant accounting policies.

CHANGES IN ACCOUNTING STANDARDS

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017, except for the following:

Financial Instruments

On January 1, 2018, the Company adopted, retrospectively without restatement, IFRS 9 - *Financial Instruments* ("IFRS 9") which replaced IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments with a single, forward-looking 'expected loss' impairment model and significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. There was no impact from IFRS 9 on the Company's classification and measurement of financial assets and liabilities except for equity securities as described below.

Under IFRS 9, subsequent to initial recognition, financial assets are classified and measured at either: amortized cost, fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"). 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.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVTOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

IFRS 9 changed the requirements for hedge effectiveness and consequently for the application of hedge accounting which did not impact the Company. As the Company does not apply hedge accounting, either under IAS 39 or IFRS 9, the adoption of IFRS 9 with regards to hedge accounting did not impact the Company or its accounting policies.

The Company has not restated comparative 2017 information for financial instruments in the scope of IFRS 9. Therefore, the comparative 2017 information is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of January 1, 2018. The adoption of IFRS 9 did not result in a change in carrying value of any of our financial instruments on the transition date. The main area of change was the accounting for equity securities previously classified as available for sale.

In accordance with IFRS 9 guidance, investments in equity securities that are neither subsidiaries nor associates ("equity securities") are categorized as FVTPL unless they are designated as FVTOCI. Further, investments in equity securities, previously classified as available for sale, are now classified at FVTPL. As of January 1, 2018 equity securities are measured at FVTPL, prior to this and under IAS 39 these assets were initially recorded at fair value with subsequent measurements recorded at FVTOCI. The Company continued to designate its short term investments other than equity securities as financial assets at FVTOCI. This change in measurement classification resulted in an adjustment to opening retained earnings on January 1, 2018 for the historical unrealized gains and losses on the Company's existing equity securities investments. The adjustment was $1.6 million with a corresponding adjustment to accumulated other comprehensive income.

The following table summarizes the classification and measurement of the Company's financial assets prior to January 1, 2018 in accordance with IAS 39, compared to the new classification as of January 1, 2018, in accordance with IFRS 9:

Financial Asset	IAS 39 Classification / Measurement	IFRS 9 Classification and Measurement
Cash and cash equivalents	Loans and receivables / Amortized cost	Amortized cost
Short-term investments - equity securities	Available-for-sale / FVTOCI	FVTPL
Short-term investments - other than equity securities	Available-for-sale / FVTOCI	FVTOCI
Trade receivables from provisional concentrates sales	FVTPL	FVTPL
Receivable not arising from sale of metal concentrates	Loans and receivables / Amortized cost	Amortized cost
Derivative financial assets	Held-for-trading / FVTPL	FVTPL

Additional disclosures have been presented in Note 4a of the Q1 2018 Financial Statements as a result of adopting IFRS 9.

Revenue Recognition

The Company adopted IFRS 15 which replaced IAS 11 - Construction Contracts; IAS 18 - Revenue, and other revenue interpretations.

IFRS 15 requires either a full retrospective application, whereby comparative information is restated in accordance with IFRS 15, or a modified retrospective application, whereby the cumulative impact of adoption is recognized in opening retained earnings, as of January 1, 2018, and comparative period balances are not restated. The Company elected to apply the modified retrospective approach, though the new standard had no cumulative impact as at January 1, 2018.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer, and introduces a revenue recognition model under which an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new framework did not result in a change in the way the Company recognizes or measures revenue. Further, the standard introduces the concept of performance obligations that are defined as 'distinct' promised goods or services, and requires entities to apportion revenue earned to the distinct performance obligations on a relative stand alone selling price basis. The Company may from time to time enter into concentrate contracts where the Company is responsible for shipping and insurance costs necessary to bring the goods to a named destination after the date on which control of the goods is transferred to the customer. Accordingly, under IFRS 15, a portion of the revenue earned under such contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over the time the obligations are fulfilled. There were no such contracts in 2017, nor in the three month period ended March 31, 2018.

Other Narrow Scope Amendments

The Company has adopted IFRIC interpretation 22 - *Foreign Currency Transactions and Advanced Consideration*, and narrow scope amendments to IFRS 2 - *Share-based Payment,* which did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

Changes in accounting standards not yet effective

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

IFRS 16, *Leases* ("IFRS 16") In January 2016, the IASB issued IFRS 16 - *Leases* which replaces IAS 17 - *Leases* and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, 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 anticipates that the adoption of IFRS 16 will result in an increase in the recognition of right of use assets and lease liabilities related to leases with terms greater than 12 months in our Statement of Financial Position at January 1, 2019. IFRS 16 will further result in increased depreciation and amortization on these right of use assets and increased interest on these additional lease liabilities. These lease payments will be recorded as financing outflows in our Consolidated Statements of Cash Flows.

The Company is in the process of identifying and collecting data relating to the existing agreements that may contain right-of-use assets and estimates the time to develop and implement the accounting policies, estimates and processes (including the information technology systems) will extend into the latter part of 2018.

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 as issued by the International Accounting Standards Board. 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, 2018 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

Scientific and technical information contained in this MD&A has been reviewed and approved by Martin Wafforn, P.Eng., Senior Vice President Technical Services and Processing Optimization, and Christopher Emerson, FAusIMM, Vice President Business Development and Geology, each of whom are Qualified Persons, as the term is defined in NI Canadian National Instrument 43-101 - *Standards of Disclosure of Mineral Projects*.

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 22, 2018, 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", "intents", "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 financial and operational performance; 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 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, including the development of the Joaquin and COSE projects, and the anticipated financial and operational results of such projects; forecast capital and non-operating spending; and the Company's plans and expectations for its properties and operations.

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 and estimates that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic, competitive, political, regulatory, and social 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 or interruptions in scheduled production; all necessary permits, licenses 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 current suspension of operations of Huaron, if prolonged, may impact our annual guidance for 2018 and future financial and operating performance.

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 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 silver, gold, and base metal prices; fluctuations in prices for energy inputs; fluctuations in currency markets (such as the PEN, MXN, ARS, BOL and CAD versus the USD); 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, legal or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia or other countries where the Company may carry on business, including the risk of expropriation relative to certain of our operations, particularly in Argentina and Bolivia; 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 the 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 risk 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, 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 attributing undue certainty or reliance on forward-looking statements or 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, and does not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or in circumstances or any other events affecting such statements or information, other than as required by applicable law.

Cautionary Note to U.S. Investors Concerning Estimates of Mineral Reserves and Resources

This MD&A has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral reserve and resource estimates included in the MD&A have been disclosed in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

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

Unaudited Condensed Interim Consolidated Financial Statements and Notes

FOR THE THREE MONTHS ENDING MARCH 31, 2018

PAN AMERICAN SILVER

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents (Note 18)	**$ 167,282**	$ 175,953
Short-term investments (Note 5)	**57,560**	51,590
Trade and other receivables	**115,639**	109,746
Income taxes receivable	**11,706**	16,991
Inventories (Note 6)	**235,819**	218,715
Derivative financial instruments	**1,232**	1,092
Assets held for sale	**—**	7,949
Prepaid expenses and other current assets	**12,970**	13,434
	602,208	595,470
Non-current assets		
Mineral properties, plant and equipment (Note 7)	**1,331,358**	1,336,683
Long-term refundable tax	**879**	80
Deferred tax assets	**2,682**	2,679
Investment in associates (Note 9)	**55,176**	55,017
Other assets	**341**	346
Goodwill	**3,057**	3,057
Total Assets	**$ 1,995,701**	$ 1,993,332
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 123,468**	$ 139,698
Loans payable	**—**	3,000
Derivative financial instruments	**38**	1,906
Current portion of provisions (Note 11)	**5,891**	8,245
Current portion of finance lease (Note 12)	**7,166**	5,734
Income tax payable	**16,908**	26,131
	153,471	184,714
Non-current liabilities		
Long-term portion of provisions (Note 11)	**62,450**	61,248
Deferred tax liabilities	**159,619**	171,228
Long-term portion of finance lease (Note 12)	**2,851**	1,825
Deferred revenue (Note 9)	**11,928**	12,017
Other long-term liabilities (Note 13)	**27,296**	26,954
Share purchase warrants (Note 9)	**14,386**	14,295
Total Liabilities	**432,001**	472,281
Equity		
Capital and reserves (Note 14)		
Issued capital	**2,318,418**	2,318,252
Share option reserve	**22,517**	22,463
Investment revaluation reserve	**(56)**	1,605
Deficit	**(781,858)**	(825,470)
Total Equity attributable to equity holders of the Company	**1,559,021**	1,516,850
Non-controlling interests	**4,679**	4,201
Total Equity	**1,563,700**	1,521,051
Total Liabilities and Equity	**$ 1,995,701**	$ 1,993,332

Commitments and Contingencies (Notes 4, 21)
See accompanying notes to the condensed interim consolidated financial statements
APPROVED BY THE BOARD ON MAY 9, 2018

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

	Three months ended March 31,	
	2018	2017
Revenue (Note 19)	**$ 206,961**	$ 198,687
Cost of sales		
Production costs (Note 15)	**(112,449)**	(129,223)
Depreciation and amortization	**(34,538)**	(29,353)
Royalties	**(4,850)**	(7,236)
	(151,837)	(165,812)
Mine operating earnings	**55,124**	32,875
General and administrative	**(5,958)**	(5,759)
Exploration and project development	**(2,744)**	(3,524)
Foreign exchange (losses) gains	**(1,675)**	2,509
Gains on commodity, diesel fuel swaps, and foreign currency contracts (Note 4)	**1,733**	1,794
Gain on sale of mineral properties, plant and equipment	**7,986**	42
Share of income from associate and dilution gain (Note 9)	**159**	771
Other income	**544**	1,414
Earnings from operations	**55,169**	30,122
Loss on derivatives (Note 4)	**(43)**	—
Investment income	**1,898**	59
Interest and finance expense (Note 16)	**(2,358)**	(2,390)
Earnings before income taxes	**54,666**	27,791
Income tax expense (Note 20)	**(6,510)**	(7,841)
Net earnings for the period	**$ 48,156**	$ 19,950
Attributable to:		
Equity holders of the Company	**$ 47,376**	$ 19,371
Non-controlling interests	**780**	579
	$ 48,156	$ 19,950
Earnings per share attributable to common shareholders (Note 17)		
Basic earnings per share	**$ 0.31**	$ 0.13
Diluted earnings per share	**$ 0.31**	$ 0.13
Weighted average shares outstanding (in 000's) Basic	**153,311**	152,757
Weighted average shares outstanding (in 000's) Diluted	**153,537**	153,127

See accompanying notes to the condensed interim consolidated financial statements.

	Three months ended March 31,	
	2018	2017
Net earnings for the period	**$ 48,156**	$ 19,950
Items that may be reclassified subsequently to net earnings:		
Unrealized net (losses) gains on short-term investments (Note 2b) (net of $nil tax in 2018 and 2017)	**(190)**	331
Reclassification adjustment for realized gains (losses) on short-term investments to earnings (Note 2b)	**131**	(52)
Total comprehensive earnings for the period	**$ 48,097**	$ 20,229
Total comprehensive earnings attributable to:		
Equity holders of the Company	**$ 47,317**	$ 19,650
Non-controlling interests	**780**	579
	$ 48,097	$ 20,229

See accompanying notes to the condensed interim consolidated financial statements.

	Three months ended March 31,	
	2018	2017
Cash flow from operating activities		
Net earnings for the period	**$ 48,156**	$ 19,950
Current income tax expense (Note 20)	**18,135**	11,958
Deferred income tax recovery (Note 20)	**(11,625)**	(4,117)
Interest expense (Note 16)	**135**	118
Depreciation and amortization	**34,538**	29,353
Accretion on closure and decommissioning provision (Note 11)	**1,639**	1,493
Unrealized losses (gains) on foreign exchange	**1,977**	(2,044)
Gains on commodity, diesel fuel swaps, and foreign currency contracts (Note 4)	**(1,733)**	(1,794)
Gain on sale of mineral properties, plant and equipment	**(7,986)**	(42)
Other operating activities (Note 18)	**(5,523)**	11,145
Changes in non-cash operating working capital (Note 18)	**(11,320)**	(2,196)
Operating cash flows before interest and income taxes	**$ 66,393**	$ 63,824
Interest paid	**(513)**	(622)
Interest received	**764**	112
Income taxes paid	**(32,244)**	(24,745)
Net cash generated from operating activities	**$ 34,400**	$ 38,569
Cash flow from investing activities		
Payments for mineral properties, plant and equipment	**$ (32,565)**	$ (31,938)
Acquisition of mineral interests	**—**	(12,749)
Net (purchase) proceeds from sales of short-term investments	**(5,163)**	14,852
Proceeds from sale of mineral properties, plant and equipment	**5,105**	45
Net payments from commodity, diesel fuel swaps, and foreign currency contracts	**(318)**	(3,139)
Net cash used in investing activities	**$ (32,941)**	$ (32,929)
Cash flow from financing activities		
Proceeds from issue of equity shares	**$ 127**	$ 2,079
Distributions to non-controlling interests	**(302)**	(181)
Dividends paid	**(5,366)**	(3,824)
Repayment of short-term loans	**(3,000)**	—
Payment of equipment leases	**(1,540)**	(927)
Net cash used in financing activities	**$ (10,081)**	$ (2,853)
Effects of exchange rate changes on cash and cash equivalents	**(49)**	(59)
Net (decrease) increase in cash and cash equivalents	**(8,671)**	2,728
Cash and cash equivalents at the beginning of the period	**175,953**	180,881
Cash and cash equivalents at the end of the period	**$ 167,282**	$ 183,609

Supplemental cash flow information (Note 18).
See accompanying notes to the condensed interim consolidated financial statements.

	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, 2016	**152,334,652**	**$ 2,303,978**	**$ 22,946**	**$ 434**	**$ (931,060)**	**$ 1,396,298**	**$ 2,706**	**$ 1,399,004**
Total comprehensive earnings								
Net earnings for the year	—	—	—	—	120,991	120,991	2,460	123,451
Other comprehensive income	—	—	—	1,171	—	1,171	—	1,171
	—	—	—	1,171	120,991	122,162	2,460	124,622
Shares issued on the exercise of stock options	307,266	3,604	(998)	—	—	2,606	—	2,606
Shares issued as compensation	135,404	2,020	—	—	—	2,020	—	2,020
Share-based compensation on option grants	—	—	515	—	—	515	—	515
Acquisition of mineral interests	525,654	8,650	—	—	—	8,650	—	8,650
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(87)	(87)	(965)	(1,052)
Dividends paid	—	—	—	—	(15,314)	(15,314)	—	(15,314)
Balance, December 31, 2017	**153,302,976**	**$ 2,318,252**	**$ 22,463**	**$ 1,605**	**$ (825,470)**	**$ 1,516,850**	**$ 4,201**	**$ 1,521,051**
Impact of adopting IFRS 9 (Note 2b)	—	—	—	(1,602)	1,602	—	—	—
Balance, January 1, 2018 (restated)	**153,302,976**	**$ 2,318,252**	**$ 22,463**	**$ 3**	**$ (823,868)**	**$ 1,516,850**	**$ 4,201**	**$ 1,521,051**
Total comprehensive earnings								
Net earnings for the period	—	—	—	—	47,376	47,376	780	48,156
Other comprehensive loss	—	—	—	(59)	—	(59)	—	(59)
	—	—	—	(59)	47,376	47,317	780	48,097
Shares issued on the exercise of stock options	14,374	166	(39)	—	—	127	—	127
Share-based compensation on option grants	—	—	93	—	—	93	—	93
Distributions by subsidiaries to non-controlling interests	—	—	—	—	—	—	(302)	(302)
Dividends paid	—	—	—	—	(5,366)	(5,366)	—	(5,366)
Balance, March 31, 2018	**153,317,350**	**$ 2,318,418**	**$ 22,517**	**$ (56)**	**$ (781,858)**	**$ 1,559,021**	**$ 4,679**	**$ 1,563,700**

	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, 2016	**152,334,652**	**$ 2,303,978**	**$ 22,946**	**$ 434**	**$ (931,060)**	**$ 1,396,298**	**$ 2,706**	**$ 1,399,004**
Total comprehensive earnings								
Net earnings for the period	—	—	—	—	19,371	19,371	579	19,950
Other comprehensive income	—	—	—	279	—	279	—	279
	—	—	—	279	19,371	19,650	579	20,229
Shares issued on exercise of stock options	246,358	2,922	(843)	—	—	2,079	—	2,079
Share-based compensation on option grants	—	—	114	—	—	114	—	114
Acquisition of mineral interests	525,654	8,650	—	—	—	8,650	—	8,650
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(27)	(27)	(154)	(181)
Dividends paid	—	—	—	—	(3,824)	(3,824)	—	(3,824)
Balance, March 31, 2017	**153,106,664**	**$ 2,315,550**	**$ 22,217**	**$ 713**	**$ (915,540)**	**$ 1,422,940**	**$ 3,131**	**$ 1,426,071**

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"). Pan American Silver Corp. is incorporated and domiciled in Canada, and its 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 Peru, Mexico, Argentina and Bolivia. Additionally, the Company has project development activities in Peru, Mexico and Argentina, and exploration activities throughout South America and Mexico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These 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"). As a result, these unaudited condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed with certain disclosures from the Annual Financial Statements omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The Company's interim results are not necessarily indicative of its results for a full year.

b. Changes in Accounting Policies

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017, except for the following:

Financial Instruments

On January 1, 2018, the Company adopted, retrospectively without restatement, IFRS 9 - *Financial Instruments* ("IFRS 9") which replaced IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments with a single, forward-looking 'expected loss' impairment model and significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. There was no impact from IFRS 9 on the Company's classification and measurement of financial assets and liabilities except for equity securities as described below.

Under IFRS 9, subsequent to initial recognition, financial assets are classified and measured at either: amortized cost, fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"). 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.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVTOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

IFRS 9 changed the requirements for hedge effectiveness and consequently for the application of hedge accounting which did not impact the Company. As the Company does not apply hedge accounting, either under IAS 39 or IFRS 9, the adoption of IFRS 9 with regards to hedge accounting did not impact the Company or its accounting policies.

The Company has not restated comparative 2017 information for financial instruments in the scope of IFRS 9. Therefore, the comparative 2017 information is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings

as of January 1, 2018. The adoption of IFRS 9 did not result in a change in carrying value of any of our financial instruments on the transition date. The main area of change was the accounting for equity securities previously classified as available for sale.

In accordance with IFRS 9 guidance, investments in equity securities that are neither subsidiaries nor associates ("equity securities") are categorized as FVTPL unless they are designated as FVTOCI. Further, investments in equity securities, previously classified as available for sale, are now classified at FVTPL. As of January 1, 2018 equity securities are measured at FVTPL, prior to this and under IAS 39 these assets were initially recorded at fair value with subsequent measurements recorded at FVTOCI. The Company continued to designate its short term investments other than equity securities as financial assets at FVTOCI. This change in measurement classification resulted in an adjustment to opening retained earnings on January 1, 2018 for the historical unrealized gains and losses on the Company's existing equity securities investments. The adjustment was $1.6 million with a corresponding adjustment to accumulated other comprehensive income.

The following table summarizes the classification and measurement of the Company's financial assets prior to January 1, 2018 in accordance with IAS 39, compared to the new classification as of January 1, 2018, in accordance with IFRS 9:

Financial Asset	IAS 39 Classification / Measurement	IFRS 9 Classification and Measurement
Cash and cash equivalents	Loans and receivables / Amortized cost	Amortized cost
Short-term investments - equity securities	Available-for-sale / FVTOCI	FVTPL
Short-term investments - other than equity securities	Available-for-sale / FVTOCI	FVTOCI
Trade receivables from provisional concentrates sales	FVTPL	FVTPL
Receivable not arising from sale of metal concentrates	Loans and receivables / Amortized cost	Amortized cost
Derivative financial assets	Held-for-trading / FVTPL	FVTPL

Additional disclosures have been presented in Note 4a of the Q1 2018 Financial Statements as a result of adopting IFRS 9.

Revenue Recognition

The Company adopted IFRS 15 which replaced IAS 11 - Construction Contracts; IAS 18 - Revenue, and other revenue interpretations.

IFRS 15 requires either a full retrospective application, whereby comparative information is restated in accordance with IFRS 15, or a modified retrospective application, whereby the cumulative impact of adoption is recognized in opening retained earnings, as of January 1, 2018, and comparative period balances are not restated. The Company elected to apply the modified retrospective approach, though the new standard had no cumulative impact as at January 1, 2018.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer, and introduces a revenue recognition model under which an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new framework did not result in a change in the way the Company recognizes or measures revenue. Further, the standard introduces the concept of performance obligations that are defined as 'distinct' promised goods or services, and requires entities to apportion revenue earned to the distinct performance obligations on a relative stand alone selling price basis. The Company may from time to time enter into concentrate contracts where the Company is responsible for shipping and insurance costs necessary to bring the goods to a named destination after the date on which control of the goods is transferred to the customer. Accordingly, under IFRS 15, a portion of the revenue earned under such contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over the time the obligations are fulfilled. There were no such contracts in 2017, nor in the three month period ended March 31, 2018.

The Company's revenue recognition policy in accordance with IFRS 15 is as follows:

Revenue Recognition: Revenue associated with the sale of commodities is recognized when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to a loading port, warehouse, vessel or metal account as contractually agreed with the buyer; at which point the buyer controls the goods. In cases where the Company is responsible for the cost of shipping and certain other services after the date on which control of the goods transfers to the customer, these other services are considered separate performance obligations and thus a portion of revenue earned under the contract is allocated and recognized as these performance obligations are satisfied.

The Company's concentrate sales contracts with third-party buyers, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on applicable commodity prices set on specified quotational periods, typically ranging from one month prior to shipment, and can extend to three months after the shipment arrives at the smelter and is based on average market metal prices. For this purpose, the transaction price can be measured reliably for those products, such as silver, gold, zinc, lead and copper, for which there exists an active and freely traded commodity market such as the London Metals Exchange and the value of product sold by the Company is directly linked to the form in which it is traded on that market.

Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently. Revenues are recorded under these contracts at the time control passes to the buyer based on the expected settlement period. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. Variations between the price recorded at the date when control is transferred to the buyer and the actual final price set under the smelting contracts are caused by changes in metal prices resulting in the receivable being recorded at FVTPL.

IFRS 15 requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company concluded that the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant and does not constrain the recognition of revenue

Refining and treatment charges under the sales contracts are netted against revenue for sales of metal concentrate.

Other Narrow Scope Amendments

The Company has adopted IFRIC interpretation 22 - *Foreign Currency Transactions and Advanced Consideration*, and narrow scope amendments to IFRS 2 - *Share-based Payment,* which did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

c. Accounting Standards Issued But Not Yet Effective

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

IFRS 16, *Leases* ("IFRS 16") In January 2016, the IASB issued IFRS 16 - *Leases* which replaces IAS 17 - *Leases* and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, 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 anticipates that the adoption of IFRS 16 will result in an increase in the recognition of right of use

assets and lease liabilities related to leases with terms greater than 12 months in our Statement of Financial Position at January 1, 2019. IFRS 16 will further result in increased depreciation and amortization on these right of use assets and increased interest on these additional lease liabilities. These lease payments will be recorded as financing outflows in our Consolidated Statements of Cash Flows.

The Company is in the process of identifying and collecting data relating to the existing agreements that may contain right-of-use assets and estimates the time to develop and implement the accounting policies, estimates and processes (including the information technology systems) will extend into the latter part of 2018.

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 at March 31, 2018 and December 31, 2017 are presented in the following table:

Subsidiary	Location	Ownership Interest	Accounting	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 & COSE project
Minera Joaquin S.R.L.	Argentina	100%	Consolidated	Joaquin project
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 the growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus share option reserve plus deficit, plus investment revaluation reserve) with a balance of $1.6 billion as at March 31, 2018 (December 31, 2017 - $1.5 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, 2017.

4. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities by categories

March 31, 2018 [2]	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	$ 167,282	$ —	$ —	$ 167,282
Trade receivables from provisional concentrates sales[1]	—	49,824	—	49,824
Receivable not arising from sale of metal concentrates[1]	50,072	—	—	50,072
Short-term investments, equity securities	—	23,564	—	23,564
Short-term investments, other than equity securities	—	—	33,996	33,996
Derivative financial assets	—	1,232	—	1,232
	$ 217,354	$ 74,620	$ 33,996	$ 325,970
Financial Liabilities:				
Derivative financial liabilities	$ —	$ 38	$ —	$ 38
	$ —	$ 38	$ —	$ 38

(1) Included in Trade and other receivables.
(2) Financial assets and liabilities by categories presented in accordance with IFRS 9 (see Note 2b)

December 31, 2017 [2]	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	$ 175,953	$ —	$ —	$ 175,953
Trade receivables from provisional concentrates sales[1]	—	51,952	—	51,952
Receivable not arising from sale of metal concentrates[1]	43,467	—	—	43,467
Short-term investments, equity securities	—	—	22,971	22,971
Short-term investments, other than equity securities	—	—	28,619	28,619
Derivative financial assets	—	1,092	—	1,092
	$ 219,420	$ 53,044	$ 51,590	$ 324,054
Financial Liabilities:				
Derivative financial liabilities	$ —	$ 1,906	$ —	$ 1,906
	$ —	$ 1,906	$ —	$ 1,906

(1) Included in Trade and other receivables.
(2) Financial assets and liabilities by categories presented in accordance with IAS 39.

b) Financial assets recorded at FVTPL

The Company's short-term investments in equity securities are recorded at FVTPL. The gains (losses) from short-term investments in equity securities were recorded at FVTOCI for the three months ended March 31, 2017 but were recorded at FVTPL for the three months ended March 31, 2018 as follows:

	Three months ended March 31,	
	2018	2017
Unrealized net gain on short-term investments, equity securities[1]	**$ 1,056**	$ —
Realized net loss on short-term investments, equity securities[1]	**(18)**	—
	$ 1,038	$ —

(1) Short-term investments in equity securities, previously classified as available for sale with fair value changes recorded through other comprehensive income, as of January 1, 2018, have been reclassified and measured as FVTPL.

c) Financial assets recorded at fair value through other comprehensive income

The Company's short-term investments other than equity securities are recorded at fair value through other comprehensive income. The unrealized (losses) gains from short-term investments other than equity securities for the three months ended March 31, 2018 and 2017 were as follows:

	Three months ended March 31,	
	2018	2017
Unrealized net (losses) gains on short-term investments, other than equity securities	**$ (190)**	$ 331
Reclassification adjustment for realized gains (losses) on short-term investments, other than equity securities to earnings	**131**	(52)
	$ (59)	$ 279

d) Derivative instruments

The Company's derivative financial instruments are comprised of foreign currency, diesel fuel swap and commodity contracts. The net gains (losses) on derivatives for the three months ended March 31, 2018 and 2017 were comprised of the following:

	Three months ended March 31,	
	2018	2017
Gains on commodity and diesel fuel swap and foreign currency contracts:		
Realized losses on foreign currency, diesel fuel swap and commodity contracts	**$ (318)**	$ (3,139)
Unrealized gains on foreign currency, diesel fuel swap and commodity contracts	**2,051**	4,933
	$ 1,733	$ 1,794
Loss on derivatives:		
Loss on warrants	**$ (43)**	**$ —**
	$ (43)	$ —

e) Fair value information

i) Fair Value Measurement

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability based on unobservable market data

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

	At March 31, 2018		At December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	**$ 57,560**	**$ —**	**$ 51,590**	**$ —**
Trade receivables from provisional concentrate sales	**—**	**49,824**	**—**	**51,952**
Derivative financial assets	**—**	**1,232**	**—**	**1,092**
Derivative financial liabilities	**—**	**(38)**	**—**	**(1,906)**
	$ 57,560	**$ 51,018**	**$ 51,590**	**$ 51,138**

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the levels of hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2017.

ii) Valuation Techniques

Short-term investments and other investments

The Company's short-term investments and other investments are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy and are primarily money market securities and U.S. Treasury securities. The fair value of the 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.

Derivative assets and liabilities

The Company's derivative assets and liabilities were comprised of investments in warrants, commodity swaps and foreign currency contracts. The fair value of the warrants are calculated using an option pricing model which utilizes a combination of quoted prices and market-derived inputs. The Company's commodity swaps and foreign currency contracts are valued using observable market prices. Derivative instruments are classified within Level 2 of the fair value hierarchy.

Receivables from Provisional Concentrate Sales

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

f) 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 principle financial risks to which the Company is exposed are:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk
    1. Currency risk
    2. Interest rate risk
    3. Price 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) 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 trade receivables 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 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, 2018, the Company had receivable balances associated

with buyers of its concentrates of $49.8 million (2017 - $52.0 million). The vast majority of the Company's concentrate is sold to five well-known concentrate buyers.

Silver doré production from La Colorada, 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, 2018, the Company had approximately $30.0 million (2017 - $21.9 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 metal sales. 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 the 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 and cash equivalents, which also has credit risk, with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations.

ii) 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.

There was no significant change to the Company's exposure to liquidity risk during the three months ended March 31, 2018.

iii) Market Risk

1. Currency Risk

The Company 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 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.

At March 31, 2018, the Company had no outstanding positions on its foreign currency exposure of MXN purchases. The Company recorded gains of $0.1 million on MXN derivative contracts for the three months ended March 31, 2018 (2017 - gains of $3.1 million).

2. Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. At March 31, 2018, the Company has $10.0 million in lease obligations (2017 - $7.6 million), that are subject to an annualized interest rate of 2.2%.

The average interest rate earned by the Company during the three months ended March 31, 2018 on its cash and short-term investments was 1.28% (2017 - 0.31%).

3. 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 significant 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 current 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 assesses the Company's strategy towards its base metal exposure, depending on market conditions. At March 31, 2018, the Company had outstanding contracts to sell some of its base metals production.

5. SHORT-TERM INVESTMENTS

	March 31, 2018			December 31, 2017		
Available for Sale	Fair Value	Cost	Accumulated unrealized holding gains	Fair Value	Cost	Accumulated unrealized holding gains
Short-term investments	$ 57,560	$ 54,958	$ 2,602	$ 51,590	$ 49,985	$ 1,605

6. INVENTORIES

Inventories consist of:

	March 31, 2018	December 31, 2017
Concentrate inventory	$ 13,562	$ 11,582
Stockpile ore [(1)]	14,163	16,209
Heap leach inventory and in process [(2)]	117,409	108,509
Doré and finished inventory [(3)]	42,876	35,054
Materials and supplies	47,809	47,361
	$ 235,819	$ 218,715

(1) Includes an impairment charge of $8.7 million to reduce the cost basis of inventory to NRV at Manantial Espejo mine (December 31, 2017 – $10.0 million at Manantial Espejo mine).
(2) Includes an impairment charge of $9.2 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines (December 31, 2017 - $10.3 million at Manantial Espejo and Dolores mines).
(3) Includes an impairment charge of $nil to reduce the cost basis of inventory to NRV at March 31, 2018. (December 31, 2017 - $2.9 million at Manantial Espejo mine).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment consist of:

	March 31, 2018			December 31, 2017		
	Cost	**Accumulated Depreciation and Impairment**	**Carrying Value**	Cost	Accumulated Depreciation and Impairment	Carrying Value
Huaron mine, Peru	**$ 198,646**	**$ (110,989)**	**$ 87,657**	$ 196,111	$ (107,970)	$ 88,141
Morococha mine, Peru	**236,091**	**(139,811)**	**96,280**	230,932	(135,868)	95,064
Alamo Dorado mine, Mexico	**192,545**	**(192,545)**	**—**	194,023	(194,023)	—
La Colorada mine, Mexico	**282,613**	**(106,529)**	**176,084**	279,541	(100,970)	178,571
Dolores mine, Mexico	**1,504,815**	**(931,989)**	**572,826**	1,485,200	(908,651)	576,549
Manantial Espejo mine, Argentina	**367,005**	**(354,978)**	**12,027**	367,573	(353,322)	14,251
San Vicente mine, Bolivia	**132,204**	**(81,235)**	**50,969**	131,038	(79,595)	51,443
Other	**24,183**	**(16,536)**	**7,647**	24,174	(16,447)	7,727
Total	**$ 2,938,102**	**$ (1,934,612)**	**$ 1,003,490**	$ 2,908,592	$ (1,896,846)	$ 1,011,746
Land and Non-Producing Properties:						
Land	**$ 4,990**	**$ (1,234)**	**$ 3,756**	$ 4,990	$ (1,234)	$ 3,756
Navidad project, Argentina	**566,577**	**(376,101)**	**190,476**	566,577	(376,101)	190,476
Minefinders projects, Mexico	**74,182**	**(17,155)**	**57,027**	73,956	(16,929)	57,027
Morococha, Peru	**9,674**	**—**	**9,674**	9,674	—	9,674
Argentine projects	**47,307**	**—**	**47,307**	44,376	—	44,376
Other	**30,885**	**(11,257)**	**19,628**	30,885	(11,257)	19,628
Total non-producing properties	**$ 733,615**	**$ (405,747)**	**$ 327,868**	$ 730,458	$ (405,521)	$ 324,937
Total mineral properties, plant and equipment	**$ 3,671,717**	**$ (2,340,359)**	**$ 1,331,358**	$ 3,639,050	$ (2,302,367)	$ 1,336,683

Disposals

On January 31, 2018, the Company completed the sale of 100% of the shares of Minera Aquiline Argentina SA, which owns the Calcatreu project ("Calcatreu"), to Patagonia Gold Canada Inc for total consideration of $15 million in cash. The Company received $5 million at the date of sale with the remaining $10 million due on May 18, 2018. The Company recorded a gain of $8.0 million ($6 million, net of tax expense) on the sale of Calcatreu included in gain on sale of mineral properties, plant and equipment.

8. IMPAIRMENT OF MINERAL PROPERTIES, PLANT AND EQUIPMENT

Non-current assets are tested for impairment, or reversal of previous impairment charges, when events or changes in circumstance indicate that the carrying amount may not be recoverable, or previous impairment charges against assets are 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 with respect to possible indicators of either impairment or reversal of previous impairments to its mineral properties, the Company concluded that as of March 31, 2018 no such indicators were noted, and no impairment charges or impairment charge reversals were required.

9. INVESTMENT IN ASSOCIATES

Investment in associates consist of:

	March 31, 2018	December 31, 2017
Investment in Maverix [(1)]	$ **53,726**	$ 53,567
Investment in other	**1,450**	1,450
	$ **55,176**	$ 55,017

(1) The following table shows a continuity of the Company's investment in Maverix:

	2018	2017
Balance of investment in Maverix, January 1,	$ **53,567**	$ 48,284
Dilution gain	—	1,406
Adjustment for change in ownership interest	—	441
Income (loss) in associate	159	(635)
Balance of investment in Maverix, March 31,	$ **53,726**	$ 49,496

Investment in Maverix:

The Company's warrant liability representing in substance ownership interest in Maverix was $14.4 million as at March 31, 2018 (December 31, 2017 - $14.3 million). The Company's share of Maverix income or loss was recorded, based on its 40% interest for the three months ended March 31, 2018 representing the Company's fully diluted ownership.

Deferred Revenue:

Deferred revenue relates to precious metal streams whereby the Company will sell 100% of the future gold production from La Colorada and 5% of the future gold production from La Bolsa, which is in the exploration stage, to Maverix for $650 and $450 per ounce, respectively (the "Streams"). The deferred revenue liability recognized by the Company is the portion of the deferred revenue to be paid to Maverix owners other than Pan American through its ownership in Maverix.

The deferred revenue related to the Streams will be recognized as revenue by Pan American as the gold ounces are delivered to Maverix. As at March 31, 2018, the deferred revenue liability was $11.9 million (December 31, 2017 - $12.0 million).

During the three months ended March 31, 2018, $0.1 million (2017 - $nil) was recognized for the delivery of 591 ounces of gold (2017 - 492 ounces) from La Colorada to Maverix. All transactions with Maverix were in the normal course and measured at exchange amounts, which were the amounts of consideration established and agreed to by the Company and Maverix.

Income Statement Impacts:

The Company recognized dilution gains of $nil for the three months ended March 31, 2018 (2017 - $1.4 million gain), respectively, recorded in share of loss from associate and dilution gain.

For the three months ended March 31, 2018 the Company also recognized its share of income from associate of $0.2 million (2017 - $0.6 million loss) which represents the Company's proportionate share of Maverix's income (loss) during the period.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	March 31, 2018	December 31, 2017
Trade accounts payable[1]	**$ 43,120**	$ 47,138
Royalties payable	**5,718**	4,896
Other accounts payable and trade related accruals	**33,694**	29,690
Payroll and related benefits	**22,825**	29,329
Severance accruals	**1,804**	1,092
Other taxes payable	**4,148**	3,439
Other	**12,159**	24,114
	$ 123,468	$ 139,698

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

11. PROVISIONS

	Closure and Decommissioning	Litigation	Total
December 31, 2017	$ 65,396	$ 4,097	$ 69,493
Revisions in estimates and obligations incurred	**(396)**	**—**	**(396)**
Charged (credited) to earnings:			
-new provisions	**—**	**423**	**423**
-change in estimate	**—**	**(2)**	**(2)**
-exchange gains on provisions	**—**	**57**	**57**
Reclamation expenditures	**(2,873)**	**—**	**(2,873)**
Accretion expense (Note 16)	**1,639**	**—**	**1,639**
March 31, 2018	**$ 63,766**	**$ 4,575**	**$ 68,341**

Maturity analysis of total provisions:	March 31, 2018	December 31, 2017
Current	**$ 5,891**	$ 8,245
Non-Current	**62,450**	61,248
	$ 68,341	$ 69,493

12. FINANCE LEASE OBLIGATIONS

	March 31, 2018	December 31, 2017
Lease obligations[1]	**$ 10,017**	$ 7,559

	March 31, 2018	December 31, 2017
Maturity analysis of finance leases:		
Current	**$ 7,166**	$ 5,734
Non-Current	**2,851**	1,825
	$ 10,017	$ 7,559

(1) Represents equipment lease obligations at several of the Company's subsidiaries. A reconciliation of the total future minimum lease payments at March 31, 2018 and December 31, 2017 to their present value is presented in the table below.

	March 31, 2018	December 31, 2017
Less than a year	**$ 7,366**	$ 5,879
2 years	**2,892**	1,845
3 years	**—**	—
4 years	**—**	—
5 years	**—**	—
	10,258	7,724
Less future finance charges	**(241)**	(165)
Present value of minimum lease payments	**$ 10,017**	$ 7,559

13. OTHER LONG TERM LIABILITIES

Other long term liabilities consist of:

	March 31, 2018	December 31, 2017
Deferred credit[1]	**$ 20,788**	$ 20,788
Other income tax payable	**2,162**	2,082
Severance accruals	**4,346**	4,084
	$ 27,296	$ 26,954

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

14. SHARE CAPITAL AND EMPLOYEE COMPENSATION PLANS

Transactions concerning stock options are summarized as follows in CAD:

	Stock Options		
	Shares		Weighted Average Exercise Price CAD$
As at December 31, 2016	**1,310,864**	**$**	**16.81**
Granted	91,945	$	18.64
Exercised	(307,266)	$	11.24
Expired	(61,891)	$	40.22
Forfeited	(97,529)	$	23.60
As at December 31, 2017	**936,123**	**$**	**16.56**
Granted	—		—
Exercised	(14,374)	$	11.10
Expired	—		—
Forfeited	—	$	—
As at March 31, 2018	**921,749**	**$**	**16.64**

Long Term Incentive Plan

During the three months ended March 31, 2018, 14,374 common shares were issued in connection with the exercise of options (2017 – 246,358 common shares), nil options expired (2017 - nil) and nil options were forfeited (2017 – 21,212).

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at March 31, 2018. The underlying option agreements are specified in Canadian dollar amounts.

	Options Outstanding				Options Exercisable		
Range of Exercise Prices CAD$	**Number Outstanding as at March 31, 2018**	Weighted Average Remaining Contractual Life (months)		Weighted Average Exercise Price CAD$	**Number Exercisable as at March 31, 2018**		Weighted Average Exercise Price CAD$
\$9.76 - \$11.57	**325,931**	53.33	$	9.98	**325,931**	$	9.98
\$11.58 - \$17.01	**99,742**	48.03	$	11.81	**99,742**	$	11.81
\$17.02 - \$18.53	**124,188**	23.46	$	18.38	**124,188**	$	18.38
\$18.54 - \$24.90	**371,888**	33.48	$	23.19	**257,093**	$	24.79
	921,749	40.72	$	16.64	**806,954**	$	16.22

For the three months ended March 31, 2018 the total employee share-based compensation expense recognized in the income statement was \$1.0 million (2017 - \$0.7 million).

Performance Share Units

Compensation expense for PSUs was \$0.3 million for the three months ended March 31, 2018 (2017 - \$0.3 million) and is presented as a component of general and administrative expense.

At March 31, 2018, the following PSU's were outstanding:

PSU	Number Outstanding		Fair Value
As at December 31, 2016	**141,790**	**$**	**2,152**
Granted	54,962		823
Paid out	(30,408)		(875)
Forfeited	—		—
Change in value	—		511
As at December 31, 2017	**166,344**	**$**	**2,611**
Granted	—		—
Paid out	—		—
Forfeited	—		—
Change in value	—		89
As at March 31, 2018	**166,344**	**$**	**2,700**

Restricted Share Units

Compensation expense for RSU's was $0.6 million for the three months ended March 31, 2018 (2017 – $1.0 million) and is presented as a component of general and administrative expense.

At March 31, 2018, the following RSU's were outstanding:

RSU	Number Outstanding		Fair Value
As at December 31, 2016	**315,423**	**$**	**4,764**
Granted	184,187		2,698
Paid out	(222,006)		(3,257)
Forfeited	(15,591)		(243)
Change in value	—		136
As at December 31, 2017	**262,013**	**$**	**4,098**
Granted	—		—
Paid out	—		—
Forfeited	—		—
Change in value	—		140
As at March 31, 2018	**262,013**	**$**	**4,238**

Issued share capital

The Company is authorized to issue 200,000,000 common shares of no par value.

Dividends

The Company declared the following dividends for the three months ended March 31, 2018 and 2017:

Declaration Date	Ex-dividend date		Dividend per common share
May 9, 2018 (1)	May 22, 2018	$	0.0350
February 20, 2018	March 5, 2018	$	0.0350
February 17, 2016	February 29, 2016	$	0.0125

(1) These dividends were declared subsequent to the quarter ended March 31, 2018 and have not been recognized as distributions to owners during the period presented.

15. PRODUCTION COSTS

Production costs are comprised of the following:

	Three months ended March 31,	
	2018	2017
Consumption of raw materials and consumables	**$ 44,520**	$ 42,205
Employee compensation and benefits expense	**42,705**	39,375
Contractors and outside services	**22,670**	20,964
Utilities	**5,228**	6,241
Other expenses	**9,040**	9,799
Changes in inventories [(1)]	**(11,714)**	10,639
	$ 112,449	$ 129,223

(1) Includes NRV adjustments to inventory to reduce production costs by $5.3 million for the three months ended March 31, 2018 (2017 - increase by $11.2 million).

16. INTEREST AND FINANCE EXPENSE

	Three months ended March 31,	
	2018	2017
Interest expense	**$ 135**	$ 118
Finance fees	**584**	779
Accretion expense (Note 11)	**1,639**	1,493
	$ 2,358	$ 2,390

17. EARNINGS PER SHARE (BASIC AND DILUTED)

For the three months ended March 31,	2018			2017		
	Earnings (Numerator)	**Shares (000's) (Denominator)**	**Per-Share Amount**	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net earnings [(1)]	**$ 47,376**			$ 19,371		
Basic EPS	**$ 47,376**	**153,311**	**$ 0.31**	$ 19,371	152,757	$ 0.13
Effect of Dilutive Securities:						
Stock Options	**—**	**226**		—	370	
Diluted EPS	**$ 47,376**	**153,537**	**$ 0.31**	$ 19,371	153,127	$ 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, 2018 were 279,943 out-of-the-money options (2017 – 372,446).

18. SUPPLEMENTAL CASH FLOW INFORMATION

The following tables summarize other adjustments for non-cash income statement items, changes in operating working capital items and significant non-cash items:

	Three months ended March 31,	
Other operating activities	**2018**	2017
Adjustments for non-cash income statement items:		
Share-based compensation expense	**$ 962**	$ 701
Gain on securities held	**(1,038)**	—
Loss on derivatives (Note 4)	**43**	—
Share of income from associate and dilution gain (Note 9)	**(159)**	(771)
Net realizable value adjustment for inventories	**(5,331)**	11,215
	$ (5,523)	$ 11,145

	Three months ended March 31,	
Changes in non-cash operating working capital items:	**2018**	2017
Trade and other receivables	**$ 4,373**	$ 385
Inventories	**(6,740)**	288
Prepaid expenses	**464**	451
Accounts payable and accrued liabilities	**(6,068)**	(1,505)
Provisions	**(3,349)**	(1,815)
	$ (11,320)	$ (2,196)

	Three months ended March 31,	
Significant non-cash items:	**2018**	2017
Assets acquired by finance lease	**$ 3,998**	$ 1,400
Shares issued as consideration for Joaquin	**$ —**	$ 8,650

Cash and Cash Equivalents	**March 31, 2018**	December 31, 2017
Cash in banks	**$ 106,525**	$ 160,001
Short-term money markets investments	**60,757**	15,952
Cash and cash equivalents	**$ 167,282**	$ 175,953

19. SEGMENTED INFORMATION

All of the Company's operations are within the mining sector, conducted through operations in four countries. Due to geographic and political diversity, the Company's mining operations are decentralized in nature whereby Mine General Managers are responsible for achieving specified business results within a framework of global policies and standards. We have determined that each producing mine and significant development property represents an operating segment. 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. Operating results of operating segments are reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance. The Corporate office provides support to the mining and exploration activities with respect to financial, human resources and technical support. Major products are silver, gold, zinc, lead and copper produced from mines located in Mexico, Peru, Argentina and Bolivia.

Significant information relating to the Company's reportable operating segments is summarized in the table below:

	Three months ended, March 31, 2018										
	Peru		Mexico			Argentina		Bolivia	Canada		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	Total
Revenue	$ 32,650	$ 33,647	$ 62,894	$ —	$ 40,482	$ 21,868	$ —	$ 15,420	$ —	$ —	$ 206,961
Depreciation and amortization	$ (3,183)	$ (3,708)	$ (19,433)	$ —	$ (5,298)	$ (1,364)	$ (21)	$ (1,444)	$ (31)	$ (56)	$ (34,538)
Exploration and project development	$ (357)	$ (122)	$ (646)	$ —	$ (49)	$ 58	$ (724)	$ —	$ (579)	$ (325)	$ (2,744)
Interest income	$ 9	$ 14	$ —	$ 2	$ —	$ 152	$ 41	$ —	$ 469	$ 77	$ 764
Interest and financing expenses	$ (209)	$ (142)	$ (350)	$ (127)	$ (118)	$ (775)	$ (16)	$ (64)	$ (540)	$ (17)	$ (2,358)
Gain (loss) on disposition of assets	$ —	$ —	$ 1	$ 177	$ 34	$ —	$ —	$ (138)	$ 195	$ 7,717	$ 7,986
Share of loss from associate and dilution gain	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 159	$ 159
Loss on derivatives	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (43)	$ —	$ (43)
Foreign exchange (losses) gains	$ (48)	$ (39)	$ (641)	$ 56	$ (344)	$ 180	$ (582)	$ 170	$ (700)	$ 273	$ (1,675)
Gain on commodity, fuel swaps and foreign currency contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,733	$ —	$ 1,733
Earnings (loss) before income taxes	$ 10,061	$ 13,261	$ 2,810	$ (33)	$ 18,462	$ 2,956	$ (1,552)	$ 3,620	$ (3,987)	$ 9,068	$ 54,666
Income tax (expense) recovery	$ (3,587)	$ (4,336)	$ 9,342	$ 26	$ (2,943)	$ (88)	$ (41)	$ (1,419)	$ (1,073)	$ (2,391)	$ (6,510)
Net earnings (loss) for the period	$ 6,474	$ 8,925	$ 12,152	$ (7)	$ 15,519	$ 2,868	$ (1,593)	$ 2,201	$ (5,060)	$ 6,677	$ 48,156
Capital expenditures	$ 1,927	$ 1,187	$ 18,822	$ —	$ 4,496	$ 4,551	$ 11	$ 1,458	$ 68	$ 45	$ 32,565

	As at March 31, 2018										
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	Total
Total assets	$ 122,756	$ 136,908	$ 827,554	$ 16,336	$ 230,653	$ 131,621	$ 193,827	$ 85,975	$ 218,581	$ 31,490	$ 1,995,701
Total liabilities	$ 41,593	$ 38,108	$ 158,834	$ 5,670	$ 49,746	$ 39,095	$ 1,396	$ 34,652	$ 28,893	$ 34,014	$ 432,001

	Three months ended, March 31, 2017									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	Total
Revenue	$ 31,673	$ 25,390	$ 46,237	$ 6,646	$ 43,152	$ 28,638	$ —	$ 16,951	$ —	$ 198,687
Depreciation and amortization	$ (3,219)	$ (2,385)	$ (15,829)	$ —	$ (4,791)	$ (1,287)	$ (21)	$ (1,735)	$ (86)	$ (29,353)
Exploration and project development	$ (628)	$ (274)	$ (414)	$ —	$ (38)	$ —	$ (1,276)	$ —	$ (894)	$ (3,524)
Interest income	$ 13	$ 3	$ (533)	$ 1	$ —	$ 106	$ —	$ —	$ 522	$ 112
Interest and financing expenses	$ (217)	$ (145)	$ (294)	$ (90)	$ (116)	$ (678)	$ (25)	$ (56)	$ (769)	$ (2,390)
Gain (loss) on disposition of assets	$ —	$ —	$ 1	$ —	$ (360)	$ —	$ —	$ 12	$ 389	$ 42
Share of loss from associate and dilution gain	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 771	$ 771
Foreign exchange (loss) gain	$ (102)	$ (47)	$ 573	$ 129	$ 334	$ (225)	$ 162	$ 213	$ 1,472	$ 2,509
Loss on commodity, fuel swaps and foreign currency contracts	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,794	$ 1,794
Earnings (loss) before income taxes	$ 10,616	$ 8,164	$ (8,328)	$ (18)	$ 15,157	$ (9,907)	$ (1,647)	$ 4,904	$ 8,850	$ 27,791
Income tax (expense) recovery	$ (3,392)	$ (1,854)	$ 6,174	$ 396	$ (2,013)	$ (14)	$ (11)	$ (1,684)	$ (5,443)	$ (7,841)
Net earnings (loss) for the period	$ 7,224	$ 6,310	$ (2,154)	$ 378	$ 13,144	$ (9,921)	$ (1,658)	$ 3,220	$ 3,407	$ 19,950
Capital expenditures	$ 2,165	$ 1,811	$ 19,628	$ —	$ 5,649	$ 1,098	$ —	$ 1,566	$ 21	$ 31,938

	As at December 31, 2017										
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	Total
Total assets	$ 116,138	$ 131,180	$ 833,397	$ 17,125	$ 231,205	$ 125,088	$ 194,225	$ 85,869	$ 210,286	$ 48,819	$ 1,993,332
Total liabilities	$ 46,184	$ 36,058	$ 176,464	$ 8,163	$ 65,145	$ 43,408	$ 1,296	$ 30,819	$ 28,939	$ 35,805	$ 472,281

	Three months ended March 31,	
Product Revenue	**2018**	2017
Refined silver and gold	**89,894**	86,233
Zinc concentrate	**42,516**	29,262
Lead concentrate	**36,490**	44,225
Copper concentrate	**26,134**	24,775
Silver concentrate	**11,927**	14,192
Total	**206,961**	198,687

20. INCOME TAXES

Components of Income Tax Expense

	Three months ended March 31,	
	2018	2017
Current income tax expense	**$ 18,135**	$ 11,958
Deferred income tax recovery	**(11,625)**	(4,117)
Income taxes expense	**$ 6,510**	$ 7,841

Income tax expense differs from the amount 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 results in an effective tax rate that varies considerably from the comparable period. The main factors that affected the effective tax rate for the three months ended March 31, 2018 and the comparable period of 2017 were foreign exchange fluctuations, changes in the 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.

Reconciliation of Effective Income Tax Rate

	Three months ended March 31,	
	2018	2017
Earnings before taxes and non-controlling interest	**$ 54,666**	$ 27,791
Statutory Canadian income tax rate	**27.00%**	26.00%
Income tax expense based on above rates	**$ 14,760**	$ 7,226
Increase (decrease) due to:		
Non-deductible expenditures	**930**	1,176
Foreign tax rate differences	**(1,070)**	(1,764)
Change in net deferred tax assets not recognized:		
- Argentina exploration expenditures	**744**	577
- Other deferred tax assets	**(8,347)**	446
Non-taxable portion of net earnings of affiliates	**(844)**	(1,188)
Tax on sale of royalty	**—**	1,400
Effect of other taxes paid (mining and withholding)	**5,295**	4,691
Effect of foreign exchange on tax expense	**(12,046)**	(8,376)
Non-taxable impact of foreign exchange	**8,151**	2,945
Other	**(1,063)**	708
Income tax expense	**$ 6,510**	$ 7,841
Effective income tax rate	**11.91%**	28.21%

21. CONTINGENCIES

The Company is subject to various legal, tax, environmental and regulatory 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. In the opinion of management none of these matters are expected to have a material adverse effect on the results of operations or financial conditions of the Company. There have been no significant changes to contingencies from those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017.

22. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. All related party transactions for the three months ended March 31, 2018 and 2017 have been disclosed in these condensed interim consolidated financial statements. Transactions with Maverix, an associate of the Company, have been disclosed in Note 9 of these condensed interim consolidated financial statements.

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.

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