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PAN AMERICAN SILVER

FOURTH QUARTER REPORT TO SHAREHOLDERS

For the year ending December 31, 2021

All amounts expressed in U.S. dollars unless otherwise indicated. Tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted.

Pan American Silver reports audited financial results for 2021 and provides 2022 guidance

Announces 20% increase to the declared dividend and a new dividend policy

Vancouver, B.C. - February 23, 2022 - Pan American Silver Corp. (NASDAQ: PAAS) (TSX: PAAS) ("Pan American" or the "Company") today reported fourth quarter ("Q4 2021") financial results and audited financial results for the year ended December 31, 2021 ("FY 2021"). The Company also provided its outlook for 2022 production, costs and capital expenditures, and announced a new dividend policy with a 20% increase to the dividend declared today.

“Q4 2021 marked a clear improvement in production and Silver Segment costs over the first three quarters of the year, contributing to cash flow from operations in the quarter of $118.1 million," said Michael Steinmann, President and Chief Executive Officer. "Our guidance for 2022 assumes the COVID-19 impact will diminish over the course of the year, while incorporating the effect of lower workforce deployment levels in January and February due to the Omicron variant. We are evaluating strategic alternatives for Morococha and have excluded the mine from our 2022 guidance while placing the operation on care and maintenance."

Added Mr. Steinmann: "Strong operational cash flows resulted in a $116.4 million increase to our cash balances in 2021. Pan American exited the year with cash and cash equivalents of $283.6 million and short-term investments of $51.7 million, enabling us to increase the return to our shareholders through a new dividend policy announced today. At the same time, our strong financial position allows us to invest in growth by advancing our large La Colorada Skarn project. In 2022, we plan to complete 55,000 metres of infill and exploration drilling and commence development of the access ramp and ventilation shaft for the Skarn."

Q4 2021 and FY 2021 Highlights:

- Preliminary production results were previously reported on January 19, 2022. Consistent with that disclosure, consolidated **silver production** was 5.3 million ounces in Q4 2021 and 19.2 million ounces in FY 2021. Consolidated **gold production** was 156.7 thousand ounces in Q4 2021 and 579.3 thousand ounces in FY 2021. Silver and gold production in 2021 were both within the revised guidance ranges provided on November 9, 2021.
- **Revenue** was $422.2 million in Q4 2021 and $1.6 billion for FY 2021. Revenue in Q4 2021 was impacted by timing of sales, with a 13.3 thousand ounce build in gold finished goods inventory.
- **Net earnings** were $14.7 million ($0.07 basic earnings per share) and $98.6 million ($0.46 basic earnings per share) in Q4 2021 and FY 2021, respectively. FY 2021 net earnings included mark-to-market losses on short-term investments of $59.7 million, primarily for our interest in New Pacific Metals Corp. and an income tax expense of $146.4 million. The high effective tax rate primarily reflects a significant number of expenses in the year with no corresponding tax benefit, largely the Escobal care and maintenance expenditures and the non-cash investment losses related to New Pacific.
- **Adjusted earnings** were $39.9 million ($0.19 basic adjusted earnings per share) and $161.8 million ($0.77 basic adjusted earnings per share) in Q4 2021 and FY 2021, respectively.
- **Net cash generated from operating activities** was $118.1 million and $392.1 million in Q4 2021 and FY 2021, respectively.
- FY 2021 **Silver Segment Cash Costs and All-in Sustaining Costs ("AISC")** of $11.51 and $15.62 per silver ounce sold, respectively, were slightly lower than the revised guidance provided on November 9, 2021.
- FY 2021 **Gold Segment Cash Costs and AISC** of $899 and $1,214 per gold ounce sold, respectively, were within the guidance ranges provided throughout 2021.
- **Capital expenditures** totaled $254.1 million in 2021, comprised of $207.6 million of sustaining capital and $46.5 million of project capital. The project capital was largely invested in the La Colorada Skarn project for exploration drilling, development studies, and the start of construction of the concrete-lined ventilation shaft and refrigeration plant. Project capital was also invested at Timmins for the Wetmore

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exploration project. Sustaining capital was below and project capital was above the revised guidance provided on November 9, 2021.

- At December 31, 2021, the Company had **cash and short-term investment balances** of $335.3 million, working capital of $613.5 million, and the full $500.0 million available under its sustainability-linked credit facility. Total debt of $45.9 million was related to lease liabilities and construction loans.

Pan American introduces a new dividend policy

The Board of Directors has approved a new dividend policy, which adds a variable amount to a base dividend of $0.10 per common share paid on a quarterly basis. The variable quarterly dividend will be linked to the net cash on the balance sheet for the previous quarter, as illustrated in the following table:

Net Cash[(1)]	Base Dividend per Quarter	Variable Dividend per Quarter	Total Dividend per Quarter
Less than $100 million	$0.10 per share	$0.00 per share	$0.10 per share
$100 million to less than $200	$0.10 per share	$0.01 per share	$0.11 per share
$200 million to less than $300	$0.10 per share	$0.02 per share	$0.12 per share
$300 million to less than $400	$0.10 per share	$0.06 per share	$0.16 per share
$400 million or greater	$0.10 per share	$0.08 per share	$0.18 per share

(1) Net cash and total debt are non-GAAP measures; please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information.

Based on the new dividend policy, the Board of Directors has approved a 20% increase in the **cash dividend to $0.12 per common share**, or approximately $25.3 million in aggregate cash dividends, payable on or about March 21, 2022, to holders of record of Pan American's common shares as of the close on March 7, 2022. As at December 31, 2021, the Net Cash Position of $237.7 million is calculated in the following table:

Cash and cash equivalents	283,550
Short-term investments, other than equity securities [(1)]	—
Total debt	(45,861)
Net cash	237,689

(1) As at December 31, 2021, the Company's short-term investments are comprised entirely of equity investments and largely in exploration and development companies.

ILO 169 Consultation for Escobal underway

The Company is pleased to report that the pre-consultation meetings for the court-mandated ILO 169 consultation process for the Escobal mine in Guatemala have resumed following delays due to COVID-19. Three pre-consultation meetings were held in 2021, and additional meetings were held in January and February of 2022. The Guatemalan Ministry of Energy and Mines is leading the consultation process with the Xinka People, and Pan American is a participant. Pan American looks forward to continuing its participation in a transparent, respectful and inclusive process during 2022.

Morococha operation transitions into care and maintenance

As previously disclosed, in June 2010, we completed a framework agreement with Aluminum Corporation of China ("Chinalco"), which required the relocation of core Morococha facilities, including the Amistad processing plant, in stages to enable the gradual expansion of Chinalco's Toromocho open pit copper mine. In early 2022, we agreed with Chinalco to complete the closure of the Amistad plant and we will be placing the Morococha operation on care and maintenance as we evaluate alternative opportunities, including monetization, joint venture operation of the asset, or accelerating exploration of prospective areas that could enhance the attractiveness of allocating capital to build a new processing facility.

Mr. Ignacio Couturier appointed Chief Financial Officer of Pan American

Pan American is pleased to announce the appointment of Ignacio Couturier to succeed Rob Doyle, who is retiring as Chief Financial Officer (CFO) of Pan American. Ignacio has been with Pan American for 20 years in progressively more senior roles, most recently as VP Finance. He will assume the position of CFO effective March 1, 2022, and will be based in our Head Office in Vancouver. Over the past six months, the Company has conducted a rigorous global selection process in which both external and internal candidates were assessed for the role. We are pleased that this process has resulted in the selection of an internal candidate with a detailed understanding of Pan American's business.

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CONSOLIDATED RESULTS

	December 31, 2021	December 31, 2020
Weighted average shares during period (millions)	210.3	210.1
Shares outstanding end of period (millions)	210.5	210.3

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
FINANCIAL				
Revenue	$ 422,170	$ 430,461	$ 1,632,750	$ 1,338,812
Mine operating earnings	$ 76,039	$ 137,172	$ 367,938	$ 360,177
Net earnings	$ 14,664	$ 169,018	$ 98,562	$ 176,455
Basic earnings per share(1)	$ 0.07	$ 0.80	$ 0.46	$ 0.85
Adjusted earnings(2)	$ 39,943	$ 89,885	$ 161,782	$ 181,243
Basic adjusted earnings per share(1)	$ 0.19	$ 0.43	$ 0.77	$ 0.86
Net cash generated from operating activities	$ 118,098	$ 170,571	$ 392,108	$ 462,315
Net cash generated from operating activities before changes in working capital(2)	$ 127,761	$ 151,995	$ 463,177	$ 365,333
Sustaining capital expenditures(2)	$ 56,280	$ 52,007	$ 207,623	$ 162,047
Project capital expenditures(2)	$ 16,899	$ 3,753	$ 46,476	$ 21,545
Cash dividend per share	$ 0.10	$ 0.07	$ 0.34	$ 0.22
PRODUCTION				
Silver (thousand ounces)	5,276	4,872	19,174	17,312
Gold (thousand ounces)	156.7	152.9	579.3	522.4
Zinc (thousand tonnes)	11.2	14.2	49.4	40.2
Lead (thousand tonnes)	4.1	5.4	18.1	15.7
Copper (thousand tonnes)	2.4	2.3	8.7	5.2
CASH COSTS(2) ($/ounce)				
Silver Segment(3)	9.74	6.15	11.51	7.05
Gold Segment(4)	963	763	899	797
AISC(2) ($/ounce)				
Silver Segment(3)	13.57	10.37	15.62	11.38
Gold Segment(4)	1,461	1,023	1,214	1,011
AVERAGE REALIZED PRICES(6)				
Silver ($/ounce)	23.33	24.72	25.00	20.60
Gold ($/ounce)	1,792	1,874	1,792	1,758
Zinc ($/tonne)	3,352	2,566	2,997	2,288
Lead ($/tonne)	2,333	1,922	2,206	1,851
Copper ($/tonne)	9,545	7,234	9,297	6,412

(1) Per share amounts are based on basic weighted average common shares.
(2) Non- GAAP measure; please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.
(3) As of Q1 2021, Dolores was moved from the Silver Segment to the Gold Segment due to the expected mine sequencing into a higher gold zone of the mine. 2021 Silver Segment is comprised of the following operations: La Colorada, Huaron, Morococha, San Vicente and Manantial Espejo. The 2020 Silver Segment metrics include Dolores.
(4) 2021 Gold Segment is comprised of the following operations: Dolores, Shahuindo, La Arena and Timmins. The 2020 Gold Segment metrics exclude Dolores.
(5) Consolidated per silver ounce sold is based on total silver ounces sold and are net of by-product credits, including gold revenues. Corporate general and administrative expense and exploration and project development expense are included in Consolidated AISC, but not allocated amongst the operations and thus are not included in either the silver or gold segment totals.
(6) Metal prices stated are inclusive of final settlement adjustments on concentrate sales.

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2022 GUIDANCE

The following tables provide management's guidance for 2022, as at February 23, 2022. The estimates below are forward-looking statements and information that are subject to the cautionary note associated with forward-looking statements and information at the end of this news release.

Annual Production Guidance, as at February 23, 2022

Silver – Moz	19.0 - 20.5
Gold – koz	550.0 - 605.0
Zinc – kt	35.0 - 40.0
Lead – kt	15.0 - 17.0
Copper – kt	5.5 - 6.5

The 2022 silver production forecast assumes production at La Colorada increases to a range of 6.85 to 7.10 million ounces, and excludes Morococha because of the decision to place that operation on care and maintenance in early 2022. Relative to 2021, silver production at Dolores is expected to increase from an improvement in silver grades. The forecast also assumes lower than normal capacity throughput rates across the operations due to COVID-19 related impacts on workforce levels for the early part of the year, with the impact expected to diminish over the course of the year. Accordingly, production in 2022 is expected to be back loaded to the second half of the year.

The forecast for 2022 gold production incorporates increases at Dolores and Shahuindo, relative to 2021, from improvements in irrigation efficiencies, which allow for a higher ratio of ounces produced to stacked. Production is expected to be lower at La Arena and Manantial Espejo relative to 2021, largely from lower grades due to mine sequencing.

Base metal production is expected to decrease for zinc, lead and copper in 2022 compared to 2021. The expected decreases are largely driven by Morococha being placed on care and maintenance, which more than offsets the increased throughput and grades at La Colorada and Huaron.

Cash Costs and AISC Guidance, as at February 23, 2022

	Cash Costs(1)(2) ($ per ounce)	AISC(1)(2) ($ per ounce)
Silver Segment Total	10.70 - 12.20	14.50 - 16.00
Gold Segment Total	970 - 1,070	1,240 - 1,365

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

(2) The cash costs and AISC forecasts assume average metal prices of $22.50/oz for silver, $1,750/oz for gold, $3,000/tonne ($1.36/lb) for zinc, $2,200/tonne ($1.00/lb) for lead, and $9,200/tonne ($4.17/lb) for copper; and average annual exchange rates relative to 1 USD of 20.00 for the Mexican peso ("MXN"), 4.10 for the Peruvian sol ("PEN"), 122.17 for the Argentine peso ("ARS"), 7.00 for the Bolivian boliviano ("BOB"), and $1.25 for the Canadian dollar ("CAD").

Silver Segment cash costs and AISC are expected to benefit from improved throughput and production rates at La Colorada and the anticipated easing of COVID-19 related restrictions during the year. These improvements are expected to be largely offset by: inflationary pressures across the portfolio; the completion of mining activities at the high-grade COSE deposit at Manantial Espejo, resulting in lower gold by-product credits in 2022; and higher development rates at San Vicente.

Gold Segment cash costs in 2022 include inflationary pressures across the portfolio, higher community and environmental spending, higher waste mining rates at Shahuindo, increased depth and greater requirements for ground support and backfill at Timmins.

Capital Expenditures Guidance, as at February 23, 2022

	(in millions of USD)
Sustaining Capital[(1)]	200.0 - 210.0
Project Capital	80.0 - 95.0
Total Capital	**280.0 - 305.0**

(1) Sustaining Capital includes $24.0 million for forecast lease and other payments, which include debt repayments on construction loan facilities classified as "Debt" as per Note 17 of the Company's 2021 Financial Statements. These facilities are for constructions of pads and other infrastructure in which the Company only makes cash payments upon completion of construction activities and on a scheduled basis.

Sustaining capital expenditures in 2022 are consistent with 2021. Sustaining capital in 2022 includes increased spending at La Colorada to advance development of the mine at depth using more mechanized long-hole stoping methods, aimed at increasing throughput and reducing unit costs over the next few years. Sustaining capital at La Colorada also includes further investment in underground ventilation infrastructure.

Project capital in 2022 is directed towards the La Colorada Skarn project for further exploration and infill drilling, and engineering studies to determine the optimal project design. On November 9, 2021, Pan American released further drill results for the Skarn, which indicated the potential for Mineral Resource expansion. At La Colorada, the Company is also investing in site infrastructure upgrades, notably the commencement of ramp development in mid-2022 to eventually access the Skarn deposit, the advancement of the concrete-lined ventilation shaft, and completion and commissioning of a refrigeration plant. These infrastructure upgrades are expected to benefit both the long-term development of the Skarn and the current vein system operation.

In addition, 2022 project capital is directed at the Timmins operation for the construction of a paste fill plant at Bell Creek to improve backfill quality and availability for more effective ground support systems, and to increase mineral resource recovery. Timmins' project capital also includes exploration expenditures related to the Wetmore and Whitney projects.

2022 Exploration Expenditures Forecast

Exploration expenditures in 2022, including amounts that will be expensed and capitalized, are expected to total between $42.0 million and $46.0 million, comprised of: (1) $12.0 million to $13.0 million for 95,000 metres of near-mine brownfield exploration drilling targeting reserve replacement, which is included in the forecast for 2022 sustaining capital expenditures for each mine; (2) $8.0 million to $9.0 million in regional, greenfield exploration in Peru, Mexico and Canada and corporate overhead; and (3) $22.0 million to $24.0 million for drilling the La Colorada Skarn and adjacent vein systems, as well as exploring the Wetmore and Whitney projects adjacent to the Bell Creek mine in Timmins, which is included in the forecast for 2022 project capital expenditures.

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Fourth Quarter Consolidated Income Statements
(unaudited)

	Three months ended December 31, 2021	Three months ended December 31, 2020
Revenue	**$ 422,170**	$ 430,461
Cost of sales		
Production costs	**(263,442)**	(206,702)
Depreciation and amortization	**(76,141)**	(77,464)
Royalties	**(6,548)**	(9,123)
	(346,131)	(293,289)
Mine operating earnings	**76,039**	137,172
General and administrative	**(8,255)**	(10,681)
Exploration and project development	**(4,076)**	(1,091)
Mine care and maintenance	**(9,266)**	(6,755)
Foreign exchange losses	**(5,646)**	(1,206)
Gains on derivatives	**1,638**	7,289
(Losses) gains on sale of mineral properties, plant and equipment	**(551)**	9,832
Income from equity investees	**289**	12,340
Other income (expense)	**2,530**	(13,517)
Earnings from operations	**52,702**	133,383
Investment (loss) income	**(6,083)**	30,603
Interest and finance expense	**(3,484)**	(4,483)
Earnings before income taxes	**43,135**	159,503
Income tax (expense) recovery	**(28,471)**	9,515
Net earnings and comprehensive earnings	**$ 14,664**	$ 169,018
Net earnings and comprehensive earnings attributable to:		
Equity holders of the Company	**14,036**	168,885
Non-controlling interests	**628**	133
	$ 14,664	$ 169,018
Earnings per share attributable to common shareholders		
Basic earnings per share	**$ 0.07**	$ 0.80
Diluted earnings per share	**$ 0.07**	$ 0.80
Weighted average shares outstanding (in 000's) Basic	**210,348**	210,193
Weighted average shares outstanding (in 000's) Diluted	**210,450**	210,370

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Fourth Quarter Consolidated Statements of Cash Flows
(unaudited)

	Three months ended December 31,	
	2021	2020
Operating activities		
Net earnings for the period	**$ 14,664**	$ 169,018
Income tax expense (recovery)	**28,471**	(9,515)
Depreciation and amortization	**76,141**	78,665
Unrealized investment loss (income)	**6,083**	(30,596)
Accretion on closure and decommissioning provision	**1,864**	2,061
Unrealized foreign exchange losses	**1,643**	1,002
Interest expense	**822**	1,696
Interest paid	**(1,523)**	(1,503)
Interest received	**27**	19
Income taxes paid	**(22,810)**	(22,513)
Other operating activities	**22,379**	(36,339)
Net change in non-cash working capital items	**(9,663)**	18,576
	$ 118,098	$ 170,571
Investing activities		
Payments for mineral properties, plant and equipment	**$ (70,147)**	$ (53,636)
Proceeds from sale of mineral properties, plant and equipment	**1,067**	12,028
Proceeds from short-term investments and other securities	**455**	973
Net proceeds from derivatives	**2,300**	502
	$ (66,325)	$ (40,133)
Financing activities		
Proceeds from common shares issued	**$ 284**	$ 9
Distributions to non-controlling interests	**(43)**	—
Dividends paid	**(21,032)**	(14,712)
Repayment of credit facility	**—**	(90,000)
Repayment of Loans	**(850)**	(5,616)
Payment of equipment leases	**(3,416)**	(3,180)
	$ (25,057)	$ (113,499)
Effects of exchange rate changes on cash and cash equivalents	**(675)**	(155)
Net increase in cash and cash equivalents	**26,041**	16,784
Cash and cash equivalents at the beginning of the period	**257,509**	150,329
Cash and cash equivalents at the end of the period	**$ 283,550**	$ 167,113

Conference Call and Webcast

Pan American plans to release its audited results for Q4 and FY 2021 on February 23, 2022, after market close. Details for the related conference call and webcast are as follows:

Date: February 24, 2022

Time: 11:00 am ET (8:00 am PT)

Dial-in numbers: 1-800-319-4610 (toll-free in Canada and the U.S.)
+1-604-638-5340 (international participants)

Webcast: panamericansilver.com

The live webcast, presentation slides and the Q4 and FY 2021 report will be available at panamericansilver.com. An archive of the webcast will also be available for three months.

About Pan American Silver

Pan American Silver owns and operates silver and gold mines located in Mexico, Peru, Canada, Argentina and Bolivia. We also own the Escobal mine in Guatemala that is currently not operating. Pan American Silver provides enhanced exposure to silver through a large base of silver reserves and resources, as well as major catalysts to grow silver production. We have a 28-year history of operating in Latin America, earning an industry-leading reputation for sustainability performance, operational excellence and prudent financial management. We are headquartered in Vancouver, B.C. and our shares trade on NASDAQ and the Toronto Stock Exchange under the symbol "PAAS".

Learn more at panamericansilver.com.

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Technical Information

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

For additional information about Pan American Silver's material mineral properties, please refer to Pan American Silver's Annual Information Form dated February 23, 2022, filed at www.sedar.com, or Pan American Silver'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. Pan American's method of calculating cash costs may differ from the methods used by other entities and, accordingly, Pan American'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 basic adjusted earnings per share. Pan American 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 or gold ounce sold, net of by-product credits ("AISC"). Pan American has adopted AISC as a measure of its consolidated operating performance and its ability to generate cash from all operations collectively, and Pan American 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 Pan American'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. Pan American and certain investors use this information to evaluate the financial debt leverage of Pan American.

- Net cash is calculated as cash and cash equivalents plus short-term investments, other than equity securities less total debt.

- Working capital is 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. Pan American and certain investors use this information to evaluate whether Pan American is able to meet its current obligations using its current assets.

- Total available liquidity is calculated as the sum of Cash and cash equivalents, Short-term Investments, and the amount available on the Credit Facility. Total available liquidity does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. Pan American and certain investors use this information to evaluate the liquid assets available to Pan American.

Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of Pan American's Management's Discussion and Analysis for the period ended December 31, 2021, for a more detailed discussion of these and other non-GAAP measures and their calculation.

This news release references cash costs, AISC, adjusted earnings, basic adjusted earnings per share, sustaining capital, project capital, working capital, total debt, and net cash, which 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.

This news release should be read in conjunction with Pan American's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2021, and the Company's Annual Information Form for the year ended December 31, 2021. This material is available on Pan American's website at panamericansilver.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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 forecasted for 2022 and our estimated Cash Costs, AISC, and sustaining and project capital expenditures in 2022; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; expectations with respect to the future anticipated impact of COVID-19 on our operations and the assumptions that the impact of COVID-19 on our operations would be gradually diminishing in 2022; the anticipated placement of the Morococha operation on care and maintenance, what impact this will have on Pan American and its financial and operating performance, and whether any alternative opportunities for the Morococha operation will be viable or realized; whether Pan American is able to maintain a strong financial condition and have sufficient capital, or have access to capital through our corporate credit facility or otherwise, to sustain our business and operations; and the ability of Pan American to successfully complete any capital projects, including, but not limited to, the La Colorada Skarn project, the expected economic or operational results derived from those projects, and the impacts of any such projects on Pan American and Pan American's plans and expectations for its properties and operations.

These forward-looking statements and information reflect Pan American's current views with respect to future events and are necessarily based upon a number of assumptions that, while considered reasonable by Pan American, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. These assumptions include: the world-wide economic and social impact of COVID-19 and the duration and extent of the COVID-19 pandemic and related restrictions, and the presence and impact of COVID-19 and COVID-19 related restrictions on our workforce, suppliers and other essential resources and what effect those impacts, if they change, would have on our business; the effect that the COVID-19 pandemic may have on our financial and operational results; the ability of Pan American to continue with its operations, or to successfully maintain our operations on care and maintenance, should the situation related to COVID-19 not be as anticipated; continuation of operations following shutdowns or reductions in production, our ability to manage reduced operations efficiently and economically, including to maintain necessary staffing; tonnage of ore to be mined and processed; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; the timing and impact of planned capital expenditure projects at La Colorada and our other operations, including anticipated sustaining, project, and exploration expenditures; the ongoing impact and timing of the court-mandated ILO 169 consultation process in Guatemala; 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; our ability to secure and maintain title and ownership to properties and the surface rights necessary for our operations; and our ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive.

These forward-looking statements and information reflect Pan American's current views with respect to future events and are necessarily based upon a number of assumptions that, while considered reasonable by Pan American, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. These assumptions include: the world-wide economic and social impact of COVID-19 and the duration and extent of the COVID-19 pandemic and related restrictions, and the presence and impact of COVID-19 and COVID-19 related restrictions on our workforce, suppliers and other essential resources and what effect those impacts, if they change, would have on our business; the effect that the COVID-19 pandemic may have on our financial and operational results; the ability of Pan American to continue with its operations, or to successfully maintain our operations on care and maintenance, should the situation related to COVID-19 not be as anticipated; continuation of operations following shutdowns or reductions in production, our ability to manage reduced operations efficiently and economically, including to maintain necessary staffing; tonnage of ore to be mined and processed; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; the timing and impact of planned capital expenditure projects at La Colorada and our other operations, including anticipated sustaining, project, and exploration expenditures; the ongoing impact and timing of the court-mandated ILO 169 consultation process in Guatemala; 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; our ability to secure and maintain title and ownership to properties and the surface rights necessary for our operations; and our ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive.

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2021

February 23, 2022

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

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, 2021 (the "2021 Financial Statements") and the related notes contained therein. All amounts in this MD&A and the 2021 Financial Statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Pan American's significant accounting policies are set out in Note 3 of the 2021 Financial Statements.

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining costs per ounce sold", "cash costs per ounce sold", "adjusted earnings" and "basic adjusted earnings per share", "cash mine operating earnings", "total debt", "capital", and "working capital", 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, do not have standardized meanings under IFRS, and the methodology by which these measures are calculated may differ from similar measures reported by other companies. 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 ounce sold", "cash costs per ounce sold", "adjusted earnings" and "basic adjusted earnings per share", "cash mine operating earnings", "total debt", "capital", and "working capital" as well as details of the Company's by-product credits and a reconciliation, where appropriate, of these measures to the 2021 Financial Statements.

Any reference to "cash costs" in this MD&A should be understood to mean cash costs per ounce of silver or gold sold, net of by-product credits. Any reference to "AISC" in this MD&A should be understood to mean all-in sustaining costs per silver or gold 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 and gold mining and related activities, including exploration, mine development, extraction, processing, refining and reclamation. The Company owns and operates silver and gold mines located in Peru, Mexico, Argentina, Bolivia, and Canada. We also own the Escobal mine in Guatemala that is currently not operating. In addition, the Company is exploring for new silver deposits and opportunities throughout the Americas. The Company is listed on the Toronto Stock Exchange (Symbol: PAAS) and on the Nasdaq Global Select Market in New York (Symbol: PAAS).

Pan American's vision is to be the world's premier silver mining company, 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 our assets.
- Constantly replace and grow our mineral reserves and mineral resources through targeted near-mine exploration and global business development.
- Foster positive long-term relationships with our employees, shareholders, communities and 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 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.

2021 HIGHLIGHTS

Operations

Silver production of 19.2 million ounces

Consolidated 2021 silver production of 19.2 million ounces was 1.9 million ounces more than we produced in 2020, due to the impact of the coronavirus disease ("COVID-19") related mine suspensions in 2020. 2021 silver production was within the revised 2021 forecast provided in the Q3 2021 MD&A dated November 9, 2021 (the "Revised 2021 Forecast") range of 19.0 to 20.0 million ounces.

Gold production of 579.3 thousand ounces

Consolidated 2021 gold production of 579.3 thousand ounces was 56.8 thousand ounces more than we produced in 2020. This is largely the result of higher gold production at Dolores from mine sequencing in 2021, and the impact in 2020 of the COVID-19 related mine suspensions. The increase at Dolores was partially offset by lower production at Shahuindo and Timmins, as further described in the "Individual Mine Performance" section of this MD&A. 2021 gold production was within the Revised 2021 Forecast range of 560.0 to 588.0 thousand ounces.

Base metal production

Base metal production in 2021 was higher than in 2020, largely due to the impact of the COVID-19 related mine suspensions in 2020.

Zinc production in 2021 of 49.4 thousand tonnes was slightly below management's Revised 2021 Forecast production range of 49.8 to 53.6 thousand tonnes.

Lead production in 2021 of 18.1 thousand tonnes was slightly below management's Revised 2021 Forecast production range of 18.5 to 20.3 thousand tonnes.

Copper production in 2021 of 8.7 thousand tonnes was slightly below management's Revised 2021 Forecast production range of 8.9 to 9.2 thousand tonnes.

See the "Individual Mine Performance" section of this MD&A for further detail on operating performance.

Financial

Cash Flow

Cash flow from operations: totaled $392.1 million in 2021. This was $70.2 million less than the $462.3 million generated in 2020, as increased income taxes and changes in non-cash working capital changes more than offset the $81.1 million increase in cash mine operating earnings.

Non-cash working capital changes in 2021 resulted in a $71.1 million use of cash, primarily driven by an $82.9 million build-up in inventories. These working capital movements were in contrast to the $97.0 million source of cash in 2020, which was driven primarily by a $56.8 million build-up of accounts payables and accrued liabilities and a $54.8 million decrease in trade and other receivable balances.

Liquidity and working capital position

As at December 31, 2021, the Company had cash and short-term investment balances of $335.3 million, working capital of $613.5 million, and the full $500.0 million available under its sustainability-linked revolving credit facility (the "Sustainability-Linked Credit Facility"). Total debt of $45.9 million was related to lease liabilities and construction loans.

The Company's cash and short-term investment balances increased by $56.2 million in 2021, driven by a $116.4 million increase in cash and cash equivalents from accumulated operating cash flow, offset by a $60.2 million decrease in short-term investments from non-cash mark-to-market investment losses from our equity position in New Pacific Metals Corp. ("New Pacific"). Working capital increased by $118.3 million from December 31, 2020 as a result of the increased cash and cash equivalents.

Revenue, net earnings, and adjusted earnings

Revenue in 2021 of $1.63 billion was 22% higher than in 2020, reflecting higher metal prices and increased quantities produced and sold.

Net earnings of $98.6 million ($0.46 basic income per share) for 2021 compared to $176.5 million ($0.85 basic income per share) in 2020. The $77.9 million year-over-year decrease mainly reflects: (i) a $70.9 million increase in income tax expense; (ii) a $121.9 million decrease in investment income, largely from non-cash mark-to-market of the Company's equity investment in New Pacific; partially offset by (i) a $70.3 million decrease in care and maintenance costs, with no COVID-19 related mine suspensions in 2021, (ii) a $24.2 million increase in gains on sale of mineral properties, and (iii) a $21.2 million decrease in other expenses.

Adjusted earnings: in 2021 were $161.8 million, representing basic adjusted earnings per share of $0.77, which was $19.5 million, or $0.09 per share, lower than 2020 adjusted earnings of $181.2 million, and basic adjusted earnings per share of $0.86, respectively.

Adjusted earnings 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 the 2021 Financial Statements.

Cash costs per ounce sold

Silver Segment 2021 cash costs were $11.51 per silver ounce sold, slightly lower than the Revised 2021 Forecast range of $11.60 to $12.50 per silver ounce sold.

Gold Segment 2021 cash costs were $899 per gold ounce sold, which was within the range of $825 to $925 as provided in the original forecast in our Annual 2020 MD&A dated February 17, 2021 (the "2021 Original Forecast").

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 the 2021 Financial Statements.

All-in Sustaining Costs per ounce sold (“AISC”)

Silver Segment 2021 AISC were $15.62 per silver ounce sold, slightly lower than the Revised 2021 Forecast range of $15.75 to $16.75 per silver ounce sold.

Gold Segment 2021 AISC were $1,214 per gold ounce sold, which was within the Original 2021 Forecast range of $1,135 to $1,250 per gold ounce sold.

Consolidated 2021 AISC per silver ounce sold, including corporate administration, exploration, accretion, and by-product credits from the Gold Segment mines, were $1.44 per silver ounce sold, which was above the Revised 2021 Forecast range of $(4.50) to $0.00 per silver ounce sold.

AISC 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 the 2021 Financial Statements.

COVID-19 Impact

Pan American had anticipated that the impact of the COVID-19 pandemic on operations would diminish over the course of 2021, as vaccination rates increased across our operating jurisdictions; however, this expectation did not fully materialize, and the pandemic continued to be a significant factor throughout Latin America during 2021. Pan American maintained and enhanced the comprehensive protocols that we had implemented to protect health and safety at the onset of the pandemic. These protocols resulted in reduced workforce deployment levels, which affected production rates and progress on capital projects in 2021 compared to those originally assumed in the Company's guidance.

In 2020, Pan American's normal operations in Mexico, Peru, Argentina and Bolivia were suspended for an average duration of approximately two months during the first half of the year in order to comply with mandatory national quarantines imposed in response to the COVID-19 pandemic. The Huaron and Morococha operations in Peru were suspended for an additional approximately three months in the third quarter of 2020 (collectively “COVID-19 related mine suspension”). The Timmins operation in Canada was not suspended in 2020, however the operating capacities were reduced due to COVID-19 protocols.

Pan American has been supporting our local communities in many ways during the pandemic, including the donation of food and hygiene supplies, contributing to a new vaccination clinic in Peru, facilitating access to health care and education, and supporting employee mental health. We believe vaccination is critical to reducing the spread of the COVID-19 virus. Accordingly, we committed our support to UNICEF Canada's GiveAVax campaign, aimed at distributing two billion doses of COVID-19 vaccines to low and middle income countries by the end of 2021, as announced in our Q2 2021 MD&A.

Further disclosure on the impact from the COVID-19 pandemic can be found in the “Risks and Uncertainties” section of this MD&A.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Safe production, the environmentally sound development and operation of assets, and fostering positive long-term relationships with employees, shareholders, communities, and local governments are fundamental to our strategy.

Our corporate environmental, social and governance (“ESG”) performance goals are set in collaboration with our operations teams. On an annual basis, these teams conduct an extensive process of setting ESG performance goals for their operation. We have also developed a set of Sustainability Performance Indicators (SPIs), to measure and monitor performance on key social and environmental activities at our operations. Health and safety indicators are also monitored. Our 2021 goals are described in the “Goals and Performance” section of the Company's 2020 Sustainability Report (the “2021 ESG Goals”), which is available on the Company's website at www.panamericansilver.com.

Through our membership in the Mining Association of Canada, we continue to implement the Towards Sustainable Mining (“TSM”) performance system, a world class management standard designed to help mining companies responsibly drive sustainability performance and manage risk. In 2021, we achieved Level A for all TSM protocols at all operations, except for the Safety protocol at Huaron, San Vicente, La Colorada and Morococha where each operation had a fatal accident, and the Tailings Management protocol at Morococha, Huaron and Timmins due to management system improvements that are in progress to achieve Level A during 2022.

We will provide complete details of our performance against our 2021 ESG Goals in the Company's 2021 Sustainability Report, which will be available early in the second quarter of 2022.

Environment

In 2021, we had no significant environmental incidents at our operations. We’re currently quantifying and assessing our 2021 annual ESG results versus our ESG 2021 goals, the results of which will be reported in the 2021 Sustainability Report. We currently expect to meet the majority of our annual environmental goals. The 2021 base case is our projected 2021 water use, energy use, GHG emissions, and waste generation, as calculated using our life of mine plans adjusted for annual production guidance. With regards to non-rock related waste compared to the 2021 base case, we do not expect to meet our target due to unforeseen waste generated from projects and pandemic-related activities.

Social

We did not meet our most important goal of zero fatalities, as Huaron, San Vicente, La Colorada and Morococha mines each experienced one fatality in 2021. We also fell short on our lost time injury frequency (LTIF) and lost time injury severity (LTIS) targets. The Company is committed to overcoming these safety performance shortfalls and attaining its vision of ensuring the health and safety of all Pan American employees and contractors. The Company will be advancing several additional safety initiatives to achieve this vision, which include: improving and developing our leadership skills; expanding the knowledge and technical abilities of our workforce; and reviewing the way that we identify, evaluate and manage risks in the workplace.

In 2021, we had no new social disputes at our operations, and we expect to meet the majority of our annual social goals. Despite resolving all high-risk grievances by the end of 2021, one medium-risk grievance remained open in Peru as of December 31, 2021. We continue to invest in social initiatives – education, health and economic development projects – with the intention to provide lasting benefits to host communities. In 2021, we also completed the first module of our "Building Respect Together" program, covering 100% of our workforce. This program is aimed at fostering a more respectful, safe and inclusive work environment at Pan American.

Governance

In 2021, we increased the representation of women on our Board of Directors to 38%, which constitutes three directors, one of whom is the Chair of the Board. Also, seven of our eight directors (88%), including the Chair of the Board, are independent.

In 2021, 100% of our directors, officers, executives, and senior management were re-certified in accordance to Pan American's Anti-Corruption Policy and the Code of Ethical Conduct, confirming they are familiar with our policies, acknowledging its contents, committing to fulfill them and to report any violation.

We also trained 480 critical employees from all jurisdictions in anti-corruption practices. The training course was launched in late 2021 and the employees completed it during December 2021 and January 2022.

Our annual incentive plan provides incentive compensation directly related to achieving short-term objectives, both corporate and operations specific, which are approved by the Board with 35% of the goals tied to ESG metrics.

For more information on our Corporate Governance practices and performance, please review our Annual Information Form and Management Information Circular available on the Company's website at www.panamericansilver.com.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

2022 OPERATING OUTLOOK

These estimates form part of our "forward-looking statements and information" and are subject to the cautionary note associated with forward-looking statements and information at the end of this MD&A. We may revise forecasts during the year to reflect actual results to date and those anticipated for the remainder of the year. The 2022 production, cash costs and AISC outlooks for each mine are further discussed in the "2022 Mine Operation Forecasts" section of this MD&A.

The Company has initiated a strategic review of alternatives for the Morococha operation and, as such, has excluded it from the 2022 operating outlook.

2022 Silver and Gold Production, Cash Costs and AISC Forecasts:

	Silver Production (million ounces)	Gold Production (thousand ounces)	Cash Costs ($ per ounce)(1)	AISC ($ per ounce)(1)
Silver Segment:				
La Colorada	6.85 - 7.10	2.8 - 3.0	8.00 - 9.00	12.40 - 13.40
Huaron	3.70 - 3.95	0.5	1.80 - 4.50	7.80 - 9.90
San Vicente(2)	2.35 - 2.50	0.2	15.30 - 16.55	18.70 - 19.70
Manantial Espejo/COSE/Joaquin	3.00 - 3.50	20.0 - 25.0	21.00 - 24.00	22.00 - 24.80
Total	**15.90 - 17.05**	**23.5 - 28.7**	**10.70 - 12.20**	**14.50 - 16.00**
Gold Segment:				
Dolores	2.85 - 3.15	157.5 - 179.0	715 - 840	925 - 1,070
Shahuindo	0.21 - 0.26	136.0 - 150.8	910 - 995	1,170 - 1,275
La Arena	0.03	98.0 - 103.5	990 - 1,070	1,380 - 1,475
Timmins	0.01	135.0 - 143.0	1,340 - 1,415	1,615 - 1,695
Total	**3.10 - 3.45**	**526.5 - 576.3**	**970 - 1,070**	**1,240 - 1,365**
Total Production	**19.00 - 20.50**	**550.0 - 605.0**	n/a	n/a

(1) Cash costs and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for further information on these measures. The cash costs and AISC forecasts assume average metal prices of $22.50/oz for silver, $1,750/oz for gold, $3,000/tonne ($1.36/lb) for zinc, $2,200/tonne ($1.00/lb) for lead, and $9,200/tonne ($4.17/lb) for copper; and average annual exchange rates relative to 1 USD of 20.00 for the Mexican peso ("MXN"), 4.10 for the Peruvian sol ("PEN"), 122.17 for the Argentine peso ("ARS"), 7.00 for the Bolivian boliviano ("BOB"), and $1.25 for the Canadian dollar ("CAD").

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

The Company continues to face challenges and uncertainties related to the COVID-19 pandemic that have negatively impacted production and costs since the onset in early 2020. Pan American continues to monitor for the prevalence of COVID-19 in and around our operations, assist in vaccination distributions and deploy comprehensive protocols to protect the health and safety of our workforce and communities. Occasional outbreaks of COVID-19 have been observed at all our operations and the protocols we have implemented increase our operating costs, impact supply chain logistics and reduce workforce deployment, thereby decreasing production rates to varying degrees. The Company's overall workforce vaccination rate was determined to be more than 90% in early 2022, and we are expecting the impact of COVID-19 to gradually diminish in all operating jurisdictions over the course of the year. However, as experienced in 2020 and 2021, there is a high degree of uncertainty as to how the COVID-19 pandemic may impact operations. The impact of any restrictions could improve or worsen relative to our assumptions, depending on how each jurisdiction manages potential outbreaks of COVID-19, the supply and effectiveness of vaccines, and the impact from further mutations of the virus.

Silver production in 2022 is expected to be between 19.0 and 20.5 million ounces, which is between 1% lower and 7% higher than the 2021 consolidated production of 19.2 million ounces. Our 2022 Operating Outlook excludes production from Morococha, and assumes a gradual easing of operating restrictions and absenteeism related to

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

COVID-19, the continued ramp-up in mining rates at La Colorada following the improvements to mine ventilation, and higher expected silver grades from mine sequencing at Dolores.

Gold production in 2022 is expected to be between 550.0 thousand and 605.0 thousand ounces, which is consistent with 2021 production levels. Production is anticipated to increase at Dolores and Shahuindo as a result of improvements in irrigation efficiencies in the leach pads allowing for a higher ratio of ounces produced to stacked. These improvements will be offset by lower production at La Arena and Manantial Espejo, largely from lower grades due to mine sequencing.

Silver Segment cash costs for 2022 are forecast to be between $10.70 and $12.20 per ounce of silver sold, while Silver Segment AISC are forecast to be between $14.50 and $16.00 per ounce of silver sold, which are consistent with 2021 Silver Segment cash costs and AISC of $11.51 and $15.62, respectively. Cash costs and AISC are expected to benefit from improved throughput and production rates at La Colorada and the anticipated easing of COVID-19 related restrictions during the year. However, these improvements are expected to be largely offset by: inflationary pressures across the portfolio; the completion of mining activities at the high-grade COSE satellite deposit at Manantial Espejo, resulting in lower gold by-product credits in 2022; higher development rates at San Vicente; and the assumed placement of the Morococha operation into care and maintenance while strategic alternatives are evaluated, recognizing that Morococha had positively impacted 2021 Silver Segment cash costs and AISC by $0.30 and $0.34 per ounce, respectively.

Gold Segment cash costs for 2022 are forecast to be between $970 and $1,070 per payable ounce of gold, while Gold Segment AISC are forecast to be between $1,240 and $1,365 per ounce, which is an increase compared to 2021 Gold Segment cash costs and AISC of $899 and $1,214, respectively. This anticipated increase in the Gold Segment cash cost and AISC is primarily due to: (i) inflationary pressures across the portfolio; (ii) higher community and environmental spending; (iii) higher waste mining rates at Shahuindo; and, (iv) increased depth and greater requirements for ground support and backfill at Timmins.

2022 Consolidated Base Metal Production Forecasts:

	Zinc (kt)	Lead (kt)	Copper (kt)
Consolidated Production	**35.0 - 40.0**	**15.0 - 17.0**	**5.5 - 6.5**

Base metal production is expected to decrease for zinc, lead and copper in 2022 compared to 2021. The expected decreases are largely driven by the assumed period of care and maintenance at Morococha, which more than offsets the increased throughput and grades at La Colorada and Huaron.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

2022 Capital Expenditure Forecasts

Pan American expects sustaining capital expenditure of between $200.0 million and $210.0 million in 2022, which is consistent with 2021 expenditures of $207.6 million. In addition, Pan American expects to invest between $80.0 million and $95.0 million in project capital primarily to advance the Skarn project at La Colorada and for the construction of a paste fill plant at the Bell Creek mine.

The following table details the forecast capital expenditures at the Company's operations and projects in 2022:

	2022 Forecast Total Capital Investment ($ millions)	2022 Forecast Sustaining Capital Expenditures ($ millions)	2022 Forecast Lease & Other Payments(1) ($ millions)
La Colorada	28.0 - 29.0	28.0 - 29.0	0.0
Huaron	16.0 - 19.0	14.0 - 17.0	2.0
San Vicente	7.0 - 8.0	7.0 - 8.0	0.0
Manantial Espejo	2.0 - 3.0	0.0 - 1.0	2.0
Dolores	33.0 - 34.0	30.5 - 31.5	2.5
Shahuindo	37.0 - 38.0	23.5 - 24.5	13.5
La Arena	39.0 - 40.0	35.5 - 36.5	3.5
Timmins	38.0 - 39.0	37.5 - 38.5	0.5
Sustaining Capital Total	**200.0 - 210.0**	**176.0 - 186.0**	**24.0**
La Colorada Projects	68.0 - 81.0		
Timmins Projects	12.0 - 14.0		
Project Capital Total	**80.0 - 95.0**		
Total Capital	**280.0 - 305.0**		

(1) Lease and other payments include debt repayments on construction loan facilities classified as "Debt" as per Note 17 of the Company's 2021 Financial Statements. These facilities are for constructions of pads and other infrastructure in which the Company only makes cash payments upon completion of construction activities and on a scheduled basis.

The forecast 2022 sustaining capital is primarily related to the following activities:

- La Colorada - an accelerated mine deepening project to advance development, supporting the transition to more mechanized mining using long-hole stoping with greater primary level development spacings, underground ventilation infrastructure improvements, mine equipment replacement and refurbishments, tailing storage facility expansions and near-mine exploration.
- Huaron - the completion of a tailings storage facility expansion, mine deepening and infrastructure investments, mine equipment replacements and lease payments, and near-mine exploration.
- San Vicente - the completion of a tailings storage facility expansion, a mine deepening project, equipment replacements, and near-mine exploration.
- Manantial Espejo - lease payments related to on-site electricity generation.
- Dolores - heap leach pad expansions, open pit mine waste pre-stripping, near mine exploration, and mine infrastructure and plant upgrades.
- Shahuindo - heap leach pad and waste rock storage facility expansions, including payments on construction loans used to finance these investments, other lease payments, land purchases, and near-mine exploration.
- La Arena - open pit mine waste pre-stripping, waste rock storage facility preparation and leach pad expansions, including payments on construction loans used to finance these investments, other lease payments, and near-mine exploration.
- Timmins - tailings storage facility expansions, mine equipment replacements and refurbishments, mill upgrades, and near-mine exploration.

Forecast 2022 project capital consists of:

- La Colorada - continued exploration and in-fill drilling on the Skarn project; advancing engineering work to determine optimal project design given the growing size of the Skarn deposit; and site infrastructure upgrades. The site infrastructure upgrades include commencing the development of a ramp in mid-2022 to eventually access the Skarn deposit, advancing construction of the concrete lined ventilation shaft, and completing and commissioning the refrigeration plant. This infrastructure is expected to benefit both the long-term development of the Skarn as well as the current vein-system operation.
- Timmins - construction of a paste fill plant for Bell Creek to improve backfill quality and availability for more effective ground support systems and to increase resource recovery, in addition to exploration expenditures related to the Wetmore and Whitney projects.

2022 General and Administrative Expense Forecast

Annual corporate general and administrative expense is forecast to be between $42.0 million and $46.0 million in 2022, which includes share-based compensation but excludes greenfield exploration and associated corporate overhead. The increase over the 2021 general and administrative expense of $34.9 million is related to increased travel, higher ESG related spending, inflation, and headcount. Further, 2021 general and administrative expenses were affected by reduced equity-based compensation due to 2021 share price performance which is not factored into the 2022 guidance.

2022 Care and Maintenance Forecast

Forecast care and maintenance expense for 2022 is comprised of $21.0 million to $22.0 million for the Escobal mine, $12.0 to $13.0 million for the Morococha mine (on an annual basis), and $3.0 million to $3.5 million for the Navidad project.

2022 Exploration Expenditures Forecast

Exploration expenditures in 2022, including amounts that will be expensed and capitalized, are expected to total between $42.0 million and $46.0 million, comprised of: (i) $12.0 million to $13.0 million for 95,000 metres of near-mine brownfield exploration drilling targeting reserve replacement, which is included in the forecast for 2022 sustaining capital expenditures for each mine; (ii) $8.0 million to $9.0 million in regional, greenfield exploration in Peru, Mexico and Canada and corporate overhead; and (iii) $22.0 million to $24.0 million for drilling the La Colorada Skarn and adjacent vein systems, as well as exploring the Wetmore and Whitney projects adjacent to the Bell Creek mine at Timmins, which is included in the forecast for 2022 project capital expenditures.

2022 Mine Operation Forecasts

Management's expectations for each mine’s 2022 operating performance, including production, cash costs, and AISC, are provided below:

La Colorada operation

Silver production is forecast to be between 6.85 and 7.10 million ounces in 2022, which is 32% to 37% more than the 5.17 million ounces produced in 2021. The expected increase is primarily the result of higher throughput rates and silver grades. The increase in throughput rates is driven by: (i) continued ramp-up in mining rates following improvements from the ventilation-driven disruptions in 2020 and much of 2021; (ii) continued progress on ventilation enhancements during 2022; and, (iii) the expectation of diminishing COVID-19 related operating restrictions throughout the year. As the mine deepens and advances east, we have encountered increased heat and humidity loadings that affect the rock mass and ground support systems, impacting mine ventilation. Further work to improve ventilation and underground conditions continues, including the commissioning of the refrigeration plant expected in mid-2022 and the concrete-lined ventilation shaft project, which is anticipated to be completed in mid-2023. Higher grades are expected to result from improved access to sulphide mineralization in the better ventilated Candelaria East section of the mine. This will allow for mine sequencing into higher grade areas. Zinc and lead production are also expected to benefit from access to Candelaria East, allowing increased throughput and grades in the sulphide plant.

Cash costs per silver ounce in 2022 are forecast to be between $8.00 and $9.00. This is between $1.76 and $2.76 lower than the $10.76 recorded in 2021, and is the result of higher silver and base metal production from higher throughput and grades. Increased production rates are expected to be partially offset by higher operating costs from: (i) inflationary pressures; (ii) increased energy consumption from new ventilation and cooling infrastructure in the mine, including increased booster fan capacity and the refrigeration plant that is expected to be periodically operated as needed beginning in early 2022; and (iii) the continued conversion to long-hole stoping, which requires accelerated development and ground support over the next two years but will result in improved efficiencies, throughput rates, and costs in the medium to long term.

AISC in 2022 is forecast to be between $12.40 and $13.40 per silver ounce, which is between $4.11 and $5.11 lower than the $17.51 recorded in 2021. This is driven by the same factors affecting cash costs in addition to lower sustaining capital per ounce in 2022, as higher sustaining capital is offset by higher forecasted silver production.

Huaron operation

Silver production is forecast to be between 3.70 and 3.95 million ounces in 2022, which is 5% to 12% higher than the 3.51 million ounces produced in 2021. The forecast reflects higher anticipated throughput, as the operating restrictions related to COVID-19 are expected to diminish during the year, as well as increased silver grades from mine sequencing. The higher throughput is similarly expected to result in an increase in base metal production, with increasing zinc and lead grades and decreasing copper grades expected due to mine sequencing.

Cash costs per silver ounce in 2022 are forecast to be between $1.80 and $4.50, which is consistent with 2021 cash costs of $3.95 per ounce. This reflects higher throughput and grade driven production increases across all metals, except copper, offset by higher operating costs and increased treatment and refining charges.

AISC for 2022 is forecast to be between $7.80 and $9.90 per silver ounce, which is $0.01 to $2.11 higher than the $7.79 per ounce recorded in 2021. The anticipated increase in AISC largely reflects higher sustaining capital per ounce, in part due to the deferral of approximately $3.0 million in sustaining capital from 2021 to 2022.

San Vicente operation

Silver production is forecast to be between 2.35 and 2.50 million ounces in 2022, which is 2% to 8% lower than 2021 production of 2.55 million ounces. The expected decrease reflects lower anticipated throughput due to increased mine development rates, partially offset by a modest increase in mined grades from improved dilution controls by deploying additional narrow vein mining techniques to the narrowing reserve base. Base metal production is expected to be lower for zinc and copper and higher for lead. The lower copper and higher lead production is driven by optimizing the current commercial contract conditions for the bulk concentrate, whereas zinc is expected to be lower due to lower throughput rates.

Cash costs per silver ounce in 2022 are forecast to be between $15.30 and $16.55, which is between $0.32 and $1.57 higher than the 2021 cash costs of $14.98 per ounce. The expected increase in 2022 costs largely reflects higher mine development rates to address the narrowing reserve vein widths, and lower silver production levels; which are only partially offset by improved concentrate treatment terms and lower royalty expense, largely from lower metal price assumptions.

AISC for 2022 is forecast to be between $18.70 and $19.70 per silver ounce; a $1.45 to $2.45 increase from the $17.25 per ounce recorded in 2021. The expected increase is due to the same factors affecting year-over-year cash costs as well as higher sustaining capital, which is partly due to the deferral of certain projects from 2021 into 2022.

Manantial Espejo operation

Silver production is forecast to be between 3.00 and 3.50 million ounces in 2022, which is consistent with the 3.24 million ounces produced in 2021. Gold production in 2022 is forecast to be between 20.0 and 25.0 thousand ounces, which is between 26% and 41% lower than the 33.8 thousand ounces produced in 2021. The expected decrease in gold production reflects a lower contribution from COSE, as the remaining reserves are expected to be lower grade and largely depleted by mid-2022. Further, the Company's low-grade stockpiles used to complement the underground ores mined is expected to be depleted by the end of 2022.

Cash costs per silver ounce in 2022 are forecast to be between $21.00 and $24.00; a $2.63 to $5.63 increase from the 2021 cash costs of $18.37. The expected increase is primarily the result of lower gold grades processed due to the completion of mining activities in the high-grade COSE deposit by mid-year, and a particularly challenging local inflationary environment.

AISC for 2022 is forecast to be between $22.00 and $24.80 per silver ounce; a $1.33 to $4.13 increase from the $20.67 per ounce reported in 2021. This is the result of the same factors affecting cash costs, partially offset by lower sustaining capital per ounce.

Dolores operation

Gold production in 2022 is forecast to be between 157.5 and 179.0 thousand ounces, which is between 2% lower and 12% higher than the 160.1 thousand ounces produced in 2021. Despite an expected 7% reduction in gold grades as a result of open pit mine sequencing, mid-point gold production guidance is expected to be above 2021 levels. This is because of a higher ratio of recovered ounces to stacked ounces from adjustments in leach sequencing to compensate for the delay in the construction of the Phase 1 south leach pad, which was completed in late 2021.

Silver production is forecast to be between 2.85 and 3.15 million ounces in 2022. This is 27% to 41% higher than the 2.24 million ounces produced in 2021, which is the result of open pit mine sequencing into higher silver grades.

Cash costs per gold ounce in 2022 are forecast to be between $715 and $840 per ounce, which is between $34 lower and $91 higher than the $749 per gold ounce reported in 2021. Cash costs per ounce are generally expected to increase from inflationary pressures on direct operating costs and lower expected gold grades stacked, which are expected to be partially offset by higher silver by-product credits.

AISC in 2022 is forecast to be between $925 and $1,070 per gold ounce, which is between $17 and $162 lower than the $1,087 per gold ounce recorded in 2021. The expected decrease is due to 2021 AISC being impacted by: a non-recurring inventory net realizable value ("NRV") write-down of $9.7 million; and lower sustaining capital per ounce, largely from reduced leach pad investments needed in 2022.

Shahuindo operation

Gold production is forecast to be between 136.0 and 150.8 thousand ounces in 2022, which amounts to an increase of between 1% and 13% from the 134.0 thousand ounces produced in 2021. The expected increase reflects a higher ratio of recovered ounces to stacked ounces due to the expectation of obtaining adequate coarse ore for blending in 2022, which will allow for normalized irrigation rates.

Cash costs per gold ounce in 2022 are forecast to be between $910 and $995, which is $130 to $215 higher than the $780 per ounce recorded in 2021. The expected increase is due to: (i) a 23% increase in the open pit waste stripping ratio; (ii) inflationary pressures; (iii) higher community and environmental expenditures; and, (iv) an increase in leach reagents needed to bring extraction rates more in line with results demonstrated in laboratory column leach tests.

AISC in 2022 is forecast to be between $1,170 and $1,275 per gold ounce, which is $170 to $275 higher than the 2021 AISC of $1,000 per ounce. The increased amount reflects the increase in cash costs, as well as higher sustaining capital from increased loan re-payments relating to infrastructure investments. In 2021, the Company began using construction loan facilities to finance long-term investments in leach pad and waste storage facilities, recognizing the spending in these investments in the calculation of AISC as the payments on these loans are made.

La Arena operation

Gold production is forecast to be between 98.0 and 103.5 thousand ounces in 2022; a reduction of 8% to 13% from the 112.4 thousand ounces produced in 2021. This is primarily driven by mine sequencing and longer mine haul distances resulting in an expected reduction in mined ore tonnes and grades.

Cash costs per gold ounce in 2022 are forecast to be between $990 and $1,070, which is $229 to $309 higher than 2021 cash costs of $761 per ounce. The increase is a result of: (i) lower gold production; (ii) longer mine haul distances; (iii) inflationary pressures; (iv) increased environmental and community spending; and, (v) a normalization in expensed costs, as 2021 cash costs benefited from costs inventoried at a historically lower strip ratio. The higher strip ratio in 2021 and 2022 is due to the increase in mine life from exploration success, albeit at a higher strip ratio and lower grades than were experienced during 2019 and 2020.

AISC for 2022 is forecast to be between $1,380 and $1,475 per gold ounce, which is between $198 and $293 higher than the $1,182 per ounce reported in 2021. This is largely due to the increase in cash costs previously mentioned.

Timmins operation

Gold production is forecast to be between 135.0 and 143.0 thousand ounces in 2022; a 1% to 7% increase from the 133.8 thousand ounces produced in 2021. This primarily reflects an increase in anticipated throughput from higher mining rates in Bell Creek due to an expected reduction in COVID-19 related absenteeism, combined with improved stope cycles through accelerated and optimized cemented rock fill ("CRF") placement. The Company is evaluating the construction of a paste fill plant at the Bell Creek mine in 2022 to increase future resource recovery and eliminate the production rate bottleneck.

Cash costs per gold ounce in 2022 are forecast to be between $1,340 and $1,415, which is $21 to $96 higher than the 2021 cash costs of $1,319. The expected increase reflects inflationary pressures, increased ground support and CRF backfill, mine deepening, and the expectation of a stronger Canadian dollar currency exchange rate, partially offset by higher gold production.

AISC for 2022 is forecast to be between $1,615 and $1,695 per gold ounce, which is $4 lower to $76 higher than the 2021 AISC of $1,619 per ounce. This is the result of an expected increase in cash costs, offset by the higher gold production driving lower sustaining capital on a per ounce basis.

2021 OPERATING PERFORMANCE

Consolidated 2021 Operating Results

Silver and Gold Production

The following table provides silver and gold production at each of Pan American's operations for the three and twelve month periods ended December 31, 2021 and 2020. Each operation's production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

	Silver Production (ounces '000s)				Gold Production (ounces '000s)			
	Three months ended December 31,		Year ended December 31,		Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
La Colorada	**1,584**	1,186	**5,171**	5,025	**0.8**	0.8	**2.7**	3.5
Huaron	**838**	892	**3,513**	2,148	**0.3**	0.3	**1.1**	0.5
Morococha[(1)]	**540**	527	**2,175**	1,173	**0.4**	0.2	**1.1**	0.6
San Vicente[(2)]	**641**	663	**2,548**	2,320	**0.1**	0.1	**0.3**	0.3
Manantial Espejo	**1,090**	742	**3,236**	2,547	**11.3**	8.0	**33.8**	23.4
Dolores	**507**	764	**2,240**	3,779	**40.1**	30.5	**160.1**	98.0
Shahuindo	**61**	83	**235**	268	**37.0**	33.6	**134.0**	142.4
La Arena	**11**	11	**40**	33	**32.6**	41.4	**112.4**	105.4
Timmins	**4**	4	**16**	18	**34.2**	38.1	**133.8**	148.4
Total [(3)]	**5,276**	4,872	**19,174**	**17,312**	**156.7**	**152.9**	**579.3**	**522.4**
Total Payable Production[(4)]	**4,937**	4,588	**17,858**	**16,392**	**155.9**	**152.2**	**576.4**	**520.5**

(1) Morococha data represents Pan American's 92.3% interest in the mine's production.
(2) San Vicente data represents Pan American's 95.0% interest in the mine's production.
(3) Totals may not add due to rounding.
(4) Payable production reflects sellable metal after deducting commercial contract metal payabilities.

Silver Production

Consolidated silver production in 2021 of 19.17 million ounces was 11% higher than the 17.31 million ounces produced in 2020. Production at all Silver Segment operations increased year-over-year, as 2021 did not experience the COVID-19 related mine suspensions that occurred in 2020, and production increased at La Colorada from improved ventilation conditions in the second half of 2021. These increases were partially offset by decreased silver production at Dolores in 2021 due to expected mine sequencing and delayed leach pad construction.

Consolidated silver production in Q4 2021 of 5.28 million ounces was 8% higher than the 4.87 million ounces produced in Q4 2020. This was primarily due to increased production at La Colorada and Manantial Espejo, partially offset by decreased silver production at Dolores from mine sequencing and delayed leach pad construction. The increase at La Colorada was both throughput and grade driven, with a ramp-up in production following ventilation improvements. At Manantial Espejo, production increased relative to Q4 2020, when operations were impacted by a temporary COVID-19 related mine suspension.

Gold Production

Consolidated gold production in 2021 of 579.3 thousand ounces was 11% above the 522.4 thousand ounces produced in 2020. The increase was driven by higher throughput at all mines, except Timmins, and especially at Dolores from higher gold grades due to mine sequencing, as expected. See the "2021 Highlights" and "Individual Mine Performance" sections of this MD&A for further detail.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Consolidated gold production in Q4 2021 of 156.7 thousand ounces was 3% higher than the 152.9 thousand ounces produced in Q4 2020. This was largely due to completing a delayed leach pad expansion at Dolores, higher stacking rates at Shahuindo, and higher production at Manantial Espejo. These increases offset lower production at La Arena due to mine sequencing, and at Timmins from lower throughput.

Each operation's production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Base Metal Production

The following table provides the Company's base metal production for the three-month and twelve-month periods ended December 31, 2021 and 2020:

	Base Metal Production			
	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Zinc - kt	**11.2**	14.2	**49.4**	40.2
Lead - kt	**4.1**	5.4	**18.1**	15.7
Copper - kt	**2.4**	2.3	**8.7**	5.2

	Base Metal Payable Production			
	Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020
Zinc - kt	**9.4**	11.9	**41.3**	33.7
Lead - kt	**3.9**	5.0	**17.0**	14.8
Copper - kt	**2.1**	1.9	**7.4**	4.4

Zinc, lead and copper production were 23%, 15% and 68% higher in 2021 relative to 2020, respectively. The increases were largely due to increased throughput, as 2021 did not experience the COVID-19 related mine suspensions that occurred in 2020, which more than offset mine sequencing into lower zinc and lead grades at La Colorada, Huaron, and Morococha.

Each operation's by-product production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Per Ounce Measures

The Company's operations have been divided into Silver and Gold Segments for the purposes of reporting cash costs and AISC, as set out in the table below. The quantification of both the current cash costs and AISC measures is described in detail, and where appropriate reconciled to the 2021 Financial Statements, in the "Alternative Performance (Non-GAAP) Measures" section of this MD&A.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

The following table reflects the cash costs and AISC net of by-product credits at each of Pan American's operations for the three and twelve months ended December 31, 2021, as compared to the same periods in 2020:

	Cash Costs(1) ($ per ounce)				AISC(1) ($ per ounce)			
	Three months ended December 31,		Year ended December 31,		Three months ended December 31,		Year ended December 31,	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
La Colorada	11.64	7.07	10.76	6.99	15.93	11.78	17.51	10.80
Dolores(2)	—	(9.79)	—	(2.48)	—	(2.17)	—	6.17
Huaron	3.49	2.03	3.95	3.77	9.63	3.35	7.79	6.53
Morococha	4.57	11.85	9.63	11.40	7.98	18.29	13.49	18.38
San Vicente	10.87	17.67	14.98	15.54	14.59	20.89	17.25	17.94
Manantial Espejo	12.50	18.72	18.37	15.68	14.35	19.24	20.67	15.80
Silver Segment Consolidated(2)	**9.74**	**6.15**	**11.51**	**7.05**	**13.57**	**10.37**	**15.62**	**11.38**
Dolores(2)	931	—	749	—	1,959	—	1,087	—
Shahuindo	832	619	780	588	1,091	842	1,000	750
La Arena	819	556	761	721	1,197	873	1,182	1,109
Timmins	1,298	1,126	1,319	1,061	1,614	1,355	1,619	1,213
Gold Segment Consolidated(2)	**963**	**763**	**899**	**797**	**1,461**	**1,023**	**1,214**	**1,011**
Consolidated AISC per silver ounce sold					**7.87**	**(7.28)**	**1.44**	**(3.29)**
Consolidated AISC before NRV inventory adjustments					**3.60**	**(5.85)**	**0.94**	**(2.35)**

(1) Cash costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of these measures and, where appropriate, a reconciliation of the measure to the 2021 Financial Statements.

(2) Due to the expected mine sequencing into a higher gold zone of the Dolores mine, the Company determined that the mine is better identified as a Gold Segment operation from 2021 onwards. Thus, as of Q1 2021, cash costs and AISC at Dolores are reported on a per ounce of gold basis and are included as part of the Gold Segment cash costs and AISC calculations. Dolores cash costs and AISC in the 2020 comparable period were reported on a per ounce of silver basis and included as part of the Silver Segment cash costs and AISC calculations, as previously reported. For comparison purposes, had Dolores been reported in the Gold Segment in 2020, Gold Segment cash costs and AISC for Q4 2020 would have been $759 and $1,018, respectively, and for the year ended December 31, 2020 would have been $802 and $1,046, respectively. Silver Segment cash costs and AISC for Q4 2020 would have been $10.33 and $13.65, respectively and for 2020 would have been $10.05 and $13.02, respectively.

Cash Costs

Silver Segment cash costs in 2021 were $11.51 per ounce, a $4.46 increase from the $7.05 per ounce reported in 2020. The increase was driven primarily from:

i. a $3.00 per ounce increase from reclassifying Dolores to the Gold Segment;

ii. a $1.60 per ounce increase from higher costs at La Colorada; and,

iii. a $0.72 per ounce increase from cost escalations at Manantial Espejo.

These increases were partially offset by an $0.87 per ounce decrease from higher by-product credits at Huaron and Morococha.

All operations experienced higher costs from COVID-19 operating protocols and inflation-driven wage, energy and consumable cost increases ("COVID and Inflationary Costs"). Each operation's variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Gold Segment cash costs in 2021 were $899 per ounce, a $102 increase from the $797 per ounce reported in 2020. The increase was largely the result of increased costs per ounce at Shahuindo and Timmins, which were driven by lower gold grades mined and higher operating costs, as further described in the "Individual Mine Performance" section of this MD&A. This increase was partially offset by reclassifying Dolores to the Gold Segment, which benefited Gold Segment cash costs by $62 per ounce.

AISC

Silver Segment AISC in 2021 was $15.62 per ounce, a $4.24 increase from the $11.38 per ounce reported in 2020. This was due to the same factors that increased Silver Segment cash costs. A decrease in sustaining capital per ounce was offset by the impact of inventory NRV adjustments, which reduced costs by $16.2 million in 2020 but only by $1.0 million in 2021.

Gold Segment AISC in 2021 was $1,214 per ounce, a $203 increase from the $1,011 per ounce reported in 2020. The increase was primarily due to the same factors that increased Gold Segment cash costs, in addition to higher sustaining capital per ounce, largely the result of the deferral of certain projects from 2020 into 2021 due to COVID-19.

Consolidated silver basis AISC for 2021 was $1.44 per ounce, a $4.73 increase from the negative $3.29 per ounce reported in 2020. The increase was primarily from higher operating costs and capital spending per ounce, partially offset by higher by-product prices and quantities sold.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

2021 Operating Results versus 2021 Forecast

The following table sets out the actual 2021 annual metal production, cash costs, AISC and capital expenditures compared to those forecast by management throughout the year. The 2021 original forecast was provided in our Annual 2020 MD&A dated February 17, 2021 (the "2021 Original Forecast"). Management subsequently revised the forecasts in its Q1 2021 MD&A and Q3 2021 MD&A (the "2021 May Revised Forecast" and "2021 November Revised Forecast", respectively). In the table below "NC" denotes no changes to the previously provided forecast.

	2021 Original Forecast	2021 May Revised Forecast	2021 November Revised Forecast	2021 Actual
Silver Production - Moz	22.50 - 24.00	20.50 - 22.00	19.00 - 20.00	19.2
Gold Production - koz	605.0 - 655.1	NC	560.0 - 588.0	579.3
Zinc Production - kt	60.7 - 64.5	55.5 - 60.5	49.8 - 53.6	49.4
Lead Production - kt	23.4 - 25.7	21.0 - 23.5	18.5 - 20.3	18.1
Copper Production - kt	7.1 - 8.0	8.5 - 9.0	8.9 - 9.2	8.7
Silver Segment Cash Costs ($ per ounce)	8.50 - 10.00	9.60 -11.60	11.60 - 12.50	11.51
Gold Segment Cash Costs ($ per ounce)	825 - 925	NC	NC	899
Silver Segment AISC ($ per ounce)	12.50 - 14.00	14.25 - 15.75	15.75 - 16.75	15.62
Gold Segment AISC ($ per ounce)	1,135 - 1,250	NC	NC	1,214
Consolidated Silver Basis AISC ($ per ounce)	(2.80) - 2.70	NC	(4.50) - 0.00	1.44
Sustaining Capital ($ millions)	245.0 - 260.0	230.0 - 245.0	217.5 - 226.0	207.6
Project Capital ($ millions)	55.0 - 60.0	NC	43.5 - 45.0	46.5

Silver and Gold Production versus the 2021 Original Forecast

	2021 Silver Production (million ounces)		2021 Gold Production (thousand ounces)	
	Forecast (1)	Actual	Forecast (1)	Actual
Silver Segment:				
La Colorada	7.16 - 7.44	5.17	4.0 - 4.2	2.7
Huaron	3.61 - 3.86	3.51	0.5	1.1
Morococha(2)	2.25 - 2.42	2.18	0.8 - 0.9	1.1
San Vicente(2)	3.23 - 3.37	2.55	0.5	0.3
Manantial Espejo	3.18 - 3.46	3.24	33.2 - 35.3	33.8
Silver Segment Total(3)	**19.43 - 20.55**	**16.65**	**39.0 - 41.4**	**39.0**
Gold Segment:				
Dolores	2.73 - 2.97	2.24	160.8 - 179.3	160.1
Shahuindo	0.29 - 0.43	0.23	153.9 - 165.0	134.0
La Arena	0.03	0.04	102.9 - 110.9	112.4
Timmins	0.02	0.02	148.4 - 158.5	133.8
Gold Segment Total(3)	**3.07 - 3.45**	**2.53**	**566.0 - 613.7**	**540.3**
Total(3)	**22.50 - 24.00**	**19.17**	**605.0 - 655.1**	**579.3**

(1) Forecast as per the 2021 Original Forecast.
(2) Production figures are only for Pan American's ownership share of Morococha (92.3%), and San Vicente (95.0%).
(3) Totals may not add due to rounding.

Silver Production

Consolidated 2021 silver production of 19.2 million ounces was affected by the ventilation constraints at La Colorada during the first half of the year, increased mining dilution at San Vicente, delays in leach pad construction at Dolores, and generally lower than anticipated workforce deployments at all mines due to COVID-19 operating protocols.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Gold Production

Consolidated 2021 gold production of 579.3 thousand ounces was affected by the COVID-19 operating protocols impacting workforce deployments, a delay in completing leach pad construction at Dolores, reduced leach irrigation and lower than expected grades at Shahuindo, and geotechnical challenges at Bell Creek.

Base Metal Production versus the 2021 Original Forecast

	2021 Zinc Production (thousand tonnes)		2021 Lead Production (thousand tonnes)		2021 Copper Production (thousand tonnes)	
	Forecast (1)	Actual	Forecast (1)	Actual	Forecast (1)	Actual
Consolidated	**60.7 - 64.5**	**49.4**	**23.4 - 25.7**	**18.1**	**7.1 - 8.0**	**8.7**

(1) Forecast as per the 2021 Original Forecast.

2021 zinc and lead production were below the low end of the 2021 Original Forecast, whereas copper production was above the high end of the 2021 Original Forecast, primarily due to mine sequence timing at Huaron and Morococha. Zinc and lead production were also affected by ventilation constraints at La Colorada.

Cash Costs and AISC versus the 2021 Original Forecast

The following table summarizes 2021 cash costs and AISC compared to the 2021 Original Forecast on a per ounce basis, net of by-product credits.

	2021 Cash Costs(1) ($ per ounce)		2021 AISC(1) ($ per ounce)	
	Forecast (2)	Actual	Forecast (2)	Actual
Silver Segment:				
La Colorada	4.00 - 5.00	10.76	8.50 - 9.50	17.51
Huaron	4.80 - 7.90	3.95	9.50 - 12.50	7.79
Morococha	10.00 - 14.20	9.63	13.50 - 17.50	13.49
San Vicente	12.30 - 13.50	14.98	16.75 - 17.75	17.25
Manantial Espejo	16.30 - 17.30	18.37	19.00 - 20.00	20.67
Total	**8.50 - 10.00**	**11.51**	**12.50 - 14.00**	**15.62**
Gold Segment:				
Dolores	665 - 820	749	850 - 1,000	1,087
Shahuindo	715 - 795	780	1,125 - 1,250	1,000
La Arena	870 - 940	761	1,275 - 1,400	1,182
Timmins	1,085 - 1,160	1,319	1,375 - 1,450	1,619
Total	**825 - 925**	**899**	**1,135 - 1,250**	**1,214**
Consolidated Silver Basis	**n/a**	**n/a**	**(2.80) - 2.70**	**1.44**

(1) Cash costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of these calculations and a reconciliation of these measures to the 2021 Financial Statements. The cash costs and AISC forecasts assumed realized prices and exchange rates of $23.50/oz for silver, $1,825/oz for gold, $2,700/tonne ($1.22/lb) for zinc, $1,900/tonne ($0.86/lb) for lead, and $7,400/tonne ($3.36/lb) for copper; and average exchange rates relative to 1 USD of 20.00 for the MXN, 3.50 for the PEN, 96.67 for the ARS, 7.00 for the BOB, and 1.30 for the CAD.
(2) Forecast as per the 2021 Original Forecast.

Cash Costs

All operations were affected by higher than expected COVID and Inflationary Costs, while underground mines were also particularly affected by reduced workforce deployments which impacted production and unit cost rates.

Silver Segment cash costs of $11.51 per ounce were also affected by production shortfalls at La Colorada, San Vicente and Manantial Espejo.

Gold Segment cash costs of $899 per ounce were within the 2021 Original Forecast range, reflecting higher production at La Arena and the decision to capitalize a portion of the waste mining as deferred stripping at

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Dolores, which was not originally contemplated and reduced cash costs. These factors offset increases from the geotechnical issues encountered at Timmins, and lower production at Shahuindo.

AISC

Silver Segment AISC of $15.62 per silver ounce was affected by the same factors driving cash costs.

Gold Segment AISC of $1,214 per gold ounce was within the 2021 Original Forecast range, as higher AISC at Dolores and Timmins were offset by lower AISC at Shahuindo and La Arena, due to the same factors affecting cash costs.

Consolidated AISC, calculated on a silver ounce basis, of $1.44 was within the 2021 Original Forecast range.

Capital Expenditures versus the 2021 Original Forecast

The following table summarizes the 2021 capital expenditures compared to the 2021 Original Forecast.

	2021 Capital Expenditure ($ millions)	
	Forecast (1)	Actual
La Colorada	27.0 - 29.5	26.1
Huaron	14.5 - 15.5	10.9
Morococha	6.0 - 7.0	7.0
San Vicente	13.5 - 14.5	5.3
Manantial Espejo	6.5 - 7.5	7.6
Dolores	26.0 - 30.0	40.6
Shahuindo	66.5 - 68.0	28.8
La Arena	44.5 - 45.0	45.5
Timmins	40.5 - 43.0	35.9
Sustaining Capital Sub-total	**245.0 - 260.0**	**207.6**
La Colorada Skarn	50.0 - 55.0	39.5
Timmins	5.0	6.4
Other	-	0.6
Project Capital Sub-total	**55.0 - 60.0**	**46.5**
Total Capital	**300.0 - 320.0**	**254.1**

(1) Forecast as per the 2021 Original Forecast.

Sustaining capital expenditures were $37.4 million less than the low end of the 2021 Original Forecast range, driven primarily by COVID-19 related delays in project execution and the timing of cash outflows, which were partially offset by unplanned waste mining capitalization at Dolores. At Shahuindo, the Company entered into construction loans to finance leach pads and other site infrastructure, which reduced cash outflows during the year relative to the 2021 Original Forecast. Project capital in 2021 was also below the 2021 Original Forecast range, primarily due to COVID-19 operating protocols.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Individual Mine Operation Performance

An analysis of performance at each operation in 2021 compared with 2020 follows. The project capital amounts invested in 2021 are further discussed in the "Project Development Update" section of this MD&A.

La Colorada operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled - kt	**159.9**	139.6	**572.5**	559.1
Average silver grade – grams per tonne	**343**	295	**312**	308
Average zinc grade - %	**1.71**	2.62	**2.05**	2.80
Average lead grade - %	**0.95**	1.29	**1.09**	1.39
Production:				
Silver – koz	**1,584**	1,186	**5,171**	5,025
Gold – koz	**0.79**	0.77	**2.71**	3.47
Zinc – kt	**2.26**	3.13	**9.98**	13.58
Lead – kt	**1.22**	1.50	**5.19**	6.63
Payable Production:				
Silver – koz	**1,510**	1,116	**4,902**	4,700
Gold – koz	**0.65**	0.64	**2.21**	2.98
Zinc – kt	**1.93**	2.66	**8.49**	11.55
Lead – kt	**1.13**	1.41	**4.83**	6.20
Cash costs - $ per ounce(1)	**11.64**	7.07	**10.76**	6.99
Sustaining capital - $ thousands(2)	**6,410**	5,496	**26,069**	18,417
Care and maintenances costs - $ thousands	**—**	—	**—**	7,973
AISC - $ per ounce(1)	**15.93**	11.78	**17.51**	10.80
Payable silver sold - koz	**1,669**	1,291	**4,321**	5,254

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

(2) Sustaining capital expenditures exclude $16.5 million and $39.5 million investing activity cash outflows for Q4 2021 and full year 2021, respectively (Q4 2020 and full year 2020: $1.9 million and $11.0 million, respectively) related to investment capital incurred on the La Colorada projects, as disclosed in the "Project Development Update" section of this MD&A.

2021 versus 2020

Production:

- Silver: 3% increase driven by higher throughput and grades. The improvement in throughput rates was largely driven by 2020 being impacted by the COVID-19-related mine suspension. Restoration of critical ventilation infrastructure also allowed mining rates and grades to ramp-up in the second half of 2021.
- By-products: 26% and 22% decrease in zinc and lead, respectively, as a result of restricted access to the sulphide ore in the Candelaria East zone of the mine. This led to lower base metal grades and a higher proportion of oxide ore in total throughput following efforts to mitigate the unexpected 2019 and 2020 ventilation infrastructure failures.

Cash Costs: were $3.77 higher than in 2020, reflecting an increase in operating costs per ounce due to: (i) investments in advancing a transition to a more mechanized long-hole stoping mining method, including accelerating underground advances, which will eventually enable primary level development spacing to increase; (ii) higher energy consumption from the installation of more ventilation fan capacity to address the higher heat and humidity conditions being encountered at depth and to the east; (iii) higher spending on ground support, including an increase in shotcrete, to address poor quality rock; and (iv) increased COVID and Inflationary Costs.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Sustaining Capital: increased spending in 2021 primarily related to restoring and upgrading ventilation infrastructure, mine equipment replacement and rehabilitation, underground infrastructure, tailings storage facility expansion, lease payments for equipment and offices, and near-mine exploration activities.

AISC: was $6.71 higher than in 2020, as a result of the factors affecting year-over-year cash costs, in addition to higher sustaining capital per ounce due to the higher investments in ventilation infrastructure.

Huaron operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	**2020**
Tonnes milled - kt	**233.1**	230.5	**940.3**	555.6
Average silver grade – grams per tonne	**137**	143	**141**	144
Average zinc grade - %	**1.79**	2.58	**2.14**	2.58
Average lead grade - %	**1.02**	1.32	**1.11**	1.32
Average copper grade - %	**0.86**	0.94	**0.82**	0.88
Production:				
Silver – koz	**838**	892	**3,513**	2,148
Gold – koz	**0.27**	0.29	**1.09**	0.53
Zinc – kt	**3.06**	4.69	**15.37**	11.21
Lead – kt	**1.63**	2.33	**7.48**	5.59
Copper – kt	**1.55**	1.65	**5.85**	3.65
Payable Production:				
Silver – koz	**688**	796	**2,930**	1,870
Gold – koz	**0.03**	0.07	**0.13**	0.08
Zinc – kt	**2.51**	3.88	**12.63**	9.27
Lead – kt	**1.53**	2.19	**7.02**	5.24
Copper – kt	**1.35**	1.39	**4.94**	2.98
Cash costs - $ per ounce(1)	**3.49**	2.03	**3.95**	3.77
Sustaining capital - $ thousands	**3,991**	776	**10,897**	4,500
Care and maintenances costs - $ thousands	**—**	(11)	**—**	20,840
AISC - $ per ounce(1)	**9.63**	3.35	**7.79**	6.53
Payable silver sold – koz	**672**	697	**2,976**	1,843

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

2021 versus 2020

Production:

- Silver: 64% higher from increased throughput relative to the prior year, given the COVID-19 related mine suspensions in 2020.
- By-products: zinc, lead and copper production increased 37%, 34% and 60%, respectively, primarily due to the higher throughput, partially offset by lower base metal grades due to mine sequencing.

Cash Costs: $0.18 per ounce higher. Higher operating costs per ounce from COVID and Inflationary Costs and the deferral of mine development and other expenditures from 2020 into 2021 due to the COVID-19 related mine suspension in 2020, were largely offset by lower concentrate treatment charges from improved market conditions and higher by-product credits per ounce from higher base metal prices.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Sustaining Capital: higher spending in 2021 was primarily related to advancing certain projects that had been delayed or deferred in 2020 due to COVID-19, as well as spending on equipment leases, near mine exploration, equipment replacements and refurbishments, and a tailings storage facility expansion.

AISC: an increase of $1.26 per ounce due to the same factors affecting year-over-year cash costs and higher sustaining capital investments.

Morococha operation[1]

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled – kt	**158.9**	141.4	**617.5**	328.6
Average silver grade – grams per tonne	**118**	129	**122**	126
Average zinc grade - %	**2.97**	3.30	**2.98**	3.43
Average lead grade - %	**1.02**	1.31	**1.04**	1.29
Average copper grade - %	**0.54**	0.47	**0.48**	0.43
Production:				
Silver – koz	**540**	527	**2,175**	1,173
Gold – koz	**0.35**	0.19	**1.11**	0.59
Zinc – kt	**3.93**	4.08	**15.64**	9.86
Lead – kt	**1.27**	1.51	**5.14**	3.46
Copper – kt	**0.67**	0.43	**2.17**	0.88
Payable Production:				
Silver – koz	**469**	457	**1,894**	1,011
Gold – koz	**0.18**	0.08	**0.53**	0.32
Zinc – kt	**3.31**	3.42	**13.19**	8.27
Lead – kt	**1.20**	1.43	**4.86**	3.28
Copper – kt	**0.63**	0.41	**2.04**	0.83
Cash costs - $ per ounce[2]	**4.57**	11.85	**9.63**	11.40
Sustaining capital - $ thousands[3]	**1,184**	3,219	**6,957**	7,259
Care and maintenances costs - $ thousands	**—**	(3)	**—**	20,023
AISC - $ per ounce[2]	**7.98**	18.29	**13.49**	18.38
Payable silver sold (100%) - koz	**491**	517	**2,059**	1,108

(1) Production figures are for Pan American's 92.3% share only, unless otherwise noted.
(2) Cash costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of these measures to cost of sales.
(3) Sustaining capital expenditures exclude $nil million and $0.1 million investing activity cash outflows for Q4 2021 and full year 2021, respectively (Q4 2020 and full year 2020, $0.2 million and $1.0 million, respectively) related to investment capital incurred on the Morococha project, as disclosed in the "Project Development Update" section of this MD&A.

2021 versus 2020

Production:

- Silver: 85% higher from increased throughput relative to the prior year, given the COVID-19 related mine suspension in 2020.
- By-products: zinc, lead and copper increased by 59%, 49%, 146%, respectively, primarily due to the higher throughput. The lower zinc and lead grades and higher copper grades were the result of mine sequencing.

Cash Costs: $1.77 per ounce lower, due to lower concentrate treatment charges and higher by-product credits from increased base metal prices. These more than offset higher operating costs per ounce from COVID and Inflationary Costs and the disruptions from the mine suspensions affecting the timing of mine development and other expenditures in 2020.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Sustaining Capital: was consistent with the prior year, and primarily related to near-mine exploration, equipment replacements and refurbishments, equipment and office leases, and surface infrastructure.

AISC: decreased $4.89 per ounce, primarily driven by the same factors affecting year-over-year cash costs, in addition to lower sustaining capital per ounce from increased silver production rates.

San Vicente operation (1)

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled – kt	**90.1**	93.0	**356.3**	285.1
Average silver grade – grams per tonne	**246**	237	**244**	276
Average zinc grade - %	**2.63**	2.88	**2.81**	2.34
Average lead grade - %	**0.03**	0.05	**0.10**	0.02
Average copper grade - %	**0.24**	0.24	**0.24**	0.27
Production:				
Silver – koz	**641**	663	**2,548**	2,320
Gold – koz	**0.06**	0.08	**0.28**	0.31
Zinc – kt	**1.93**	2.34	**8.36**	5.57
Lead – kt	**0.02**	0.04	**0.32**	0.05
Copper – kt	**0.18**	0.18	**0.66**	0.62
Payable Production:				
Silver – koz	**600**	617	**2,379**	2,180
Gold – koz	**—**	0.02	**0.04**	0.12
Zinc – kt	**1.61**	1.94	**6.97**	4.65
Lead – kt	**0.02**	0.03	**0.25**	0.05
Copper – kt	**0.15**	0.15	**0.41**	0.55
Cash costs - $ per ounce(2)	**10.87**	17.67	**14.98**	15.54
Sustaining capital - $ thousands	**2,469**	1,391	**5,340**	4,877
Care and maintenances costs - $ thousands	**—**	—	**—**	2,890
AISC - $ per ounce(2)	**14.59**	20.89	**17.25**	17.94
Payable silver sold (100%) - koz	**682**	453	**2,465**	2,153

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

2021 versus 2020

Production:

- Silver: 10% higher from increased throughput relative to the prior year, given the COVID-19 related mine suspension in 2020, which more than offset the lower grades from increased mining dilution due to the narrowing vein structures at depth.
- By-products: zinc, lead and copper production increased by 50%, 483% and 6%, respectively, primarily due to the increase in throughput. In addition, zinc production benefited from higher grades from mine sequencing, whereas the significant increase in lead production was the result of commercial terms that resulted in higher lead payability.

Cash costs: decreased $0.56 per ounce due to higher by-product credits per ounce from higher base metal prices, grades and payabilities. These more than offset higher operating costs per ounce from the impact of COVID and Inflationary Costs, lower silver grades, and higher royalty costs per ounce from increased metal prices.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Sustaining Capital: higher in 2021, and primarily related to a tailings storage facility expansion, mine equipment replacements and rehabilitation, near-mine exploration, and mine site and camp infrastructure.

AISC: a $0.69 per ounce decrease due to the same factors affecting year-over-year cash costs.

Manantial Espejo operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled - kt	**170.8**	149.3	**657.1**	604.7
Average silver grade – grams per tonne	**230**	166	**177**	146
Average gold grade – grams per tonne	**2.25**	1.78	**1.75**	1.30
Production:				
Silver – koz	**1,090**	742	**3,236**	2,547
Gold – koz	**11.35**	7.98	**33.76**	23.37
Payable Production:				
Silver – koz	**1,088**	741	**3,229**	2,542
Gold – koz	**11.32**	7.96	**33.69**	23.32
Cash costs - $ per ounce(1)	**12.50**	18.72	**18.37**	15.68
Sustaining capital - $ thousands(2)	**2,573**	732	**7,575**	3,264
Care and maintenances costs - $ thousands	**—**	—	**—**	5,617
AISC - $ per ounce(1)	**14.35**	19.24	**20.67**	15.80
Payable silver sold - koz	**1,007**	702	**3,062**	2,545

(1) Cash costs and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed reconciliation of these measures to cost of sales.
(2) Sustaining capital expenditures for Q4 2020 and full year 2020 exclude $1.2 million and $7.5 million, respectively, related to the development of the Joaquin and COSE projects, as disclosed in the “Project Development Update” section of this MD&A.

2021 versus 2020

Production:

- Silver and Gold: 27% and 44% higher, respectively. The increased production is the result of higher throughput and grades from a greater contribution of underground ore from Manantial Espejo, COSE and Joaquin, given the COVID-19 related mine suspensions in 2020.

Cash costs: increased $2.69 per ounce from COVID and Inflationary Costs and higher mining and ore haulage costs from increased mining activities at COSE and Joaquin. The factors increasing costs were partially offset by increased silver and gold production.

Sustaining Capital: the increase over the prior year is largely driven by increased mine equipment refurbishment and the tailings facility storage expansion, which was initiated and completed in 2021. Both years also included near-mine exploration and lease payments for diesel generators.

AISC: increased $4.87 per ounce due to the same factors affecting year-over-year cash costs, in addition to higher sustaining capital per ounce and a decrease in cost-reducing NRV inventory write-ups.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Dolores operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes placed - kt[1]	**2,057.0**	1,891.1	**7,774.4**	6,429.9
Waste tonnes mined - kt	**7,043.5**	6,074.8	**24,374.9**	25,227.4
Average silver grade – grams per tonne	**14**	21	**16**	29
Average gold grade – grams per tonne	**0.66**	0.76	**0.95**	0.64
Production:				
Silver – koz	**507**	764	**2,240**	3,779
Gold – koz	**40.1**	30.5	**160.1**	98.0
Payable Production:				
Silver – koz	**507**	762	**2,236**	3,773
Gold – koz	**40.1**	30.4	**159.8**	97.9
Cash costs - $ per ounce[2]	**931**	744	**749**	824
Sustaining capital - $ thousands	**12,097**	12,778	**40,566**	44,861
Care and maintenances costs - $ thousands	**—**	—	**—**	10,175
AISC - $ per ounce[2]	**1,959**	996	**1,087**	1,189
Payable gold sold - koz	**34.34**	29.00	**158.07**	96.18

(1) In 2021, the Company built up a high-grade stockpile of 353 thousand tonnes, representing $7.9 million in inventoried costs.

(2) Cash costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of these measures to cost of sales. As previously described, beginning in 2021, Dolores cash costs and AISC are being reported on a per ounce of gold basis with silver considered as a by-product, rather than on a silver basis with gold considered as a by-product. In Q4 2020 and FY 2020, silver basis cash costs were reported as negative $9.79 and negative $2.48 per ounce, and silver basis AISC were reported as negative $2.17 and $6.17 per ounce, respectively.

2021 versus 2020

Production:

- Silver: the 41% decrease is largely the result of lower grades from mine sequencing into higher gold grade zones, as expected, partially offset by higher stacking rates relative to 2020, which was impacted by the COVID-19 related mine suspension. In 2021, silver inventories in the heap leach pad grew by 308 thousand ounces, representing $3.1 million in inventoried costs, largely due to the delay in completing the construction of leach pad 1 South.
- Gold: the 63% increase is primarily due to the increase in throughput and grades previously mentioned. In 2021, gold inventories in the heap leach pad grew by 32.3 thousand ounces, representing $26.4 million in inventoried costs, due to the delay in completing the construction of leach pad 1 South.

Cash Costs: decreased $75 per ounce; largely the result of increased gold grades and a lower waste mining strip ratio driving unit costs lower, partially offset by lower by-product credits from lower silver grades and higher operating costs. Higher operating costs were driven by: (i) the impact of COVID and Inflationary Costs, (ii) higher community spending, and (iii) a higher rate of lime application on the leach pad.

Sustaining Capital: reduced spending year-over-year, primarily due to less mine waste pre-stripping and mine equipment overhauls and replacements, partially offset by greater leach pad expansions.

AISC: decreased $102 per ounce due to the same factors decreasing cash costs, as well as higher gold production and lower sustaining capital. These were partially offset by NRV inventory cost adjustments, which added $9.7 million to costs in the current period, but reduced costs by $12.7 million in the previous period.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Shahuindo operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled - kt (1)	**3,617.1**	2,697.3	**13,149.3**	10,603.4
Waste tonnes mined - kt	**3,641.8**	3,533.5	**16,717.4**	9,833.4
Average silver grade – grams per tonne	**6**	7	**6**	9
Average gold grade – grams per tonne	**0.43**	0.54	**0.47**	0.56
Production:				
Silver – koz	**60.54**	83.10	**234.69**	268.30
Gold – koz	**36.95**	33.60	**134.04**	142.38
Payable Production:				
Silver – koz	**60.08**	82.47	**232.93**	266.29
Gold – koz	**36.92**	33.57	**133.93**	142.26
Cash costs - $ per ounce(2)	**832**	619	**780**	588
Sustaining capital - $ thousands	**9,146**	6,963	**28,846**	22,749
Care and maintenances costs - $ thousands	**—**	—	**—**	3,855
AISC - $ per ounce(2)	**1,091**	842	**1,000**	750
Payable gold sold - koz	**39.53**	33.06	**139.46**	150.77

(1) In 2021, the Company built up a low-grade stockpile 2.0 million tonnes, representing $7.7 million in inventoried costs.
(2) Cash costs and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed reconciliation of these measures to cost of sales.

2021 versus 2020

Production: Gold decreased 6% due to lower grades from mine sequencing and reduced leaching irrigation rates to prevent ponding of unexpectedly higher clay rich ores, which led to an increase of in-pad inventory. Those factors more than offset the higher throughput in 2021 relative to 2020 when the mine was impacted by the COVID-19 related mine suspension. Gold inventory in leach pad increased by 16.3 thousand ounces in 2021, representing $18.5 million in inventoried costs.

Cash Costs: increased $192 per ounce, primarily as a result of lower gold grades mined, an increase in the strip ratio, and the impact of COVID and Inflationary Costs.

Sustaining Capital: was comprised of leach pad expansions, site infrastructure improvements, near-mine exploration, payments for leased mining equipment, and repayments on construction loans related to leach pad and other infrastructure. The increase over the prior year is due to advancing certain projects that were delayed or deferred from 2020 due to COVID-19.

AISC: increased $250 per ounce, due to the same factors affecting year-over-year cash costs, in addition to higher sustaining capital expenditures per ounce.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

La Arena operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled - kt	**4,037.6**	4,132.2	**10,855.2**	10,079.3
Waste tonnes mined - kt	**5,372.8**	5,796.7	**27,007.5**	20,520.9
Average silver grade – grams per tonne	**—**	1	**1**	1
Average gold grade – grams per tonne	**0.35**	0.42	**0.36**	0.37
Production:				
Silver – koz	**11.11**	11.27	**39.75**	33.46
Gold – koz	**32.59**	41.40	**112.35**	105.37
Payable Production:				
Silver – koz	**11.08**	11.24	**39.63**	33.36
Gold – koz	**32.57**	41.37	**112.27**	105.29
Cash costs - $ per ounce(1)	**819**	556	**761**	721
Sustaining capital - $ thousands	**9,996**	13,030	**45,479**	37,324
Care and maintenances costs - $ thousands	**—**	—	**—**	3,712
AISC - $ per ounce(1)	**1,197**	873	**1,182**	1,109
Payable gold sold - koz	**26.87**	42.10	**109.43**	99.32

(1) Cash costs and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed reconciliation of these measures to cost of sales.

2021 versus 2020

Production: Gold increased 7% from higher mining rates and throughput relative to the prior year when the mine was impacted by the COVID-19 related mine suspension.

Cash Costs: increased $40 per ounce, primarily from a higher strip ratio and COVID and Inflationary Costs. The higher strip ratio is the result of mine life extensions, which have increased the mine waste strip ratio.

Sustaining Capital: primarily related to capitalized deferred stripping, waste storage facility expansions, leach pad expansions, and near-mine exploration. The increase over the prior year reflects higher spending on heap leach pad expansion and deferred stripping.

AISC: increased by $73 per ounce, due to the same factors affecting year-over-year cash costs, as well as an increase in sustaining capital per ounce.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Timmins' operation

	Three months ended December 31		Year ended December 31	
	2021	2020	**2021**	2020
Tonnes milled - kt	**391.4**	426.2	**1,593.1**	1,643.1
Average gold grade – grams per tonne	**2.83**	2.73	**2.70**	2.85
Production:				
Silver – koz	**4.03**	4.38	**16.16**	17.63
Gold – koz	**34.25**	38.09	**133.85**	148.40
Payable Production:				
Silver – koz	**3.99**	4.34	**16.00**	17.46
Gold – koz	**34.22**	38.06	**133.75**	148.29
Cash costs - $ per ounce(1)	**1,298**	1,126	**1,319**	1,061
Sustaining capital - $ thousands(2)	**8,415**	7,621	**35,894**	18,795
Care and maintenances costs - $ thousands	**—**	—	**—**	—
AISC - $ per ounce(1)	**1,614**	1,355	**1,619**	1,213
Payable gold sold - koz	**30.00**	37.20	**132.00**	148.13

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

(2) Sustaining capital expenditures exclude $0.2 million and $6.4 million investing activity cash outflows for Q4 2021 and full year 2021, respectively (Q4 2020 and full year 2020, $0.5 million and $2.0 million, respectively) related to investment capital incurred on the Timmins projects, as disclosed in the "Project Development Update" section of this MD&A.

2021 versus 2020

Production: Gold decreased 10% due to lower throughput from Bell Creek where mining rates have suffered from geotechnical challenges that require mining method adjustments and modifications to ground support systems in the deeper areas of the mine.

Cash Costs: increased $258 per ounce, primarily as a result of the lower grades and higher operating costs from COVID and Inflationary Costs and the appreciation of the Canadian dollar.

Sustaining Capital: was primarily comprised of mine equipment refurbishment and replacement, mine infrastructure upgrades, a tailings storage facility expansion, near-mine exploration, and lease payments for mining equipment. The increase over the prior year was largely driven by increased spending on expansion of the tailings storage facility and on equipment refurbishment and replacement.

AISC: increased by $406 per ounce due to the same factors impacting cash costs, as well as higher sustaining capital expenditures.

PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's major projects in 2021 as compared to 2020.

Project Development Investment[1] (thousands of USD)	Three months ended December 31		Year ended December 31	
	2021	**2020**	**2021**	**2020**
La Colorada projects	**16,521**	1,909	**39,462**	10,971
Joaquin and COSE projects	**—**	1,198	**—**	7,525
Timmins projects	**244**	450	**6,403**	1,956
Other	**134**	196	**611**	1,093
Total	**16,899**	3,753	**46,476**	21,545

During 2021, the Company spent $46.5 million in 2021, largely to advance exploration and development studies for the La Colorada Skarn project, including the start of construction of the new concrete-lined ventilation shaft and refrigeration plant, and the Wetmore exploration project at Timmins.

OVERVIEW OF 2021 FINANCIAL RESULTS

Selected Annual and Quarterly Information

The following tables set out selected quarterly results for the past twelve quarters as well as selected annual results for the past three years. The dominant factors affecting results in the quarters and years presented below are the volatility of realized metal prices, and the volume and timing of sales, which varies with the timing of shipments, and which was also impacted by the COVID-19 related mine suspension. The fourth quarter of 2019 included impairment charges to the Manantial Espejo mine and the COSE and Joaquin projects.

2021	Quarter Ended				Year Ended
(In thousands of USD, other than per share amounts)	March 31	June 30	Sept 30	Dec 31	Dec 31
Revenue	$ 368,099	$ 382,132	$ 460,349	$ 422,170	**$ 1,632,750**
Mine operating earnings	$ 89,964	$ 103,048	$ 98,887	$ 76,039	**$ 367,938**
(Loss) earnings for the period attributable to equity holders	$ (7,798)	$ 70,939	$ 20,251	$ 14,036	**$ 97,428**
Basic (loss) earnings per share	$ (0.04)	$ 0.34	$ 0.10	$ 0.06	**$ 0.46**
Diluted (loss) earnings per share	$ (0.04)	$ 0.34	$ 0.10	$ 0.06	**$ 0.46**
Cash flow from operating activities	$ 29,850	$ 87,143	$ 157,017	$ 118,098	**$ 392,108**
Cash dividends paid per share	$ 0.070	$ 0.070	$ 0.100	$ 0.100	**$ 0.340**
Other financial information					
Total assets					**$ 3,518,584**
Total long-term financial liabilities[1]					**$ 297,600**
Total attributable shareholders' equity					**$ 2,631,554**

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

2020	Quarter Ended				Year Ended
(In thousands of USD, other than per share amounts)	March 31	June 30	Sept 30	Dec 31	Dec 31
Revenue	$ 358,428	$ 249,509	$ 300,414	$ 430,461	**$ 1,338,812**
Mine operating earnings	$ 50,058	$ 48,386	$ 124,561	$ 137,172	**$ 360,177**
(Loss) earnings for the period attributable to equity holders	$ (76,807)	$ 20,063	$ 65,741	$ 168,885	**$ 177,882**
Basic (loss) earnings per share	$ (0.37)	$ 0.10	$ 0.31	$ 0.80	**$ 0.85**
Diluted (loss) earnings per share	$ (0.37)	$ 0.10	$ 0.31	$ 0.80	**$ 0.85**
Cash flow from operating activities	$ 114,051	$ 62,750	$ 114,943	$ 170,571	**$ 462,315**
Cash dividends paid per share	$ 0.05	$ 0.05	$ 0.05	$ 0.070	**$ 0.220**
Other financial information					
Total assets					**$ 3,433,875**
Total long-term financial liabilities[(1)]					**$ 277,696**
Total attributable shareholders' equity					**$ 2,602,519**

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

2019	Quarter Ended				Year Ended
(In thousands of USD, other than per share amounts)	March 31[(1)]	June 30[(1)]	Sept 30[(1)]	Dec 31	Dec 31
Revenue[(2)]	$ 253,699	$ 340,494	$ 352,187	$ 404,379	**$ 1,350,759**
Mine operating earnings[(2)]	$ 15,770	$ 51,058	$ 63,850	$ 98,610	**$ 229,288**
Earnings for the period attributable to equity holders	$ 2,783	$ 18,371	$ 37,657	$ 51,927	**$ 110,738**
Basic earnings per share	$ 0.02	$ 0.09	$ 0.18	$ 0.26	**$ 0.55**
Diluted earnings per share	$ 0.02	$ 0.09	$ 0.18	$ 0.26	**$ 0.55**
Cash flow from operating activities	$ (12,911)	$ 83,518	$ 81,948	$ 129,473	**$ 282,028**
Cash dividends paid per share	$ 0.035	$ 0.035	$ 0.035	$ 0.035	**$ 0.14**
Other financial information					
Total assets					**$ 3,461,682**
Total long-term financial liabilities[(3)]					**$ 517,776**
Total attributable shareholders' equity					**$ 2,463,099**

(1) Amounts differ from those originally reported in the respective quarter due to: (i) the finalization of the purchase price allocation, which was retrospectively applied, the most significant change being the removal of the previously recorded $30.5 million bargain purchase gain; and, (ii) amounts presented retrospectively as if Timmins had not been classified as held for sale.

(2) Concurrent with the acquisition of Tahoe, the Company classified the Timmins mines as a discontinued operation held for sale and, in Q3 2019, reclassified to be a continuing operation. As a result, the previously recorded first and second quarters have been recast to present the Timmins mines as continuing operations.

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

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Income Statement: 2021 versus 2020

Net earnings of $98.6 million were recorded in 2021 compared to $176.5 million in 2020, which corresponds to basic earnings per share of $0.46 and $0.85, respectively.

The following table highlights the difference between net earnings in 2021 compared with 2020:

					Note
Net earnings, year ended December 31, 2020			**$**	**176,455**	**Note**
Increased revenue:					
Higher quantities of metal sold		139,496			
Increased realized metal prices	$	157,073			
Increased direct selling costs		(9,625)			
Decreased negative settlement adjustments		6,994			
Total increase in revenue			**$**	**293,938**	**(1)**
Increased cost of sales:					
Increased production costs and increased royalty charges	$	(237,688)			**(2)**
Increased depreciation and amortization		(48,489)			**(6)**
Total increase in cost of sales			**$**	**(286,177)**	
Increased investment loss				(121,861)	**(3)**
Increased income tax expense				(70,872)	**(4)**
Decreased income from equity investees				(6,182)	
Increased foreign exchange loss				(5,793)	
Increased exploration and project development expense				(3,975)	
Decreased mine care and maintenance costs				70,325	**(5)**
Increased gains on sales of mineral properties, plant and equipment				24,245	**(7)**
Decreased other expense				21,180	**(8)**
Decreased interest and finance expense				3,906	
Increased gains on derivatives				1,850	
Decreased general and administrative expense				1,523	
Net earnings, year ended December 31, 2021			**$**	**98,562**	

1. **Revenue** for 2021 was $1.63 billion, a $293.9 million increase from the $1.34 billion of revenue recognized in 2020. The revenue increase resulted from increased metal prices and volumes of metal quantities sold. The higher volumes sold largely reflects continuous operations in 2021 whereas 2020 operations were impacted by the COVID-19 related mine suspensions.

   The following table reflects the metal prices realized by the Company and the quantities of metal sold during each year:

	Realized Metal Prices		Quantities of Metal Sold	
	Year ended December 31		Year ended December 31	
	2021	2020	2021	2020
Silver[(1)] – koz	**$ 25.00**	$ 20.60	**17,470**	17,317
Gold[(1)] – koz	**$ 1,792**	$ 1,758	**574.9**	519.7
Zinc[(1)] – kt	**$ 2,997**	$ 2,288	**42.7**	35.7
Lead[(1)] – kt	**$ 2,206**	$ 1,851	**17.0**	16.5
Copper[(1)] – kt	**$ 9,297**	$ 6,412	**7.8**	4.2

(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.

Realized prices for silver, gold, zinc, lead and copper, increased by 21%, 2% ,31%, 19% and 45%, respectively, in 2021 compared to 2020. Higher quantities of all metals were sold in 2021 compared to 2020, with year-over-year quantities of silver, gold, zinc, lead and copper increasing by 1%, 11%, 20%, 3%, and 83%, respectively.

Silver Segment and Gold Segment revenues in 2021 were $601.3 million and $1,031.4 million, respectively, compared to Silver Segment and Gold Segment revenues in 2020 of $380.4 million and $958.4 million, respectively, which included Dolores in the Gold Segment for both periods.

2. **Production and royalty costs** in 2021 were $961.9 million, $237.7 million higher than in 2020, largely due to a $228.8 million increase in production costs. The increase in production costs was largely driven by increased quantities of metal sold from all mines except La Colorada, the cost impact from COVID and Inflationary Costs on all operations, and NRV inventory adjustments. Silver Segment production costs, excluding NRV inventory adjustment impacts and Dolores costs in both years, increased by $147.7 million, which in addition to the factors noted above, reflected: (i) increased mining costs at Manantial Espejo from a full-year of operations at COSE and Joaquin; and (ii) higher operating costs at La Colorada, as described in the "Individual Mine Performance Section" of this MD&A. Gold Segment costs, excluding the NRV inventory adjustment impacts and including Dolores costs in both years, increased $81.2 million, which in addition to the factors noted above, mainly reflect increased waste mining strip ratios at both La Arena and Shahuindo. Additionally, there was a $24.9 million year-over-year cost increase from NRV adjustments, which increased costs by $8.7 million in 2021 compared to a $16.2 million decrease to costs in 2020. NRV adjustments in both years were related mainly to Dolores.
3. **Investment loss** of $59.7 million in 2021 was a $121.9 million change from 2020 when the Company's investments generated a $62.1 million gain. Investment income and losses in each period largely reflect fair value "mark-to-market" adjustments on certain of the Company's equity investments, the largest component of which being the Company's shares in New Pacific. The 2020 income also includes a gain on the sale of 10.4 million shares in the Company's equity investment in Maverix Metals Inc. ("Maverix").
4. **Income Tax Expense** was $146.4 million in 2021, a $70.9 million increase from 2020, in part due to increased earnings from operations. Despite the increase in earnings from operations, the earnings before income tax were comparable year-over-year due to unrealized mark-to-market adjustments on short term investments. These adjustments, which generated losses in 2021 and gains in 2020 did not result in corresponding tax benefits or expenses, respectively. Further, the 2020 expense was reduced by the recognition of previously unrecognized tax attributes related to the Timmins West, Bell Creek, and La Arena mines.
5. **Care and maintenance costs** were $31.8 million in 2021, a $70.3 million decrease from 2020, reflecting the COVID-19 related mine suspensions in 2020. Care and maintenance costs in 2021 related primarily to the Company's Escobal mine, where operations are currently suspended and the Navidad project.
6. **Depreciation and amortization** were $303.0 million in 2021, a $48.5 million increase from 2020, largely reflecting increased quantities of metal sold, as well as increased rates in particular at Dolores due to a decline in proven and probable mineral reserves and at La Arena due to increased depreciable capital base.
7. **Gains on sale of mineral properties, plant and equipment** were $32.2 million, a $24.2 million increase from 2020, largely from the sale of the Waterloo exploration property in 2021.
8. **Other expense** was $nil in 2021, which was a $21.2 million improvement over 2020. The 2020 expense mainly reflects a $6.1 million provision relating to certain value-added tax receivables in Guatemala; a $5.2 million increase to estimated closure and decommissioning liabilities for the Company's Alamo Dorado mine in Mexico, which went into reclamation at the end of 2017; commissions and transactions costs associated with the Company's sales of certain Maverix and New Pacific shares in 2020; and the settlement of certain claims by former contractors of the Company.

Statement of Cash Flows: 2021 versus 2020

Cash flow from operations in 2021 totaled $392.1 million, $70.2 million less than the $462.3 million generated in 2020. The decrease was largely driven by: (i) the impact of changes in non-cash working capital, which were a $71.1 million use of cash in 2021 compared to a $97.0 million source of cash in 2020; and (ii) a $47.6 million increase in income tax payments, largely from increased taxable earnings in 2021 in addition to March 2021 true-up payments driven by higher 2020 taxable income. These decreases were partially offset by an increase in cash mine operating earnings of $81.1 million. The increase in cash mine operating earnings was driven by stronger metal prices and higher volumes sold, which more than offset higher production costs.

The $71.1 million use of cash in non-cash working capital, largely reflecting an $82.9 million increase in inventory balances, mostly from the La Colorada concentrates shipping delays and in-heap inventory build-ups at Shahuindo and Dolores. These compared to the $97.0 million source of cash in 2020, which was driven primarily by a $56.8 million build-up of accounts payables and accrued liabilities and a $54.8 million decrease in trade and other receivable balances.

Investing activities utilized $186.7 million, primarily from $243.5 million spent on mineral properties, plant and equipment at the Company's mines and projects, which was partially offset by $45.8 million in proceeds from the sale of certain non-core exploration-stage mineral properties, primarily Waterloo and various royalties.

In 2020, $83.9 million of cash was used in investing activities and reflected $178.6 million spent on mineral properties, plant and equipment at the Company's mines and projects, and $15.6 million invested in the exercise of Maverix warrants, which was partially offset by $90.4 million received from the net sale of short-term investments, primarily in New Pacific, the partial disposition of the Company's interest in Maverix, and $22.5 million in proceeds from the sale of certain non-core exploration-stage mineral properties

Financing activities in 2021 used $85.9 million, primarily related to $71.5 million in dividend payments to shareholders and $12.4 million of lease repayments.

On August 10, 2021, the Company entered into an amendment agreement to amend and extend its $500.0 million credit facility, with a maturity date of February 1, 2023, (the "Credit Facility"), into the $500.0 million Sustainability-Linked Credit Facility, with a maturity date of August 8, 2025.

Financing activities in 2020 used $329.6 million, primarily related to the net repayment of $275.0 million on the Company's Credit Facility, which was fully repaid as at December 31, 2020, $46.2 million in shareholder dividend payments, and $13.1 million of lease repayments.

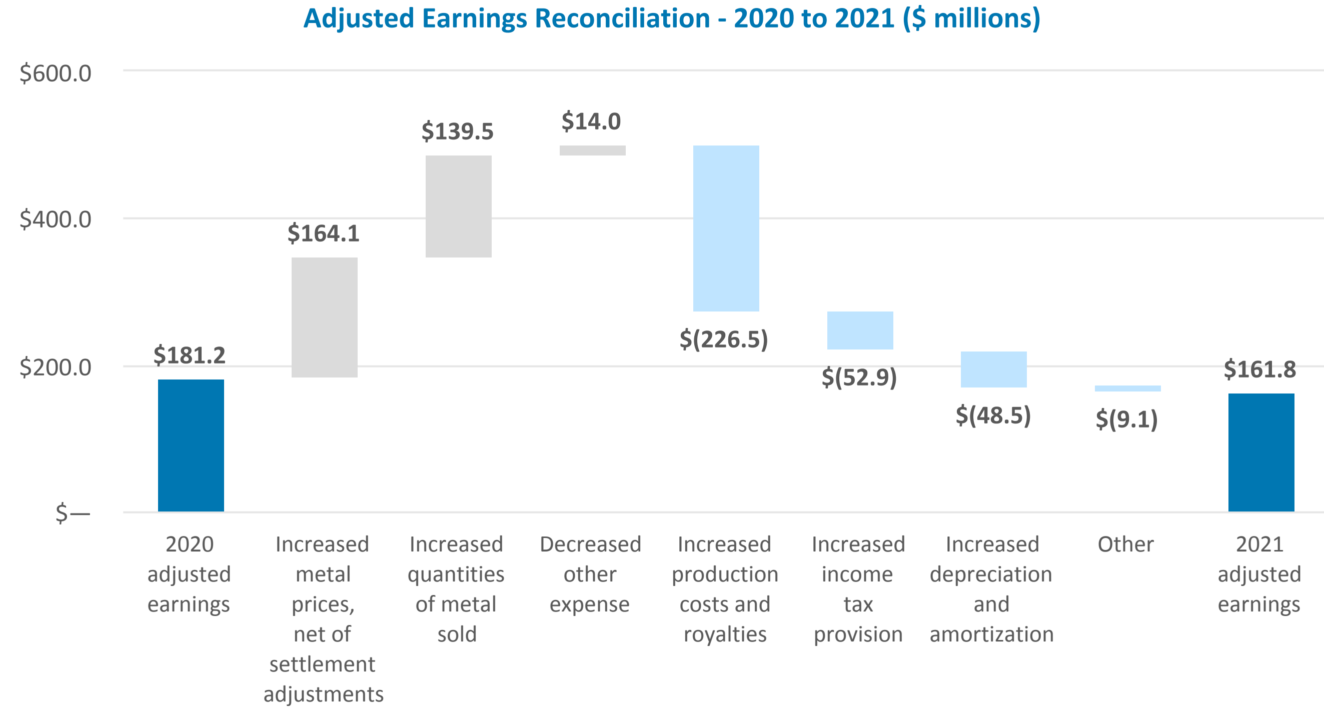
Adjusted Earnings: 2021 versus 2020

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

Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description, and a reconciliation of these measures to the 2021 Financial Statements.

Adjusted Earnings in 2021 were $161.8 million, representing a basic adjusted earnings per share of $0.77, which was $19.5 million, or $0.09 per share, lower than 2020 adjusted earnings of $181.2 million, and basic adjusted earnings per share of $0.86, respectively.

The following chart illustrates the key factors leading to the change in adjusted earnings from 2020 to 2021:



(1) Commencing in Q1 2021, gains and losses recognized in relation to certain equity investments owned by the Company, and included in Investment income (loss) in the Company's financial statements, are being excluded from adjusted earnings. This change was based on the increase in both the magnitude and volatility of these investments having a larger impact on the Company's net income in recent years, and Management's belief that these fair-market-values are neither under the control of Management nor representative of normal course operating results. The comparative period's adjusted earnings have been revised to conform to this change and thus differ from that previously reported.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Income Statement: Q4 2021 versus Q4 2020

Net earnings of $14.7 million was recorded in Q4 2021 compared to $169.0 million in Q4 2020, which corresponds to basic earnings per share of $0.07 and $0.80, respectively.

The following table highlights the key items driving the difference between the net earnings in Q4 2021 compared to the net earnings recorded in Q4 2020, some of which are further explained below:

Net earnings, three months ended December 31, 2020			**$**	**169,018**	**Note**
Decreased revenue:					
Decreased realized metal prices		(2,428)			
Lower quantities of metal sold	$	(13,294)			
Decreased negative settlement adjustments		3,975			
Decreased direct selling costs		3,456			
Total decrease in revenue			**$**	**(8,291)**	**(1)**
Increased cost of sales:					
Increased production costs and decreased royalty charges	$	(54,165)			**(2)**
Decreased depreciation and amortization		1,323			
Total increase in cost of sales			**$**	**(52,842)**	
Increased income tax expense				(37,986)	**(3)**
Increased investment loss				(36,686)	**(4)**
Decreased income from equity investees				(12,051)	**(6)**
Decreased gains on sales of mineral properties, plant and equipment				(10,383)	**(7)**
Decreased gains on derivatives				(5,651)	**(8)**
Increased foreign exchange loss				(4,440)	
Increased exploration and project development expense				(2,985)	
Increased mine care and maintenance costs				(2,511)	
Decreased other expense				16,047	**(5)**
Decreased general and administrative expense				2,426	
Decreased interest and finance expense				999	
Net earnings, three months ended December 31, 2021			**$**	**14,664**	

1. **Revenue** for Q4 2021 was $422.2 million, an $8.3 million decrease from the $430.5 million recognized in Q4 2020. The revenue decrease reflects $13.3 million from lower quantities of metal sold, driven largely by lower zinc and lead production due to mine sequencing and the timing of gold sales that led to an inventory build-up in Q4 2021, as well as $2.4 million in lower metal prices. These decreases offset the improvement in treatment and refining charges and the positive impact of concentrate final price settlement adjustments.

   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 December 31				Three months ended December 31	
		2021		2020	**2021**	2020
Silver[(1)] – koz	**$**	**23.33**	$	24.72	**5,067**	4,732
Gold[(1)] – koz	**$**	**1,792**	$	1,874	**142.6**	148.1
Zinc[(1)] – kt	**$**	**3,352**	$	2,566	**9.9**	14.5
Lead[(1)] – kt	**$**	**2,333**	$	1,922	**4.1**	5.4
Copper[(1)] – kt	**$**	**9,545**	$	7,234	**2.1**	1.7

(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.

Decreased quarter-over-quarter realized silver and gold prices of 6% and 4%, were partially offset by increased zinc, lead and copper prices of 31%, 21%, and 32%.

Sales volumes decreased for gold, zinc and lead, by 4%, 32%, and 24%, respectively, whereas silver and copper quantities increased by 7% and 24%, respectively.

Silver Segment and Gold Segment revenues in Q4 2021 were $174.4 million and $247.7 million, respectively, compared to Q4 2020 Silver Segment and Gold Segment revenues of $138.1 million and $292.4 million, respectively, when including Dolores in the Gold Segment for both periods.

2. **Production and royalty costs** of $270.0 million in Q4 2021 were $54.2 million higher than those in Q4 2020, driven by a $56.7 million increase in production costs in Q4 2021 compared to Q4 2020. The higher production costs reflect COVID and Inflationary Costs and $28.4 million from the impact of NRV inventory adjustments, which increased costs by $21.7 million in Q4 2021, but decreased costs by $6.7 million in Q4 2020. The majority of the NRV adjustments in each period were related to inventories at the Dolores mine.
3. **Income tax expense** in Q4 2021 was $28.5 million compared to $9.5 million of income tax recovery in Q4 2020. The $38.0 million variance was largely attributable to the impact on 2020 income tax expense from: (i) the recognition of various unrecognized tax attributes, and (ii) changes in foreign exchange rates on foreign currency denominated deductible tax attributes, particularly in Mexico. These drove an income tax recovery in Q4 2020, and more than offset the lower income tax expense from the $116.4 million decrease in net income before tax from Q4 2020 to Q4 2021 .
4. **Investment loss** of $6.1 million in Q4 2021 compares with $30.6 million of investment income in Q4 2020. Investment gains and losses in both periods reflect fair value "mark-to-market" adjustments on the Company's equity investments, especially New Pacific.
5. **Other income** of $2.5 million in Q4 2021 resulted in a $16.0 million change relative to the $13.5 million other expense booked in Q4 2020. Q4 2021 other income reflects changes in supplies inventory provisions for our non-operating subsidiaries, while the Q4 2020 expense reflects a $6.1 million provision relating to certain value-added tax receivables in Guatemala and a $5.2 million increase to estimated closure and decommissioning liabilities for the Company's Alamo Dorado mine in Mexico, which went into reclamation at the end of 2017.
6. **Income from equity investees** was a $12.1 million decrease in Q4 2021 compared to Q4 2020. Income from equity investees in both periods primarily reflect the Company's share of income from Maverix.
7. **Gains on sale of mineral properties, plant and equipment** were a $10.4 million decrease in Q4 2021 compared with Q4 2020, and relate to the disposition of non-core exploration properties.
8. **Gains on derivatives** of $1.6 million in Q4 2021 compares with $7.3 million of gains on derivatives in Q4 2020. The decrease of $5.7 million is primarily related to a decrease in gains from the Company's diesel and MXN contracts in the current quarter.

Statement of Cash Flows: Q4 2021 versus Q4 2020

Cash flow from operations in Q4 2021 totaled $118.1 million, $52.5 million less than the $170.6 million generated in Q4 2020. This decrease was mainly attributable to a $28.2 million decrease in cash from changes in non-cash operating working capital and a $34.1 million decrease in cash mine operating earnings.

Working capital changes in Q4 2021 resulted in a $9.7 million use of cash, mainly reflecting an inventory build-up offset by a build-up in accounts payables and accrued liabilities. Changes in non-cash working capital in Q4 2020 resulted in an $18.6 million source of cash, comprised mainly of a build-up in accounts payables and accrued liabilities that offset an increase in inventories and trade and other receivables balances.

Investing activities utilized $66.3 million of cash in Q4 2021, comprised mostly of $70.1 million spent on mineral property, plant and equipment additions at the Company’s mines and projects, which was partially offset by cash inflows from derivative contracts and non-core asset sales. In Q4 2020, investing activities utilized $40.1 million, largely reflecting spending of $53.6 million on mineral property, plant and equipment at the Company's mines and projects, partially offset by $12.0 million from the sale of non-core exploration assets.

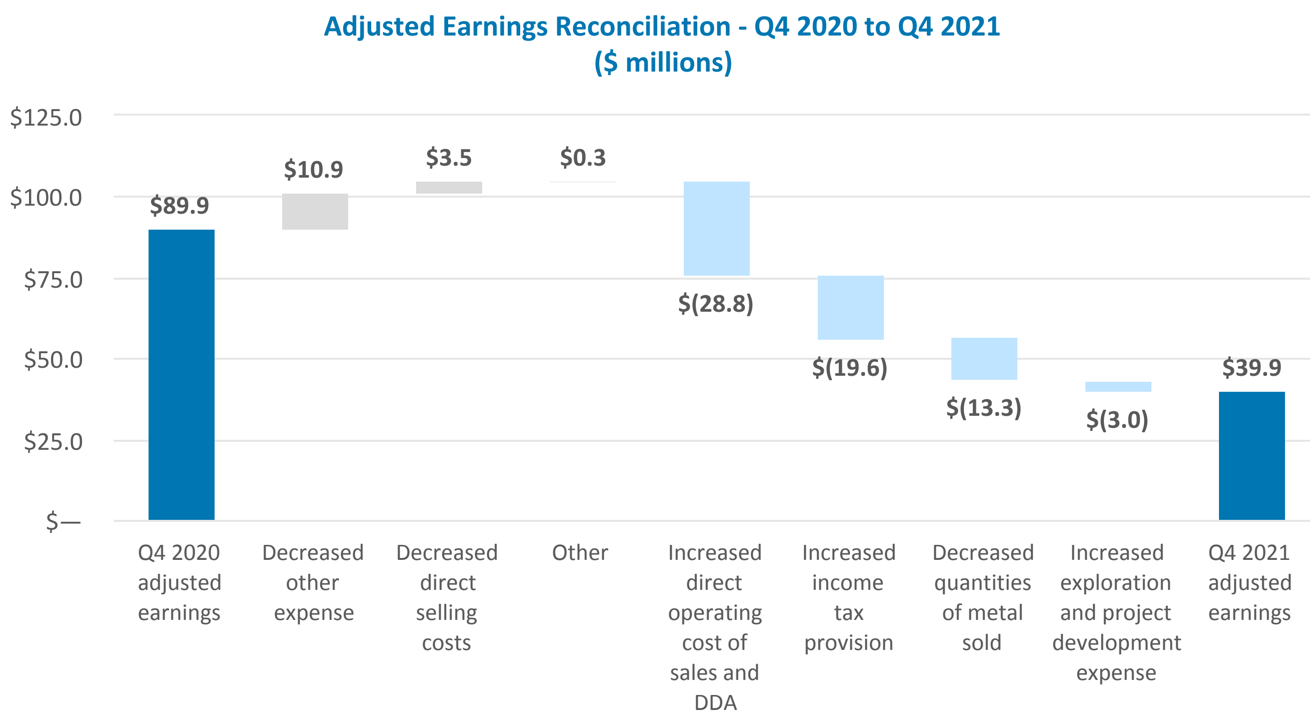
Financing activities in Q4 2021 used $25.1 million, largely related to $21.0 million of dividends paid to shareholders, $0.9 million of loan repayments, and $3.4 million of lease repayments. In Q4 2020, $113.5 million was used in financing activities, which consisted of $90.0 million of repayments on the Credit Facility, $14.7 million paid as dividends to shareholders, and $8.8 million of loan and lease repayments.

Adjusted Earnings: Q4 2021 versus Q4 2020

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 2021 Financial Statements.

Adjusted Earnings in Q4 2021 was $39.9 million, representing a basic adjusted earnings per share of $0.19, which was $49.9 million, or $0.24 per share, lower than Q4 2020 adjusted earnings of $89.9 million, and $0.43 of basic adjusted earnings per share.

The following chart illustrates the key factors leading to the change in adjusted earnings from Q4 2020 to Q4 2021:



(1) Commencing in Q1 2021, gains and losses recognized in relation to certain equity investments owned by the Company, and included in Investment income (loss) in the Company's financial statements, are being excluded from adjusted earnings. This change was based on the increase in both the magnitude and volatility of these investments having a larger impact on the Company's net income in recent years, and Management's belief that these fair-market-values are neither under the control of Management nor representative of normal course operating results. The comparative period's adjusted earnings have been revised to conform to this change and thus differ from that previously reported.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

LIQUIDITY AND CAPITAL POSITION

Liquidity and Capital Measures	December 31, 2021	September 30, 2021	December 31, 2020	Q4 2021 Change	2021 Change
Cash and cash equivalents ("Cash")	**283,550**	257,509	167,113	26,041	116,437
Short-term Investments	**51,723**	57,938	111,946	(6,215)	(60,223)
Cash and Short-term investments	**335,273**	315,447	279,059	19,826	56,214
Working Capital	**613,494**	618,761	495,168	(5,267)	118,326
Credit Facility committed amount	**500,000**	500,000	500,000	—	—
Credit Facility amounts drawn	**—**	—	—	—	—
Shareholders' equity	**2,636,008**	2,639,114	2,605,839	(3,106)	30,169
Total debt (1)	**45,861**	44,977	33,565	884	12,296
Capital (2)	**2,346,596**	2,368,644	2,360,345	(22,048)	(13,749)

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

(2) The capital of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents and short term investments.

Liquidity and Capital Resources

The Company's cash and short-term investments increased by $26.0 million and $116.4 million during Q4 2021 and the full year 2021, respectively. Operating cash flows of $118.1 million in Q4 2021, included $22.8 million in tax payments and a $9.7 million use of cash from working capital changes, and financed all of the Company's investing and financing activities in the quarter. The financing and investing activity cash outflows in the quarter included $70.1 million in payments for mineral property plant and equipment, $21.0 million in dividend payments, and $3.4 million of payments on equipment leases. The Company's equity investments classified as a short-term investment, including the Company's investment in New Pacific, decreased by $6.2 million in the quarter.

Annual operating cash flows in 2021 of $392.1 million included $71.1 million use of cash from working capital changes and $129.2 million in tax payments. Annual operating cash flows together with $45.8 million of proceeds from the sale of non-core mineral properties, including Waterloo, were sufficient to cover $243.5 million of investments in mineral property plant and equipment, dividend payments of $71.5 million, and lease payments of $12.4 million during the year. The Company's equity investments classified as a short-term investment, including the Company's investment in New Pacific, decreased by $60.2 million in 2021.

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"). The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

Working capital at December 31, 2021 of $613.5 million decreased by $5.3 million from September 30, 2021. The decrease was attributable to a $14.6 million increase in current liabilities, other than those relating to taxes, and a $14.3 million net increase in current tax liabilities, partially offset by the $19.8 million combined increase in cash and short-term investments described above, and a $3.8 million increase in other current assets other than those relating to taxes. Since December 31, 2020, working capital has increased by $118.3 million, primarily from: $56.2 million of cash and short-term investments, and an $89.8 million increase in other current assets other than those relating to taxes, which primarily reflected an increase in inventories, partially offset by a $21.3 million increase in current liabilities other than those relating to taxes, and a $6.3 million net increase in current tax liabilities.

As of December 31, 2021, the Company was in compliance with all financial covenants under the Sustainability-Linked Credit Facility, which as of the date of this MD&A and as at December 31, 2021 remained undrawn. The borrowing costs under the Sustainability-Linked Credit Facility are based on the Company's leverage ratio subject to pricing adjustments based on sustainability performance ratings and scores at either (i) LIBOR plus 1.825% to

2.80%; or (ii) The Bank of Nova Scotia's Base Rate on U.S. dollar denominated commercial loans plus 0.825% to 1.80%. Undrawn amounts under the Sustainability-Linked Credit Facility are subject to a stand-by fee of 0.41% to 0.63% per annum, dependent on the Company's leverage ratio and subject pricing adjustments based on sustainability performance ratings and scores. The Company's Sustainability-Linked Credit Facility matures on August 8, 2025.

The net cash generated from the sales of metal production provides our primary source of cash flows. We have not experienced payment delinquencies from our metal sales counterparties during the COVID-19 pandemic, nor do we currently expect to experience such delinquencies as the pandemic continues, though the impact of COVID-19 on the credit risk associated with our counterparties cannot be determined with any degree of certainty.

The Company may periodically experience restrictions on the ability of its subsidiaries to transfer funds to Pan American Silver Corp., primarily as a result of fiscal restrictions or regulatory changes in the jurisdictions where we operate. For example, Argentina has, at times, instituted unfavorable economic policies and strict currency controls, particularly on USD transactions. These restrictions on our ability to receive funds from our subsidiaries have not, and are not currently expected to, materially impact the Company's ability to meet its obligations.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company's capital requirements, Pan American utilizes a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents and short term investments.

The Company's financial position at December 31, 2021, 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 2022 working capital requirements, commitments, fund currently planned capital expenditures, and to discharge liabilities as they come due. The Company remains well positioned to take advantage of strategic opportunities as they become available. Liquidity risks are discussed further in the "Risks and Uncertainties" section of this MD&A.

The impact of inflation on the Company's financial position, operational performance, or cash flows over the next twelve months cannot be determined with any degree of certainty due to a number of uncertainties, including those related to the COVID-19 business disruptions.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments which are described in Note 8(e)(ii) of the 2021 Financial Statements, and in the Liquidity and Capital Position section of this MD&A, for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments on an undiscounted basis:

	Payments due by period 2021				
	Within 1 year	2 - 3 years	4- 5 years	After 5 years	Total
Accounts payable and accrued liabilities other than:	$ 275,629	$ —	$ —	$ —	$ 275,629
Severance accrual	26,695	404	33	4,450	31,582
Employee compensation	3,763	—	—	—	3,763
Total accounts payable and accrued liabilities	306,087	404	33	4,450	310,974
Income taxes payable	59,133	—	—	—	59,133
Loss on derivatives	351	—	—	—	351
Debt					
Repayment of principal	3,400	6,800	5,100	—	15,300
Interest and standby fees	2,613	4,867	1,432	—	8,912
Provisions (1)(2)	2,738	2,553	—	—	5,291
Future employee compensation	3,352	9,058	—	—	12,410
Total contractual obligations (2)	**$ 377,674**	**$ 23,682**	**$ 6,565**	**$ 4,450**	**$ 412,371**

(1) Total litigation provision (Note 15).
(2) Amounts above do not include payments related to closure and decommissioning (current $5.3 million, long-term $237.6 million) discussed in Note 15, the $20.8 million deferred credit arising from the Navidad acquisition discussed in Note 18, and deferred tax liabilities of $184.8 million in Note 27.

Outstanding Share Amounts

As at December 31, 2021, the Company had approximately 0.28 million stock options outstanding (each exercisable for one common share of the Company), with exercise prices in the range of CAD $9.76 to CAD $41.62 and a weighted average life of 3.8 years. Approximately 0.22 million of the stock options were vested and exercisable at December 31, 2021, with an average weighted exercise price of CAD $18.84 per share.

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

	Outstanding as at February 17, 2022
Common shares	210,457,524
Options	279,003
Total	**210,736,527**

As part of the consideration payable to Tahoe shareholders in connection with the acquisition of Tahoe, Tahoe shareholders received contingent consideration in the form of one contingent value right ("CVR") for each Tahoe share. Each CVR has a 10 year term and will be exchanged for 0.0497 of a Pan American share upon first commercial shipment of concentrate following restart of operations at the Escobal mine. The Company issued an aggregate of 313,887,490 CVRs.

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 December 31, 2021 was $413.0 million (December 31, 2020 - $330.6 million) using inflation rates of between 1% and 5% (December 31, 2020 - between 0% and 4%). The inflated and discounted provision on the statement of financial position as at December 31, 2021, using discount rates between 1% and 9% (December 31, 2020 - between 0% and 8%), was $242.9 million (December 31, 2020 - $235.1 million). Spending with respect to decommissioning obligations at the Alamo Dorado and Manantial Espejo mines began in 2016, while the remainder of the obligations are expected to be paid through 2047 or later if mine life is extended. Revisions made to the reclamation obligations in 2021 were primarily a result of increased site disturbance at the mines as well as revisions to the estimate based on periodic reviews of closure plans, actual expenditures incurred and concurrent 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 Q4 2021 and 2021 earnings as finance expense were $1.9 million and $7.5 million, respectively (Q4 2020 and 2020 - $2.1 million and $8.3 million, respectively). Reclamation expenditures incurred during Q4 2021 and 2021 were $1.7 million and $6.0 million, respectively (Q4 2020 and 2020 - $0.8 million and $2.5 million, respectively).

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 have been disclosed in Note 12 of the 2021 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

Per Ounce Measures

Cash costs and AISC are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

Pan American produces by-product metals incidentally to our silver and gold mining activities. We have adopted the practice of calculating a performance measure with the net cost of producing an ounce of silver and gold, our primary payable metals, after deducting revenues gained from incidental by-product production. 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.

Silver segment cash costs and AISC are calculated net of credits for realized revenues from all metals other than silver ("silver segment by-product credits"), and are calculated per ounce of silver sold. Gold segment cash costs and AISC are calculated net of credits for realized silver revenues ("gold segment by-product credits"), and are calculated per ounce of gold sold. Consolidated cash costs and AISC are based on total silver ounces sold and are net of by-product credits from all metals other than silver ("silver basis consolidated by-product credits").

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. Cash costs per ounce is conceptually understood and widely reported in the mining industry.

We believe that AISC, also calculated net of by-products, is a comprehensive measure of the full cost of operating our consolidated business, given that it includes the cost of replacing silver and gold 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.

Due to the expected mine sequencing into a higher gold zone of the mine plan at Dolores, the Company has determined that the mine is better identified as a Gold Segment operation from 2021 onwards. Thus as of Q1 2021, Dolores Cash Costs and AISC are reported on a per ounce of gold basis and are included as part of the Gold Segment Cash Costs and AISC calculations. 2020 Dolores Cash Costs and AISC are reported on a per ounce of silver basis and are included as part of the Silver Segment Cash Costs and AISC calculations, as previously reported.

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 applicable cost items, as reported in the consolidated financial statements for the respective periods.

Consolidated Cash Costs and AISC:

	Three months ended December 31, 2021				Three months ended December 31, 2020			
(In thousands of USD, except as noted)	Silver Segment	Gold Segment	Corporate	Consolidated (silver basis)(1)	Silver Segment	Gold Segment	Corporate	Consolidated (silver basis)(1)
Production Costs	**106,908**	**156,533**		**263,442**	**119,407**	**87,296**		**206,702**
Purchase price allocation inventory fair value adjustment	—	(55)		(55)		(712)		(712)
NRV inventory adjustments	814	(22,466)		(21,653)	6,742	—		6,742
On-site direct operating costs(3)	**107,722**	**134,012**		**241,734**	**126,148**	**86,583**		**212,732**
Royalties	2,204	4,345		6,548	7,222	1,902		9,123
Smelting, refining and direct selling charges(2)	18,604	43		18,647	22,074	29		22,103
Cash cost of sales before by-product credits(3)	**128,530**	**138,400**		**266,930**	**155,444**	**88,514**		**243,958**
Silver segment by-product credits(2)	(84,497)	—		—	(127,021)	—		—
Gold segment by-product credits(2)	—	(12,561)		—	—	(2,745)		—
Consolidated silver basis by-product credits(1,2)	—	—		(319,162)	—	—		(337,483)
Cash costs	**44,033**	**125,839**		**(52,232)**	**28,424**	**85,769**		**(93,524)**
NRV inventory adjustments	(814)	22,466		21,653	(6,742)	—		(6,742)
Sustaining capital	16,627	39,654		56,280	24,392	27,615		52,007
Exploration and project development	1,040	1,926	1,110	4,076	596	851	(356)	1,091
Reclamation cost accretion	494	1,129	240	1,864	1,225	749	87	2,061
General and administrative expense	—	—	8,255	8,255	—	—	10,679	10,679
All-in sustaining costs	**61,381**	**191,014**	**9,605**	**39,895**	**47,895**	**114,984**	**10,410**	**(34,428)**
Silver segment silver ounces sold (koz)	4,522	—		—	4,620	—		—
Gold segment gold ounces sold (koz)	—	131		—	—	112		—
Total silver ounces sold (koz)	—	—		5,067	—	—		4,732
Cash costs per ounce sold	**9.74**	**963**			**6.15**	**763**		
AISC per ounce sold	**13.57**	**1,461**		**7.87**	**10.37**	**1,023**		**(7.28)**
AISC per ounce sold (excluding NRV inventory adjustments)	**13.75**	**1,289**		**3.60**	**11.83**	**1,023**		**(5.85)**

	Year ended December 31, 2021				Year ended December 31, 2020			
(In thousands of USD, except as noted)	**Silver Segment**	**Gold Segment**	**Corporate**	**Consolidated (silver basis)[1]**	Silver Segment	Gold Segment[4]	Corporate	Consolidated (silver basis)[1]
Production Costs	**384,460**	**541,019**		**925,479**	**375,475**	**321,198**		**696,672**
Purchase price allocation inventory fair value adjustment		(604)		(604)		(3,463)		(3,463)
NRV inventory adjustments	992	(9,712)		(8,719)	16,175	—		16,175
On-site direct operating costs	**385,452**	**530,704**		**916,156**	**391,650**	**317,735**		**709,385**
Royalties	17,483	18,892		36,375	20,663	6,832		27,494
Smelting, refining and direct selling charges[2]	70,921	181		71,102	61,340	137		61,477
Cash cost of sales before by-product credits	**473,857**	**549,776**		**1,023,633**	**473,653**	**324,704**		**798,357**
Silver segment by-product credits[2]	(302,620)	—		—	(354,042)	—		—
Gold segment by-product credits[2]	—	(65,135)		—	—	(7,213)		—
Consolidated silver basis by-product credits[1,2]	—	—		(1,268,161)	—	—		(1,052,852)
Cash costs	**171,237**	**484,642**		**(244,528)**	**119,611**	**317,490**		**(254,495)**
NRV inventory adjustments	(992)	9,712		8,719	(16,175)	—		(16,175)
Sustaining capital	56,837	150,785		207,623	83,178	78,868		162,047
Exploration and project development	3,329	4,681	3,060	11,071	1,474	3,413	2,209	7,096
Reclamation cost accretion	2,008	4,516	946	7,470	4,898	2,996	365	8,260
General and administrative expense			34,852	34,852			36,375	36,375
All-in sustaining costs	**232,418**	**654,336**	**38,858**	**25,207**	**192,986**	**402,768**	**38,948**	**(56,893)**
Silver segment silver ounces sold (koz)	14,883	—		—	16,966	—		—
Gold segment gold ounces sold (koz)	—	539		—	—	398		—
Total silver ounces sold (koz)	—	—		17,470	—	—		17,317
Cash costs per ounce sold	**11.51**	**899**			**7.05**	**797**		
AISC per ounce sold	**15.62**	**1,214**		**1.44**	**11.38**	**1,011**		**(3.29)**
AISC per ounce sold (excluding NRV inventory adjustments)	**15.68**	**1,196**		**0.94**	**12.33**	**1,011**		**(2.35)**

(1) Consolidated silver basis calculated by treating all revenues from metals other than silver, including gold, as a by-product credit in cash costs. Consolidated silver basis by-product credits include all silver segment by-product credits, as well as gold revenues from the Gold Segment mines as by-products. Total silver ounces sold likewise includes silver ounces sold from Gold Segment operations.

(2) Included in the revenue line of the consolidated income statements. By-product credits are reflective of realized metal prices for the applicable periods.

Sustaining capital is included in AISC, 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 AISC 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 December 31,**		**Year ended December 31,**	
(in thousands of USD)	**2021**	2020	**2021**	2020
Payments for mineral properties, plant and equipment[(1)]	**70,146**	53,637	**243,478**	178,556
Add/(Subtract)				
Lease Payments[(1)]	**3,417**	3,180	**12,396**	13,101
Repayment of loans[(2)]	**850**	—	**1,700**	—
Investment (non-sustaining) capital	**(18,132)**	(4,807)	**(49,951)**	(29,610)
Sustaining Capital	**56,280**	52,007	**207,623**	162,047

(1) As presented on the consolidated statements of cash flows.
(2) As presented on the consolidated statements of cash flows. Related to repayments of construction loans for leach pad expansions in Peru.

Silver Segment Cash Costs and AISC by mine:

SILVER SEGMENT	Three Months Ended December 31, 2021					
(In thousands of USD, except as noted)	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	27,142	21,913	18,720	11,567	27,566	106,908
NRV inventory adjustments	—	—	—	—	814	814
On-site direct operating costs	**27,142**	**21,913**	**18,720**	**11,567**	**28,380**	**107,722**
Royalties	68	—	—	1,119	1,017	2,204
Smelting, refining & direct selling costs	3,461	4,792	4,611	2,807	2,933	18,604
Cash costs before by-product credits	**30,671**	**26,705**	**23,331**	**15,493**	**32,329**	**128,530**
Silver segment by-product credits	(11,242)	(24,360)	(21,084)	(8,075)	(19,736)	(84,497)
Cash costs	**19,430**	**2,345**	**2,247**	**7,418**	**12,593**	**44,033**
NRV inventory adjustments	—	—	—	—	(814)	(814)
Sustaining capital	6,410	3,991	1,184	2,469	2,573	16,627
Exploration and project development	626	—	414	—	—	1,040
Reclamation cost accretion	113	139	75	65	102	494
All-in sustaining costs	**26,578**	**6,476**	**3,919**	**9,952**	**14,455**	**61,381**
Silver segment silver ounces sold (koz)	**1,669**	**672**	**491**	**682**	**1,007**	**4,522**
Cash cost per ounce sold	**11.64**	**3.49**	**4.57**	**10.87**	**12.50**	**9.74**
AISC per ounce sold	**15.93**	**9.63**	**7.98**	**14.59**	**14.35**	**13.57**
AISC per ounce sold (excluding NRV inventory adjustments)	**15.93**	**9.63**	**7.98**	**14.59**	**15.16**	**13.75**

SILVER SEGMENT	Three Months Ended December 31, 2020						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	22,069	36,235	16,402	17,207	6,455	21,038	119,407
NRV inventory adjustments	—	6,250	—	—	—	492	6,742
On-site direct operating costs	**22,069**	**42,485**	**16,402**	**17,207**	**6,455**	**21,530**	**126,148**
Royalties	185	2,603	57	—	3,647	730	7,222
Smelting, refining & direct selling costs	4,444	13	7,790	5,775	2,132	1,919	22,074
Cash costs before by-product credits	**26,698**	**45,101**	**24,249**	**22,982**	**12,234**	**24,180**	**155,444**
Silver segment by-product credits	(17,577)	(54,493)	(22,832)	(16,852)	(4,222)	(11,044)	(127,021)
Cash costs	**9,121**	**(9,392)**	**1,416**	**6,130**	**8,013**	**13,136**	**28,424**
NRV inventory adjustments	—	(6,250)	—	—	—	(492)	(6,742)
Sustaining capital	5,496	12,778	776	3,219	1,391	732	24,392
Exploration and project development	442	124	—	30	—	—	596
Reclamation cost accretion	143	660	144	84	71	123	1,225
All-in sustaining costs	**15,201**	**(2,079)**	**2,336**	**9,463**	**9,475**	**13,499**	**47,895**
Silver segment silver ounces sold (koz)	**1,291**	**959**	**697**	**517**	**453**	**702**	**4,620**
Cash cost per ounce sold	**7.07**	**(9.79)**	**2.03**	**11.85**	**17.67**	**18.72**	**6.15**
AISC per ounce sold	**11.78**	**(2.17)**	**3.35**	**18.29**	**20.89**	**19.24**	**10.37**
AISC per ounce sold (excluding NRV inventory adjustments)	**11.78**	**4.35**	**3.35**	**18.29**	**20.89**	**19.94**	**11.83**

SILVER SEGMENT	Year ended December 31, 2021					
(In thousands of USD, except as noted)	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	74,874	90,126	75,182	40,404	103,874	384,460
NRV inventory adjustments	—	—	—	—	992	992
On-site direct operating costs	**74,874**	**90,126**	**75,182**	**40,404**	**104,866**	**385,452**
Royalties	319	—	—	14,165	3,000	17,483
Smelting, refining & direct selling costs	10,883	21,925	20,140	9,612	8,361	70,921
Cash costs before by-product credits	**86,075**	**112,051**	**95,322**	**64,181**	**116,227**	**473,857**
Silver segment by-product credits	(39,586)	(100,306)	(75,491)	(27,265)	(59,973)	(302,620)
Cash costs	**46,490**	**11,745**	**19,831**	**36,917**	**56,254**	**171,237**
NRV inventory adjustments	—	—	—	—	(992)	(992)
Sustaining capital	26,069	10,897	6,957	5,340	7,575	56,837
Exploration and project development	2,643	—	686	—	—	3,329
Reclamation cost accretion	452	557	298	261	439	2,008
All-in sustaining costs	**75,654**	**23,199**	**27,772**	**42,518**	**63,275**	**232,418**
Silver segment silver ounces sold (koz)	**4,321**	**2,976**	**2,059**	**2,465**	**3,062**	**14,883**
Cash cost per ounce sold	**10.76**	**3.95**	**9.63**	**14.98**	**18.37**	**11.51**
AISC per ounce sold	**17.51**	**7.79**	**13.49**	**17.25**	**20.67**	**15.62**
AISC per ounce sold (excluding NRV inventory adjustments)	**17.51**	**7.79**	**13.49**	**17.25**	**20.99**	**15.68**

SILVER SEGMENT[(1)]	Year ended December 31, 2020						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	69,073	138,670	39,572	35,768	25,940	66,451	375,475
NRV inventory adjustments	—	12,713	—	—	—	3,462	16,175
On-site direct operating costs	**69,073**	**151,384**	**39,572**	**35,768**	**25,940**	**69,913**	**391,650**
Royalties	593	8,286	42	—	9,812	1,930	20,663
Smelting, refining & direct selling costs	18,110	66	18,167	11,712	7,092	6,192	61,340
Cash costs before by-product credits	**87,776**	**159,736**	**57,781**	**47,480**	**42,844**	**78,036**	**473,653**
Silver segment by-product credits	(51,039)	(169,802)	(50,826)	(34,856)	(9,383)	(38,137)	(354,042)
Cash costs	**36,737**	**(10,066)**	**6,955**	**12,624**	**33,461**	**39,899**	**119,611**
NRV inventory adjustments	—	(12,713)	—	—	—	(3,462)	(16,175)
Sustaining capital	18,417	44,861	4,500	7,259	4,877	3,264	83,178
Exploration and project development	998	338	—	138	—	—	1,474
Reclamation cost accretion	570	2,640	576	336	285	491	4,898
All-in sustaining costs	**56,723**	**25,060**	**12,031**	**20,357**	**38,623**	**40,192**	**192,986**
Silver segment silver ounces sold (koz)	**5,254**	**4,063**	**1,843**	**1,108**	**2,153**	**2,545**	**16,966**
Cash cost per ounce sold	**6.99**	**(2.48)**	**3.77**	**11.40**	**15.54**	**15.68**	**7.05**
AISC per ounce sold	**10.80**	**6.17**	**6.53**	**18.38**	**17.94**	**15.80**	**11.38**
AISC per ounce sold (excluding NRV inventory adjustments)	**10.80**	**9.30**	**6.53**	**18.38**	**17.94**	**17.16**	**12.33**

Gold Segment Cash Costs and AISC by mine:

GOLD SEGMENT	Three Months Ended December 31, 2021				
(In thousands of USD, except as noted)	Dolores	Shahuindo	La Arena	Timmins	Total
Production Costs	62,850	34,233	22,204	37,245	156,533
Purchase Price Allocation Inventory Fair Value Adjustment	—	(55)	—	—	(55)
NRV inventory adjustments	(22,466)	—	—	—	(22,466)
On-site direct operating costs	**40,384**	**34,179**	**22,204**	**37,245**	**134,012**
Royalties	2,599	—	—	1,746	4,345
Smelting, refining & direct selling costs	7	—	—	36	43
Cash costs before by-product credits	**42,990**	**34,179**	**22,204**	**39,027**	**138,400**
Gold segment by-product credits	(11,001)	(1,276)	(190)	(94)	(12,561)
Cash costs	**31,989**	**32,902**	**22,014**	**38,933**	**125,839**
NRV inventory adjustments	22,466	—	—	—	22,466
Sustaining capital	12,097	9,146	9,996	8,415	39,654
Exploration and project development	36	828	—	1,062	1,926
Reclamation cost accretion	701	263	150	15	1,129
All-in sustaining costs	**67,289**	**43,139**	**32,160**	**48,425**	**191,014**
Gold segment gold ounces sold	**34,343**	**39,531**	**26,867**	**30,000**	**130,740**
Cash cost per ounce sold	**931**	**832**	**819**	**1,298**	**963**
AISC per ounce sold	**1,959**	**1,091**	**1,197**	**1,614**	**1,461**
AISC per ounce sold (excluding NRV inventory adjustments)	**1,305**	**1,091**	**1,197**	**1,614**	**1,289**

GOLD SEGMENT	Three Months Ended December 31, 2020			
(In thousands of USD, except as noted)	Shahuindo	La Arena	Timmins	Total
Production Costs	23,460	23,797	40,039	87,296
Purchase Price Allocation Inventory Fair Value Adjustment	(688)	(24)	—	(712)
NRV inventory adjustments	—	—	—	—
On-site direct operating costs	**22,772**	**23,772**	**40,039**	**86,583**
Royalties	—	—	1,902	1,902
Smelting, refining & direct selling costs	—	—	29	29
Cash costs before by-product credits	**22,772**	**23,772**	**41,970**	**88,514**
Gold segment by-product credits	(2,291)	(365)	(89)	(2,745)
Cash costs	**20,481**	**23,407**	**41,881**	**85,769**
NRV inventory adjustments	—	—	—	—
Sustaining capital	6,963	13,030	7,621	27,615
Exploration and project development	—	—	851	851
Reclamation cost accretion	404	295	51	749
All-in sustaining costs	**27,848**	**36,732**	**50,404**	**114,984**
Gold segment gold ounces sold	**33,063**	**42,096**	**37,200**	**112,359**
Cash cost per ounce sold	**619**	**556**	**1,126**	**763**
AISC per ounce sold	**842**	**873**	**1,355**	**1,023**
AISC per ounce sold (excluding NRV inventory adjustments)	**842**	**873**	**1,355**	**1,023**

GOLD SEGMENT	Year ended December 31, 2021				
(In thousands of USD, except as noted)	Dolores	Shahuindo	La Arena	Timmins	Total
Production Costs	174,219	115,009	84,243	167,549	541,019
Purchase Price Allocation Inventory Fair Value Adjustment		(598)	(6)	—	(604)
NRV inventory adjustments	(9,712)	—	—	—	(9,712)
On-site direct operating costs	**164,507**	**114,411**	**84,237**	**167,549**	**530,704**
Royalties	12,067	—	—	6,825	18,892
Smelting, refining & direct selling costs	40	—	—	141	181
Cash costs before by-product credits	**176,613**	**114,411**	**84,237**	**174,515**	**549,776**
Gold segment by-product credits	(58,154)	(5,643)	(927)	(411)	(65,135)
Cash costs	**118,460**	**108,768**	**83,310**	**174,104**	**484,642**
NRV inventory adjustments	9,712	—	—	—	9,712
Sustaining capital	40,566	28,846	45,479	35,894	150,785
Exploration and project development	225	828	—	3,628	4,681
Reclamation cost accretion	2,804	1,052	599	61	4,516
All-in sustaining costs	**171,766**	**139,494**	**129,389**	**213,688**	**654,336**
Gold segment gold ounces sold	**158,071**	**139,456**	**109,432**	**132,000**	**538,960**
Cash cost per ounce sold	**749**	**780**	**761**	**1,319**	**899**
AISC per ounce sold	**1,087**	**1,000**	**1,182**	**1,619**	**1,214**
AISC per ounce sold (excluding NRV inventory adjustments)	**1,025**	**1,000**	**1,182**	**1,619**	**1,196**

GOLD SEGMENT	Year ended December 31, 2020			
(In thousands of USD, except as noted)	Shahuindo	La Arena	Timmins	Total
Production Costs	97,941	72,676	150,581	321,198
Purchase Price Allocation Inventory Fair Value Adjustment	(3,125)	(336)	(1)	(3,463)
NRV inventory adjustments	—	—	—	—
On-site direct operating costs	**94,816**	**72,339**	**150,580**	**317,735**
Royalties	—	—	6,832	6,832
Smelting, refining & direct selling costs	—	—	137	137
Cash costs before by-product credits	**94,816**	**72,339**	**157,549**	**324,704**
Gold segment by-product credits	(6,120)	(743)	(350)	(7,213)
Cash costs	**88,695**	**71,596**	**157,199**	**317,490**
NRV inventory adjustments	—	—	—	—
Sustaining capital	22,749	37,324	18,795	78,868
Exploration and project development	(5)	—	3,418	3,413
Reclamation cost accretion	1,615	1,179	203	2,996
All-in sustaining costs	**113,055**	**110,098**	**179,615**	**402,768**
Gold segment gold ounces sold	**150,775**	**99,320**	**148,130**	**398,225**
Cash cost per ounce sold	**588**	**721**	**1,061**	**797**
AISC per ounce sold	**750**	**1,109**	**1,213**	**1,011**
AISC per ounce sold (excluding NRV inventory adjustments)	**750**	**1,109**	**1,213**	**1,011**

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 as 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 and twelve months ended December 31, 2021 and 2020, to the net earnings for each period.

	Three Months Ended December 31		Year ended December 31	
(In thousands of USD, except as noted)	2021	2020[(1)]	2021	2020[(1)]
Net earnings for the period	**$ 14,664**	$ 169,018	**$ 98,562**	$ 176,455
Adjust for:				
Write-down of other assets	**—**	—	**—**	2,013
Unrealized foreign exchange losses	**1,643**	1,002	**6,703**	8,857
Heap inventory net realizable value charge (recovery)	**20,421**	(3,621)	**11,831**	662
Unrealized losses (gains) on derivatives	**662**	(6,712)	**3,764**	(6,175)
(Income) from equity investees	**(289)**	(12,340)	**(4,347)**	(10,529)
Loss (gain) on sale of assets	**551**	(9,832)	**(32,167)**	(7,922)
COVID 19 mine care and maintenance	**—**	—	**—**	75,097
Unrealized Investment loss (income) [(1)]	**6,083**	(30,603)	**59,722**	(62,139)
Closure and decommissioning liability	**—**	5,174	**—**	5,174
Effect of taxes on adjusting items	**(7,353)**	(30)	**3,377**	(18,848)
Effect of foreign exchange on taxes	**3,561**	(22,171)	**14,337**	18,598
Total adjustments	**$ 25,279**	$ (79,133)	**$ 63,220**	$ 4,788
Adjusted earnings for the period	**$ 39,943**	$ 89,885	**$ 161,782**	$ 181,243
Weighted average shares for the period	**210,348**	210,193	**210,298**	210,085
Adjusted earnings per share for the period	**$ 0.19**	$ 0.43	**$ 0.77**	$ 0.86

(1) Commencing in Q1 2021 gains and losses recognized in relation to certain equity investments owned by the Company, and included in Investment (loss) income in the Company's financial statements, are being excluded from adjusted earnings. This change was based on the increase in both the magnitude and volatility of these investments having a larger impact to the Company's net income in recent years, and Management's belief that these fair-market-values are neither under the control of Management nor representative of normal course operating results. The comparative period's adjusted earnings have been revised to conform to this change and thus differ from that previously reported.

Total Debt

Total debt is a non-GAAP measure calculated as the total current and non-current portions of long-term debt (including amounts drawn on the Sustainability-Linked Credit Facility), 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.

Capital

Capital is a non-GAAP measure and is calculated as total equity plus total debt less cash and cash equivalents and short term investments. 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 the enterprise value 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.

Cash Mine Operating Earnings

Cash mine operating earnings is a non-GAAP measure calculated as mine operating earnings excluding depreciation and amortization expense and NRV inventory adjustments included in production costs. Cash mine operating earnings 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 excludes these significant non-cash items to arrive at cash mine operating earnings for the purpose of analyzing and explaining periodic cash flow from operations and changes thereto.

Reconciliation of cash mine operating earnings	Three Months Ended December 31		Year ended December 31	
(in thousands of USD)	2021	2020	2021	2020
Mine operating earnings[1]	$ 76,039	$ 137,172	$ 367,938	$ 360,177
Add/(Subtract)				
Depreciation and amortization[1]	76,141	77,464	302,958	254,469
Net realizable value adjustment for inventories[2]	21,652	(6,741)	8,719	(16,175)
Cash mine operating earnings	**$ 173,832**	$ 207,895	**$ 679,615**	$ 598,471

(1) As presented on the consolidated statements of earnings and comprehensive earnings.
(2) As presented in Note 24 to the Company's 2021 Financial Statements.

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, gold, zinc, lead, and copper; trading and 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; risks relating to cyber security; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in jurisdictions such as Canada, Peru, Mexico, Argentina, Bolivia and Guatemala; environmental risks; risks related to its relations with employees and local communities where we operate, and risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time. 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 Financial Instruments and related risks section of the 2021 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 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 the 2021 Financial Statements under Note 8 "Financial Instruments", along with the financial statement classification, the significant assumptions made in determining the fair value, and amounts of income, expenses, gains and losses associated with financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

The following provides a description of the risks related to financial instruments and how management manages these risks:

Metal Price Fluctuations

The majority of our revenue is derived from the sale of silver, gold, zinc, copper and lead, and therefore fluctuations in the price of these metals significantly affect our operations and profitability. Our sales are directly dependent on metal prices, and metal prices have historically shown significant volatility and are beyond our control. The Board of Directors continually assesses Pan American's strategy towards our metal exposure, depending on market conditions. The table below illustrates the effect of changes in silver and gold prices on anticipated revenues for 2022, expressed in percentage terms. This analysis assumes that quantities of silver and gold produced and sold remain constant under all price scenarios presented.

2022 Revenue Metal Price Sensitivity

		Gold Price						
		$1,450	$1,550	$1,650	$1,750	$1,850	$1,950	$2,050
Silver Price	$19.50	85%	89%	93%	96%	100%	104%	108%
	$20.50	87%	90%	94%	98%	101%	105%	109%
	$21.50	88%	91%	95%	99%	103%	106%	110%
	$22.50	89%	93%	96%	**100%**	104%	107%	111%
	$23.50	90%	94%	97%	101%	105%	109%	112%
	$24.50	91%	95%	99%	102%	106%	110%	113%
	$25.50	92%	96%	100%	104%	107%	111%	115%

Since base metal and gold revenue are treated as a by-product credit for purposes of calculating Silver Segment cash costs and AISC per ounce of silver sold, and silver revenue is treated as a by-product credit for purposes of calculating Gold Segment cash costs and AISC per ounce of gold sold, these non-GAAP measures are highly sensitive to metal prices. The tables below illustrate this point by plotting the expected Silver Segment AISC per silver ounce according to our 2022 guidance against various price assumptions for the Silver Segment's two main by-product credits, zinc and gold, and plotting the expected Gold Segment AISC per gold ounce according to our 2022 guidance against various price assumptions for the Gold Segment's main by-product credit, Silver, expressed in percentage terms:

2022 Silver Segment AISC Metal Price Sensitivity

		Gold Price						
		$1,450	$1,550	$1,650	$1,750	$1,850	$1,950	$2,050
Zinc Price	$2,700	106%	105%	104%	103%	103%	102%	101%
	$2,800	105%	104%	103%	102%	101%	100%	99%
	$2,900	104%	103%	102%	101%	100%	99%	98%
	$3,000	103%	102%	101%	**100%**	99%	98%	97%
	$3,100	102%	101%	100%	99%	98%	97%	96%
	$3,200	101%	100%	99%	98%	97%	96%	95%
	$3,300	100%	99%	98%	97%	96%	95%	94%

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

2022 Gold Segment AISC Metal Price Sensitivity

		Silver Price						
		$19.50	$20.50	$21.50	$22.50	$23.50	$24.50	$25.50
Gold Price	$1,750	101%	101%	100%	**100%**	100%	99%	99%

The price of silver and other metals are affected by numerous factors beyond our control, including:

- global and regional levels of supply and demand;
- sales by government holders and other third parties;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments and improved mining and production methods;
- speculative activities;
- inventory carrying costs;
- availability, demand and costs of metal substitutes;
- international economic and political conditions;
- interest rates, inflation and currency values;
- increased demand for silver or other metals for new technologies; and
- reduced demand resulting from obsolescence of technologies and processes utilizing silver and other metals.

In addition to general global economic conditions that can have a significant impact on our business in many ways, declining market prices for metals could materially adversely affect our operations and profitability. A decrease in the market price of silver, gold and other metals could affect the commercial viability of our mines and production at some of our mining properties. Lower prices could also adversely affect future exploration and our ability to develop mineral properties and mines, including the development of capital intensive projects such as Navidad, all of which would have a material adverse impact on our financial condition, results of operations and future prospects. There can be no assurance that the market prices will remain at sustainable levels.

If market prices of gold and silver remain below levels used in Pan American's impairment testing and reserve prices for an extended period of time, Pan American may need to reassess its long-term price assumptions, and a significant decrease in the long-term price assumptions would be an indicator of potential impairment, requiring Pan American to perform an impairment assessment on related assets. Due to the sensitivity of the recoverable amounts to long term metal prices, as well as to other factors including changes to mine plans and cost escalations, any significant change in these key assumptions and inputs could result in impairment charges in future periods.

The Board of Directors continually assesses Pan American's strategy towards our base metal exposure, depending on market conditions. From time to time, we mitigate the market price risk associated with our base metal production by committing some of our forecast base metal production to forward sales and options contracts. However, decisions relating to hedging may have material adverse effects on our financial performance, financial position, and results of operations.

During the year ended December 31, 2021, the Company entered into collars made up of put and call contracts for its exposure to copper but had no contracts outstanding as at December 31, 2021. The Company recorded losses of $0.2 million and $1.1 million in Q4 2021 and 2021, respectively, on copper contracts during the year ended December 31, 2021. The Company did not enter into copper contracts during the comparable periods in 2020. As at December 31, 2021, the Company had outstanding collars made up of put and call contracts for its exposure to zinc (3,600 tonnes) with settlement dates on those positions between January 2022 and December 2022. The outstanding contracts have respective weighted average floor and cap prices per tonne of $3,150 and $4,000. The Company recorded gains of $0.1 million and $0.1 million during the three and twelve months ended December 31, 2021, respectively. The Company did not have any zinc contracts outstanding during the comparable periods in 2020.

During 2020, the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices. As at December 31, 2021, the Company had outstanding positions on its diesel exposure with a notional amount of 3.6 million gallons, with a weighted average fixed price of $1.42 per gallon, expiring between January 2022 and December 2022. The Company recorded gains of $0.3 million and $9.4 million for the three and twelve months ended December 31, 2021, respectively (Q4 2020 and 2020: gains of $4.0 million and $4.7 million, respectively).

We take the view that our precious metals production should not be hedged, thereby allowing the maximum exposure to precious metal prices. However, in extreme circumstances, the Board of Directors may make exceptions to this approach. Such decisions could have material adverse effects upon our financial performance, financial position, and results of operations.

Trading Activities and Credit Risk

The zinc, lead, and copper concentrates produced by us are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require us to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing us to credit risk of the buyers of our concentrates. Should any of these counterparties not honour our contractual arrangements, or should any of them become insolvent, we may incur losses for products already shipped and be forced to sell our concentrates in the spot market or we may not have a market for our concentrates and therefore our future operating results may be materially adversely impacted.

As at December 31, 2021, we had receivable balances associated with buyers of our concentrates of $40.0 million (2020 - $35.1 million). The vast majority of our concentrate is sold to a limited number of concentrate buyers.

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 December 31, 2021, we had approximately $52.3 million (2020 - $61.8 million) contained in precious metal inventory at refineries. We maintain insurance coverage against the loss of precious metals at our mine sites and in-transit to refineries. Risk is transferred to the refineries upon delivery.

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

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

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which we operate. These advances represent a credit risk to us to the extent that suppliers do not deliver products or perform services as expected. As at December 31, 2021, we had made $11.2 million of supplier advances (2020 - $8.2 million), which are reflected in "Trade and other receivables" on the consolidated statements of financial position.

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

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

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

Exchange Rate Risk

We report our financial statements in USD; however we operate in jurisdictions that utilize other currencies. As a consequence, the financial results of our operations, as reported in USD, are subject to changes in the value of the USD relative to local currencies. Since our sales are denominated in USD and a portion of our operating costs and capital spending are in local currencies, we are negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse. From time to time, we mitigate part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit our 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.

Pan American held cash and short-term investments of $60.5 million in CAD, $1.2 million in MXN, $8.6 million in PEN, $12.5 million in ARS, $8.4 million in BOB, and $0.2 million in Guatemalan quetzales as at December 31, 2021.

As at December 31, 2021, Pan American had outstanding positions on $36.0 million in foreign currency exposure of MXN purchases, $16.8 million of PEN purchases, and $48.0 million of CAD purchases. The MXN positions had weighted average USD put and call exchange rates of $20.50 and $26.08, respectively, expiring between January 2022 and December 2022. The PEN positions had a weighted average USD fixed exchange rate of $4.13, expiring between January 2022 and December 2022. The CAD positions had weighted average USD put and call exchange rates of $1.26 and $1.32, respectively, expiring between January 2022 and December 2022.

For the year ended December 31, 2021, the Company recorded losses of $0.2 million (2020 - gains of $1.6 million), losses of $3.7 million (2020 - losses of $2.2 million), and gains of $0.9 million (2020 - losses of $0.6 million) on MXN, PEN, and CAD derivative contracts, respectively.

The following table illustrates the effect of changes in the exchange rate of PEN and CAD against the USD on anticipated cost of sales for 2022, expressed in percentage terms:

2022 Cost of Sales Exchange Rate Sensitivity

		CAD/USD						
		$1.04	$1.11	$1.18	$1.25	$1.32	$1.39	$1.46
PEN/USD	$3.50	106%	105%	103%	102%	101%	101%	100%
	$3.70	105%	104%	103%	101%	101%	100%	99%
	$3.90	104%	103%	102%	101%	100%	99%	98%
	$4.10	104%	102%	101%	**100%**	99%	98%	97%
	$4.30	103%	102%	100%	99%	98%	98%	97%
	$4.50	102%	101%	100%	99%	98%	97%	96%
	$4.70	102%	100%	99%	98%	97%	96%	96%

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

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

Liquidity Risk

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

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

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

We are required to use a portion of our cash flow to service principal and interest on debt, which will limit the cash flow available for other business opportunities. We also maintain and enter into intercompany credit arrangements with our subsidiaries in the normal course. Our ability to make scheduled principal payments, pay interest on or refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Unexpected delays in production, the suspension of our mining licenses, or other operational problems could impact our ability to service the debt and make necessary capital expenditures when the debt becomes due. If we are unable to generate such cash flow to timely repay any debt outstanding, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

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 are described in this section, and in Note 28 to the Company's 2021 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 December 31, 2021.

In early May 2021, the Company’s subsidiary in Guatemala and the Ministry of Energy and Mines of Guatemala were served with legal proceedings that were originated in the Constitutional Court of Guatemala by a small group of residents and landowners, or alleged residents and landowners, from the La Cuchilla community near the Escobal mine claiming that prior mining activities damaged their lands. Currently, operations at Escobal are suspended pending the completion of the government-led ILO 169 consultation process. Nevertheless, the action seeks injunctive relief to prevent future mining activities at Escobal. While the Company believes the claims are procedurally and substantively flawed and without merit, the outcome of these proceedings cannot be determined at this time.

As reported in our Annual Information Form dated February 23, 2022, certain individuals have asserted community rights and land ownership over a portion of the La Colorada mine’s surface lands in the Agrarian Courts of Mexico. They have also initiated a process before the Secretariat of Agrarian, Territorial and Urban Development (“SEDATU”) in Zacatecas to declare such lands as national property. In 2019, we filed a legal challenge (amparo) against this process and obtained an injunction to protect our ownership of these surface rights pending the outcome of the challenge and a further review by SEDATU. Our challenge was dismissed on October 25, 2021, primarily on the basis that no final declaration of national lands had yet been made by SEDATU that would affect our property rights. We have appealed this dismissal and we will continue to oppose the SEDATU process. While we believe that we hold proper title to the surface lands in question, if we are unable to maintain, or maintain access to, those surface rights, there could be material adverse impacts on the La Colorada mine's future mining operations.

COVID-19 and Other Pandemics

Since the outbreak of COVID-19 in late 2019, it has spread into areas where we have operations and where our offices are located. During 2020, Government efforts to curtail the spread of COVID-19 resulted in temporary suspensions of our operations in Mexico, Peru, Argentina and Bolivia, and we reduced throughput at our Timmins operation in Canada in order to enhance physical distancing and protect our personnel and the community. The spread of COVID-19 has impacted our employees and contractors, not only as it relates to potential health concerns, but also in terms of limitations on movement, availability of food and other goods, and personal well-being, among others. Our suppliers and service providers have also been impacted.

While COVID-19 has already had significant, direct impacts on our operations, our business, our workforce, and our production, the extent to which COVID-19 will continue to impact our operations will depend on future developments which are highly uncertain and cannot be predicted with confidence. These future developments include, but are not limited to, the duration of any outbreak, new information that may emerge concerning the severity of COVID-19 or its variants, and the actions taken to contain COVID-19 or treat it. The impact of governmental restrictions and health and safety protocols could improve or worsen relative to our assumptions, depending on how each jurisdiction manages potential outbreaks of COVID-19 and the efficacy of vaccines and other measures. We assume operations will continue to be impacted by comprehensive COVID-19 protocols in 2022, which would increase costs and restrict throughput levels, especially at our underground mines. Our ability to continue with our operations, or to successfully maintain our operations on care and maintenance if so required, or to restart or ramp-up any such operations efficiently or economically, or at all, is unknown. It is also uncertain, whether we will be able to maintain an adequate financial condition and have sufficient capital, or have access to capital through our Sustainability-Linked Credit Facility or otherwise, to sustain our business and operations.

Moreover, the continued presence of, or spread, of COVID-19 and its variants, and any future emergence and spread of similar pathogens, globally would likely have material adverse effect on both global and regional economies, including those in which we operate, as we have seen already. Such effects would not only affect our business and results of operations, but also the operations of our suppliers, contractors and service providers, including smelter and refining service providers, and the demand for our production. COVID-19 and the spread of similar pathogens could also negatively impact stock markets, including the trading price of our shares, adversely impact our ability to raise capital, cause continued interest rate volatility and movements that could make obtaining financing or refinancing our debt obligations more challenging or more expensive (if such financing is available at all), and result in any operations affected by coronavirus becoming subject to quarantine or shut down. Any of these developments, and others, could have a material adverse effect on our business and results of operations.

Climate Change

There is significant evidence of the effects of climate change on our planet and an intensifying focus on addressing these issues. The Company recognizes that climate change is a global challenge that may have both favorable and adverse effects on our business in a range of possible ways. Mining and processing operations are energy intensive and result in a carbon footprint either directly or through the purchase of fossil-fuel based electricity. As such, the Company is impacted by current and emerging policy and regulation relating to greenhouse gas emission levels, energy efficiency, and reporting of climate-change related risks. While some of the costs associated with reducing emissions may be offset by increased energy efficiency, technological innovation, or the increased demand for our metals as part of technological innovations, the current regulatory trend may result in additional transition costs at some of our operations. Governments are introducing climate change legislation and treaties at the international, national, and local levels, and regulations relating to emission levels and energy efficiency are evolving and becoming more rigorous. Current laws and regulatory requirements are not consistent across the jurisdictions in which we operate, and regulatory uncertainty is likely to result in additional complexity and cost in our compliance efforts. Public perception of mining is, in some respects, negative and there is increasing pressure to curtail mining in many jurisdictions as a result, in part, of perceived adverse effects of mining on the environment.

Concerns around climate change may also affect the market price of our shares as institutional investors and others may divest interests in industries that are thought to have more environmental impacts. While we are committed to operating responsibly and reducing the negative effects of our operations on the environment, our ability to reduce emissions, energy and water usage by increasing efficiency and by adopting new innovation is constrained by technological advancement, operational factors and economics. Adoption of new technologies, the use of renewable energy, and infrastructure and operational changes necessary to reduce water usage may also increase our costs significantly. Concerns over climate change, and our ability to respond to regulatory requirements and societal expectations, may have significant impacts on our operations and on our reputation, and may even result in reduced demand for our products.

The physical risks of climate change could also adversely impact our operations. These risks include, among other things, extreme weather events, resource shortages, changes in rainfall and in storm patterns and intensities, water shortages, changing sea levels and extreme temperatures. Climate-related events such as mudslides, floods, droughts and fires can have significant impacts, directly and indirectly, on our operations and could result in damage to our facilities, disruptions in accessing our sites with labour and essential materials or in shipping products from our mines, risks to the safety and security of our personnel and to communities, shortages of required supplies such as fuel and chemicals, inability to source enough water to supply our operations, and the temporary or permanent cessation of one or more of our operations. There is no assurance that we will be able to successfully anticipate, respond to, or manage the risks associated with physical climate change events and impacts, and this may result in material adverse consequences to our business and to our financial results.

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. The significant judgments and key sources of estimation uncertainty in the application of accounting policies are described in Note 5 and Note 6 of the 2021 Financial Statements, respectively.

Readers should also refer to Note 3 of the 2021 Financial Statements, for the Company's summary of significant accounting policies.

CHANGES IN ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted.

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarify the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The implementation of this amendment is not expected to have a material impact on the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. This amendment is not expected to have a material impact on the Company.

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

The amendment will prohibit the Company from deducting net proceeds from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in a manner intended by management. The amendment requires retrospective application and effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. This amendment is not expected to have a material impact on the Company upon adoption; however, the amendment may have impacts in future periods.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Pan American's management considers the meaning of internal control to be the processes established by management to provide reasonable assurance about the achievement of the Company's objectives regarding operations, reporting and compliance. Internal control is designed to address identified risks that threaten any of these objectives.

Disclosure controls and procedures ("DC&P")

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining adequate DC&P. Under the supervision and with the participation of our CEO and CFO, we evaluated the effectiveness of the design and operation of our DC&P in accordance with requirements of National Instrument 52-109 of the Canadian Securities Commission ("NI 52-109") and the Sarbanes Oxley Act of 2002 (as adopted by the US Securities and Exchange Commission).

As of December 31, 2021, based on the evaluation, our CEO and CFO concluded that our DC&P were effective to ensure that information required to be disclosed by us in reports we file or submit is recorded, processed, summarized and reported within the time periods specified in securities legislation and is accumulated and communicated to our management, including our CEO and CFO.

Internal control over financial reporting ("ICFR")

Our CEO and CFO are responsible for establishing and maintaining adequate ICFR. Under the supervision and with the participation of our CEO and CFO, we evaluated the effectiveness of our ICFR as of December 31, 2021 based upon the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, our CEO and CFO concluded that our ICFR was effective as of December 31, 2021. Management reviewed the results of management's evaluation with the Audit Committee of the Board.

The effectiveness of the Company's ICFR as of December 31, 2021 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm as stated in their report immediately preceding the Company's audited consolidated financial statements for the year ended December 31, 2021.

Changes in ICFR

There has been no change in the Company's ICFR during the three and twelve month periods ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, its ICFR.

Inherent limitations of controls and procedures

All internal control systems, no matter how well designed, have inherent limitations. As a result, even systems determined to be effective may not prevent or detect misstatements on a timely basis, as systems can provide only reasonable assurance that the objectives of the control system are met. In addition, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

MINERAL RESERVES AND RESOURCES

Pan American Silver Corporation Mineral Reserves as of June 30, 2021 [1,2]

Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)
Silver Segment										
Huaron	Peru	Proven	6.9	164	36.6			0.70	1.46	2.95
		Probable	3.6	171	19.8			0.31	1.73	3.10
Morococha (92.3%)[3]	Peru	Proven	3.0	151	14.7			0.38	1.30	3.78
		Probable	3.5	155	17.4			0.31	1.36	3.72
La Colorada	Mexico	Proven	3.9	350	43.5	0.25	30.6		1.17	2.09
		Probable	6.2	289	57.3	0.19	38.2		1.18	2.06
Manantial Espejo	Argentina	Proven	0.3	280	2.5	2.56	23.10			
		Probable	0.2	337	1.8	3.28	17.20			
San Vicente (95%)[3]	Bolivia	Proven	1.0	364	11.8			0.38	0.26	3.84
		Probable	0.5	375	6.6			0.41	0.30	3.89
Joaquin	Argentina	Proven	0.1	497	1.6	0.19	0.60			
		Probable	0.3	533	6.0	0.36	4.00			
COSE	Argentina	Proven	—	860	0.7	20.56	17.4			
		Probable	—	185	0.1	11.32	3.7			
Escobal	Guatemala	Proven	2.5	486	39.5	0.42	34.20		1.02	1.75
		Probable	22.1	316	225.0	0.34	243.80		0.77	1.25
Total Silver Segment[4]			**54.2**	**278**	**484.9**	**0.36**	**412.9**	**0.47**	**1.07**	**2.15**
Gold Segment										
La Arena	Peru	Proven	24.8			0.39	314.1			
		Probable	21.9			0.27	193.3			
Dolores	Mexico	Proven	20.8	22.0	14.9	0.74	495.3			
		Probable	6.2	28.0	5.6	0.78	155.1			
Shahuindo	Peru	Proven	54.6	8	14.5	0.54	949.8			
		Probable	49.8	6	9.4	0.41	663.1			
Timmins	Canada	Proven	4.0			3.03	385.3			
		Probable	6.9			2.91	642.6			
Total Gold Segment[4]			**189.0**	**11**	**44.4**	**0.63**	**3,798.5**			
Total Gold and Silver Segments[4]		**Proven + Probable**	**243.2**	**89**	**529.3**	**0.58**	**4,211.5**	**0.47**	**1.07**	**2.15**

(1) See table below entitled "Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2021".
(2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in National Instrument 43-101 Standards of Disclosures of Mineral Projects ("NI 43-101").
(3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.
(4) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Pan American Silver Corporation Measured and Indicated Mineral Resources as of June 30, 2021[1,2]

Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)
Silver Segment										
Huaron	Peru	Measured	1.9	162	9.9			0.21	1.63	3.11
		Indicated	2.5	154	12.1			0.67	1.55	2.78
Morococha (92.3%)[3]	Peru	Measured	0.6	134	2.4			0.61	0.82	2.64
		Indicated	0.8	121	3.0			0.91	0.55	2.04
La Colorada	Mexico	Measured	1.3	185	7.6	0.15	6.00		0.82	1.42
		Indicated	1.9	175	10.6	0.15	9.00		1.22	2.12
Manantial Espejo	Argentina	Measured	0.2	185	1.4	1.85	14.40			
		Indicated	0.3	219	2.1	2.72	26.30			
COSE	Argentina	Measured	—	146	0.2	1.68	2.40			
		Indicated	—	218	0.1	5.55	1.40			
Joaquin	Argentina	Indicated	0.3	357	3.8	0.25	2.70			
San Vicente (95%)[3]	Bolivia	Measured	0.9	165	4.8			0.22	0.18	2.60
		Indicated	0.3	233	2.3			0.28	0.21	2.58
Navidad	Argentina	Measured	15.4	137	67.8			0.10	1.44	
		Indicated	139.8	126	564.5			0.04	0.79	
Escobal	Guatemala	Measured	2.3	251	18.6	0.23	16.70		0.31	0.59
		Indicated	14.2	201	91.6	0.20	93.00		0.38	0.66
Total Silver Segment[4]			**182.7**	**137**	**803.0**	**0.26**	**171.9**	**0.06**	**0.83**	**1.34**
Gold Segment										
Dolores	Mexico	Measured	2.8	16.00	1.50	0.3	27.2			
		Indicated	0.8	22.00	0.60	0.62	16.3			
La Bolsa	Mexico	Measured	10.8	10	3.5	0.70	242.8			
		Indicated	10.6	8	2.7	0.54	184.3			
Pico Machay	Peru	Measured	4.7			0.91	137.5			
		Indicated	5.9			0.67	127.1			
La Arena	Peru	Measured	1.6			0.32	16.2			
		Indicated	2.6			0.22	18.1			
Shahuindo	Peru	Measured	19.3	5.00	3.20	0.29	182.5			
		Indicated	24.2	4.00	3.50	0.28	218.6			
Timmins	Canada	Measured	2.7			3.46	296.0			
		Indicated	5.1			2.90	478.7			
La Arena II	Peru	Measured	154.2			0.25	1256.6	0.38		
		Indicated	556.6			0.23	4,061.0	0.37		
Whitney (79%)[3]	Canada	Measured	0.8			7.02	172.3			
		Indicated	1.8			6.77	387.5			
Gold River	Canada	Indicated	0.7			5.29	117.4			
Marlhill	Canada	Indicated	0.4			4.52	57.4			
Vogel	Canada	Indicated	2.2			1.75	125.0			
Total Gold Segment[4]			**807.8**	**7**	**14.9**	**0.31**	**8,122.4**	**0.37**		
Total Gold and Silver Segments[4]		**Measured + Indicated**	**990.5**	**101**	**817.9**	**0.31**	**8,294.3**	**0.31**	**0.83**	**1.34**

(1) See table below entitled "Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2021".
(2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in NI 43-101.
(3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.
(4) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Pan American Silver Corporation Inferred Mineral Resources as of June 30, 2021[1,2]

Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)
Silver Segment										
Huaron	Peru	Inferred	5.8	153	28.6			0.43	1.51	2.73
Morococha (92.3%)[3]	Peru	Inferred	4.8	143	21.9			0.39	1.09	3.29
La Colorada	Mexico	Inferred	8.4	190	51.1	0.2	40.9		1.29	2.48
La Colorada Skarn	Mexico	Inferred	100.4	44	141.0			0.20	1.77	4.29
Manantial Espejo	Argentina	Inferred	0.5	263	4.3	2.7	44.6			
San Vicente (95%)[3]	Bolivia	Inferred	2.6	292	24.6			0.26	0.29	2.49
Navidad	Argentina	Inferred	45.9	81	119.4			0.02	0.57	
Joaquin	Argentina	Inferred	0.2	317	1.9	0.3	1.6			
COSE	Argentina	Inferred	—	77	—	2.2	0.8			
Escobal	Guatemala	Inferred	1.9	180	10.7	0.9	53.7		0.22	0.42
Total Silver Segment[4]			**170.5**	**74**	**403.5**	**0.40**	**141.6**	**0.16**	**1.36**	**3.96**
Gold Segment										
Dolores	Mexico	Inferred	2.7	46	4.0	1.25	108.5			
La Bolsa	Mexico	Inferred	13.7	8	3.3	0.51	224.6			
Pico Machay	Peru	Inferred	23.9			0.58	445.7			
La Arena	Peru	Inferred	8.9			0.24	70.1			
Shahuindo	Peru	Inferred	17.7	8	4.5	0.47	268.2			
Shahuindo Sulphide	Peru	Inferred	97.4	14	45.1	0.74	2323.3			
Timmins	Canada	Inferred	3.9			3.12	395.9			
La Arena II	Peru	Inferred	71.0			0.21	486.7	0.2		
Whitney	Canada	Inferred	0.8			5.34	134.9			
Gold River	Canada	Inferred	5.3			6.06	1,027.4			
Vogel	Canada	Inferred	1.5			3.60	168.8			
Total Gold Segment[4]			**246.8**	**13**	**56.9**	**0.71**	**5,654**	**0.23**		
Total Gold and Silver Segments[4]		**Inferred**	**417.3**	**47**	**460.4**	**0.70**	**5,795.6**	**0.17**	**1.36**	**3.96**

(1) See table below entitled "Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2021".
(2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in NI 43-101.
(3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.
(4) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.

(tabular amounts in thousands of U.S. dollars other than shares, options, warrants, per share amounts, or unless otherwise noted)

Metal Price Assumptions Used to Estimate Mineral Reserves and Resources as of June 30, 2021

Property	Category	Ag US$/oz	Au US$/oz	Cu US$/t	Pb US$/t	Zn US$/t
Huaron	All categories	18.00	1,300	6,500	2,000	2,450
Morococha	All categories	18.00	1,300	6,500	2,000	2,450
La Colorada	All categories	18.00	1,300	6,500	2,000	2,450
La Colorada Skarn	All categories	18.50		6,500	2,200	2,600
Dolores	Reserves	18.00	1,350			
	Resources	20.00	1,600			
La Bolsa	All categories	14.00	825			
Manantial Espejo	Reserves	18.00	1,400			
	Resources	20.00	1,600			
San Vicente	All categories	18.00	1,300	6,500	2,062	2,450
Navidad	All categories	12.52			1,100	
Pico Machay	All categories		700			
Joaquin	Reserves	18.00	1,450			
	Resources	20.00	1,600			
COSE	Reserves	18.00	1,450			
	Resources	20.00	1,600			
Escobal	All categories	20.00	1,300		2,204	2,424
Shahuindo	Reserves	18.00	1,350			
	Resources	20.00	1,600			
Shahuindo Sulphide	Inferred Resource	15.00	1,400			
La Arena	Reserves	18.00	1,450			
	Resources	20.00	1,600			
La Arena II	All categories		1,500	8,816		
Timmins	All categories		1,450			
Whitney	All categories		1,450			
Gold River	All categories		1,200			
Marlhill	All categories		1,125			
Vogel	Inside pit		1,150			
	Below pit		1,150			

General Notes Applicable to the Foregoing Tables:

Mineral reserves and resources are as defined by the Canadian Institute of Mining, Metallurgy and Petroleum.

Pan American reports mineral resources and mineral reserves separately. Reported mineral resources do not include amounts identified as mineral reserves. Mineral resources that are not mineral reserves have no demonstrated economic viability.

Pan American does not expect these mineral reserve and resource estimates to be materially affected by metallurgical, environmental, permitting, legal, taxation, socio-economic, political, and marketing or other relevant issues.

See the Company's Annual Information Form dated February 23, 2022, available at www.sedar.com for further information on the Company's material mineral properties, including information concerning associated QA/QC and data verification matters, the key assumptions, parameters and methods used by the Company to estimate mineral reserves and mineral resources, and for a detailed description of known legal, political, environmental, and other risks that could materially affect the Company's business and the potential development of the Company's mineral reserves and resources.

Quantities of contained metal are shown before metallurgical recoveries.

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 43-101.

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 February 23, 2022, 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 or operational performance and forecasts for 2022, including our estimated production of silver, gold and other metals forecasted and anticipated timing for the same, and our estimated cash costs, AISC, capital and exploration, mine operation, general and administrative, care and maintenance expenditures; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; expectations with respect to the future anticipated impact of COVID-19 on our operations, the lessening or increase in pandemic-related restrictions and protocols, and the anticipated timing for the same; the ability of Pan American to continue with its operations, or to successfully maintain our operations on care and maintenance, should the situation related to COVID-19 not be as anticipated; the impacts of inflation on Pan American and its operations; whether Pan American is able to maintain a strong financial condition and have sufficient capital, or have access to capital through the Sustainability-Linked Credit Facility or otherwise, to sustain our business and operations; the timing and outcome with respect to Pan American's environmental, social and governance activities, and Pan American's corporate social responsibility activities and our reporting in respect thereof; the duration and effect of the suspensions of operations of the Escobal mine, as well as the nature of and continuation of the constitutional court-mandated ILO 169 consultation process in Guatemala, and the timing and, if applicable, completion thereof; certain legal proceedings that were originated in the Constitutional Court of Guatemala relating to the Escobal mine; the SEDATU process with respect to a portion of the La Colorada mine's surface lands; the timing and success of site infrastructure upgrades at the La Colorada mine; the ability of Pan American to successfully complete any capital projects, including with respect to Bell Creek, and the Wetmore and Whitney projects, the expected economic or operational results derived from those projects, and the impacts of any such projects on Pan American; the future results of our exploration activities, including with respect to the skarn exploration program at La Colorada; anticipated mineral reserves and mineral resources; 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, some of which are described in the "Risks and Uncertainties" section of this MD&A, include: the world-wide economic and social impact of COVID-19 is managed and the duration and extent of the coronavirus pandemic is minimized or not long-term; the management of COVID-19 in each jurisdiction; the assumptions related to the global supply and availability of COVID-19 vaccines and the effectiveness and results of any vaccines; the presence and impact of COVID-19 on our workforce, suppliers and other essential resources and the effect those impacts have on our business; if necessary, continuation of operations following shutdowns or reductions in production, our ability to manage reduced operations efficiently and economically, including to maintain necessary staffing; our ability to implement environmental, social and governance activities; 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 mineral 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;protection of our interests against claims and legal proceedings; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner and can be maintained; and our ability to comply with environmental, health and safety laws, particularly given the potential for modifications and expansion of such laws. The foregoing list of assumptions is not exhaustive.

The Company cautions the reader that forward-looking statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements or information contained in this MD&A and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: the duration and effects of the coronavirus and COVID-19 variants, and any other epidemics or pandemics on our operations and workforce, and their effects on global economies and society; 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, GTQ 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, Guatemala or other countries where the Company may carry on business, some of which might prevent or cause the suspension or discontinuation of mining activities, including the risk of expropriation related to certain of our operations, particularly in Argentina and Bolivia and risks related to the constitutional court-mandated ILO 169 consultation process in Guatemala; 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 Company's ability to secure our mine sites or maintain access to our mine sites due to criminal activity, violence, or civil and labour unrest; the speculative nature of mineral exploration and development, including the risk of obtaining or retaining necessary licenses and permits; challenges to, or difficulty in maintaining, the Company's title to properties and continued ownership thereof; 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; 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 or revise 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 Mineral 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 references to mineral reserve and mineral 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, 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.

Consolidated Financial Statements and Notes

FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

Management's Responsibility For Financial Reporting

The accompanying consolidated financial statements of Pan American Silver Corp. ("Pan American" or the "Company") have been prepared by and are the responsibility of management and have been approved by the Board of Directors (the "Board").

These Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include managements best estimates and judgements. Pan American has developed and maintains a system of internal controls designed to ensure the reliability of its financial information.

Deloitte LLP, an Independent Registered Public Accounting Firm, has audited these Consolidated Financial Statements. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

"signed"	*"signed"*
Michael Steinmann	A. Robert Doyle
Chief Executive Officer	Chief Financial Officer

February 23, 2022

Management's Report on Internal Control over Financial Reporting

Management of Pan American is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Pan American's management assessed the effectiveness of the Company's Internal control over financial reporting as of December 31, 2021, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2021, Pan American's internal control over financial reporting was effective.

Deloitte LLP, an Independent Registered Public Accounting Firm, has audited the Company's Consolidated financial statements for the year ended December 31, 2021, and as stated in the Report of Independent Registered Public Accounting Firm, they have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Pan American Silver Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Pan American Silver Corp. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of earnings and comprehensive earnings, cash flows, and changes in equity, for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairments - Assessment of Whether Indicators of Impairment or Impairment Reversal Exist within the Mineral Properties, Plant and Equipment - Refer to Note 5e to the financial statements

Critical Audit Matter Description

The Company's determination of whether or not an indicator of impairment or impairment reversal exists at the cash generating unit level requires significant management judgment. Changes in metal price forecasts or discount rates, increases or decreases in estimated future costs of production, increases or decreases in estimated future capital costs, reductions or increases in the amount of recoverable mineral reserves and mineral resources and/or adverse or favorable political or regulatory developments can result in a write-down or write-up of the carrying amounts of the Company's mineral properties, plant and equipment.

While there are several factors that are required to determine whether or not an indicator of impairment or impairment reversal exists, the judgments with the highest degree of subjectivity are future metal prices (for both silver and gold), discount rates and the Company’s ability or expected timing to restart the Escobal mine. Auditing these estimates and factors required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the future metal prices (for both silver and gold), discount rates and the Company's ability or expected timing to restart the Escobal mine considered in the assessment of indicators of impairment or impairment reversal included the following, among others:

- Evaluated the effectiveness of the Company’s controls over management’s assessment of indicators of impairment or impairment reversal.
- Performed independent research to assess if there have been any substantive local, political, or regulatory changes negatively impacting the ability or expected timing to restart the Escobal mine.
- With the assistance of fair value specialists:
    - Evaluated the future metal prices (silver and gold) by comparing management forecasts to third party forecasts, and
    - Evaluated the reasonableness of the change in discount rate by testing the source information underlying the determination of the discount rate.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada
February 23, 2022

We have served as the Company's auditor since 1993.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Pan American Silver Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Pan American Silver Corp. and subsidiaries (the “Company") as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 23, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP
Chartered Professional Accountants
Vancouver, Canada
February 23, 2022

(in thousands of U.S. dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents (Note 24)	**$ 283,550**	$ 167,113
Short-term investments (Note 9)	**51,723**	111,946
Trade and other receivables	**128,150**	127,756
Income tax receivables	**20,282**	22,051
Inventories (Note 10)	**500,462**	406,191
Derivative assets (Note 8)	**3,995**	7,812
Prepaid expenses and other current assets	**13,007**	14,055
	1,001,169	856,924
Non-current assets		
Mineral properties, plant and equipment (Note 11)	**2,344,551**	2,415,006
Long-term inventories (Note 10)	**25,644**	24,355
Long-term refundable taxes	**8,711**	4,009
Deferred tax assets (Note 27)	**55,953**	57,850
Investment in associates (Note 12)	**78,657**	71,560
Goodwill and other assets (Note 13)	**3,899**	4,171
Total assets	**$ 3,518,584**	$ 3,433,875
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	**$ 306,087**	$ 281,938
Derivative liabilities (Note 8)	**351**	367
Provisions (Note 15)	**8,041**	12,066
Lease obligations (Note 16)	**10,663**	12,829
Debt (Note 17)	**3,400**	—
Income tax payables	**59,133**	54,556
	387,675	361,756
Non-current liabilities		
Long-term provisions (Note 15)	**240,111**	229,887
Deferred tax liabilities (Note 27)	**184,785**	175,311
Long-term lease obligations (Note 16)	**19,898**	20,736
Long-term debt (Note 17)	**11,900**	—
Deferred revenue (Note 12)	**12,516**	13,273
Other long-term liabilities (Note 18)	**25,691**	27,073
Total liabilities	**882,576**	828,036
Equity (Note 19)		
Issued capital	**3,136,214**	3,132,140
Reserves	**93,375**	93,409
Deficit	**(598,035)**	(623,030)
Total equity attributable to Company shareholders	**2,631,554**	2,602,519
Non-controlling interests	**4,454**	3,320
Total equity	**2,636,008**	2,605,839
Total liabilities and equity	**$ 3,518,584**	$ 3,433,875

Commitments and contingencies (Notes 8, 28); subsequent events (Note 30)
See accompanying notes to the consolidated financial statements
APPROVED BY THE BOARD ON FEBRUARY 23, 2022

"signed" Gillian Winckler, Director *"signed" Michael Steinmann, Director*

(in thousands of U.S. dollars except per share amounts)

	2021	2020
Revenue (Note 25)	**$ 1,632,750**	$ 1,338,812
Cost of sales		
Production costs (Note 20)	**(925,479)**	(696,672)
Depreciation and amortization (Note 11)	**(302,958)**	(254,469)
Royalties	**(36,375)**	(27,494)
	(1,264,812)	(978,635)
Mine operating earnings (Note 25)	**367,938**	360,177
General and administrative	**(34,852)**	(36,375)
Exploration and project development	**(11,071)**	(7,096)
Mine care and maintenance (Note 21)	**(31,780)**	(102,105)
Foreign exchange losses	**(11,267)**	(5,474)
Gains on derivatives (Note 8c)	**5,393**	3,543
Gains on sale of mineral properties, plant and equipment (Note 11)	**32,167**	7,922
Income from equity investees (Note 12)	**4,347**	10,529
Other income (expense) (Note 26)	**36**	(21,144)
Earnings from operations	**320,911**	209,977
Investment (loss) income (Note 8b)	**(59,722)**	62,139
Interest and finance expense (Note 22)	**(16,198)**	(20,104)
Earnings before income taxes	**244,991**	252,012
Income tax expense (Note 27)	**(146,429)**	(75,557)
Net earnings and comprehensive earnings	**$ 98,562**	$ 176,455
Net earnings and comprehensive earnings attributable to:		
Equity holders of the Company	**97,428**	177,882
Non-controlling interests	**1,134**	(1,427)
	$ 98,562	$ 176,455
Earnings per share attributable to common shareholders (Note 23)		
Basic earnings per share	**$ 0.46**	$ 0.85
Diluted earnings per share	**$ 0.46**	$ 0.85
Weighted average shares outstanding (in 000's) Basic	**210,298**	210,085
Weighted average shares outstanding (in 000's) Diluted	**210,435**	210,295

See accompanying notes to the consolidated financial statements.

(in thousands of U.S. dollars)

		2021		2020
Operating activities				
Net earnings for the year	$	**98,562**	$	176,455
Income tax expense (Note 27)		**146,429**		75,557
Depreciation and amortization (Note 11,21)		**302,958**		272,444
Unrealized investment loss (income)		**59,722**		(58,673)
Accretion on closure and decommissioning provision (Note 15)		**7,470**		8,260
Unrealized foreign exchange losses		**6,703**		8,857
Interest expense (Note 22)		**3,660**		9,216
Interest paid		**(5,234)**		(10,217)
Interest received		**172**		253
Income taxes paid		**(129,205)**		(81,636)
Other operating activities (Note 24)		**(28,060)**		(35,183)
Net change in non-cash working capital items (Note 24)		**(71,069)**		96,982
	$	**392,108**	$	462,315
Investing activities				
Payments for mineral properties, plant and equipment	$	**(243,478)**	$	(178,556)
Proceeds from sale of mineral properties, plant and equipment (Note 11)		**45,798**		22,474
Proceeds from short-term investments and other securities		**1,861**		90,384
Exercise of warrants (Note 12)		**—**		(15,626)
Net proceeds (payments) from derivatives		**9,157**		(2,594)
	$	**(186,662)**	$	(83,918)
Financing activities				
Proceeds from common shares issued	$	**619**	$	4,737
Distributions to non-controlling interests		**(933)**		—
Dividends paid		**(71,500)**		(46,223)
Proceeds from credit facility (Note 17)		**—**		80,000
Repayment of credit facility (Note 17)		**—**		(355,000)
Repayment of Loans (Note 17)		**(1,700)**		—
Payment of equipment leases		**(12,396)**		(13,101)
	$	**(85,910)**	$	(329,587)
Effects of exchange rate changes on cash and cash equivalents		**(3,099)**		(2,261)
Net increase in cash and cash equivalents		**116,437**		46,549
Cash and cash equivalents at the beginning of the year		**167,113**		120,564
Cash and cash equivalents at the end of the year	$	**283,550**	$	167,113

Supplemental cash flow information (Note 24).
See accompanying notes to the consolidated financial statements.

(in thousands of U.S. dollars except for number of shares)

	Attributable to equity holders of the Company												
	Issued shares		Issued capital		Reserves		Deficit		Total		Non-controlling interests		Total equity
Balance, December 31, 2019	**209,835,558**	**$**	**3,123,514**	**$**	**94,274**	**$**	**(754,689)**	**$**	**2,463,099**	**$**	**4,747**	**$**	**2,467,846**
Total comprehensive earnings													
Net earnings for the year	—		—		—		177,882		177,882		(1,427)		176,455
Shares issued on the exercise of stock options	329,379		5,800		(1,063)		—		4,737		—		4,737
Shares issued as compensation (Note 19)	93,730		2,826		—		—		2,826		—		2,826
Share-based compensation on option grants	—		—		198		—		198		—		198
Dividends paid	—		—		—		(46,223)		(46,223)		—		(46,223)
Balance, December 31, 2020	**210,258,667**	**$**	**3,132,140**	**$**	**93,409**	**$**	**(623,030)**	**$**	**2,602,519**	**$**	**3,320**	**$**	**2,605,839**
Total comprehensive earnings													
Net earnings for the year	—		—		—		97,428		97,428		1,134		98,562
Shares issued on the exercise of stock options	65,780		762		(143)		—		619		—		619
Shares issued as compensation (Note 19)	133,077		3,312		—		—		3,312		—		3,312
Share-based compensation on option grants	—		—		109		—		109		—		109
Distributions by subsidiaries to non-controlling interests	—		—		—		(933)		(933)		—		(933)
Dividends paid	—		—		—		(71,500)		(71,500)		—		(71,500)
Balance, December 31, 2021	**210,457,524**	**$**	**3,136,214**	**$**	**93,375**	**$**	**(598,035)**	**$**	**2,631,554**	**$**	**4,454**	**$**	**2,636,008**

See accompanying notes to the 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 is a British Columbia corporation domiciled in Canada, and its office is at Suite 1440 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

The Company is engaged in the production and sale of silver, gold, zinc, lead and copper as well as other related activities, including exploration, extraction, processing, refining and reclamation. The Company’s major products are produced from mines in Canada, Peru, Mexico, Argentina and Bolivia. Additionally, the Company has project development activities in Canada, Peru, Mexico and Argentina, and exploration activities throughout South America, Canada and Mexico. As at December 31, 2021, the Company's Escobal mine in Guatemala continues to be on care and maintenance pending satisfactory completion of a consultation process led by the Ministry of Energy and Mines ("MEM") in Guatemala.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), effective as of December 31, 2021.

These consolidated financial statements were approved for issuance by the Board of Directors on February 23, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Presentation currency

The functional and presentation currency of the Company and each of its subsidiaries is the United States dollar ("USD").

b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, except for those assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

c) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these consolidated financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal subsidiaries of the Company and their geographic locations at December 31, 2021 were as follows:

Location	Subsidiary	Ownership Interest	Accounting	Operations and Development Projects Owned
Canada	Lake Shore Gold Corp.	100%	Consolidated	Bell Creek and Timmins West mines
Mexico	Plata Panamericana S.A. de C.V.	100%	Consolidated	La Colorada mine
	Compañía Minera Dolores S.A. de C.V.	100%	Consolidated	Dolores mine
Peru	Pan American Silver Huaron S.A.	100%	Consolidated	Huaron mine
	Compañía Minera Argentum S.A.	92%	Consolidated	Morococha mine
	Shahuindo S.A.C.	100%	Consolidated	Shahuindo mine
	La Arena S.A.	100%	Consolidated	La Arena mine
Bolivia	Pan American Silver (Bolivia) S.A.	95%	Consolidated	San Vicente mine
Guatemala	Pan American Silver Guatemala S.A.	100%	Consolidated	Escobal mine
Argentina	Minera Tritón Argentina S.A.	100%	Consolidated	Manantial Espejo & Cap-Oeste Sur Este mines
	Minera Joaquin S.R.L.	100%	Consolidated	Joaquin mine
	Minera Argenta S.A.	100%	Consolidated	Navidad project

d) Investments in associates

An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint venture. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20%, if the Company has the power to participate in the financial and operating policy decisions affecting the entity. The Company's share of the net assets and net earnings or loss is accounted for in the consolidated financial statements using the equity method of accounting.

e) Business combinations

Upon the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) acquired on the basis of fair value at the date of acquisition. When the cost of the acquisition exceeds the fair value attributable to the Company's share of the identifiable net assets, the difference is treated as goodwill, which is not amortized and is reviewed for impairment annually or more frequently when there is an indication of impairment. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the consolidated income statement. Acquisition related costs, other than costs to issue debt or equity securities of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issuance costs. The costs to issue debt securities are capitalized and amortized using the effective interest method.

Non-controlling interests are measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirers' identifiable net assets as at the date of acquisition. The choice of measurement basis is made on a transaction by transaction basis.

Control of a business may be achieved in stages. Upon the acquisition of control, any previously held interest is re-measured to fair value at the date control is obtained resulting in a gain or loss upon the acquisition of control.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

f) 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 fair value through profit or loss ("FVTPL").

IFRS 15 - *Revenue from Contracts with Customers* ("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 do not constrain the recognition of revenue.

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

The Company recognizes deferred revenue in the event it receives payments from customers in consideration for future commitments to deliver metals and before such sale meets the criteria for revenue recognition. The Company recognizes amounts in revenue as the metals are delivered to the customer. Specifically, for the metal agreements entered into with Maverix Metals Inc. ("Maverix"), the Company determines the amortization of deferred revenue to the Consolidated Income Statement on a per unit basis using the estimated total quantity of metal expected to be delivered to Maverix over the terms of the contract. The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered over the next twelve months.

g) Financial instruments

Measurement – initial recognition

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at FVTPL. Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method. Interest income is recognized in Investment (loss) income in the Consolidated Income Statements.

The Company's financial assets at amortized cost primarily include cash and cash equivalents, receivables not arising from sale of metal concentrates included in Trade and other receivables in the Consolidated Statement of Financial Position (Note 8(a)).

FVTPL:

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 8(d)(ii). The Company's financial assets at FVTPL include its trade receivables from provisional concentrate sales, short-term investments in equity securities, and derivative assets not designated as hedging instruments.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using effective interest method.

Derivatives

When the Company enters into derivative contracts, these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions. The Company does not have derivative instruments that qualify as cash flow hedges and consequently all derivatives are recorded at fair value with changes in fair value recognized in net earnings.

h) Derivative Financial Instruments

The Company utilizes metals and currency contracts, including forward contracts to manage exposure to fluctuations in metal prices and foreign currency exchange rates. For metals production, these contracts are intended to reduce the risk of falling prices on the Company's future sales. Foreign currency derivative financial instruments, such as forward contracts, are used to manage the effects of exchange rate changes on foreign currency cost exposures. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative and any gains or losses arising from changes in fair value on derivatives are taken directly to earnings for the year. The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates and prices for contracts with similar maturity profiles.

Derivatives, including certain conversion options and warrants with exercise prices in a currency other than the functional currency, are recognized at fair value with changes in fair value recognized in profit or loss.

i) Inventories

Inventories include work in progress, concentrate, doré, processed silver and gold, heap leach inventory, and operating materials and supplies. Work in progress inventory includes ore stockpiles and other partly processed material. Stockpiles represent ore that has been extracted and is available for further processing. The classification of inventory is determined by the stage at which the ore is in the production process. Inventories of ore are sampled for metal content and are valued based on the lower of cost or estimated net realizable value ("NRV") based upon the period ending prices of contained metal. Cost is determined on a weighted average basis or using a first-in-first-out basis and includes all costs incurred in the normal course of business including direct material and direct labour costs and an allocation of production overheads, depreciation and amortization, and other costs, based on normal production capacity, incurred in bringing each product to its present location and condition. Material that does not contain a minimum quantity of metal to cover estimated processing expenses to recover the contained metal is not classified as inventory and is assigned no value. The work in progress inventory is considered part of the operating cycle which the Company classifies as current inventory and hence heap leach and stockpiles are included in current inventory. Quantities are assessed primarily through surveys and assays.

The costs incurred in the construction of the heap leach pad are capitalized. Heap leach inventory represents silver and gold contained in ore that has been placed on the leach pad for cyanide irrigation. The heap leach process is a process of extracting silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which is then recovered during the metallurgical process. When the ore is placed on the pad, an estimate of the recoverable ounces is made based on tonnage, ore grade and estimated recoveries of the ore type placed on the pad. The estimated recoverable ounces on the pad are used to compile the inventory cost.

The Company uses several integrated steps to scientifically measure the metal content of the ore placed on the leach pads. The tonnage, grade, and ore type to be mined in a period was first estimated using the Mineral Reserve model. As the ore body is drilled in preparation for the blasting process, samples are taken of the drill residue, which is assayed to determine their metal content and quantities of contained metal. The estimated recoverable ounces carried in the leach pad inventory are adjusted based on actual recoveries being experienced. Actual and estimated recoveries achieved are measured to the extent possible using various indicators including, but not limited to, individual cell recoveries, the use of leach curve recovery and trends in the levels of carried ounces depending on the circumstances or cumulative pad recoveries.

The Company then processes the ore through the crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. The crushed ore is then transported to the leach pad for application of the leaching solution. The samples from the automated sampler are assayed each shift and used for process control. The quantity of leach solution is measured by flow meters throughout the leaching and precipitation process. The pregnant solution from the heap leach is collected and passed through the processing circuit to produce precipitate, which is retorted and then smelted to produce doré bars.

The Company allocates direct and indirect production costs to by-products on a systematic and rational basis. With respect to concentrate and doré inventory, production costs are allocated based on the silver equivalent ounces contained within the respective concentrate and doré.

The inventory is stated at lower of cost or NRV, with cost being determined using a weighted average cost method. The ending inventory value of ounces associated with the leach pad is equal to opening recoverable ounces plus recoverable ounces placed less ounces produced plus or minus ounce adjustments.

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates, which rely upon laboratory test work and estimated models of the leaching kinetics in the heap leach pads. Test work consists of leach columns of up to 400 days duration with 150 days being the average, from which the Company projects metal recoveries up to three years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process include estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. The ultimate recovery will not be known until the leaching operations cease.

Supplies inventories are valued at the lower of average cost and NRV using replacement cost plus cost to dispose, net of obsolescence. Concentrate and doré inventory includes product at the mine site, the port warehouse and product held by refineries. At times, the Company has a limited amount of finished silver at a minting operation where coins depicting Pan American's emblem are stamped.

j) Mineral properties, plant and equipment (MPPE)

On initial acquisition, MPPE are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. When provisions for closure and decommissioning are recognized, the corresponding cost is capitalized as part of the cost of the related assets, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and decommissioning activities is recognized in MPPE and depreciated accordingly.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, whilst land is stated at cost less any impairment in value and is not depreciated.

Each asset's or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The expected useful lives are included below in the accounting policy for depreciation of MPPE. The net carrying amounts of MPPE are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amounts may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is recorded as an impairment provision in the financial year in which this is determined.

In countries where the Company paid Value Added Tax ("VAT") and where there is uncertainty of its recoverability, the VAT payments have either been deferred with mineral property costs relating to the property or expensed if it relates to mineral exploration. If the Company ultimately recovers previously deferred amounts, the amount received will be applied to reduce mineral property costs or taken as a credit against current expenses depending on the prior treatment.

Expenditure on major maintenance or repairs includes the cost of the replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

Where an item of MPPE is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the income statement. Any items of mineral property, plant or equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

k) Operational mining properties and mine development

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs incurred to develop such property including costs to further delineate the ore body and remove overburden to initially expose the ore body prior to the start of mining operations, are also capitalized. Such costs are amortized using the units-of-production method over the estimated life of the ore body based on proven and probable reserves.

Costs associated with commissioning activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Company is ready to commence commercial production. Any revenues earned during this period are recorded as a reduction in deferred commissioning costs. These costs are amortized using the units-of-production method (described below) over the life of the mine, commencing on the date of commercial production.

Acquisition costs related to the acquisition of land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights, the Company makes a preliminary evaluation to determine that the property has significant potential to economically develop the deposit. The time between initial acquisition and full evaluation of a property's potential is dependent on many factors including: location relative to existing infrastructure, the property's stage of development, geological controls and metal prices. If a mineable deposit is discovered, such costs are amortized when production begins. If no mineable deposit is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. In countries where the Company has paid VAT and where there is uncertainty of its recoverability, the VAT payments have either been deferred with mineral property costs relating to the property or expensed if it relates to mineral exploration. If the Company ultimately makes recoveries of the VAT, the amount received will be applied to reduce mineral property costs or taken as a credit against current expenses depending on the prior treatment.

Major development expenditures on producing properties incurred to increase production or extend the life of the mine are capitalized while ongoing mining expenditures on producing properties are charged against earnings as incurred. Gains or losses from sales or retirements of assets are included in gain or loss on sale of assets.

l) Depreciation of MPPE

The carrying amounts of MPPE (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine or mineral lease, if shorter. Estimates of residual values and useful lives are reviewed annually and any change in estimate is taken into account in the determination of remaining depreciation charges, and adjusted if appropriate, at each statement of financial position date. Changes to the estimated residual values or useful lives are accounted for prospectively. Depreciation commences on the date when the asset is available for use as intended by management.

i) Units of production basis

For mining properties and leases and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on a units of production basis.

In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

ii) Straight line basis

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis.

MPPE are depreciated over their useful life, or over the remaining life of the mine if shorter. The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis as follows:

- Land – not depreciated
- Mobile equipment – 3 to 7 years
- Buildings and plant facilities – 25 to 50 years
- Mining properties and leases including capitalized evaluation and development expenditures – based on applicable reserves on a unit of production basis.
- Exploration and evaluation – not depreciated until mine goes into production
- Assets under construction – not depreciated until assets are ready for their intended use

m) Exploration and evaluation

Exploration expenditures are incurred in the search for economic mineral deposits or the process of obtaining more information about existing mineral deposits and typically include costs associated with drilling, sampling, mapping and other activity related to the search for ore.

Evaluation expenditures are incurred to establish the technical and commercial viability of mineral deposits and typically include costs associated with determining optimal methods of extraction and metallurgical and treatment processes, permitting, and preparing economic evaluations.

Exploration expenditures are expensed as incurred. Evaluation expenditures are capitalized when management determines there is a high degree of confidence that future economic benefits will flow to the Company. Acquired exploration and evaluation projects and acquired exploration rights are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Capitalized exploration and evaluation expenditures are reclassified to mineral properties, plant and equipment, in accordance with Note 3(j), once the technical feasibility and commercial viability are demonstrated.

n) Deferred stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. During the preproduction phase, these costs are capitalized as part of the cost of the mine property and subsequently amortized over the life of the mine (or pit) on a units of production basis.

The costs of removal of the waste material during a mine's production phase are deferred where they give rise to future benefits. These capitalized costs are subsequently amortized on a unit of production basis over the reserves that directly benefit from the specific stripping activity.

o) Impairment (and reversals of impairment) of non-current assets

The Company reviews and tests the carrying amount of MPPE and intangible assets with finite lives when there is an indication of impairment or impairment reversal. Additionally, disposal groups held for sale are tested for impairment upon classification as a disposal group held for sale.

Impairment assessments on MPPE and intangible assets are conducted at the level of the CGU. The recoverable amount of a CGU is the higher of value in use ("VIU") and fair value less cost to sell. VIU is the net present value of expected future cash flows. Impairments are recognized for any excess of carrying value over the recoverable amount.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. The cash flow forecasts are based on best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up. These may include net cash flows expected to be realized from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proven or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralization that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Where the recoverable amount of a CGU is dependent on the life of its associated ore, expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modeling to optimize the level of return from investment, output and sequence of extraction. The mine plan takes account of all relevant characteristics of the ore, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore affecting process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and for forecasting production costs.

The Company's cash flow forecasts are based on estimates of future commodity prices, which assume market prices will revert to the Company's assessment of the long-term average price, generally over a period of three to five years. These assessments often differ from current price levels and are updated periodically.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted, including appropriate adjustments for the risk profile of the countries in which the individual CGU operate. The great majority of the Company's sales are based on prices denominated in USD. To the extent that the currencies of countries in which the Company produces commodities strengthen against the USD without commodity price offset, cash flows and, therefore, net present values are reduced.

Non-financial assets other than goodwill that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

p) Closure and decommissioning costs

The mining, extraction and processing activities of the Company normally give rise to obligations for site closure or rehabilitation. Closure and decommissioning works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and decommissioning activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and decommissioning activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation. The timing of the actual closure and decommissioning expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating license conditions, and the environment in which the mine operates. Expenditures may occur before and after closure and can continue for an extended period of time dependent on closure and decommissioning requirements. Closure and decommissioning provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the underlying obligation. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements which give rise to a constructive or legal obligation.

When provisions for closure and decommissioning are initially recognized, the corresponding cost is capitalized as a component of the cost of the related asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and decommissioning activities is recognized in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized in finance expenses. Closure and decommissioning provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in the provision is greater than the un-depreciated capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the income statement. In the case of closed sites, changes to estimated costs are recognized immediately in the income statement. Changes to the capitalized cost result in an adjustment to future depreciation and finance charges. Adjustments to the estimated amount and timing of future closure and decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved.

The provision is reviewed at the end of each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations and adjusted to reflect current best estimate. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

q) Foreign currency translation

The Company's functional currency and that of its subsidiaries is the USD, as this is the principal currency of the economic environments in which they operate. Transaction amounts denominated in foreign currencies (currencies other than USD) are translated into USD at exchange rates prevailing at the transaction dates. Carrying values of foreign currency monetary assets and liabilities are re-translated at each statement of financial position date to reflect the U.S. exchange rate prevailing at that date.

Gains and losses arising from translation of foreign currency monetary assets and liabilities at each period end are included in earnings except for differences arising on decommissioning provisions which are capitalized for operating mines.

r) Share-based payments

The Company makes share-based awards, including restricted share units ("RSUs"), performance share units ("PSUs"), shares and options, to certain employees.

For equity-settled awards, the fair value is charged to the income statement and credited to equity, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest. The fair value of the equity-settled awards is determined at the date of grant. Non-vesting conditions and market conditions, such as target share price upon which vesting is conditioned, are factored into the determination of fair value at the date of grant. All other vesting conditions are excluded from the determination of fair value and included in management's estimate of the number of awards ultimately expected to vest.

The fair value is determined by using option pricing models. At each statement of financial position date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed (after adjusting for non-market performance conditions). The movement in cumulative expense is recognized in the income statement with a corresponding entry within equity. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified over the original vesting period. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification, over the remainder of the new vesting period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Any compensation paid up to the fair value of the awards at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

s) Leases

Lease Definition

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines, or directs how and for what purpose the asset is used.

Measurement of ROU Assets and Lease Obligations

At lease commencement, the Company recognizes a ROU Asset and a lease obligation. The ROU Asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU Asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. The ROU Asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU Asset.

Recognition Exemptions

The Company has elected not to recognize ROU Assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated income statement.

t) Income taxes

Taxation on the earnings or loss for the year comprises current and deferred tax. Taxation is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the tax is recognized in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax assessment or deduction purposes. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains tax purposes, that amount is included in the determination of temporary differences.

The tax effect of certain temporary differences is not recognized, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacted accounting or taxable earnings); and temporary differences relating to investments in subsidiaries, jointly controlled entities and associates to the extent that the Company is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future. The amount of deferred tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities, with the exception of items that have a tax base solely derived under capital gains tax legislation, using tax rates enacted or substantively enacted at period end. To the extent that an item's tax base is solely derived from the amount deductible under capital gains tax legislation, deferred tax is determined as if such amounts are deductible in determining future assessable income.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or equity and not in the income statement. Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. Judgments are required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or the entire carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Deferred tax assets, including those arising from tax losses, capital losses and temporary differences, are recognized only where it is probable that taxable earnings will be available against which the losses or deductible temporary differences can be utilized. Assumptions about the generation of future taxable earnings and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and decommissioning costs, capital expenditures, dividends and other capital management transactions.

u) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing earnings attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share calculation is based on the earnings attributable to ordinary equity holders and the weighted average number of shares outstanding after adjusting for the effects of all potential ordinary shares. This method requires that the number of shares used in the calculation be the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. This method assumes that the potential ordinary shares converted into ordinary shares at the beginning of the period (or at the time of issuance, if not in existence at beginning of the period). The number of dilutive potential ordinary shares is determined independently for each period presented.

For convertible securities that may be settled in cash or shares at the holder's option, returns to preference shareholders and income charges are added back to net earnings used for basic EPS and the maximum number of ordinary shares that could be issued on conversion is used in computing diluted earnings per share.

v) Borrowing costs and upfront costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized. Qualifying assets are assets that require a substantial amount of time to prepare for their intended use, including mineral properties in the evaluation stage where there is a high likelihood of commercial exploitation. Qualifying assets also include significant expansion projects at the operating mines. Borrowing costs are considered an element of the historical cost of the qualifying asset. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Where surplus funds available out of money borrowed specifically to finance a project are temporarily invested, the total borrowing cost is reduced by income generated from short-term investments of such funds.

Upfront costs incurred in connection with entering new credit facilities are recorded as Other assets and are amortized over the life of the respective credit facilities.

4. CHANGES IN ACCOUNTING STANDARDS

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted.

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarify the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The implementation of this amendment is not expected to have a material impact on the Company.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. This amendment is not expected to have a material impact on the Company.

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

The amendment will prohibit the Company from deducting net proceeds from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in a manner intended by management. The amendment requires retrospective application and effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. This amendment is not expected to have a material impact on the Company upon adoption; however, the amendment may have impacts in future periods.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its financial statements.

5. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Judgments that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

a) Capitalization of evaluation costs

The Company has determined that evaluation costs capitalized during the year relating to the operating mines and certain other exploration interests have potential future economic benefits and are potentially economically recoverable. In making this judgment, the Company has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity to existing ore bodies, operating management expertise and required environmental, operating and other permits.

b) Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The Company has determined that its functional currency and that of its subsidiaries is the USD. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

c) Determination of significant influence of associates

Determination of whether the Company has significant influence with respect to its associates requires an assessment of whether the Company has power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. The Company determined that it had significant influence over its investment in Maverix (Note 12), despite holding an ownership interest of less than 20%, after consideration for the relevant facts and circumstances including the Company's ability to nominate a member of the Maverix board of directors.

d) Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves that will be mined in a future period and therefore should be capitalized, the Company treats the costs of removal of the waste material during a mine's production phase as deferred, where it gives rise to future benefits. These capitalized costs are subsequently amortized on a unit of production basis over the reserves that directly benefit from the specific stripping activity. As at December 31, 2021, the carrying amount of Dolores and La Arena capitalized stripping costs was $23.5 million and $41.0 million, respectively (2020 - $40.7 million and $32.9 million, respectively).

e) Impairment, or impairment reversal, of mining interests

There is significant judgment involved in assessing whether any indications of impairment, or impairment reversal, exist for mining interests, with consideration given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control that affect the recoverable amount of mining interests. Internal sources of information include the manner in which mineral property, plant and equipment are being used or are expected to be used and indications of the economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, increases or decreases in estimated future costs of production, increases or decreases in estimated future capital costs, reductions or increases in the amount of recoverable mineral reserves and mineral resources and/or adverse or favorable current economics can result in a write-down or write-up of the carrying amounts of the Company's mining interests.

f) Coronavirus disease ("COVID-19") pandemic impact

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus. Since the outbreak of COVID-19, it has spread to areas where we have operations and offices. The outbreak and subsequent Government measures intended to limit the pandemic had significant effects on commodity prices and capital markets. The spread of COVID-19 has impacted our employees and contractors, not only as it relates to potential health concerns, but also in terms of limitations on movement, availability of food and other goods, and personal well-being, among others. Our suppliers and service providers have also been impacted.

During 2020, Government efforts to curtail the spread of COVID-19 resulted in temporary suspensions of our operations in Mexico, Peru, Argentina and Bolivia (see Note 21), and we reduced throughput at our Timmins operation in Canada in order to enhance physical distancing and protect our personnel and the community. During 2021, there were no Government mandated suspensions but operations have continued to be impacted by COVID-19 protocols, which have increased costs and restricted throughput levels, especially at our underground mines.

The extent to which COVID-19 will continue to impact our operations will depend on future developments which are highly uncertain and cannot be predicted with confidence. These future developments include, but are not limited to, the continued presence of, or spread, of COVID-19, and any future emergence and spread of similar pathogens, the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, and the actions taken to contain COVID-19 or treat it. The impact of governmental restrictions and health and safety protocols could improve or worsen relative to our assumptions, depending on how each jurisdiction manages potential outbreaks of COVID-19, the efficacy and availability of adequate supplies of vaccines, and the roll-out of vaccination programs in each jurisdiction.

As of December 31, 2021 and 2020, no operations were suspended as a result of COVID-19. Based on management analysis, the Company has concluded that the impacts to date including increased costs and deferral of production due to reduced throughput do not represent indicators of impairment for any of the Company's assets as at December 31, 2021 and 2020.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY IN THE APPLICATION OF ACCOUNTING POLICIES

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

- *Revenue recognition:* Revenue from the sale of concentrate to independent smelters is recognized when control of the asset sold is transferred to the customer. 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. 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. In a period of high price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted.

- *Estimated recoverable ounces:* The carrying amounts of the Company's mining properties are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.

- *Mineral reserve estimates:* The figures for mineral reserves and mineral resources are disclosed in accordance with National Instrument 43 - 101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators and in accordance with "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines – adopted November 23, 2003", prepared by the Canadian Institute of Mining, Metallurgy and Petroleum Standing Committee on Reserve Definitions. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- *Valuation of Inventory:* In determining mine production costs recognized in the consolidated income statement, the Company makes estimates of quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories. Refer to Note 10 for details.

- *Depreciation and amortization rates for mineral properties, plant and equipment and mineral interests:* Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated income statement prospectively. A change in the mineral reserve estimate for assets depreciated using the units of production method would impact depreciation expense prospectively.

- *Estimation of decommissioning and reclamation costs and the timing of expenditures:* The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the best estimate of expenditures required to settle the present obligation of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine at the end of its productive life. The carrying amount is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 15 for details on decommissioning and restoration costs.

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

- *Provisions and contingencies:* Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event the Company's estimates of the future resolution of these matters change, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. Refer to Note 28 for further discussion on contingencies.

7. 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 $2.6 billion as at December 31, 2021 (2020 - $2.6 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to externally imposed capital requirements and the Company's overall objective with respect to capital risk management remains unchanged from the year ended December 31, 2020.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

8. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities by categories:

December 31, 2021	Amortized cost	FVTPL	Total
Financial Assets:			
Cash and cash equivalents	$ 283,550	$ —	$ 283,550
Trade receivables from provisional concentrates sales (1)	—	40,020	40,020
Receivable not arising from sale of metal concentrates (1)	76,902	—	76,902
Short-term investments	—	51,723	51,723
Derivative assets	—	3,995	3,995
	$ 360,452	$ 95,738	$ 456,190
Financial Liabilities:			
Derivative liabilities	$ —	$ 351	$ 351
Debt	$ 15,300	$ —	$ 15,300

(1) Included in Trade and other receivables.

December 31, 2020	Amortized cost	FVTPL	Total
Financial Assets:			
Cash and cash equivalents	$ 167,113	$ —	$ 167,113
Trade receivables from provisional concentrates sales (1)	—	35,084	35,084
Receivable not arising from sale of metal concentrates (1)	84,486	—	84,486
Short-term investments	—	111,946	111,946
Derivative assets	—	7,812	7,812
	$ 251,599	$ 154,842	$ 406,441
Financial Liabilities:			
Derivative liabilities	$ —	$ 367	$ 367

(1) Included in Trade and other receivables.

b) Short-term investments in equity securities recorded at FVTPL

The Company's short-term investments in equity securities are recorded at FVTPL. The (losses) gains from short-term investments in equity securities for the year ended December 31, 2021 and 2020 were as follows:

	2021	2020
Unrealized (losses) gains on short-term investments, equity securities	**$ (60,355)**	$ 10,577
Realized gains on short-term investments, equity securities	**633**	51,562
	$ (59,722)	$ 62,139

c) Derivative instruments

The Company's derivatives are comprised of foreign currency and commodity contracts. The gains on derivatives for the year ended December 31, 2021 and 2020 were comprised of the following:

	2021	2020
Gains on derivatives		
Realized gains (losses) on derivatives	**$ 9,156**	$ (2,594)
Unrealized (losses) gains on derivatives	**(3,763)**	6,137
	$ 5,393	$ 3,543

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

d) 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 December 31, 2021		At December 31, 2020	
	Level 1	Level 2	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	**$ 51,723**	**$ —**	$ 111,946	$ —
Trade receivables from provisional concentrate sales	**—**	**40,020**	—	35,084
Derivative assets	**—**	**3,995**	—	7,812
Derivative liabilities	**—**	**(351)**	—	(367)
	$ 51,723	**$ 43,664**	$ 111,946	$ 42,529

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, 2020.

ii) Valuation Techniques

Short-term investments

The Company's short-term investments and other investments are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy and are primarily equity 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 foreign currency and commodity contracts which are valued using observable market prices.

Trade 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 for copper, zinc and lead and the London Bullion Market Association P.M. fix for gold and silver.

e) 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 concentrate contracts to sell the zinc, lead, copper and silver concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are a 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 purchase 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 December 31, 2021, the Company had receivable balances associated with buyers of its concentrates of $40.0 million (2020 - $35.1 million). The vast majority of the Company's concentrate is sold to five well-known concentrate buyers.

Doré production from La Colorada, Dolores, Manantial Espejo, Shahuindo, La Arena, Bell Creek and Timmins is refined under long-term agreements with fixed refining terms at five 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 December 31, 2021, the Company had approximately $52.3 million (2020 - $61.8 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 while at the refineries. Risk is transferred to the refineries upon delivery.

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 maintains an active credit management and monitoring program to minimize the risk of excessive credit risk concentration with any single counterparty.

Refined silver and gold are 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.

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which we operate. These advances represent a credit risk to us to the extent that suppliers do not deliver products or perform services as expected. As at December 31, 2021, we had made $11.2 million of supplier advances (2020 - $8.2 million), which are reflected in “Trade and other receivables” on the consolidated statements of financial position.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

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.

Cash and cash equivalents, trade accounts receivable and other receivables that represent the maximum credit risk to the Company consist of the following:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ **283,550**	$ 167,113
Trade accounts receivable [(1)]	**40,020**	35,084
Supplier advances [(1)]	**11,228**	8,186
Employee loans [(1)]	**667**	552

(1) Included in Trade and other receivables.

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.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following tables summarize the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments on an undiscounted basis:

Payments due by period 2021					
	Within 1 year	2 - 3 years	4- 5 years	After 5 years	Total
Accounts payable and accrued liabilities other than:	$ 275,629	$ —	$ —	$ —	$ 275,629
Severance accrual	26,695	404	33	4,450	31,582
Employee compensation	3,763	—	—	—	3,763
Total accounts payable and accrued liabilities	306,087	404	33	4,450	310,974
Income taxes payable	59,133	—	—	—	59,133
Loss on derivatives	351	—	—	—	351
Debt					
Repayment of principal	3,400	6,800	5,100	—	15,300
Interest and standby fees	2,613	4,867	1,432	—	8,912
Provisions [(1)(2)]	2,738	2,553	—	—	5,291
Future employee compensation	3,352	9,058	—	—	12,410
Total contractual obligations [(2)]	**$ 377,674**	**$ 23,682**	**$ 6,565**	**$ 4,450**	**$ 412,371**

(1) Total litigation provision (Note 15).

(2) Amounts above do not include payments related to closure and decommissioning (current $5.3 million, long-term $237.6 million) discussed in Note 15, the $20.8 million deferred credit arising from the Navidad acquisition discussed in Note 18, and deferred tax liabilities of $184.8 million in Note 27.

(tabular amounts are in thousands of U.S. dollars except number of shares,
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	Payments due by period 2020				
	Within 1 year	2 - 3 years	4- 5 years	After 5 years	Total
Accounts payable and accrued liabilities other than:	$ 272,266	$ —	$ —	$ —	$ 272,266
Severance accrual	2,935	3,711	1,120	76	7,842
Employee compensation	6,737	—	—	—	6,737
Total accounts payable and accrued liabilities	281,938	3,711	1,120	76	286,845
Income taxes payable	54,556	—	—	—	54,556
Loss on derivatives	367	—	—	—	367
Debt					
Interest and standby fees	2,110	2,294	—	—	4,404
Provisions (1)(2)	3,648	3,109	85	1	6,843
Future employee compensation	4,396	11,468	—	—	15,864
Total contractual obligations (2)	**$ 347,015**	**$ 20,582**	**$ 1,205**	**$ 77**	**$ 368,879**

(1) Total litigation provision (Note 15).
(2) Amounts above do not include payments related to closure and decommissioning (current $8.4 million, long-term $226.7 million) discussed in Note 15, the $20.8 million deferred credit arising from the Navidad acquisition discussed in Note 18, and deferred tax liabilities of $175.3 million in Note 27.

There was no significant change to the Company's exposure to liquidity risk during the year ended December 31, 2021.

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 December 31, 2021, the Company had outstanding positions on its foreign currency exposure of Mexican peso ("MXN"), Peruvian sol ("PEN") and Canadian dollar ("CAD") purchases. The Company recorded losses of $0.2 million, $3.7 million, and gains of $0.9 million, respectively, on MXN, PEN and CAD derivative contracts for the year ended December 31, 2021 (2020 - gains of $1.6 million, losses of $2.2 million, and losses of $0.6 million, respectively).

The Company's net earnings are affected by the revaluation of its monetary assets and monetary liabilities at each balance sheet date. The Company has reviewed its monetary assets and monetary liabilities and is exposed to foreign exchange risk through financial assets and liabilities and deferred income tax liabilities denominated in currencies other than USD, as shown in the table below. The Company estimates that a 10% change in the exchange rate of the foreign currencies in which its December 31, 2021 non-USD net monetary liabilities were denominated would result in an income before taxes change of about $23.0 million (2020 - $13.8 million).

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

The Company is exposed to currency risk through the following financial assets and liabilities, and deferred income tax assets and liabilities denominated in foreign currencies:

At December 31, 2021	Cash and short-term investments	Other current and non-current assets	Income taxes receivable (payable), current and non-current	Accounts payable and accrued liabilities and non-current liabilities	Deferred tax assets and liabilities
Canadian Dollar	$ 60,507	$ 3,389	$ —	$ (27,448)	$ —
Mexican Peso	1,159	7,681	(14,930)	(25,985)	(64,584)
Argentine Peso	12,488	20,358	1,502	(19,525)	(13)
Bolivian Boliviano	8,397	499	(7,943)	(23,914)	(6,954)
European Euro	49	—	—	—	—
Peruvian Sol	8,585	17,295	(22,207)	(54,953)	(94,367)
Guatemala quetzal	169	539	(91)	(9,919)	—
	$ 91,354	$ 49,761	$ (43,669)	$ (161,744)	$ (165,918)

At December 31, 2020	Cash and short-term investments	Other current and non-current assets	Income taxes receivable (payable), current and non-current(1)	Accounts payable and accrued liabilities and non-current liabilities	Deferred tax assets and liabilities(1)
Canadian Dollar	$ 117,956	$ 4,952	$ —	$ (24,310)	$ —
Mexican Peso	1,020	29,895	3,550	(45,050)	(73,017)
Argentine Peso	7,175	16,878	1,513	(14,543)	—
Bolivian Boliviano	571	218	(3,159)	(19,402)	(7,700)
European Euro	3	—	—	—	—
Peruvian Sol	13,917	26,257	(39,296)	(54,672)	(77,810)
Guatemala quetzal	453	677	—	(4,559)	—
	$ 141,095	$ 78,877	$ (37,392)	$ (162,536)	$ (158,527)

(1) Recast comparative to be consistent with current presentation.

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. The average interest rate earned by the Company during the year ended December 31, 2021 on its cash and short-term investments was 0.7% (2020 - 0.9%). A 10% increase or decrease in the interest earned from financial institutions on cash and short-term investments would not result in a change in the Company's earnings before income taxes (2020 – $0.1 million).

On August 10, 2021 the Company entered into an amendment agreement to amend and extend its $500 million credit facility, with a maturity date of February 1, 2023 (the "Credit Facility"), into a $500 million sustainability-linked credit facility, with a maturity date of August 8, 2025 (the "Sustainability-Linked Credit Facility") (Note 17). There were no amounts drawn during the year ended December 31, 2021 on either the Sustainability-Linked Credit Facility or the Credit Facility. The amounts drawn on the Credit Facility incurred an average interest rate of 2.6% during the year ended December 31, 2020.

At December 31, 2021, the Company has $30.6 million in lease obligations (2020 - $33.6 million), that are subject to an annualized interest rate of 10.6% (2020 - 9.3%).

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 precious metal prices, the Company's current policy is to not hedge the price of precious metal.

(tabular amounts are in thousands of U.S. dollars except number of shares,
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During the year ended December 31, 2021, the Company entered into collars made up of put and call contracts for its exposure to copper but had no contracts outstanding as at December 31, 2021. The Company recorded losses of $1.1 million on copper contracts during the year ended December 31, 2021. The Company did not enter into copper contracts during the year ended December 31, 2020.

As at December 31, 2021, the Company entered into collars made up of put and call contracts for its exposure to zinc but had no contracts outstanding as at December 31, 2021. The Company recorded gains of $0.1 million during the year ended December 31, 2021.

At December 31, 2021, the Company had outstanding positions of diesel swap contracts designated to fix or limit the Company's exposure to higher fuel prices (the "Diesel fuel swaps"). The Company recorded gains of $9.4 million on Diesel fuel swaps during the year ended December 31, 2021 (2020 - gains of $4.7 million).

A 10% increase in all metal prices as at December 31, 2021, would result in an increase of approximately $165.1 million (2020 – $138 million) in the Company's revenues. A 10% decrease in all metal prices as at the same period would result in a decrease of approximately $166.4 million (2020 - $138.2 million) in the Company's revenues. The Company also enters into provisional concentrate contracts to sell the zinc, lead and copper concentrates. We have provisionally priced sales for which price finalization, referenced to the relevant zinc, lead, copper and silver index, is outstanding at the balance sheet date. A 10% increase in metals prices on open positions of zinc, lead, copper and silver for provisional concentrate contracts for the year ended December 31, 2021 would result in an increase of approximately $7.2 million (2020 - $4.6 million) in the Company's before tax earnings, which would be reflected in 2021 results. A 10% decrease in metal prices for the same period would result in a decrease of approximately $7.2 million (2020 - $4.6 million) in the Company's before tax earnings.

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.

9. SHORT-TERM INVESTMENTS

	December 31, 2021			December 31, 2020		
	Fair Value	**Cost**	**Accumulated unrealized holding gains**	Fair Value	Cost	Accumulated unrealized holding gains
Short-term investments	**$ 51,723**	**$ 20,419**	**$ 31,304**	$ 111,946	$ 20,419	$ 91,527

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

10. INVENTORIES

Inventories consist of:

	December 31, 2021	December 31, 2020
Concentrate	**$ 30,647**	$ 19,104
Stockpile	**43,216**	30,063
Heap leach and in process	**286,266**	219,334
Doré and finished	**81,448**	77,489
Materials and supplies	**84,529**	84,556
Total inventories	**$ 526,106**	$ 430,546
Less: current inventories	**$ (500,462)**	$ (406,191)
Non-current inventories[1]	**$ 25,644**	$ 24,355

(1) Inventories at Escobal mine, which include $18.3 million (2020 - $17.1 million) in supplies with the remainder attributable to metals, have been classified as non-current pending the restart of operations.

Total inventories held at net realizable value amounted to $203.7 million at December 31, 2021 (December 31, 2020 – $215.5 million). The Company recorded write-downs of $8.7 million for the year ended December 31, 2021 (2020 – recoveries of $16.2 million) which were included in cost of sales (Note 20).

A portion of the stockpile ore amounting to $4.5 million (2020 - $2.7 million) and a portion of the heap leach inventory amounting to $185.1 million (2020 - $147.0 million) are expected to be recovered or settled after more than twelve months.

11. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

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

(tabular amounts are in thousands of U.S. dollars except number of shares,
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Mineral properties, plant and equipment consist of:

	Mining Properties				
	Depletable	Non-depletable			
	Reserves and Resources	Reserves and Resources	Exploration and Evaluation	Plant and Equipment	Total
Carrying value					
As at January 1, 2021					
Net of accumulated depreciation	$ 996,745	$ 307,080	$ 431,650	$ 679,531	$ 2,415,006
Additions	210,484	31,971	7,253	16,766	266,474
Disposals	(2,770)	—	(12,315)	(4,542)	(19,627)
Depreciation and amortization (1)	(166,116)	(770)	—	(136,072)	(302,958)
Depreciation charge captured in inventory	(21,249)	—	—	—	(21,249)
Transfers	90,571	(9,522)	(93)	(80,956)	—
Closure and decommissioning – changes in estimate (Note 15)	6,905				6,905
As at December 31, 2021	**$ 1,114,570**	**$ 328,759**	**$ 426,495**	**$ 474,727**	**$ 2,344,551**
Cost as at December 31, 2021	$ 3,140,594	$ 343,705	$ 839,427	$ 1,288,392	$ 5,612,118
Accumulated depreciation and impairments	**(2,026,024)**	**(14,946)**	**(412,932)**	**(813,665)**	**(3,267,567)**
Carrying value – December 31, 2021	**$ 1,114,570**	**$ 328,759**	**$ 426,495**	**$ 474,727**	**$ 2,344,551**

(1) Includes $nil of depreciation and amortization included in mine care and maintenance for the year ended December 31, 2021.

	Mining Properties				
	Depletable	Non-depletable			
	Reserves and Resources	Reserves and Resources	Exploration and Evaluation	Plant and Equipment	Total
Carrying value					
As at January 1, 2020					
Net of accumulated depreciation	$ 950,752	$ 331,549	$ 450,926	$ 771,674	$ 2,504,901
Additions	142,463	17,159	631	30,971	191,224
Disposals	(235)	(38)	(14,315)	(382)	(14,970)
Depreciation and amortization (1)	(125,277)	(1,059)	—	(146,108)	(272,444)
Depreciation charge captured in inventory	(29,618)	—	—	—	(29,618)
Transfers	22,747	(40,531)	(5,592)	23,376	—
Closure and decommissioning – changes in estimate (Note 15)	35,913	—	—	—	35,913
As at December 31, 2020	**$ 996,745**	**$ 307,080**	**$ 431,650**	**$ 679,531**	**$ 2,415,006**
Cost as at December 31, 2020	$ 2,753,136	$ 321,639	$ 844,487	$ 1,461,678	$ 5,380,940
Accumulated depreciation and impairments	**(1,756,391)**	**(14,559)**	**(412,837)**	**(782,147)**	**(2,965,934)**
Carrying value – December 31, 2020	**$ 996,745**	**$ 307,080**	**$ 431,650**	**$ 679,531**	**$ 2,415,006**

(1) Includes $18.0 million of depreciation and amortization included in mine care and maintenance for the year ended December 31, 2020.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

	December 31, 2021			December 31, 2020		
	Cost	**Accumulated Depreciation and Impairment**	**Carrying Value**	Cost	Accumulated Depreciation and Impairment	Carrying Value
Producing properties:						
Huaron, Peru	**$ 224,700**	**$ (141,902)**	**$ 82,798**	$ 218,270	$ (135,932)	$ 82,338
Morococha, Peru	**277,105**	**(188,821)**	**88,284**	267,705	(175,844)	91,861
Shahuindo, Peru	**590,096**	**(132,727)**	**457,369**	546,643	(86,855)	459,788
La Arena, Peru	**208,306**	**(105,006)**	**103,300**	170,401	(66,313)	104,088
La Colorada, Mexico	**355,471**	**(185,684)**	**169,787**	308,378	(164,443)	143,935
Dolores, Mexico (1)	**1,738,040**	**(1,350,908)**	**387,132**	1,709,105	(1,228,492)	480,613
Manantial Espejo, Argentina (2)	**518,931**	**(500,244)**	**18,687**	513,626	(485,036)	28,590
San Vicente, Bolivia	**151,045**	**(110,829)**	**40,216**	144,790	(101,408)	43,382
Timmins, Canada	**335,488**	**(103,903)**	**231,585**	307,243	(75,902)	231,341
Other	**29,804**	**(19,664)**	**10,140**	28,653	(18,313)	10,340
	$ 4,428,986	**$ (2,839,688)**	**$ 1,589,298**	$ 4,214,814	$ (2,538,538)	$ 1,676,276
Non-Producing Properties:						
Land	**$ 6,373**	**$ (871)**	**$ 5,502**	$ 6,758	$ (1,254)	$ 5,504
Navidad, Argentina (3)	**566,577**	**(376,101)**	**190,476**	566,577	(376,101)	190,476
Escobal, Guatemala	**257,390**	**(1,842)**	**255,548**	259,198	(1,072)	258,126
Timmins, Canada	**63,018**	**—**	**63,018**	71,099	—	71,099
Shahuindo, Peru	**3,549**	**—**	**3,549**	6,079	—	6,079
La Arena, Peru	**117,005**	**—**	**117,005**	117,000	—	117,000
Minefinders, Mexico	**78,443**	**(36,975)**	**41,468**	80,239	(36,975)	43,264
La Colorada, Mexico	**55,370**	**—**	**55,370**	21,589	—	21,589
Morococha, Peru	**2,981**	**—**	**2,981**	5,054	—	5,054
Other	**32,426**	**(12,090)**	**20,336**	32,533	(11,994)	20,539
	$ 1,183,132	**$ (427,879)**	**$ 755,253**	$ 1,166,126	$ (427,396)	$ 738,730
Total	**$ 5,612,118**	**$ (3,267,567)**	**$ 2,344,551**	$ 5,380,940	$ (2,965,934)	$ 2,415,006

(1) Includes previously recorded impairment charges of $748.9 million at December 31, 2021 (2020 - $748.9 million).
(2) Includes previously recorded impairment charges of $173.3 million at December 31, 2021 (2020 - $173.3 million).
(3) Includes previously recorded impairment charges of $376.1 million at December 31, 2021 (2020 - $376.1 million).

Disposal

On June 28, 2021, the Company completed the sale of a portfolio of six precious metals royalties to Maverix and another counterparty for total consideration of $9.5 million in cash and 491,071 common shares in Maverix valued at $2.6 million (Note 12). As a result, the Company recorded a gain of $0.8 million during the year ended December 31, 2021 in gains on sale of mineral properties, plant and equipment.

On July 12, 2021, the Company completed the sale of 100% of its interest in the Waterloo silver-barite project for consideration of $33.5 million in cash and the retention of a 2% net smelter royalty on any future production of minerals from this project. The Company realized a gain on disposal of $32.5 million for the year ended December 31, 2021.

(tabular amounts are in thousands of U.S. dollars except number of shares,
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12. INVESTMENTS IN ASSOCIATES

The following table shows a continuity of the Company's investments in associates:

		2021		2020
Maverix investment, December 31, 2020	$	71,560	$	84,319
Acquisition (disposition) of shares in associate		2,616		(23,467)
Adjustment for change in ownership interest		(22)		1,489
Dividends		(1,220)		(1,310)
Dilution (losses) gains		(34)		9,160
Income from associate		4,510		1,369
Maverix investment, December 31, 2021	$	77,410	$	71,560
Other investment, December 31, 2021		1,247		—
Total investment in associates, December 31, 2021	$	78,657	$	71,560

Investment in Maverix:

On June 5, 2020, the Company completed a Secondary Offering pursuant to an underwriting agreement dated May 29, 2020 between Maverix, the Company, and a syndicate of underwriters (the "Secondary Offering"). As part of the Secondary Offering, the Company sold 10,350,000 common shares of Maverix at a price of $4.40 per common share for aggregate gross proceeds of $45.5 million and paid underwriting fees equal to 4% of the gross proceeds equal to $1.9 million.

Concurrent with the Secondary Offering, the Company acquired ownership or control of an additional 8,250,000 common shares of Maverix through the exercise of its remaining 8,250,000 common share purchase warrants in Maverix (the "Warrants"). 5,000,000 Warrants had an exercise price of $1.56 and 3,250,000 Warrants had an exercise price of $2.408. Maverix received gross proceeds of approximately $15.6 million. As a result, the Company de-recognized the remaining warrant liability representing in substance ownership of Maverix.

The Company's share of Maverix income or loss was recorded, based on its 17% interest during the year ended December 31, 2021 (26% from January 1, 2020 to June 5, 2020, 18% from June 6, 2020 to October 29, 2020, and 17% from October 30, 2020 to December 31, 2020), representing the Company's equity interest.

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 related to the Streams will be recognized as revenue by the Company as the gold ounces are delivered to Maverix. As at December 31, 2021, the deferred revenue liability was $12.5 million (December 31, 2020 - $13.3 million).

13. GOODWILL AND OTHER ASSETS

Other assets consist of:

		December 31, 2021		December 31, 2020
Goodwill	$	2,775	$	2,775
Other assets		1,124		1,396
	$	3,899	$	4,171

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	December 31, 2021	December 31, 2020
Trade accounts payable[(1)]	**$ 77,461**	$ 80,280
Royalty payables	**24,113**	18,166
Other accounts payable and accrued liabilities	**107,207**	94,600
Payroll and severance liabilities	**64,968**	56,715
Value added tax liabilities	**12,006**	11,208
Other tax payables	**20,332**	20,969
	$ 306,087	$ 281,938

(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.

15. PROVISIONS

	Closure and Decommissioning	Litigation	Total
December 31, 2019	$ 188,455	$ 6,929	$ 195,384
Revisions in estimates and obligations incurred	40,857	—	40,857
Charged (credited) to earnings:			
-new provisions	—	2,402	2,402
-change in estimate	—	(1,754)	(1,754)
-exchange gains on provisions	—	(569)	(569)
-utilized in the year	—	(165)	(165)
Reclamation expenditures	(2,462)	—	(2,462)
Accretion expense (Note 22)	8,260	—	8,260
December 31, 2020	$ 235,110	$ 6,843	$ 241,953
Revisions in estimates and obligations incurred	**6,278**	**—**	**6,278**
Charged (credited) to earnings:			
-new provisions	**—**	**6,376**	**6,376**
-change in estimate	**—**	**(1,801)**	**(1,801)**
-exchange gains on provisions	**—**	**(389)**	**(389)**
-utilized in the period	**—**	**(5,738)**	**(5,738)**
Reclamation expenditures	**(5,997)**	**—**	**(5,997)**
Accretion expense (Note 22)	**7,470**	**—**	**7,470**
December 31, 2021	**$ 242,861**	**$ 5,291**	**$ 248,152**

Maturity analysis of total provisions:	December 31, 2021	December 31, 2020
Current	**$ 8,041**	$ 12,066
Non-Current	**240,111**	229,887
	$ 248,152	$ 241,953

(tabular amounts are in thousands of U.S. dollars except number of shares,
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Closure and Decommissioning Cost Provision

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is $413.0 million (2020 - $330.6 million), which has been inflated using inflation rates of between 1% and 5% (2020 – between 0% and 4%). The total provision for closure and decommissioning cost is calculated using discount rates of between 1% and 9% (2020 - between 0% and 8%). Revisions made to the reclamation obligations in 2021 were primarily a result of increased site disturbance at the mines as well as revisions to the estimate based on periodic reviews of closure plans, actual expenditures incurred and concurrent closure activities completed. These obligations will be funded from operating cash flows, reclamation deposits and cash on hand.

The accretion expense charged to 2021 earnings as finance expense was $7.5 million (2020 - $8.3 million). Reclamation expenditures paid during the current year were $6.0 million (2020 - $2.5 million).

Litigation Provision

The litigation provision, as at December 31, 2021 and 2020, consists primarily of amounts accrued for labour claims at several of the Company's mine operations. The balance of $5.3 million at December 31, 2021 (2020 - $6.8 million) represents the Company's best estimate for all known and anticipated future obligations related to the above claims. The amount and timing of any expected payments are uncertain as their determination is outside the control of the Company.

16. LEASES

a. Right-of-use assets ("ROU")

The following table summarizes changes in ROU assets for the year ended December 31, 2021, which have been recorded in mineral properties, plant and equipment on the consolidated statements of financial position:

	December 31, 2021	December 31, 2020
Opening net book value	**$ 33,543**	$ 43,361
Additions	**9,924**	5,534
Depreciation	**(12,444)**	(14,244)
Other	**(1,527)**	(1,108)
Closing net book value	**$ 29,496**	$ 33,543

b. Lease obligations

The following table presents a reconciliation of the Company's undiscounted cash flows at December 31, 2021 and December 31, 2020 to their present value for the Company's lease obligations:

	December 31, 2021	December 31, 2020
Within one year	**$ 11,690**	$ 13,505
Between one and five years	**16,676**	17,902
Beyond five years	**16,934**	19,255
Total undiscounted lease obligations	**45,300**	50,662
Less future interest charges	**(14,739)**	(17,097)
Total discounted lease obligations	**$ 30,561**	$ 33,565
Less: current portion of lease obligations	**(10,663)**	(12,829)
Non-current portion of lease obligations	**$ 19,898**	$ 20,736

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

17. DEBT

	December 31, 2021	December 31, 2020
Loan	$ **15,300**	$ —
Less: current Loan	$ **(3,400)**	$ —
Non-current Loan	$ **11,900**	$ —

In June 2021, a wholly-owned Peruvian subsidiary of the Company entered into a Loan for the purpose of certain construction financing. The Loan is denominated in USD, has a five-year term with quarterly repayments and bears interest of 3.6% per annum.

On August 10, 2021, Pan American Silver Corp. entered into an amendment agreement to amend and extend the Credit Facility into the Sustainability-Linked Credit Facility. The Sustainability-Linked Credit Facility features a pricing mechanism allowing for pricing adjustments on drawn and undrawn balances based on sustainability performance ratings and scores published by MSCI and S&P Global. The Sustainability-Linked Credit Facility matures on August 8, 2025 and does not include a minimum tangible net worth financial covenant, which was a condition of the previous Credit Facility. In addition, the financial covenants continue to include the requirement for the Company to maintain: (i) a leverage ratio less than or equal to 3.5:1; and (ii) an interest coverage ratio more than or equal to 3.0:1. The Sustainability-Linked Credit Facility and Credit Facility were undrawn at December 31, 2021 and December 31, 2020, respectively. As of December 31, 2021, the Company was in compliance with all covenants required by the Sustainability-Linked Credit Facility.

The Sustainability-Linked Credit Facility can be drawn down at any time to finance the Company's working capital requirements, acquisitions, investments and for general corporate purposes. Subject to pricing adjustment based on sustainability performance ratings and scores, any amounts drawn under the Sustainability-Linked Credit Facility will incur interest at LIBOR plus 1.825% to 2.80%. Undrawn amounts are subject to a stand-by fee of 0.41% to 0.63% per annum, dependent on the Company's leverage ratio and sustainability performance ratings and scores.

The Company did not draw from these credit facilities during the year ended December 31, 2021 and incurred $2.1 million in standby charges on undrawn amounts. During the year ended December 31, 2020, the Company incurred $2.2 million in standby charges on undrawn amounts and $5.0 million in interest at an average interest rate of 2.6% on drawn amounts under these facilities.

18. OTHER LONG-TERM LIABILITIES

Other long term liabilities consist of:

	December 31, 2021	December 31, 2020
Deferred credit(1)	$ **20,788**	$ 20,788
Other tax payables	**16**	54
Severance liabilities	**4,887**	6,231
	$ **25,691**	$ 27,073

(1) Represents the obligation to deliver future silver production of Navidad pursuant to a silver stream contract.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

19. SHARE CAPITAL AND EMPLOYEE COMPENSATION PLANS

a. Stock options and common shares issued as compensation ("Compensation Shares")

For the year ended December 31, 2021, the total share-based compensation expense relating to stock options and Compensation Shares was $5.1 million (2020 - $3.0 million) and is presented as a component of general and administrative expense.

- *Stock options*

During the year ended December 31, 2021, the Company granted 53,115 (2020 – 7,605 stock options) stock options.

During the year ended December 31, 2021, the Company issued 65,780 common shares in connection with the exercise of stock options (2020 – 329,379 common shares in connection with the exercise of 329,711 stock options).

- *Compensation shares*

During the year ended December 31, 2021, the Company issued 9,646 common shares to Directors in lieu of Directors' fees of $0.3 million (2020 - 9,883 common shares in lieu of fees of $0.2 million).

The following table summarizes changes in stock options for the years ended December 31:

	Stock Options		
	Shares		Weighted Average Exercise Price CAD$
As at December 31, 2019	1,143,348	$	33.84
Granted	7,605	$	39.48
Exercised	(329,711)	$	19.23
Expired	(482,438)	$	53.41
Forfeited	(21,387)	$	43.08
As at December 31, 2020	317,417	$	18.78
Granted	53,115		30.70
Exercised	(65,780)	$	11.77
Expired	(2,162)		41.62
Forfeited	(23,587)	$	32.27
As at December 31, 2021	**279,003**	**$**	**21.38**

The following table summarizes information about the Company's stock options outstanding at December 31, 2021:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices CAD$	Number Outstanding as at December 31, 2021	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price CAD$	Number Outstanding as at December 31, 2021		Weighted Average Exercise Price CAD$
$9.76 - $17.11	**48,458**	0.9	$	11.59	**48,458**	$	11.59
$17.12 - $24.46	**143,896**	3.4	$	18.90	**143,896**	$	18.90
$24.47 - $31.81	**74,720**	6.4	$	29.50	**21,605**	$	26.54
$31.82 - $41.62	**11,929**	3.9	$	40.26	**8,128**	$	40.62
	279,003	3.8	$	21.38	**222,087**	$	18.84

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

The following assumptions were used in the Black-Scholes option pricing model in determining the fair value of options granted during the years ended December 31:

	2021	2020
Expected life	4.0	4.0
Expected volatility	44.0 %	37.9 %
Expected dividend yield	2.4 %	1.1 %
Risk-free interest rate	1.9 %	0.8 %
Weighted average exercise price (CAD$)	$ 30.70	$ 39.45
Weighted average fair value (CAD$)	$ 9.39	$ 15.80

b. PSUs

PSUs are notional share units that mirror the market value of the Company's common shares. Each vested PSU entitles the participant to a cash payment equal to the value of an underlying share, less applicable taxes, at the end of the term, plus the cash equivalent of any dividends distributed by the Company during the three-year performance period. PSU grants will vest on the date that is three years from the date of grant subject to certain exceptions. Performance results at the end of the performance period relative to predetermined performance criteria and the application of the corresponding performance multiplier determine how many PSUs vest for each participant. The Board of Directors approved the issuance of 79,417 PSUs for 2021 with a share price of CAD $32.72 (2020 - 62,920 PSUs approved at a share price of CAD $39.51). Compensation expense for PSUs was $1.9 million for the year ended December 31, 2021 (2020 - $4.2 million) and is presented as a component of general and administrative expense.

At December 31, 2021, the following PSUs were outstanding:

PSU	Number Outstanding	Fair Value
As at December 31, 2019	**247,601**	**$ 5,896**
Granted	62,920	1,942
Paid out	(54,962)	(2,626)
Change in value	—	3,658
As at December 31, 2020	**255,559**	**$ 8,870**
Granted	79,417	2,049
Paid out	(117,328)	(4,539)
Forfeited	—	—
Change in value	—	(901)
As at December 31, 2021	**217,648**	**$ 5,479**

c. RSUs

Under the Company's RSU plan, selected employees are granted RSUs where each RSU has a value equivalent to one Pan American common share. At the time of settlement, the Board of Directors has the discretion to settle the RSUs with cash or common shares. The RSUs vest in three installments, the first 33.3% vest on the first anniversary date of the grant, the second 33.3% vest on the second anniversary date of the grant, and a further 33.3% vest on the third anniversary date of the grant. Additionally, RSU value is adjusted to reflect dividends paid on common shares over the vesting period.

Compensation expense for RSUs was $1.8 million for the year ended December 31, 2021 (2020 – $5.0 million) and is presented as a component of general and administrative expense.

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

At December 31, 2021, the following RSUs were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2019	**299,216**	**$ 7,107**
Granted	261,224	6,302
Paid out	(148,049)	(4,762)
Forfeited	(15,819)	(545)
Change in value	—	5,628
As at December 31, 2020	**396,572**	**$ 13,730**
Granted	240,366	5,818
Paid out	(197,320)	(4,829)
Forfeited	(13,218)	(329)
Change in value	—	(3,699)
As at December 31, 2021	**426,400**	**$ 10,691**

d. Issued share capital

The Company is authorized to issue 400,000,000 common shares without par value.

e. Dividends

The Company declared the following dividends for the years ended December 31, 2021 and 2020:

Declaration date	Record date	Dividend per common share
February 23, 2022 [(1)]	March 7, 2022	$ 0.12
November 9, 2021	November 22, 2021	$ 0.10
August 10, 2021	August 23, 2021	$ 0.10
May 12, 2021	May 25, 2021	$ 0.07
February 17, 2021	March 1, 2021	$ 0.07
November 4, 2020	November 16, 2020	$ 0.07
August 5, 2020	August 17, 2020	$ 0.05
May 6, 2020	May 19, 2020	$ 0.05
February 19, 2020	March 2, 2020	$ 0.05

(1) These dividends were declared subsequent to the year end and have not been recognized as distributions to owners during the period presented.

f. CVRs

As part of the acquisition of Tahoe Resources Inc ("Tahoe"), on February 22, 2019, the Company issued 313,887,490 Contingent Value Rights ("CVRs"), with a term of 10 years, which were convertible into 15,600,208 common shares upon the first commercial shipment of concentrate following the restart of operations at the Escobal mine. As of December 31, 2021 and 2020, there were 313,883,990 CVRs outstanding which were convertible into 15,600,034 common shares.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

20. PRODUCTION COSTS

Production costs are comprised of the following:

	2021	2020
Materials and consumables	$ 381,446	$ 284,215
Salaries and employee benefits [1]	317,081	262,753
Contractors	226,095	125,242
Utilities	48,675	39,242
Other (recovery) expense	34,165	18,198
Changes in inventories [2]	(81,983)	(32,978)
	$ 925,479	$ 696,672

(1) Employee compensation and benefits expense is comprised of:

	2021	2020
Wages, salaries and bonuses	$ 352,736	$ 317,668
Share-based compensation	5,128	3,024
Total employee compensation and benefit expenses	357,864	320,692
Less: Expensed within Care and Maintenance expenses	(4,310)	(37,695)
Less: Expensed within General and Administrative expenses	(31,230)	(17,180)
Less: Expensed within Exploration expenses	(5,243)	(3,064)
Employee compensation and benefits expenses included in production costs	$ 317,081	$ 262,753

(2) Includes NRV adjustments to inventory to increase production costs by $8.7 million for the year ended December 31, 2021 (2020 - reduce by $16.2 million).

21. MINE CARE AND MAINTENANCE

	2021	2020
COVID-19 mine care and maintenance expenses [1]	$ —	$ 58,323
COVID-19 mine care and maintenance depreciation	—	17,975
Total COVID 19 mine care and maintenance	—	76,298
Mine care and maintenance expenses	31,780	25,807
	$ 31,780	$ 102,105

(1) As a result of the temporary suspension of mines due to COVID-19 (Note 5f).

22. INTEREST AND FINANCE EXPENSE

	2021	2020
Interest expense	$ 3,660	$ 9,216
Finance fees	5,068	2,628
Accretion expense (Note 15)	7,470	8,260
	$ 16,198	$ 20,104

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

23. EARNINGS PER SHARE

For the year ended December 31	2021			2020		
	Earnings [(1)] (Numerator)	Shares (000's) (Denominator)	Per-Share Amount	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net earnings	$ 97,428			$ 177,882		
Basic earnings per share	$ 97,428	210,298	$ 0.46	$ 177,882	210,085	$ 0.85
Effect of dilutive securities:						
Stock options	—	137		—	210	
Diluted earnings per share	$ 97,428	210,435	$ 0.46	$ 177,882	210,295	$ 0.85

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

Potentially dilutive securities excluded in the diluted earnings per share calculation for the year ended December 31, 2021 were 65,044 out-of-the-money options and CVRs potentially convertible into 15,600,034 common shares (2020 – 24,902 out-of-the-money options and CVRs potentially convertible into 15,600,034 common shares)

24. 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:

Other operating activities	2021	2020
Adjustments for non-cash income statement items:		
Net realizable value adjustment for inventories	$ 8,719	$ (16,175)
Gains on derivatives (Note 8c)	(5,393)	(3,543)
Share-based compensation expense	5,128	3,024
Income from equity investees (Note 12)	(4,347)	(10,529)
Gains on sale of mineral properties, plant and equipment (Note 11)	(32,167)	(7,922)
Gains on warrants	—	(38)
	$ (28,060)	$ (35,183)

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

Changes in non-cash operating working capital items:	2021	2020
Trade and other receivables	$ (2,874)	$ 54,838
Inventories	(82,885)	(14,623)
Prepaid expenses	1,049	2,353
Accounts payable and accrued liabilities	18,086	56,816
Provisions	(4,445)	(2,402)
	$ (71,069)	$ 96,982

Cash and Cash Equivalents	December 31, 2021	December 31, 2020
Cash in banks	$ 283,550	$ 167,113

25. SEGMENTED INFORMATION

The Company reviews its segment reporting to ensure it reflects the operational structure of the Company and enables the Company's Chief Operating Decision Maker to review operating segment performance. We have determined that each producing mine and significant development property represents an operating segment. The Company has organized its reportable and operating segments by significant revenue streams and geographic regions.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

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

For the year ended December 31, 2021

Segment/ Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures[1]
Silver Segment:						
Mexico	La Colorada	**$ 130,112**	**$ 75,192**	**$ 20,505**	**$ 34,415**	**$ 65,532**
Peru	Huaron	**154,634**	**90,126**	**11,564**	**52,944**	**10,897**
	Morococha	**108,699**	**75,182**	**13,738**	**19,779**	**8,329**
Bolivia	San Vicente	**80,446**	**54,569**	**9,276**	**16,601**	**5,340**
Argentina	Manantial Espejo	**127,445**	**106,874**	**16,031**	**4,540**	**7,575**
Guatemala	Escobal	**—**	**—**	**—**	**—**	**778**
Total Silver Segment		**601,336**	**401,943**	**71,114**	**128,279**	**98,451**
Gold Segment:						
Mexico	Dolores[2]	**342,556**	**186,285**	**106,397**	**49,874**	**40,566**
Peru	Shahuindo	**255,771**	**115,009**	**42,600**	**98,162**	**27,678**
	La Arena	**194,582**	**84,243**	**41,362**	**68,977**	**45,479**
Canada	Timmins	**238,505**	**174,374**	**39,768**	**24,363**	**42,298**
Total Gold Segment		**1,031,414**	**559,911**	**230,127**	**241,376**	**156,021**
Other segment:						
Canada	Pas Corp	**—**	**—**	**407**	**(407)**	**332**
Argentina	Navidad	**—**	**—**	**—**	**—**	**90**
Other	Other	**—**	**—**	**1,310**	**(1,310)**	**980**
Total		**$ 1,632,750**	**$ 961,854**	**$ 302,958**	**$ 367,938**	**$ 255,874**

(1) Includes payments for mineral properties, plant and equipment and payment of equipment leases.
(2) The mine was reclassified to the Gold Segment in 2021 as a result of expected mine sequencing into a higher gold zone.

For the year ended December 31, 2020

Segment/ Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures[1]
Silver Segment:						
Mexico	La Colorada	$ 128,824	$ 69,663	$ 19,608	$ 39,553	$ 29,388
Peru	Huaron	72,073	39,612	7,069	25,392	4,500
	Morococha	47,046	35,768	7,203	4,075	10,168
Bolivia	San Vicente	48,396	35,753	6,725	5,918	4,877
Argentina	Manantial Espejo	84,051	68,381	9,787	5,883	10,789
Guatemala	Escobal		—		—	4,807
Total Silver Segment		380,390	249,177	50,392	80,821	64,529
Gold Segment:						
Mexico	Dolores[2]	250,219	146,961	87,694	15,564	44,861
Peru	Shahuindo	270,043	97,940	40,562	131,541	23,335
	La Arena	176,028	72,676	27,683	75,669	37,324
Canada	Timmins	262,132	157,412	46,605	58,115	20,751
Total Gold Segment		958,422	474,989	202,544	280,889	126,271
Other segment:						
Canada	Pas Corp		—	491	(491)	297
Argentina	Navidad		—	—	—	—
Other	Other	—	—	1,042	(1,042)	560
Total		$ 1,338,812	$ 724,166	$ 254,469	$ 360,177	$ 191,657

(1) Includes payments for mineral properties, plant and equipment and payment of equipment leases.
(2) The mine has been represented in the Gold Segment to align with current year presentation.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

A reconciliation of segment mine operating earnings to the Company's earnings before income taxes per the Consolidated Income Statements is as follows:

	2021	2020
Mine operating earnings	**$ 367,938**	$ 360,177
General and administrative	**(34,852)**	(36,375)
Exploration and project development	**(11,071)**	(7,096)
Mine care and maintenance	**(31,780)**	(102,105)
Foreign exchange losses	**(11,267)**	(5,474)
Gains on commodity and foreign currency contracts	**5,393**	3,543
Gains on sale of mineral properties, plant and equipment	**32,167**	7,922
Share of income from associate and dilution gain	**4,347**	10,529
Other income (expense)	**36**	(21,144)
Earnings from operations	**320,911**	209,977
Investment (loss) income	**(59,722)**	62,139
Interest and finance expense	**(16,198)**	(20,104)
Earnings before income taxes	**$ 244,991**	$ 252,012

At December 31, 2021				
Segment/Country	**Mine**	**Assets**	**Liabilities**	**Net assets**
Silver Segment:				
Mexico	La Colorada	**$ 299,038**	**$ 52,934**	**$ 246,104**
Peru	Huaron	**117,514**	**59,975**	**57,539**
	Morococha	**124,607**	**40,494**	**84,113**
Bolivia	San Vicente	**88,924**	**53,264**	**35,660**
Argentina	Manantial Espejo	**71,012**	**29,017**	**41,995**
Guatemala	Escobal	**287,811**	**19,833**	**267,978**
Total Silver Segment		**988,906**	**255,517**	**733,389**
Gold Segment:				
Mexico	Dolores[(1)]	**750,220**	**193,638**	**556,582**
Peru	Shahuindo	**591,164**	**199,450**	**391,714**
	La Arena	**317,371**	**106,799**	**210,572**
Canada	Timmins	**419,106**	**62,196**	**356,910**
Total Gold Segment		**2,077,861**	**562,083**	**1,515,778**
Other segment:				
Canada	Pas Corp	**176,006**	**16,492**	**159,514**
Argentina	Navidad	**193,077**	**—**	**193,077**
	Other	**82,734**	**48,484**	**34,250**
Total		**$ 3,518,584**	**$ 882,576**	**$ 2,636,008**

(1) The mine was reclassified to the Gold Segment in 2021 as a result of expected mine sequencing into a higher gold zone.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

At December 31, 2020				
Segment/Country	**Mine**	**Assets**	**Liabilities**	**Net assets**
Silver Segment:				
Mexico	La Colorada	$ 231,217	$ 48,971	$ 182,246
Peru	Huaron	113,177	40,663	72,514
	Morococha	121,004	34,906	86,098
Bolivia	San Vicente	83,668	40,536	43,132
Argentina	Manantial Espejo	75,113	26,950	48,163
Guatemala	Escobal	288,588	24,427	264,161
Total Silver Segment		912,767	216,453	696,314
Gold Segment:				
Mexico	Dolores[(1)]	752,873	169,444	583,429
Peru	Shahuindo	566,734	201,427	365,307
	La Arena	299,372	112,475	186,897
Canada	Timmins	414,396	60,482	353,914
Total Gold Segment		2,033,375	543,828	1,489,547
Other segment:				
Canada	Pas Corp	230,872	18,795	212,077
Argentina	Navidad	192,999	—	192,999
	Other	63,862	48,960	14,902
		$ 3,433,875	$ 828,036	$ 2,605,839

(1) The mine has been represented in the Gold Segment to align with current year presentation.

Product Revenue	2021	2020
Refined silver and gold	**$ 1,177,388**	$ 1,047,601
Zinc concentrate	**119,059**	65,033
Lead concentrate	**145,524**	132,823
Copper concentrate	**133,025**	50,081
Silver concentrate	**57,754**	43,274
Total	**$ 1,632,750**	$ 1,338,812

The Company has 25 customers that account for 100% of the concentrate and silver and gold sales revenue. The Company has 7 customers that accounted for 21%, 13%, 12%, 11%, 9%, 7%, and 7% of total sales in 2021, and 7 customers that accounted for 19%, 17%, 12%, 11%, 7%, 7%, and 5% of total sales in 2020. The loss of certain of these customers or curtailment of purchases by such customers could have a material adverse effect on the Company's financial performance, financial position, and cash flows.

26. OTHER EXPENSES

	2021	2020
Change in closure and decommissioning estimates [(1)]	**$ 246**	$ 5,230
Change in provisions	**1,323**	7,493
Commissions on investment dispositions	**—**	3,465
Other expense	**(1,605)**	4,956
Total	**$ (36)**	$ 21,144

(1) Relates to changes in estimates after the completion of mining activities.

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

27. INCOME TAXES

Components of Income Tax Expense

	2021	2020
Current tax expense (recovery)		
Recognized in profit or loss in current year	$ 134,947	$ 99,013
Adjustments recognized in the current year with respect to prior years	147	(658)
	135,094	98,355
Deferred tax expense (recovery)		
Deferred tax recovery recognized in the current year	14,194	14,667
Adjustments recognized in the current year with respect to prior years	56	433
Benefit from previously unrecognized losses, and other temporary differences	508	(42,379)
Decrease in deferred tax liabilities due to tax impact of NRV charge to inventory	(3,423)	4,481
	11,335	(22,798)
Income tax expense	$ 146,429	$ 75,557

Income tax expense differs from the amounts that would result from applying the Canadian federal and provincial income tax rates to earnings before income tax. These differences result from the items shown on the following table, which result in an effective tax rate that varies considerably from the comparable period. The factors which have affected the effective tax rate for the year ended December 31, 2021 and the comparable period of 2020 were foreign exchange fluctuations, mining taxes paid, and withholding taxes on payments from foreign subsidiaries.

The most significant factor impacting the effective tax rate was due to the changes in the recognition of deferred tax assets. The increase in the effective tax rate for 2021 was due to the mark-to-market losses on short-term investments, for which no tax benefit could be recognized; whereas in 2020, it was reduced due to the recognition of deferred tax benefits associated with deductible tax attributes in La Arena, Timmins West, and Bell Creek. 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

	2021	2020
Earnings before taxes and non-controlling interest	$ 244,991	$ 252,012
Statutory Canadian income tax rate	27.00 %	27.00 %
Income tax expense based on above rates	$ 66,148	$ 68,043
Increase (decrease) due to:		
Non-deductible expenditures	6,192	9,915
Foreign tax rate differences	15,969	16,179
Change in net deferred tax assets not recognized	20,574	(64,765)
Non-taxable portion of net earnings of affiliates	(1,304)	—
Effect of other taxes paid (mining and withholding)	25,846	22,545
Effect of foreign exchange on tax expense	14,337	18,598
Non-taxable impact of foreign exchange	(1,203)	(3,000)
Change in non-deductible portion of reclamation liabilities	2,380	8,605
Other	(2,510)	(563)
Income tax expense	$ 146,429	$ 75,557

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

Deferred tax assets and liabilities

The following is the analysis of the deferred tax assets (liabilities) presented in the consolidated financial statements:

	2021	2020
Net deferred tax liabilities, beginning of year	**$ (117,461)**	$ (140,361)
Recognized in net earnings in the year	**(11,335)**	22,798
Other	**(36)**	102
Net deferred liabilities, end of year	**(128,832)**	(117,461)
Deferred tax assets	**55,953**	57,850
Deferred tax liabilities	**(184,785)**	(175,311)
Net deferred tax liabilities	**$ (128,832)**	$ (117,461)

Components of deferred tax assets and liabilities

The deferred tax assets (liabilities) are comprised of the various temporary differences, as detailed below:

	2021	2020
Deferred tax assets (liabilities) arising from:		
Closure and decommissioning costs	**$ 27,742**	$ 26,482
Tax losses, resource pools and mining tax credits	**92,928**	140,608
Deductible Mexican mining taxes	**4,682**	3,286
Accounts payable and accrued liabilities	**22,119**	17,737
Trade and other receivables	**29,163**	13,290
Provision for doubtful debts and inventory adjustments	**(28,153)**	(21,354)
Short-term investments	**(7,941)**	(15,649)
Mineral properties, plant, and equipment	**(245,126)**	(274,483)
Estimated sales provisions	**(30,466)**	(14,028)
Other temporary differences and provisions	**6,220**	6,650
Net deferred tax liabilities	**$ (128,832)**	$ (117,461)

At December 31, 2021, the net deferred tax liability above included the deferred tax asset of $92.9 million, which includes the benefits from tax losses ($26.4 million) and resource pools ($66.5 million). The decrease of $47.7 million in this deferred tax asset is mainly due to the unrealized losses on short-term investments. These unrealized mark-to-market losses in 2021 reduced the offsetting operating losses recognized, whereas in 2020, additional operating losses were recognized to offset the unrealized mark-to-market gains. The losses will begin to expire after the 2024 year end, if unused.

At December 31, 2020, the net deferred tax liability above included the deferred tax asset of $140.6 million, which includes the benefits from tax losses ($43.8 million) and resource pools ($96.8 million). The increase in this deferred tax asset is mainly due to the Timmins and Bell Creek mines - the assets added were related to previously unbenefitted deductible resource pools, partially offset by losses utilized against taxable income earned. The losses will begin to expire after the 2024 year end, if unused.

(tabular amounts are in thousands of U.S. dollars except number of shares,
options, warrants, and per share amounts, unless otherwise noted)

Unrecognized deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2021	2020
Operating tax loss	**$ 366,351**	$ 284,626
Net capital tax loss	**35,801**	32,378
Resource pools and other tax credits [(1)]	**49,230**	48,773
Financing fees	**1,050**	2,003
Mineral properties, plant, and equipment [(2)]	**127,945**	107,124
Closure and decommissioning costs	**143,080**	136,728
Exploration and other expenses not currently deductible [(2)]	**33,837**	68,266
Intercompany debt	**17,956**	12,160
Doubtful debt and inventory	**24,624**	41,378
Payroll and vacation accruals	**6,168**	1,491
Other temporary differences	**6,154**	3,562
	$ 812,196	$ 738,489

(1) Includes tax credits which will begin to expire after 2027 year end, if unused.
(2) Recast comparative temporary differences to be consistent with current presentation.

Included in the above amounts are operating tax losses, which if not utilized will expire as follows:

At December 31, 2021

	Canada	US	Peru	Mexico	Barbados	Argentina	Total
2022	$ —	$ 529	$ 156	$ —	$ 15	$ 3	$ 703
2023	—	360	—	207	60	5	632
2024 – and after	330,799	11,399	593	2,092	168	19,965	365,016
Total tax losses	**$ 330,799**	**$ 12,288**	**$ 749**	**$ 2,299**	**$ 243**	**$ 19,973**	**366,351**

At December 31, 2020

	Canada	US	Peru	Mexico	Barbados	Argentina	Total
2021	$ —	$ 317	$ 26	$ —	$ 8	$ 1	$ 352
2022	—	529	—	—	12	3	544
2023 – and after	269,001	11,746	314	2,406	183	80	283,730
Total tax losses	**$ 269,001**	**$ 12,592**	**$ 340**	**$ 2,406**	**$ 203**	**$ 84**	**$ 284,626**

Taxable temporary differences associated with investment in subsidiaries

At December 31, 2021, taxable temporary differences of $282.0 million (2020 – $275.7 million) associated with the investments in subsidiaries have not been recognized as the Company is able to control the timing of the reversal of these differences which are not expected to reverse in the foreseeable future.

28. CONTINGENCIES

The following is a summary of the contingent matters and obligations relating to the Company as at December 31, 2021.

General

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

Environment

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

Estimated future reclamation costs are based on the extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company's environmental policies. As of December 31, 2021, $242.9 million (2020 - $235.1 million) was accrued for reclamation costs relating to mineral properties (Note 15).

Tax

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

Title

The validity of our mining or exploration titles or claims or rights, which constitute most of our property holdings, can be uncertain and may be contested. Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, unregistered prior agreements or transfers, indigenous land claims, or undetected title defects. In some cases, we do not own or hold rights to the mineral concessions we mine, and our rights may be contractual in nature. We have not conducted surveys of all the claims in which we hold direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The land title system is also not well developed in some countries and may rely on informal, hereditary or possessory rights. Such informal systems can create significant uncertainty in obtaining and maintaining ownership or rights of access, in defining precise locations or clear boundaries to properties, and substantiating rights if challenged. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims, or that such exploration and mining titles or claims will not be challenged or impugned by third parties. Any defects in title to our properties, or the revocation of or challenges to our rights to mine, could have a material adverse effect on our operations and financial condition.

Legal Proceedings

We are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Many of these claims are from current or ex-employees, or employees of former or current owners of our operations, such as the Quiruvilca-related claims in Peru, which could, in the aggregate, be of significant value, and include alleged improper dismissals, workplace illnesses, such as silicosis, and claims for additional profit-sharing and bonuses in prior years.

We may become subject to class action lawsuits. For example, in mid-2017, Tahoe, which was acquired by us in late February 2019, and certain of its former directors and officers became the subject of three purported class action lawsuits filed in the United States that center primarily around alleged misrepresentations. These U.S. class action lawsuits were later consolidated into one class action suit that is ongoing. In October 2018, Tahoe learned that a similar proposed class action lawsuit had been filed in the Superior Court of Ontario. These lawsuits seek significant damages. Tahoe has disputed the allegations made in these suits, however the outcomes are not determinable at this time.

We may also be subject to proceedings in our commercial relationships. While we believe that we have defenses to such allegations, if we are unsuccessful in our defense of these claims, we may be subject to significant losses.

Furthermore, we are in some cases the subject of claims by local communities, indigenous groups or private land owners relating to land and mineral rights, or environmental or social damage, and such claimants may seek sizeable monetary damages against us and/or the return of surface or mineral rights or revocation of permits and licenses that are valuable to us and which may impact our operations and profitability if lost.

Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to us. We establish provisions for matters that are probable and can be reasonably estimated. We also carry liability insurance coverage, however such insurance does not cover all risks to which we might be exposed and in other cases, may only partially cover losses incurred by us. In addition, we may be involved in disputes with other parties in the future that may result in litigation, which may result in a material adverse effect on our financial position, cash flow and results of operations.

Country

Argentina

Unanticipated or drastic changes in laws and regulations have affected our operations in the past. For example, previous governments implemented severe price, foreign exchange, and import controls which included informal restrictions on dividend, interest, and service payments abroad and limitations on the ability to convert ARS into USD which exposed the Company to additional risks of ARS devaluation and high domestic inflation. The current government in Argentina maintains unfavorable economic policies, such as strict currency controls and the imposition of export duties.

The Company has suspended project development activities at Navidad as a result of uncertainty over the zoning, regulatory and tax laws. The Company remains committed to the development of Navidad and to contributing to the positive economic and social development of the province of Chubut upon the adoption of a favorable legislative framework.

Bolivia

On May 28, 2014, the Bolivian government enacted the New Mining Law. Among other things, the New Mining Law provided that all pre-existing contracts were to migrate to one of several new forms of agreement within a prescribed period of time. The Company currently has a joint venture agreement with COMIBOL (the "COMIBOL Joint Venture"), a Bolivian state mining company, relating to the San Vicente mine. As a result, we anticipate that the COMIBOL Joint Venture will be subject to such migration and possible renegotiation of key terms. The migration process has been delayed by COMIBOL and has not been completed.

The primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the COMIBOL Joint Venture, and the full impact may only be realized over time. We will take appropriate steps to protect and, if necessary, enforce our rights under the COMIBOL Joint Venture. There is, however, no guarantee that governmental actions, including possible expropriation or additional changes in the law, and the migration of the COMIBOL Joint Venture will not impact our involvement in the San Vicente operation in an adverse way and such actions could have a material adverse effect on us and our business.

The Company's San Vicente mine, pursuant to the COMIBOL Joint Venture, is obligated to pay COMIBOL a participation fee of 37.5% of the operation's cash flow. For the year ended December 31, 2021, the Company incurred approximately $7.7 million in COMIBOL royalties (2020 - incurred $5.8 million).

Guatemala

Some communities and non-governmental organizations ("NGOs") have been vocal and active in their opposition to mining and exploration activities in Guatemala. In July 2017, the Escobal mining license was suspended as a result of a court proceeding initiated by an NGO in Guatemala, based upon the allegation that the Guatemala MEM violated the Xinka indigenous people's right of consultation. After several decisions and appeals on the matter, a decision of the Constitutional Court of Guatemala was rendered on September 3, 2018, determining that the Escobal mining license would remain suspended until the Guatemala MEM completes an ILO 169 consultation.

This consultation process for the Escobal mine in Guatemala has advanced in 2021 with pre-consultation meetings held in May, June and October. The process is being led by the Guatemala MEM with representatives of the Xinka indigenous people and PAS Guatemala, Pan American's subsidiary in Guatemala, as participants in the process.

Operations at the Escobal mine have been suspended, on care and maintenance, since July 2017, and the Constitutional Court of Guatemala has ordered the continued suspension of the mining license while the MEM conducts the ILO 169 consultation with the Xinka communities residing in the area of influence.

Legal challenges to the consultation process have been filed with the Guatemalan Supreme Court by parties opposed to the Escobal mine and the ultimate outcome of the various challenges remains uncertain. The process, timing, and outcome of the ILO 169 consultation also remains uncertain.

29. 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 year ended December 31, 2021 and 2020 have been disclosed in these consolidated financial statements. Transactions with Maverix, an associate of the Company, have been disclosed in Note 12 of these 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.

(tabular amounts are in thousands of U.S. dollars except number of shares, options, warrants, and per share amounts, unless otherwise noted)

Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

		2021		2020 [4]
Salaries and short-term benefits [1]	$	**18,592**	$	14,809
Post-employment benefits [2]		**1,130**		930
Share-based payments [3]		**640**		2,143
	$	**20,362**	$	17,882

(1) Includes annual salary and short-term incentives or bonuses earned in the year.
(2) Includes annual contributions to retirement savings plans made by the Company.
(3) Includes annual RSUs, PSUs, stock option and common share grants.
(4) Recast to provide consistency with current presentation.

30. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company made the decision to decommission and dismantle the mine's processing plant and place the Morococha mine on care and maintenance later in fiscal 2022 while strategic alternatives for Morococha are evaluated.

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