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Pan American SILVER CORP.

SECOND QUARTER REPORT TO SHAREHOLDERS

For the period ending JUNE 30, 2015

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PAN AMERICAN SILVER REPORTS INCREASED SILVER AND GOLD PRODUCTION AND LOWER COSTS FOR THE SECOND QUARTER OF 2015 AND DECLARES THIRD DIVIDEND OF THE YEAR

(All amounts in US$ unless otherwise indicated)

Vancouver, B.C. – August 13, 2015 – Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) ("Pan American", or the "Company") today reported unaudited results for the three months and six months ended June 30, 2015. The following table displays the key operational and financial highlights.

This news release should be read in conjunction with the Company's Financial Statements, Notes to the Financial Statements and Management's Discussion & Analysis ("MD&A") for the three and six months ended June 30, 2015, which have been filed on SEDAR and are available at www.sedar.com and on the Company's website at www.panamericansilver.com.

Second Quarter 2015 Highlights (unaudited) [(1)]

- Silver production of 6.65 million ounces, 1% higher than a year ago and 9% higher than in the first quarter of 2015
- Gold production of 44,400 ounces, 18% higher than both a year ago and the first quarter of 2015
- Consolidated All-in Sustaining Costs per Silver Ounce Sold, net of by-product credits ("AISCSOS")[(2)] of $14.46, 20% lower than a year ago
- Consolidated cash costs[(3)] of $9.44 per silver ounce net of by-product credits, 25% lower than a year ago
- Revenue of $174.2 million
- Cash flow generated by operating activities of $20.6 million, or $0.14 per share
- Net loss of $7.3 million or ($0.05) per share

Financial Position at June 30, 2015

- Cash and short term investments of $274.9 million
- Working capital[(4)] of $469.8 million
- Total debt of $61.8 million

(1) Financial information in this news release is based on International Financial Reporting Standards ("IFRS"); results are unaudited.

(2) All-In Sustaining Costs per Silver Ounce Sold ("AISCSOS") is non-Generally Accepted Accounting Principles ("GAAP") measure. AISCSOS is a measure of a silver mining company's consolidated operating performance and the ability to generate cash flow from all operations collectively. The Company and certain investors believe AISCSOS is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow. AISCSOS does not have a standardized meaning prescribed by GAAP, and the Company's method of calculating AISCSOS as described in the Alternative Performance (Non-GAAP) Measures section of the Q2 2015 MD&A may differ from the methods used by other entities. In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente mine compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente mine have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision on previously reported consolidated AISCSOS for the three and six months ended June 30, 2014 was $0.25 and $0.37 decrease, respectively.

(3) Cash cost per ounce of silver, net of by-product credits ("cash costs per ounce") is a non-GAAP measure. The Company believes that cash costs per ounce is a useful measure for investors to evaluate the Company's performance and ability to generate cash flows, and to facilitate comparisons on a mine by mine basis. Cash costs per ounce is a measure conceptually understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by GAAP and the Company's method of calculating cash costs, as described in the Alternative Performance (Non-GAAP) Measures section of the Q2 2015 MD&A, may differ from the methods

used by other entities. Cash costs per ounce should not be construed as an alternative indicator of performance to production costs, depreciation and amortization, and royalties determined in accordance with GAAP. Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Consolidated cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for three and six months ended June 30, 2014 was a $0.45 and $0.43 per ounce increase, respectively.

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

Commenting on the Company's 2015 second quarter results, Geoff Burns, Chief Executive Officer, said, "We had a very strong production quarter, meaningfully increasing our silver and gold production as compared to both the second quarter of 2014 and the first quarter of 2015. At the same time, we were able to significantly reduce our cash costs and AISCSOS (by 25% and 20%, respectively, as compared to a year ago)." Burns continued, "Even in the face of declining precious metal prices, we increased our cash flow from operations by 75% to $20.6 million, or $0.14 per share as compared to the first quarter of this year. But for the tragic accident at Manantial Espejo, I would consider this to be an all-around solid quarter, even though we posted a net loss of $7.3 million, almost exclusively as a result of a total of $6.0 million in negative net realizable value and concentrate settlement adjustments in recognition of lower metal prices as compared to the end of the previous quarter."

Financial Results

During the second quarter of 2015, Pan American generated $174.2 million in revenue, 13% less than in the comparable quarter of 2014. Lower revenue was due primarily to a marked decline in metal prices (with the exception of zinc), negative settlement adjustments on concentrate sales, lower quantities of zinc, lead and gold sold, and higher treatment and refining charges. These factors were partially offset by higher quantities of silver and copper sold and higher zinc prices. During the first half of 2015, Pan American generated $352.3 million in revenue, compared to $410.6 million generated in the first half of 2014.

Inclusive of negative settlement adjustments on concentrate sales of $4.5 million dollars, the Company realized average prices of $16.36 per silver ounce and $1,194 per gold ounce during the second quarter of 2015, which were 16% and 7% lower than prices realized in the same quarter of 2014, respectively. The average realized price per lead tonne declined slightly from $2,070 in the second quarter of 2014 to $2,023 in the reporting quarter, while copper registered the biggest decline from $6,790 per tonne in the second quarter of 2014 to $5,848 per tonne in the reporting quarter. Contrary to the negative trend, the average price per zinc tonne appreciated from $2,064 a year ago to $2,228 in the reporting quarter.

During the second quarter of 2015, Pan American generated a net loss of $7.3 million, or $(0.05) per share, compared to a net loss of $5.7 million, or $(0.04) per share in the comparable quarter of 2014. The net loss generated in the reporting quarter resulted primarily from lower mine operating earnings due to lower revenues, partially offset by lower production costs, lower income taxes, and gains on the sale of commodities contracts and derivatives. The net loss for the current quarter also included $1.5 million in net realizable value ("NRV") adjustments. The Company generated a net loss of $27.1 million, or $(0.18) per share, in the first six months of 2015, compared to net earnings of $1.1 million, or $0.01 per share, in the first half of 2014.

Pan American generated a mine operating loss of $1.0 million during the second quarter of 2015, compared to mine operating earnings of $10.2 million generated in the comparable quarter of 2014. The loss was directly attributable to the decline in revenues and was partially offset by lower production costs and lower depreciation and amortization expense. In the six months ended June 30, 2015, the Company generated mine operating earnings of $1.7 million, compared to mine operating earnings of $41.8 million in the comparable period of 2014.

Cash flow from operations generated during the second quarter of 2015 was $20.6 million or $0.14 per share, compared to $48.7 million or $0.32 per share generated in the second quarter of 2014. Cash flow during the reporting quarter was negatively affected by the decline in revenue previously described, as well as higher income taxes and interest paid, as compared to the same quarter of 2014. Cash flow from operations generated in the first half of 2015 was $32.4 million, compared to $84.9 million generated in the first half of 2014.

Pan American's AISCSOS for the second quarter of 2015 was $14.46, net of by-product credits, a decline of 20% compared to AISCSOS posted for the same quarter of 2014, and well below the Company's 2015 full-year forecast of $15.50 to $16.50. AISCSOS for the reporting quarter declined mainly on account of more payable silver ounces sold, less NRV adjustments to inventories, lower sustaining capital expenses, and lower direct operating costs, partially offset by higher smelting and refining and sales charges. AISCSOS for the six months ended June 30, 2015 were $14.35, compared to $16.45 for the same period of 2014.

At June 30, 2015, Pan American had $274.9 million in cash and short-term investments and working capital of $469.8 million, a decline of $17.5 million and $18.7 million, respectively, as compared to March 31, 2015. During the second quarter of 2015, the Company paid $7.6 million in cash dividends to its shareholders. Year-to-date, Pan American has paid $26.5 million in cash dividends to its shareholders.

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

Operational Results

During the second quarter of 2015 Pan American produced 6.65 million silver ounces and 44,400 gold ounces. Silver production was similar to the 6.56 million silver ounces produced a year ago as a 0.25 million ounce production decline at Alamo Dorado was offset by production increases at the Company's other mines. Gold production rose 18% from the second quarter of 2014, boosted by more ounces produced at Manantial Espejo and Dolores. During the first half of 2015, Pan American produced 12.72 million silver ounces and 81,900 gold ounces at cash costs of $10.53 per silver ounce, net of by-product credits.

During the second quarter of 2015, Pan American produced 4,300 copper tonnes, 126% more than in the second quarter of 2014, on account of significant increases in copper production at the Company's Peruvian operations. At Morococha, copper production rose more than five times from the comparable period of 2014 on account of higher grades and recoveries, while Huaron produced 31% more copper than a year ago due to higher grades. The Company's consolidated lead production during the second quarter of 2015 was 3,500 tonnes, 12% less than in the same quarter of 2014 due to lower production at Morococha, partially offset by production gains at La Colorada, Huaron and San Vicente. During the first half of 2015, the Company produced approximately 18,500 zinc tonnes, 7,000 lead tonnes and 7,400 copper tonnes.

Mexico

La Colorada produced 1.32 million silver ounces during the second quarter of 2015 at cash costs per ounce of $7.85. Silver production rose 6% from the second quarter of 2014 on account of higher throughput and grades. This had a positive effect on cash costs, which were 5% lower than in the second quarter of 2014 due to more silver and by-products produced along with higher zinc prices, which were partially offset by lower lead and gold prices, as well as to relatively flat unit operating costs per tonne year-over-year.

During the second quarter of 2015, Dolores produced 1.11 million silver ounces at cash costs per ounce of $8.34. Silver production increased 6% from the same quarter of 2014 on account of higher grades and throughput. Cash costs per ounce for the reporting quarter were 33% lower than in the second quarter of 2014 on account of lower operating costs due to costs savings for some consumables, the depreciation of the Mexican Peso against the US Dollar, and higher by-product credits on more gold ounces. During the reporting quarter, Dolores produced 20,200 gold ounces, which represented a 19% increase over the comparable quarter of 2014.

Alamo Dorado produced 0.77 million silver ounces during the second quarter of 2015 at cash costs per ounce of $15.25. As expected, silver production declined 24% compared to the second quarter of 2014 as the mine exhausts reserves and relies more on low-grade stockpiles to feed the processing plant. Cash costs increased 37% from the second quarter of 2014, due to the negative effect of lower silver production and lower gold by-product credits. Alamo Dorado produced 2,800 gold ounces during the reporting period, an expected 41% decline from the second quarter of 2014.

Peru

Huaron produced 0.94 million silver ounces during the second quarter of 2015 at cash costs per ounce of $8.96. Silver production was 2% higher than in the second quarter of 2014 as a result of higher throughput, partially offset by a slight decline in recoveries. Cash costs during the reporting quarter declined 21% from the second quarter of 2014 on account of lower production costs due to the combined effects of the successful multi-year mechanization program still ongoing and the devaluation of the Peruvian Sol against the US Dollar. Huaron also produced approximately 3,200 zinc tonnes, 1,900 copper tonnes and 1,700 lead tonnes during the second quarter of 2015, which represents 19% less zinc, 31% more copper, and 7% more lead compared to the second quarter of 2014.

During the second quarter of 2015, Morococha produced 0.56 million silver ounces at cash costs per ounce of $9.78. Silver production rose 4% compared to the second quarter of 2014 on account of significantly higher throughput rates that were partially offset by lower grades due to the previously announced transition of mining activities into the copper-rich Esperanza area. Cash costs declined 45% from the second quarter of 2014 primarily as a result of a substantial increase in copper by-product credits and lower operating costs that resulted from mine mechanization initiatives. During the reporting quarter, Morococha also produced approximately 2,400 copper tonnes, 2,400 zinc tonnes and 500 lead tonnes, which represents 448% more copper, 42% less zinc and 60% less lead compared to the second quarter of 2014.

Bolivia

During the second quarter of 2015 San Vicente produced 1.04 million silver ounces at cash costs per ounce of $11.44. Silver production rose 6% from the second quarter of 2014 as a result of higher grades due to mine sequencing, partially offset by lower throughput rates. Cash costs declined 12% from the comparable period of 2014 as a result of lower operating costs, lower royalties, and higher by-product credits due to higher zinc and lead production. During the reporting quarter San Vicente produced approximately 1,700 zinc tonnes and 300 lead tonnes, which represents 9% and 67% increases, respectively over the comparable quarter in 2014.

Argentina

Manantial Espejo produced 0.90 million silver ounces during the second quarter of 2015 at cash costs per ounce of $6.18. Silver production rose 11% from the second quarter of 2014 on account of higher grades due to mine sequencing, partially offset by lower throughput. Throughput rates during the reporting quarter were negatively affected by a 10-day work stoppage as a consequence of a tragic accident that occurred late in the quarter. Cash costs decreased 66%

from the comparable quarter of 2014 as a result of lower waste tonnes mined, higher silver production and higher gold by-product credits. During the reporting quarter, Manantial Espejo produced approximately 19,500 gold ounces, which was 34% more than in the second quarter of 2014.

Consolidated Cash Costs

Pan American's consolidated cash costs per ounce declined 25% from $12.51, in the second quarter of 2014 to $9.44 in the reporting quarter. The reduction in cash costs resulted from lower operating costs at all operations, with the exception of La Colorada, and higher by-product credits from copper and gold. Cash costs per ounce for the six months ended June 30, 2015 were $10.53, slightly lower than the $10.58 recorded in the first half of 2014.

Cash costs is a non-GAAP measure. Please refer to Note 3 under the highlights table at the beginning of this press release for a further description of this measure.

Capital Spending

During the second quarter of 2015, Pan American spent $17.7 million on sustaining capital. At Dolores, the Company spent $6.1 million, mainly on pre-stripping activities, exploration drilling, mine equipment and site infrastructure. At Manantial Espejo, expenditures during the second quarter totaled $4.5 million primarily on capitalized open pit pre-stripping and exploration drilling. In addition, $2.1 million were spent at La Colorada, $2.6 million were spent on Huaron, $1.4 million were spent at Morococha, and $1 million was spent at San Vicente.

Pan American also spent $11.8 million in long term project capital to advance the La Colorada and Dolores mine expansions, further described in the Project Development section below.

Project Development

Michael Steinmann, President, commented on the Company's organic growth projects, "I am pleased with the advances our project development team achieved during the second quarter. In the current market environment it is more important than ever to add high quality, low cost production. We have responded to this difficult task with the expansions at La Colorada and Dolores which will add nearly 5 million silver ounces and over 128,000 gold ounces of annual production, which will more than replace the production loss when Alamo Dorado will reach the end of its mine life in 2016. But more importantly, La Colorada and Dolores will be our lowest cost producers, substantially reducing our overall cash costs when the expansions are completed, which we expect in 2017".

Pan American invested $7.1 million at the La Colorada expansion project during the second quarter of 2015, mainly on equipment procurement, the start of construction of the new sulphide processing plant, the completion of the pilot hole for the new shaft, detailed engineering for the new shaft, underground development, and further work on project site infrastructure. The project continues to progress as planned.

At Dolores, Pan American invested $4.7 million during the second quarter of 2015, $2.9 million of which was for the construction of the new power line and the balance on the Dolores pulp agglomeration expansion project. Completion of the power line is scheduled in mid-2016 and will help significantly reduce the mine's annual energy cost by replacing expensive diesel generated power. Work for the new pulp agglomeration plant commenced with basic engineering and geotechnical work. In addition, advance on the new underground ramp development progressed with 170 meters completed during the reporting quarter, for a total of 282 meters since the project was initiated at the beginning of the year.

Year-to-date, Pan American has spent $24.4 million on project development at La Colorada and Dolores.

Current and Future Dividends

The Board of Directors today approved the third quarterly cash dividend of 2015 in the amount of $0.05 per common share. The cash dividend will be payable on or about Tuesday, September 8, 2015, to holders of record of common shares as of the close of Tuesday, August 25, 2015. Pan American's dividends are designated as eligible dividends for the purposes of the Income Tax Act (Canada). As is standard practice, the amounts and specific distribution dates of any future dividends will be evaluated and determined by the Board of Directors on an ongoing basis.

Outlook

Pan American reaffirms its annual precious metals production forecast of between 25.50 million and 26.50 million silver ounces, and between 165,000 ounces and 175,000 ounces of gold. With the revised mine sequencing at Morococha, the Company increases the annual production forecast for copper in 2015 to between 14,000 to 15,000 tonnes, an 81% increase from the low end of the 8,000 to 8,500 tonnes originally forecasted for the year. Conversely, the Company is reducing its full year 2015 consolidated zinc and lead production forecast to 37,000 to 39,000 tonnes and 13,000 to 13,500 tonnes, respectively from 41,000 to 43,000 tonnes of zinc and 14,500 to 15,000 tonnes of lead.

Provided metal prices remain at or near current levels, the Company also believes that it will be at the low end or below its annual guidance for AISCSOS of between $15.50 and $16.60, net of by-product credits and similarly at the low end or below its annual consolidated cash costs guidance of between $10.80 and $11.80 per silver ounce, net of by-product credits.

In addition, the Company reaffirms its forecast for 2015 annual sustaining capital of between $71.0 and $84.0 million. With the addition of the Dolores expansion project, the Company now expects to invest between $90.0 million and $100.0 million in project development in 2015.

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

Pan American will host a conference call to discuss these results on Friday, August 14, 2015 at 1:00 pm EST (10:00 am PST). To participate in the conference, please dial toll number 1-604-638-5340.

A live audio webcast and Power Point presentation will be available at http://services.choruscall.ca/links/pan150814.html. The call and webcast will also be available for replay for one week after the call by dialing 1-604-638-9010 and entering code 6218 followed by the # sign.

About Pan American Silver

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

THESE STATEMENTS REFLECT THE COMPANY'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE NECESSARILY BASED UPON A NUMBER OF ASSUMPTIONS THAT, WHILE CONSIDERED REASONABLE BY THE COMPANY, ARE INHERENTLY SUBJECT TO SIGNIFICANT OPERATIONAL, BUSINESS, ECONOMIC AND REGULATORY UNCERTAINTIES AND CONTINGENCIES. THESE ASSUMPTIONS INCLUDE: TONNAGE OF ORE TO BE MINED AND PROCESSED; ORE GRADES AND RECOVERIES; PRICES FOR SILVER, GOLD AND BASE METALS; CAPITAL, DECOMMISSIONING AND RECLAMATION ESTIMATES; 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, LICENCES AND REGULATORY APPROVALS FOR OUR OPERATIONS ARE RECEIVED IN A TIMELY MANNER; AND OUR ABILITY TO COMPLY WITH ENVIRONMENTAL, HEALTH AND SAFETY LAWS. THE FOREGOING LIST OF ASSUMPTIONS IS NOT EXHAUSTIVE.

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

Pan American Silver Corp.

Financial & Operating Highlights

(Unaudited in thousands of U.S. Dollars, except as noted)	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Consolidated Metal Production				
Silver metal – million ounces	**6.65**	6.56	**12.72**	13.18
Gold metal – thousand ounces	**44.4**	37.7	**81.9**	83.6
Zinc metal – thousand tonnes	**9.2**	11.4	**18.5**	22.8
Lead metal – thousand tonnes	**3.5**	4.0	**7.0**	7.6
Copper metal – thousand tonnes	**4.3**	1.9	**7.4**	3.6
Consolidated Costs per Ounce of Silver (net of by-product credits)				
Cash cost per payable ounce produced (1)	**$ 9.44**	$ 12.51	**$ 10.53**	$ 10.58
All-in sustaining cost per silver ounce sold (2)	**$ 14.46**	$ 17.98	**$ 14.35**	$ 16.45
Payable ounces of silver sold – million ounces	**6.54**	6.11	**12.41**	12.85
Consolidated Financial Highlights				
Net cash generated from operating activities	**$ 20,577**	$ 48,737	**$ 32,425**	$ 84,862
Net cash generated from operating activities per share	**$ 0.14**	$ 0.32	**$ 0.21**	$ 0.56
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Basic (loss) earnings per share attributable to common shareholders	**$ (0.05)**	$ (0.04)	**$ (0.18)**	$ 0.01
Adjusted (loss) earnings for the period (3)	**$ (11,239)**	$ 1,817	**$ (31,145)**	$ 14,644
Adjusted (loss) earnings per share attributable to common shareholders (basic) (3)	**$ (0.07)**	$ 0.01	**$ (0.21)**	$ 0.10
Sustaining Capital for mineral properties, plant and equipment	**$ 17,746**	$ 24,411	**$ 34,273**	$ 49,109
Project Capital for mineral properties, plant and equipment	**$ 11,812**	$ 13,018	**$ 28,651**	$ 26,310
Dividends paid	**$ 7,583**	$ 18,938	**$ 26,538**	$ 37,878
Cash and short-term investments	**$ 274,909**	$ 381,643	**$ 274,909**	$ 381,643
Working capital (4)	**$ 469,782**	$ 647,475	**$ 469,782**	$ 647,475
Average Market Metal Prices				
Silver metal ($/oz)	**$ 16.39**	$ 19.62	**$ 16.55**	$ 20.05
Gold metal ($/oz)	**$ 1,192**	$ 1,288	**$ 1,206**	$ 1,291

(1) Cash cost per ounce of silver, net of by-product credits (“cash costs per ounce”) is a non-Generally Accepted Accounting Principles (“non-GAAP” measure). The Company believes that cash costs per ounce is a useful measure for investors to evaluate the Company’s performance and ability to generate cash flows, and to facilitate comparisons on a mine by mine basis. Cash costs per ounce is a measure conceptually understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by GAAP and the Company’s method of calculating cash costs, as described in the Alternative Performance (Non-GAAP) Measures section of the Q2 2015 MD&A, may differ from the methods used by other entities. Cash costs per ounce should not be construed as an alternative indicator of performance to production costs, depreciation and amortization, and royalties determined in accordance with GAAP.

Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Consolidated cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for three and six months ended June 30, 2014 was a $0.45 and $0.43 per ounce increase, respectively.

(2) All-In Sustaining Costs per Silver Ounce Sold (“AISCSOS”) is non-GAAP measure. AISCSOS Is a measure of a silver mining company’s consolidated operating performance and the ability to generate cash flow from all operations collectively. The Company and certain investors believe AISCSOS is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company’s consolidated earnings and cash flow. AISCSOS does not have a standardized meaning prescribed by GAAP, and the Company’s method of calculating AISCSOS as described in the Alternative Performance (Non-GAAP) Measures section of the Q2 2015 MD&A may differ from the methods used by other entities.

In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company’s San Vicente mine compared to the Company’s other operations. As such previously reported AISCSOS for the San Vicente mine have been revised to quantify AISCSOS with a methodology consistent with that used by Company’s other operations. The effect of this revision on previously reported consolidated AISCSOS for the three and six months ended June 30, 2014 was $0.25 and $0.37 decrease, respectively

(3) Adjusted (loss) earnings, and adjusted (loss) earnings per share attributable to common shareholders, are a non-GAAP measure that the Company considers to better reflect normalized earnings as it eliminates items that may be volatile from period to period relating to positions which will settle in future periods, and items that are non-recurring. To facilitate a better understanding of these non-GAAP measures, as calculated by the Company, additional information has been provided in the Alternative Performance (Non-GAAP) Measures section of the Management Discussion and Analysis for the three and six months ended June 30, 2015 (the “Q2 2015 MD&A”).

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

Pan American
SILVER CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS AND NOTES

FOR THE THREE AND SIX MONTHS ENDING JUNE 30, 2015

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

		June 30, 2015		December 31, 2014
Assets				
Current assets				
Cash and cash equivalents (Note 18)	**$**	**182,667**	$	146,193
Short-term investments (Note 5)		**92,242**		184,220
Trade and other receivables (Note 4)		**107,037**		105,644
Income taxes receivable		**39,663**		37,626
Inventories (Note 6)		**236,843**		252,549
Derivative financial instruments (Note 4)		**1,913**		-
Prepaid expenses and other current assets		**7,835**		4,464
		668,200		730,696
Non-current assets				
Mineral properties, plant and equipment (Note 7)		**1,261,878**		1,266,391
Long-term refundable tax		**8,038**		7,698
Deferred tax assets		**11,113**		2,584
Other assets (Note 9)		**7,288**		7,447
Goodwill (Note 8)		**3,057**		3,057
Total Assets	**$**	**1,959,574**	$	2,017,873
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	**$**	**119,371**	$	126,209
Loan payable (Note 11)		**23,899**		17,600
Current portion of long-term debt (Note 14)		**35,392**		34,797
Provisions (Note 12)		**3,142**		3,121
Current portion of finance lease (Note 13)		**1,989**		3,993
Current income tax liabilities		**14,625**		22,321
		198,418		208,041
Non-current liabilities				
Provisions (Note 12)		**45,267**		45,063
Deferred tax liabilities		**167,823**		160,072
Long-term portion of finance lease (Note 13)		**567**		4,044
Other long-term liabilities (Note 15)		**30,997**		30,716
Total Liabilities		**443,072**		447,936
Equity				
Capital and reserves (Note 16)				
Issued capital		**2,296,672**		2,296,672
Share option reserve		**22,438**		22,091
Investment revaluation reserve		**(348)**		(485)
Deficit		**(808,417)**		(755,186)
Total Equity attributable to equity holders of the Company		**1,510,345**		1,563,092
Non-controlling interests		**6,157**		6,845
Total Equity		**1,516,502**		1,569,937
Total Liabilities and Equity	**$**	**1,959,574**	$	2,017,873

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

APPROVED BY THE BOARD ON AUGUST 13, 2015

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Revenue (Note 19)	**$ 174,189**	$ 200,847	**$ 352,314**	$ 410,581
Cost of sales				
Production costs (Note 20)	**(131,847)**	(145,876)	**(260,821)**	(276,754)
Depreciation and amortization	**(36,688)**	(38,297)	**(77,206)**	(75,157)
Royalties	**(6,606)**	(6,429)	**(12,609)**	(16,849)
	(175,141)	(190,602)	**(350,636)**	(368,760)
Mine operating (loss) earnings	**(952)**	10,245	**1,678**	41,821
General and administrative	**(4,798)**	(5,718)	**(10,498)**	(11,296)
Exploration and project development	**(2,494)**	(2,302)	**(6,248)**	(5,282)
Foreign exchange gain (loss)	**1,032**	3,418	**(5,354)**	(2,122)
Gain on commodity and diesel fuel swap contracts (Note 4)	**1,844**	-	**2,485**	-
Gain on sale of assets	**139**	323	**272**	329
Other (expenses) income	**(1,254)**	260	**(240)**	499
(Loss) earnings from operations	**(6,483)**	6,226	**(17,905)**	23,949
Gain (loss) on derivatives (Note 4)	**45**	(543)	**274**	(642)
Investment income	**296**	615	**629**	1,208
Interest and finance expense (Note 21)	**(2,250)**	(3,549)	**(4,474)**	(6,313)
(Loss) earnings before income taxes	**(8,392)**	2,749	**(21,476)**	18,202
Income taxes (Note 22)	**1,093**	(8,428)	**(5,608)**	(17,121)
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Attributable to:				
Equity holders of the Company	**$ (7,322)**	$ (5,472)	**$ (26,693)**	1,372
Non-controlling interests	**23**	(207)	**(391)**	(291)
	$ (7,299)	$ (5,679)	**$ (27,084)**	$ 1,081
(Loss) earnings per share attributable to common shareholders (Note 17)				
Basic (loss) earnings per share	**$ (0.05)**	$ (0.04)	**$ (0.18)**	$ 0.01
Diluted (loss) earnings per share	**$ (0.05)**	$ (0.04)	**$ (0.18)**	$ 0.01
Weighted average shares outstanding (in 000's) Basic	**151,643**	151,503	**151,643**	151,501
Weighted average shares outstanding (in 000's) Diluted	**151,643**	151,503	**151,643**	151,569

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Items that may be reclassified subsequently to net earnings:				
Unrealized net gain (loss) on available for sale securities (net of zero dollars tax in 2015 and 2014)	**59**	(541)	**(116)**	(875)
Reclassification adjustment for net losses included in earnings (net of zero dollars tax in 2015 and 2014)	**110**	365	**253**	681
Total comprehensive (loss) income for the period	**$ (7,130)**	$ (5,855)	**$ (26,947)**	$ 887
Total comprehensive (loss) income attributable to:				
Equity holders of the Company	**$ (7,153)**	$ (5,648)	**$ (26,556)**	$ 1,178
Non-controlling interests	**23**	(207)	**(391)**	(291)
Total comprehensive (loss) income for the period	**$ (7,130)**	$ (5,855)	**$ (26,947)**	$ 887

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 As adjusted (Note 18)	**2015**	2014 As adjusted (Note 18)
Cash flow from operating activities				
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Current income taxes (Note 22)	**1,974**	16,716	**6,353**	25,924
Deferred income tax recovery	**(3,067)**	(8,288)	**(745)**	(8,803)
Depreciation and amortization	**36,688**	38,297	**77,206**	75,157
Interest expense (Note 21)	**1,248**	2,699	**2,587**	4,467
Accretion on closure and decommissioning provision	**810**	801	**1,620**	1,620
Unrealized (gain) loss on foreign exchange	**(3,079)**	371	**(1,006)**	2,075
Share-based compensation expense	**778**	188	**1,562**	1,353
Gain on commodity and diesel fuel swap contracts	**(1,844)**	-	**(2,485)**	-
(Gain) loss on derivatives (Note 4)	**(45)**	543	**(274)**	642
Gain on sale of assets	**(139)**	(323)	**(272)**	(329)
Net realizable value adjustment for inventory	**1,519**	10,018	**(10,541)**	12,327
Changes in non-cash operating working capital (Note 18)	**2,596**	(2,606)	**7,117**	(6,681)
Operating cash flows before interest and income taxes	**30,140**	52,737	**54,038**	108,833
Interest paid	**(2,101)**	(161)	**(3,139)**	(1,381)
Interest received	**211**	250	**404**	549
Income taxes paid	**(7,673)**	(4,089)	**(18,878)**	(23,139)
Net cash generated from operating activities	**$ 20,577**	$ 48,737	**$ 32,425**	$ 84,862
Cash flow from investing activities				
Payments for mineral properties, plant and equipment	**(29,558)**	(36,894)	**(62,004)**	(73,705)
Proceeds (purchase) of short term investments	**92,698**	19,483	**91,458**	(28,196)
Proceeds from settlement of commodity contracts	**474**	-	**572**	-
Proceeds from sale of assets	**151**	442	**291**	546
Net refundable tax and other asset expenditures	**167**	(325)	**167**	(639)
Net cash generated from (used in) investing activities	**$ 63,932**	$ (17,294)	**$ 30,484**	$ (101,994)
Cash flow from financing activities				
Distributions to non-controlling interests	**(281)**	-	**(281)**	-
Dividends paid	**(7,583)**	(18,938)	**(26,538)**	(37,878)
Proceeds from (payments on) short term loans (Note 11)	**1,240**	(11,848)	**6,533**	(14,516)
Payments on construction and equipment leases	**(5,061)**	(90)	**(6,402)**	(1,222)
Net cash used in financing activities	**$ (11,685)**	$ (30,876)	**$ (26,688)**	$ (53,616)
Effects of exchange rate changes on cash and cash equivalents	**(78)**	324	**253**	(201)
Net increase (decrease) in cash and cash equivalents	**72,746**	891	**36,474**	(70,949)
Cash and cash equivalents at the beginning of the period	**109,921**	178,097	**146,193**	249,937
Cash and cash equivalents at the end of the period	**$ 182,667**	$ 178,988	**$ 182,667**	$ 178,988

See accompanying notes to the condensed interim consolidated financial statements.

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

	Attributable to equity holders of the Company							
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Deficit	Total	Non-controlling interests	Total equity
Balance, December 31, 2013	**151,500,294**	**$ 2,295,208**	**$ 21,110**	**$ (137)**	**$ (133,847)**	**$ 2,182,334**	**$ 6,455**	**$ 2,188,789**
Total comprehensive loss	-	-	-	-	-		-	
Net loss for the year	-	-	-	-	(545,588)	(545,588)	765	(544,823)
Other comprehensive loss	-	-	-	(348)	-	(348)	-	(348)
	-	-	-	(348)	(545,588)	(545,936)	765	(545,171)
Shares issued as compensation	142,986	1,461	-	-	-	1,461	-	1,461
Shares issued on the exercise of warrants	92	3	-	-	-	3	-	3
Distributions by subsidiaries to non-controlling interests	-	-	-	-	-	-	(375)	(375)
Stock-based compensation on option grants	-	-	981	-	-	981	-	981
Dividends paid	-	-	-	-	(75,751)	(75,751)	-	(75,751)
Balance, December 31, 2014	**151,643,372**	**$ 2,296,672**	**$ 22,091**	**$ (485)**	**$ (755,186)**	**$ 1,563,092**	**$ 6,845**	**$ 1,569,937**
Total comprehensive loss								
Net loss for the period	-	-	-	-	(26,693)	(26,693)	(391)	(27,084)
Other comprehensive income	-	-	-	137	-	137	-	137
	-	-	-	137	(26,693)	(26,556)	(391)	(26,947)
Share-based compensation on option grants	-	-	347	-	-	347	-	347
Distributions by subsidiaries to non-controlling interests	-	-	-	-	-	-	(297)	(297)
Dividends paid	-	-	-	-	(26,538)	(26,538)	-	(26,538)
Balance, June 30, 2015	**151,643,372**	**$ 2,296,672**	**$ 22,438**	**$ (348)**	**$ (808,417)**	**$ 1,510,345**	**$ 6,157**	**$ 1,516,502**

	Attributable to equity holders of the Company							
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Deficit	Total	Non-controlling interests	Total equity
Balance, December 31, 2013	**151,500,294**	**$ 2,295,208**	**$ 21,110**	**$ (137)**	**$ (133,847)**	**$ 2,182,334**	**$ 6,455**	**$ 2,188,789**
Total comprehensive income								
Net earnings (loss) for the period	-	-	-	-	1,372	1,372	(291)	1,081
Other comprehensive loss	-	-	-	(194)	-	(194)	-	(194)
	-	-	-	(194)	1,372	1,178	(291)	887
Shares issued as compensation	5,521	72	-	-	-	72	-	72
Share-based compensation on option grants	-	-	478	-	-	478	-	478
Dividends paid	-	-	-	-	(37,878)	(37,878)	-	(37,878)
Balance, June 30, 2014	**151,505,815**	**$ 2,295,280**	**$ 21,588**	**$ (331)**	**$ (170,353)**	**$ 2,146,184**	**$ 6,164**	**$ 2,152,348**

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of Operations

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

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

2. Summary of Significant Accounting Policies

a. Basis of Preparation

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

In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for a fair presentation of these condensed interim consolidated financial statements have been included. Operating results for the three and six months periods ending June 30, 2015 are not necessarily indicative of the results that may be expected for the year ended December 31, 2015. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 2014.

Changes in Accounting Policies

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

b. Accounting Standards Issued But Not Yet Effective

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. On July 22, 2015, the IASB confirmed a one year deferral of the effective date of IFRS 15 to January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

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

c. Basis of Consolidation

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

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

3. Management of Capital

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and providing returns to its shareholders. The Company's capital structure consists of equity, comprised of issued capital plus share option reserve plus investment revaluation reserve plus retained deficit all totaling to $1.5 billion as at June 30, 2015 (December 31, 2014 - $1.6 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

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

4. Financial Instruments

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

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

		June 30, 2015		December 31, 2014
Current derivative assets				
Commodity and diesel fuel swap contracts	**$**	**1,913**	$	-
	$	**1,913**	$	-
Current derivative liabilities				
Conversion feature on convertible notes	**$**	**4**	$	278
	$	**4**	$	278

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

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

		June 30, 2015		December 31, 2014
Trade receivables from provisional concentrates sales	**$**	**25,029**	$	29,288
Not arising from sale of metal concentrates		**82,008**		76,356
Trade and other receivables	**$**	**107,037**	$	105,644

The net gains (losses) on derivatives for the three and six months ended June 30, 2015 and 2014 were comprised of the following:

	Three months ended June 30,				**Six months ended June 30,**			
		2015		2014		**2015**		2014
Gain on commodity and diesel fuel swap contracts:								
Realized gain on commodity and diesel fuel swap contracts	**$**	**474**	$	-	**$**	**572**	$	-
Unrealized gain on commodity and diesel fuel swap contracts		**1,370**		-		**1,913**		-
	$	**1,844**	$	-	**$**	**2,485**	$	-
Gain (loss) on derivatives:								
Gain on share purchase warrants (Note 16)	**$**	**-**	$	58	**$**	**-**	$	202
Gain (loss) on conversion feature of convertible notes (Note 14)		**45**		(601)		**274**		(844)
	$	**45**	$	(543)	**$**	**274**	$	(642)

b) Financial assets designated as available-for-sale

The Company's investments in marketable securities are designated as available-for-sale. The unrealized (losses) gains on available-for-sale investments recognized in other comprehensive (loss) income for the three and six months ended June 30 were as follows:

	Three months ended June 30,				**Six months ended June 30,**			
		2015		2014		**2015**		2014
Unrealized net gain (loss) on available for sale securities (net of zero dollars tax in 2015 and 2014)	**$**	**59**	$	(541)	**$**	**(116)**	$	(875)
Reclassification adjustment for net losses included in earnings (net of zero dollars tax in 2015 and 2014)	**$**	**110**	$	365	**$**	**253**	$	681
	$	**169**	$	(176)	**$**	**137**	$	(194)

c) Fair Value of Financial Instruments

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

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

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

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

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

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

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

At June 30, 2015, and December 31, 2014, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Consolidated Statements of Financial Position at fair value on a recurring basis are categorized as follows:

	June 30, 2015		December 31, 2014	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Assets and Liabilities:				
Short-term investments	**$ 92,242**	**$ -**	$ 184,220	$ -
Trade receivable from provisional concentrate sales	**-**	**25,029**	-	29,288
Copper swap contracts	**-**	**849**	-	-
Diesel swap contracts	**-**	**1,064**	-	-
Conversion feature of convertible notes	**-**	**(4)**	-	(278)
	$ 92,242	**$ 26,938**	$ 184,220	$ 29,010

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between level 1 and level 2 during the three and six months ended June 30, 2015.

At June 30, 2015, there were no financial assets or liabilities measured and recognized in the condensed interim consolidated income statements at a fair value that would be categorized as a level 3 in the fair value hierarchy above (December 31, 2014 - $nil).

(ii) Valuation Techniques

Short-term investments

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

Receivables from provisional concentrate sales

The Company's trade receivables arose from provisional concentrate sales and are valued using quoted market prices based on the forward London Metal Exchange ("LME") price for copper, zinc and lead and the London Bullion Market Association P.M. fix ("London P.M. fix") for gold and silver and as such are classified as level 2 of the fair market value hierarchy.

Derivative financial assets

The Company's unrealized gains and losses on commodity contracts and diesel fuel swaps are valued using observable market prices and as such are classified as Level 2 of the fair market value hierarchy.

During the three and six months ended June 30, 2015 the Company entered into diesel swap contracts designated to fix or limit the Company's exposure to higher fuel prices (the "Diesel fuel swaps"). The Diesel fuel swaps had an initial notional value of $13.0 million of which $9.9 million remained outstanding as at June 30, 2015. The Company recorded a $0.9 million and $1.5 million gain on the Diesel fuel swaps in the three and six months ended June 30, 2015, respectively, (June 30, 2014 - $nil).

During the three and six months ended June 30, 2015 the Company entered into copper swap contracts designated to fix or limit the Company's exposure to lower copper prices (the "Copper swaps"). The copper swaps were on 4,080 metric tonnes ("MT") of copper at an average price of $6,044 USD/MT. The Company recorded a $0.9 million and $0.9 million gain on the copper contracts in the three and six months ended June 30, 2015, respectively, (June 30, 2014 - $nil).

Convertible notes

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

d) Financial Instruments and Related Risks

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

(i) Metal Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, gold, lead, copper, and zinc. The Company's sales are directly dependent on metal prices that have shown extreme volatility and are beyond the Company's control. 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 Company has entered into Copper swap contracts discussed above under Derivative financial assets. The Board of Directors continually assess the Company's strategy towards its base metal exposure, depending on market conditions.

(ii) Credit Risk

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

The Company has long-term concentrate contracts to sell the zinc, lead and copper concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At June 30, 2015 the Company had receivable balances associated with buyers of its concentrates of $25.0 million (December 31, 2014 - $29.3 million). The vast majority of the Company's concentrate is sold to ten well known concentrate buyers.

Silver doré production from La Colorada, Alamo Dorado, Dolores and Manantial Espejo is refined under long term agreements with fixed refining terms at three separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At June 30, 2015 the Company had approximately $28.4 million (December 31, 2014 - $44.7 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at the Company's mine sites, in-transit to refineries and whilst at the refineries.

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

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

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

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

(iii) Foreign Exchange Rate Risk

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

To mitigate this exposure, from time to time the Company has purchased Peruvian Nuevo soles ("PEN"), Mexican pesos ("MXN") and Canadian Dollars ("CAD") to match anticipated spending. At June 30, 2015, the Company had no outstanding contracts to purchase PEN or MXN. The Company's net earnings are affected by the revaluation of its monetary assets and monetary liabilities at each balance sheet date. At June 30, 2015, the Company's cash and short term investments include $23.9 million in CAD, $26.8 million in MXN, $2.6 million in PEN, and $1.4 million in Bolivian Bolivianos ("BOB") (December 31, 2014 - $74.3 million in CAD, $18.7 million in MXN, $4.8 million in PEN, and $0.4 million in BOB).

(iv) Liquidity Risk

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

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

(v) Commitments

The Company's commitments at June 30, 2015 have contractual maturities as summarized below:

	Payments due by period				
	Total	**Within 1 year(2)**	**2 - 3 years**	**4- 5 years**	**After 5 years**
Current liabilities	$ 118,155	$ 118,155	$ -	$ -	$ -
Loan obligation (Note 11)	24,110	24,110	-	-	-
Finance lease obligations(1)	2,603	2,032	571	-	-
Severance accrual	3,593	228	785	366	2,214
Provisions	4,846	3,142	445	735	524
Income taxes payable	14,625	14,625	-	-	-
Restricted share units ("RSUs") (3) (Note 16)	2,068	1,371	697	-	-
Performance share units ("PSUs") (4) (Note 16)	267	-	267	-	-
Current portion of long term debt (5)	36,235	36,235	-	-	-
Total contractual obligations(6)	**$ 206,502**	**$ 199,898**	**$ 2,765**	**$ 1,101**	**$ 2,738**

(1) Includes lease obligations in the amount of $2.6 million (December 31, 2014 - $8.4 million) with a net present value of $2.6 million (December 31, 2014 - $8.0 million) discussed further in Note 13.

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

June 30, 2015		Future interest component	Within 1 year
Current portion of:			
Accounts payable and other liabilities	$ 118,155	$ -	**$** 118,155
Loan obligation	23,899	211	24,110
Current severance liability	228	-	228
Current portion of finance lease	1,989	43	2,032
Employee Compensation PSU's & RSU's	988	383	1,371
Convertible note	35,392	843	36,235
Provisions	3,142	-	3,142
Income tax payable	14,625	-	14,625
Total contractual obligations within one year	$ 198,418	$ 1,480	**$** 199,898

(3) Includes RSU obligation in the amount of $2.1 million (December 31, 2014 – $2.2 million) that will be settled in cash. The RSUs vest in two instalments, 50% one year from date of grant and 50% two years from date of grant.

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

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

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

5. Short Term Investments

	June 30, 2015			December 31, 2014		
Available for sale	**Fair Value**	**Cost**	**Accumulated unrealized holding losses**	Fair Value	Cost	Accumulated unrealized holding losses
Short term investments	**$ 92,242**	**$ 92,590**	**$ (348)**	$ 184,220	$ 184,705	$ (485)

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

6. Inventories

Inventories consist of:

		June 30, 2015		December 31, 2014
Concentrate inventory	$	**17,684**	$	16,679
Stockpile ore[(1)]		**41,117**		44,236
Heap leach inventory and in process [(2)]		**84,436**		78,564
Doré and finished inventory [(3)]		**36,783**		57,175
Materials and supplies		**56,823**		55,895
	$	**236,843**	$	252,549

(1) Includes an impairment charge of $8.8 million to reduce the cost of inventory to net realizable value ("NRV ") at Manantial Espejo and Dolores mines (December 31, 2014 – $0.9 million).
(2) Includes an impairment charge of $19.8 million to reduce the cost of inventory to NRV at Dolores, Manantial Espejo and Alamo Dorado mines (December 31, 2014 - $32.3 million).
(3) Includes an impairment charge of $3.8 million to reduce the cost of inventory to NRV at Dolores, Alamo Dorado and Manantial Espejo mines (December 31, 2014 - $9.7 million).

7. Mineral Properties, Plant and Equipment

Mineral property, plant and equipment consist of:

	June 30, 2015			December 31, 2014		
	Cost	**Accumulated Depreciation And Impairment**	**Carrying Value**	**Cost**	**Accumulated Depreciation And Impairment**	**Carrying Value**
Huaron mine, Peru	**$ 162,658**	**$ (77,124)**	**$ 85,534**	$ 158,750	$ (71,351)	$ 87,399
Morococha mine, Peru	**214,083**	**(96,520)**	**117,563**	211,545	(86,936)	124,609
Alamo Dorado mine, Mexico	**194,136**	**(184,230)**	**9,906**	193,715	(179,274)	14,441
La Colorada mine, Mexico	**158,649**	**(67,025)**	**91,624**	140,784	(61,650)	79,134
Dolores mine, Mexico	**881,970**	**(468,928)**	**413,042**	859,655	(452,645)	407,010
Manantial Espejo mine, Argentina	**356,586**	**(294,402)**	**62,184**	346,498	(277,296)	69,202
San Vicente mine, Bolivia	**129,196**	**(67,839)**	**61,357**	128,014	(63,812)	64,202
Other	**24,821**	**(16,027)**	**8,794**	24,745	(15,696)	9,049
Total	**$ 2,122,099**	**$ (1,272,095)**	**$ 850,004**	$ 2,063,706	$ (1,208,660)	$ 855,046

	June 30, 2015	December 31, 2014
Land and Exploration and Evaluation:		
Land	**$ 4,977**	$ 4,977
Navidad Project, Argentina	**190,471**	190,471
Minefinders Group, Mexico	**180,607**	180,074
Morococha, Peru	**9,674**	9,674
Other	**26,145**	26,149
Total non-producing properties	**$ 411,874**	$ 411,345
Total mineral properties, plant and equipment	**$1,261,878**	$ 1,266,391

8. Impairment of Non-Current Assets and Goodwill

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

Based on the Company's assessment at June 30, 2015 of potential impairments with respect to its mineral properties, the Company has concluded that there are no impairment charges required as at June 30, 2015.

Goodwill consists of:

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

Minefinders, exploration properties		2015		2014
As at January 1,	$	3,057	$	7,134
		-		-
As at June 30,	$	3,057	$	7,134

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

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

9. Other Assets

Other assets consist of:

		June 30, 2015		December 31, 2014
Long-term prepaid expense(1)	$	5,332	$	5,461
Investments in Associates		1,450		1,450
Reclamation bonds		91		91
Lease receivable(2)		378		408
Other assets		37		37
	$	7,288	$	7,447

(1) Includes a prepaid deposit related to the Gas Line Project at the Manantial Espejo mine for $5.2 million.

(2) The Company entered into a finance leasing arrangement with employees at the Manantial Espejo mine for certain housing units. The term of the finance lease entered into is 6 years.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

		June 30, 2015		December 31, 2014
Trade accounts payable (1)	$	57,929	$	52,985
Royalties payable		5,595		6,019
Other accounts payable and trade related accruals		23,045		33,780
Payroll and related benefits		22,253		18,808
Severance accruals		228		749
Other taxes payable		1,316		1,541
Advances on concentrate		1,806		2,345
Other		7,199		9,982
	$	119,371	$	126,209

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

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

11. Loan payable

	June 30, 2015 (1)	December 31, 2014(2)
Loan payable(1)	**$ 24,191**	$ 17,658
Unrealized gain on foreign exchange	**(292)**	(58)
	$ 23,899	$ 17,600

(1) On June 30, 2015, one of the Company's subsidiaries (Minera Triton Argentina S.A.) had drawn on an available line of credit for 40.0 million Argentine pesos (equivalent to USD $4.4 million) at an interest rate of 19.0% due July 3, 2015, in order to meet its short term obligations. In addition, the Company had three unsecured loans outstanding for USD $7.5 million due October 19, 2015, USD $6.5 million due September 30, 2015, and USD $5.5 million due July 27, 2015 at interest rates of 4.5%, 3.75% and 4.6%, respectively. At June 30, 2015, the combined carrying values of the loans payable were $23.9 million.

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

12. Provisions

	Closure and Decommissioning	Litigation	Total
December 31, 2013	$ 41,469	$ 5,520	**$** 46,989
Revisions in estimates and obligations incurred	421	-	421
Charged (credited) to earnings:			
-new provisions	-	375	375
-unused amounts reversed	-	(91)	(91)
-exchange gains on provisions	-	(284)	(284)
Charged in the year	(1,955)	(509)	(2,464)
Accretion expense (Note 21)	3,238	-	3,238
As at December 31, 2014	**$** 43,173	$ 5,011	$ 48,184
Revisions in estimates and obligations incurred	451	-	451
Charged (credited) to earnings:			
-new provisions	-	125	125
-unused amounts reversed	-	(80)	(80)
-exchange gains on provisions	-	(135)	(135)
Charged in the period	(1,681)	(75)	(1,756)
Accretion expense (Note 21)	1,620	-	1,620
As at June 30, 2015	**$ 43,563**	**$ 4,846**	**$ 48,409**

Maturity analysis of total provisions:

	June 30, 2015	December 31, 2014
Current	**$ 3,142**	$ 3,121
Non-current	**45,267**	45,063
	$ 48,409	$ 48,184

13. Finance Lease Obligations

	June 30, 2015	December 31, 2014
Lease obligations (1)	**$ 2,556**	$ 8,037

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

		June 30, 2015		December 31, 2014
Maturity analysis of finance leases:				
Current	**$**	**1,989**	$	3,993
Non-current		**567**		4,044
Lease obligations (1)	**$**	**2,556**	$	8,037

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

		June 30, 2015		December 31, 2014
Less than a year	**$**	**2,032**	$	4,238
2 years		**571**		2,697
3 years		**-**		1,490
4 years		**-**		-
		2,603		8,425
Less future finance charges		**(47)**		(388)
Present value of minimum lease payments	**$**	**2,556**	$	8,037

14. Long Term Debt

		June 30, 2015		December 31, 2014
Convertible notes	**$**	**35,388**	$	34,519
Conversion feature on the convertible notes		**4**		278
Total long-term debt	**$**	**35,392**	$	34,797

		June 30, 2015		December 31, 2014
Maturity analysis of Long Term Debt:				
Current	**$**	**35,392**	$	34,797
Non-Current		**-**		-
	$	**35,392**	$	34,797

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

The interest and principal amounts of the Notes are classified as debt liabilities and the conversion option is classified as a derivative liability. The debt liability is measured at amortized cost. As a result, the carrying value of the debt liability is lower than the aggregate face value of the Notes. The unwinding of the discount is accreted as interest expense over the terms of the Notes using an effective interest rate. For the three and six months ended June 30, 2015, $0.6 million and $1.3 million, respectively was capitalized to mineral properties, plant and equipment (June 30, 2014 – $0.4 million and $0.8 million, respectively). The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the conversion feature on the convertible notes is considered an embedded derivative and re-measured at fair value each reporting period. The fair value of the conversion feature of the convertible notes is determined using a model that includes the volatility and price of the Company's common shares and a credit spread structure with reference to the corresponding fair value of the debt component of the convertible notes. Assumptions used in the fair value calculation of the embedded derivative component at June 30, 2015 were expected stock price volatility of 46.03%, expected life of 0.5 years, and expected dividend yield of 3.20%.

During the three and six months ended June 30, 2015, the Company recorded a $0.05 million gain and $0.3 million gain on the revaluation of the embedded derivative on the convertible notes (three and six months ended June 30, 2014 – $0.6 million loss and $0.8 million loss, respectively).

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

The approximate current fair value of the notes, excluding the conversion feature at June 30, 2015 is $36.1 million (December 31, 2014 - $35.6 million).

15. Other Long Term Liabilities

Other long term liabilities consist of:

		June 30, 2015		December 31, 2014
Deferred credit[1]	**$**	**20,788**	$	20,788
Long term income tax payable		**6,844**		6,542
Severance accruals		**3,365**		3,386
	$	**30,997**	$	30,716

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

16. Share Capital and Employee Compensation Plans

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

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

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

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

	Stock Options			Share Purchase Warrants			
	Shares		Weighted Average Exercise Price CAD$	Warrants		Weighted Average Exercise Price CAD$	Total
As at December 31, 2013	**1,397,370**	**$**	**20.76**	**7,814,605**	**$**	**35.00**	**9,211,975**
Granted	212,869	$	11.58	-	$	-	212,869
Exercised	-	$	-	(92)	$	35.00	(92)
Expired	(195,562)	$	17.73	(7,814,513)	$	35.00	(8,010,075)
Forfeited	(20,162)	$	23.02	-	$	-	(20,162)
As at December 31, 2014	**1,394,515**	**$**	**19.74**	**-**	**$**	**-**	**1,394,515**
Granted		$		-	$	-	-
Exercised		$		-	$	-	-
Expired	(190,862)	$	25.19	-	$	-	(190,862)
Forfeited	(89,588)	$	22.76	-	$	-	(89,588)
As at June 30, 2015	**1,114,065**	**$**	**18.56**	**-**	**$**	**-**	**1,114,065**

Share Purchase Warrants

As part of the acquisition of Aquiline Resources Inc. in 2009 the Company issued share purchase warrants. The outstanding warrants of 7,814,513 expired on December 7, 2014 as per the agreement. The Company's share purchase warrants were classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. During the three and six months ended June 30, 2014, there was a derivative gain of $0.1 million and $0.2 million, respectively

Long Term Incentive Plan

During the three months ended June 30, 2015, nil common shares were exercised in connection with the options under the plan (2014 – nil), nil options expired (2014 – nil) and 89,588 options were forfeited (2014 – nil).

During the six months ended June 30, 2015, nil common shares were exercised in connection with the options under the plan (2014 – nil), 190,862 options expired (2014 – 195,562) and 89,588 options were forfeited (2014 – 18,321).

Performance Shares Units

In early 2014, the Board approved the adding of performance share units ("PSUs") to the Company's LTIP. PSUs are notional share units that mirror the market value of the Company's common shares (the "Shares"). Each vested PSU entitles the participant to a cash payment equal to the value of an underlying share, less applicable taxes, at the end of the term, plus the cash equivalent of any dividends distributed by the Company during the three-year performance period. PSU grants will vest on the date that is three years from the date of grant subject to certain exceptions. Performance results at the end of the performance period relative to predetermined performance criteria and the application of the corresponding performance multiplier determine how many PSUs vest for each participant. The Board approved the issuance of 30,408 PSUs with a share price of CAD $11.51. For the three and six month periods ended June 30, 2015 compensation expense for PSUs was $0.1 million and $0.1 million, respectively, (2014- $nil and $nil, respectively) and is presented as a component of general and administrative expense.

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

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

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at June 30, 2015. The underlying option agreements are specified in Canadian dollar amounts.

	Options Outstanding				**Options Exercisable**		
Range of Exercise Prices CAD$	Number Outstanding as at June 30, 2015	Weighted Average Remaining Contractual Life (months)		Weighted Average Exercise Price CAD$	Number Exercisable as at June 30, 2015		Weighted Average Exercise Price CAD$
$11.49 - $12.57	**297,547**	65.48	$	11.49	**148,777**	$	11.49
$11.58 - $17.01	**233,511**	78.98	$	11.68	**20,642**	$	12.70
$17.02 - $18.53	**184,130**	55.43	$	18.43	**184,130**	$	18.43
$18.54 - $24.90	**320,156**	40.56	$	24.89	**320,156**	$	24.89
$24.91 - $40.22	**78,721**	29.37	$	40.22	**78,721**	$	40.22
	1,114,065	56.93	$	18.56	**752,426**	$	21.93

During the three and six months ended June 30, 2015 the total employee share-based compensation expense, for options, recognized in the income statement was $0.2 million and $0.3 million, respectively (2014 - $0.2 million and $0.5 million, respectively). In addition, for the three and six months ended June 30, 2015 the Company accrued for $0.6 million and $1.2 million in share-based compensation expense related to estimated shares to be issued under the plan (2014 - $0.4 million and $0.9 million, respectively).

Convertible note

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

Restricted Share Units ("RSUs")

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

Compensation expense for RSUs for the three and six months ended June 30, 2015 was $0.2 million and $0.5 million respectively (2014 – $0.5 million and $0.9 million respectively) and is presented as a component of general and administrative expense.

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

RSU	Number Outstanding		Fair Value
As at December 31, 2013	**196,102**	$	**2,288**
Granted	165,240		1,670
Paid out	(116,381)		(1,224)
Forfeited	(4,204)		(44)
Change in value	-		(429)
As at December 31, 2014	**240,757**	**$**	**2,261**
Granted	-		-
Paid out	-		-
Forfeited	(9,531)		(82)
Change in value	-		(111)
As at June 30, 2015	**231,226**	**$**	**2,068**

Normal Course Issuer Bid

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

No common shares were purchased during the three and six months ended June 30, 2015.

Dividends

On February 19, 2015, the Company declared a dividend of $0.125 per common share paid to holders of record of its common share as of the close of business on March 2, 2015.

On May 11, 2015, the Company declared a dividend of $0.05 per common share paid to holders of record of its common share as of the close of business on May 22, 2015.

On August 13, 2015, the Company declared a quarterly dividend of $0.05 per common share to be paid to holders of record of its common shares as of the close of business on August 25, 2015. These dividends were not recognized in these condensed interim consolidated financial statements during the period ended June 30, 2015.

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

Three months ended June 30,		**2015**					2014		
		Loss (Numerator)	**Shares (Denominator) (in 000's)**		**Per-Share Amount**		Loss (Numerator)	Shares (Denominator) (in 000's)		Per-Share Amount
Net loss [1]	**$**	**(7,322)**				$	(5,472)			
Basic EPS	**$**	**(7,322)**	**151,643**	**$**	**(0.05)**	$	(5,472)	151,503	$	(0.04)
Effect of Dilutive Securities:										
Stock Options		**-**	**-**				-	-		
Convertible Notes		**-**	**-**				-	-		
Diluted EPS	**$**	**(7,322)**	**151,643**	**$**	**(0.05)**	$	(5,472)	151,503	$	(0.04)

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

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

Six months ended June 30,	2015			2014		
	Loss (Numerator)	Shares (Denominator) (in 000's)	Per-Share Amount	Earnings (Numerator)	Shares (Denominator) (in 000's)	Per-Share Amount
Net (loss) earnings[(1)]	$ (26,693)			$ 1,372		
Basic EPS	$ (26,693)	151,643	$ (0.18)	$ 1,372	151,501	$ 0.01
Effect of Dilutive Securities:						
Stock Options	-	-		-	68	
Convertible Notes	-	-		-	-	
Diluted EPS	$ (26,693)	151,643	$ (0.18)	$ 1,372	151,569	$ 0.01

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

Potentially dilutive securities excluded in the diluted earnings per share calculation for the three and six months ended June 30, 2015 were 1,114,065 and 1,114,065, respectively out-of-money options, and warrants (2014 – 8,998,092 and 8,672,045, respectively).

18. Supplemental Cash Flow Information

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

Changes in non-cash operating working capital items:	Three months ended June 30, 2015	2014[(1)]	Six months ended June 30, 2015	2014[(1)]
Trade and other receivables	$ (4,925)	$ (174)	$ (2,501)	$ (21,395)
Inventories	(814)	315	13,878	11,448
Prepaid expenditures	(103)	432	(3,372)	1,578
Accounts payable and accrued liabilities	8,879	(2,133)	628	3,172
Provisions	(441)	(1,046)	(1,516)	(1,484)
	$ 2,596	$ (2,606)	$ 7,117	$ (6,681)

(1) The disclosure for Condensed Interim Consolidated Statements of Cash Flows for the three and six month periods ending June 30, 2014 has been changed from prior year presented amounts to reflect interest expense of $2.7 million and $4.5 million as individual lines on the Condensed Interim Consolidated Statements of Cash Flows for the three and six month periods ended June 30, 2014 in order to correct an immaterial error. There is no net impact on the Condensed Interim Consolidated Income Statements or Loss or diluted loss per share. Details of the change are reflected in the following tables:

Three months ended June 30, 2014	Previously Reported	Current Report	Difference
Accounts payable and Accrued liabilities	$ 566	$ (2,133)	$ (2,699)
Changes in non-cash operating working capital Items	$ 93	$ (2,606)	$ (2,699)

Six months ended June 30, 2014	Previously Reported	Current Report	Difference
Accounts payable and Accrued liabilities	$ 7,639	$ 3,172	$ (4,467)
Changes in non-cash operating working capital Items	$ (2,214)	$ (6,681)	$ (4,467)

Significant Non-Cash Items:	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Construction and other equipment acquired by leases	$ -	$ 535	$ 920	$ 1,714

Cash and cash equivalents are comprised of:	June 30, 2015	December 31, 2014
Cash	$ 123,211	$ 118,099
Short-term money market investments	59,456	28,094
	$ 182,667	$ 146,193

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

19. Segmented Information

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

	Three months ended June 30, 2015									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 20,605	$ 17,945	$ 42,789	$ 14,729	$ 23,784	$ 34,730	$ -	$ 19,607	$ -	**$ 174,189**
Depreciation and amortization	$ (2,876)	$ (4,953)	$ (12,041)	$ (2,533)	$ (2,805)	$ (8,965)	$ (44)	$ (2,305)	$ (166)	**$ (36,688)**
Exploration and project development	$ (371)	$ (122)	$ (93)	$ 1	$ (1)	$ -	$ (1,906)	$ -	$ (2)	**$ (2,494)**
Interest income	$ 26	$ 1	$ -	$ 125	$ 1	$ 44	$ -	$ -	$ 15	**$ 212**
Interest and financing expenses	$ (179)	$ (174)	$ (90)	$ (60)	$ (65)	$ (1,297)	$ (11)	$ (57)	$ (317)	**$ (2,250)**
Gain on disposition of assets	$ 1	$ 78	$ 24	$ -	$ 17	$ -	$ -	$ -	$ 19	**$ 139**
Gain on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 45	**$ 45**
Foreign exchange gain (loss)	$ 45	$ (51)	$ (843)	$ (569)	$ (712)	$ 89	$ 72	$ 156	$ 2,845	**$ 1,032**
Gain on commodity and diesel fuel swap contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,844	**$ 1,844**
Earnings (loss) before income taxes	$ 625	$ (4,432)	$ (7,791)	$ (3,740)	$ 351	$ (5,835)	$ (2,601)	$ 4,030	$ 11,001	**$ (8,392)**
Income taxes (expense) recovery	$ (935)	$ 503	$ 314	$ 362	$ 256	$ 2,427	$ (10)	$ (1,117)	$ (707)	**$ 1,093**
Net (loss) earnings for the period	$ (310)	$ (3,929)	$ (7,477)	$ (3,378)	$ 607	$ (3,408)	$ (2,611)	$ 2,913	$ 10,294	**$ (7,299)**
Capital expenditures	$ 2,562	$ 1,430	$ 10,918	$ -	$ 9,123	$ 4,488	$ 3	$ 1,019	$ 15	**$ 29,558**
Total assets	$ 120,056	$ 152,202	$ 754,664	$ 89,696	$ 138,843	$ 177,031	$ 203,204	$ 90,743	$ 233,135	**$ 1,959,574**
Total liabilities	$ 33,486	$ 26,291	$ 178,828	$ 11,922	$ 20,122	$ 83,991	$ 1,715	$ 24,839	$ 61,878	**$ 443,072**

	Six months ended June 30, 2015									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 40,557	$ 35,297	$ 88,107	$ 33,745	$ 49,102	$ 73,185	$ -	$ 32,321	$ -	**$ 352,314**
Depreciation and amortization	$ (5,786)	$ (9,930)	$ (27,115)	$ (5,578)	$ (5,547)	$ (19,155)	$ (87)	$ (3,677)	$ (331)	**$ (77,206)**
Exploration and project development	$ (444)	$ (291)	$ (217)	$ (1)	$ (2)	$ -	$ (4,562)	$ -	$ (731)	**$ (6,248)**
Interest income (expense)	$ 66	$ 4	$ 1	$ 257	$ 1	$ 85	$ -	$ -	$ (9)	**$ 405**
Interest and financing expenses	$ (358)	$ (337)	$ (178)	$ (120)	$ (128)	$ (2,707)	$ (22)	$ (113)	$ (511)	**$ (4,474)**
Gain on disposition of assets	$ 5	$ 172	$ 39	$ 3	$ 34	$ -	$ -	$ -	$ 19	**$ 272**
Gain on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 274	**$ 274**
Foreign exchange gain (loss)	$ 73	$ (188)	$ (675)	$ (1,283)	$ (1,088)	$ 522	$ 29	$ 374	$ (3,118)	**$ (5,354)**
Loss on commodity and diesel fuel swap contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,485	**$ 2,485**
Earnings (loss) before income taxes	$ 528	$ (11,497)	$ (6,127)	$ (5,548)	$ 3,953	$ (13,323)	$ (5,878)	$ 5,966	$ 10,450	**$ (21,476)**
Income taxes (expense) recovery	$ (1,750)	$ 1,412	$ (3,964)	$ (701)	$ (1,526)	$ 5,130	$ (23)	$ (1,633)	$ (2,553)	**$ (5,608)**
Net (loss) earnings for the period	$ (1,222)	$ (10,085)	$ (10,091)	$ (6,249)	$ 2,427	$ (8,193)	$ (5,901)	$ 4,333	$ 7,897	**$ (27,084)**
Capital expenditures	$ 4,360	$ 2,923	$ 23,847	$ -	$ 19,891	$ 9,367	$ 107	$ 1,483	$ 26	**$ 62,004**
Total assets	$ 120,056	$ 152,202	$ 754,664	$ 89,696	$ 138,843	$ 177,031	$ 203,204	$ 90,743	$ 233,135	**$ 1,959,574**
Total liabilities	$ 33,486	$ 26,291	$ 178,828	$ 11,922	$ 20,122	$ 83,991	$ 1,715	$ 24,839	$ 61,878	**$ 443,072**

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

	Three months ended June 30, 2014									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 27,647	$ 20,784	$ 36,216	$ 25,133	$ 27,445	$ 50,564	$ -	$ 13,058	$ -	**$ 200,847**
Depreciation and amortization	$ (3,109)	$ (4,993)	$ (10,392)	$ (3,048)	$ (2,245)	$ (12,972)	$ (41)	$ (1,332)	$ (165)	**$ (38,297)**
Exploration and project development	$ (653)	$ (150)	$ (243)	$ (84)	$ (2)	$ (160)	$ (1,003)	$ -	$ (7)	**$ (2,302)**
Interest income	$ 55	$ 3	$ 1	$ 79	$ 89	$ 26	$ -	$ -	$ (4)	**$ 249**
Interest and financing expenses	$ (187)	$ (179)	$ (923)	$ (60)	$ (63)	$ (1,641)	$ (11)	$ (56)	$ (429)	**$ (3,549)**
Gain on disposition of assets	$ 17	$ 306	$ -	$ -	$ -	$ (1)	$ -	$ -	$ -	**$ 323**
Loss on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (543)	**$ (543)**
Foreign exchange gain (loss)	$ (36)	$ 12	$ (41)	$ 3	$ 83	$ (123)	$ (174)	$ 83	$ 3,610	**$ 3,418**
Earnings (loss) before income taxes	$ 3,146	$ (4,110)	$ (15,389)	$ 5,390	$ 7,240	$ (2,409)	$ (1,692)	$ 2,354	$ 8,217	**$ 2,749**
Income taxes (expense) recovery	$ (1,467)	$ 1,063	$ 3,819	$ (1,860)	$ (4,483)	$ (1,983)	$ 10	$ (2,051)	$ (1,476)	**$ (8,428)**
Net (loss) earnings for the period	$ 1,679	$ (3,047)	$ (11,570)	$ 3,530	$ 2,757	$ (4,392)	$ (1,682)	$ 303	$ 6,741	**$ (5,679)**
Capital expenditures	$ 3,399	$ 3,092	$ 15,502	$ 115	$ 8,740	$ 5,136	$ 58	$ 809	$ 43	**$ 36,894**
Total assets	$ 128,734	$ 176,422	$ 981,580	$ 127,701	$ 117,416	$ 271,309	$ 469,818	$ 105,314	$ 351,094	**$ 2,729,388**
Total liabilities	$ 40,255	$ 41,625	$ 254,861	$ 18,281	$ 34,698	$ 88,622	$ 1,201	$ 34,834	$ 62,663	**$ 577,040**

	Six months ended June 30, 2014									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 49,327	$ 39,054	$ 80,865	$ 51,077	$ 54,579	$ 95,143	$ -	$ 40,536	$ -	**$ 410,581**
Depreciation and amortization	$ (5,880)	$ (9,678)	$ (22,883)	$ (7,008)	$ (4,287)	$ (20,641)	$ (82)	$ (4,368)	$ (330)	**$ (75,157)**
Exploration and project development	$ (1,053)	$ (338)	$ (487)	$ (93)	$ (5)	$ (262)	$ (1,781)	$ -	$ (1,263)	**$ (5,282)**
Interest income	$ 134	$ 11	$ 3	$ 124	$ 132	$ 26	$ 15	$ -	$ 103	**$ 548**
Interest and financing expenses	$ (374)	$ (406)	$ (1,011)	$ (121)	$ (127)	$ (3,306)	$ (22)	$ (113)	$ (833)	**$ (6,313)**
Gain on disposition of assets	$ 17	$ 413	$ -	$ -	$ -	$ (102)	$ -	$ 1	$ -	**$ 329**
Loss on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (642)	**$ (642)**
Foreign exchange gain (loss)	$ (18)	$ (12)	$ 33	$ 60	$ 246	$ 4,382	$ 2	$ 294	$ (7,109)	**$ (2,122)**
Earnings (loss) before income taxes	$ 3,936	$ (7,786)	$ (25,142)	$ 10,975	$ 14,601	$ 14,134	$ (2,218)	$ 8,642	$ 1,060	**$ 18,202**
Income taxes (expense) recovery	$ (1,810)	$ 1,572	$ 8,149	$ (4,327)	$ (7,291)	$ (6,196)	$ (44)	$ (5,128)	$ (2,046)	**$ (17,121)**
Net (loss) earnings for the period	$ 2,126	$ (6,214)	$ (16,993)	$ 6,648	$ 7,310	$ 7,938	$ (2,262)	$ 3,514	$ (986)	**$ 1,081**
Capital expenditures	$ 6,532	$ 4,911	$ 31,505	$ 205	$ 15,264	$ 13,493	$ 60	$ 1,595	$ 140	**$ 73,705**
Total assets	$ 128,734	$ 176,422	$ 981,580	$ 127,701	$ 117,416	$ 271,309	$ 469,818	$ 105,314	$ 351,094	**$ 2,729,388**
Total liabilities	$ 40,255	$ 41,625	$ 254,861	$ 18,281	$ 34,698	$ 88,622	$ 1,201	$ 34,834	$ 62,663	**$ 577,040**

	Three months ended June 30,		**Six months ended June 30,**	
Product Revenue	**2015**	2014	**2015**	2014
Refined silver and gold	**$ 97,615**	$ 115,129	**$ 206,803**	$ 238,332
Zinc concentrate	**12,462**	19,367	**28,142**	37,432
Lead concentrate	**40,508**	31,536	**71,444**	56,321
Copper concentrate	**23,604**	34,815	**45,925**	78,496
Total	**$ 174,189**	$ 200,847	**$ 352,314**	$ 410,581

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

20. Production Costs

Production costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Consumption of raw materials and consumables	**$ 52,589**	$ 55,700	**$ 103,765**	$ 107,293
Employee compensation and benefits expense	**42,315**	49,193	**81,508**	81,464
Contractors and outside services	**21,505**	22,599	**42,417**	40,865
Utilities	**5,052**	2,680	**10,692**	12,751
Other expenses	**9,395**	4,850	**18,106**	13,378
Changes in inventory[1]	**991**	10,854	**4,333**	21,003
	$ 131,847	$ 145,876	**$ 260,821**	$ 276,754

(1) Changes in inventory include adjustments to the cost of inventory for net realizable value adjustments for the three and six months ended June 30, 2015 of $1.5 million and $(10.5) million, respectively. (2014 - $10.0 million and $12.3 million, respectively).

21. Interest and Finance Expense

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Interest expense	**$ 1,248**	$ 2,699	**$ 2,587**	$ 4,467
Finance fees	**192**	49	**267**	226
Accretion of closure and decommissioning provision (Note 12)	**810**	801	**1,620**	1,620
	$ 2,250	$ 3,549	**$ 4,474**	$ 6,313

22. Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Current income tax expense	**$ 1,974**	$ 16,716	**$ 6,353**	$ 25,924
Deferred income tax recovery	**(3,067)**	(8,288)	**(745)**	(8,803)
Provision for income taxes	**$ (1,093)**	$ 8,428	**$ 5,608**	$ 17,121

Income tax expense differs from the amounts that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the items shown on the following table, which result in effective tax rates that vary considerably from the comparable periods. The main factors which have affected the effective tax rates for the three and six months ended June 30, 2015 and the comparable period of 2014 were foreign income tax rate differentials, foreign exchange rate changes, non-recognition of certain deferred tax assets, mining taxes paid and withholding taxes on payments from foreign subsidiaries. The Company expects that these and other factors will continue to cause volatility in effective tax rates in the future.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
(Loss) earnings before taxes	**(8,392)**	2,749	**(21,476)**	18,202
Statutory tax rate	**26.00%**	26.00%	**26.00%**	26.00%
Income tax (recovery) expense based on above rates	**$ (2,182)**	$ 715	**$ (5,584)**	$ 4,733
Increase (decrease) due to:				
Non-deductible expenses	**804**	745	**1,699**	1,736
Foreign tax rate differences	**(2,265)**	(1,089)	**(3,509)**	(90)
Change in net deferred tax assets not recognized:				
- Argentina exploration expenses	**913**	593	**2,062**	776
- Other changes in valuation allowances	**(2,596)**	(1,962)	**(2,015)**	327
Non-taxable unrealized (gains)/losses on derivative financial instruments	**(11)**	141	**(71)**	167
Effect of other taxes paid (mining and withholding)	**(209)**	2,867	**3,067**	4,493
Non- deductible foreign exchange loss/(gain)	**2,852**	1,370	**8,146**	(395)
Change to temporary differences on inventory	**-**	2,647	**-**	2,647
Other	**1,601**	2,401	**1,813**	2,727
	$ (1,093)	$ 8,428	**$ 5,608**	$ 17,121
Effective tax rate	**13.02%**	306.58%	**(26.11)%**	94.06%

23. Commitments and Contingencies

a. General

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

b. Purchase Commitments

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

c. Credit Facility

On April 15, 2015, Pan American entered into a $300 million secured revolving line of credit facility (“the Facility”) with a syndicate of eight lenders (“the Lenders”). The purpose of the Facility is for general corporate purposes, capital expenditures, investments or potential acquisitions. The Facility, which is principally secured by a pledge of Pan American’s equity interests in its material subsidiaries, has a term of four years. The interest margin on the Facility ranges from 2.125% to 3.125% over LIBOR, based on the Company’s leverage ratio at the time of a specified reporting period. Pan American has agreed to pay a commitment fee of between 0.47% and 0.703% on undrawn amounts under the Facility, depending on the Company’s leverage ratio. As at June 30, 2015, the Company has made no drawings under this Facility.

d. Environmental Matters

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

Estimated future reclamation costs are based the extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company's environmental policies. As of June 30, 2015 and December 31, 2014, $43.6 million and $43.2 million, respectively, were accrued for reclamation costs relating to mineral properties. See also Note 12.

e. Income Taxes

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

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

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

f. Finance Leases

The present value of future minimum lease payments classified as finance leases at June 30, 2015 is $2.6 million (December 31, 2014 - $8.0 million) and the schedule of timing of payments for this obligation is found in Note 13.

g. Law changes in Argentina

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

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

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

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

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

h. Law changes in Mexico

In December 2012, the Mexican government introduced changes to the Federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to employee benefits. These amendments may have an effect on the distribution of profits to workers and this could result in additional financial obligations to the Company. The Company is evaluating these amendments, but currently believes that it continues to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for the Company. Based on this assessment, the Company has not accrued any additional amounts for the quarter ended June 30, 2015. The Company will continue to monitor developments in Mexico and to assess the potential impact of these amendments.

i. Political changes in Bolivia

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

j. Other Legal Matters

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

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

k. Title Risk

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

l. Royalty Agreements and Participation Agreements

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

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

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

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

Huaron and Morococha mines

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

Manantial Espejo mine

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

San Vicente mine

Pursuant to an option agreement entered into with COMIBOL, a Bolivian state mining company, with respect to the development of the San Vicente property, the Company is obligated to pay COMIBOL a participation fee of 37.5% (the "Participation Fee") of the operation's cash flow. Once full commercial production of San Vicente began, the Participation was reduced by 75% until the Company recover its investment in the property. The Company has since recovered its investment and the Participation Fee has reverted back to its original percentage. For the three and six months ended June 30, 2015 the royalties to COMIBOL amounted to approximately $2.3 million and $4.8 million (2014 - $3.0 million and $7.5 million, respectively).

A royalty is also payable to EMUSA, a former partner of the Company on the project. The royalty is a 2% net smelter royalty payable only after the Company has recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater. For the three and six months ended June 30, 2015 the royalties to EMUSA amounted to approximately $0.2 million and $0.4 million, respectively. For the three and six months ended June 30, 2014 the royalties amounted to $0.2 million and $0.6 million, respectively.

In December 2007, the Bolivian government introduced a new mining royalty that affects the San Vicente project. The royalty is applied to gross metal value of sales (before smelting and refining deductions) and the royalty percentage is a sliding scale depending on metal prices. At current metal prices, the royalty is 6% for silver metal value and 5% for zinc and copper metal value of sales. The royalty is income tax deductible. For the three and six months ended June 30, 2015 the royalty amounted to $1.5 million and $2.4 million, respectively (2014 - $1.0 million and $3.3 million, respectively).

Dolores mine

Production from the Dolores mine is subject to underlying net smelter return royalties comprised of 2% on gold and silver production and 1.25% on gold production. These royalties are payable to Royal Gold Inc. and were effective in full as of May 1, 2009, on the commencement of commercial production at the Dolores mine. For the three and six months ended June 30, 2015, the royalties to Royal Gold amounted to approximately $1.1 million and $2.4 million, respectively (2014 – $0.9 million and $2.1 million, respectively).

Navidad project

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

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

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

Management's Discussion and Analysis for the Three and Six months ended June 30, 2015

TABLE OF CONTENTS

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

August 13, 2015

INTRODUCTION

Management's discussion and analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Pan American Silver Corp.'s and its subsidiaries' ("Pan American" or the "Company") performance and such factors that may affect its future performance. The MD&A should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended December 31, 2014 and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014 and the related notes contained therein. All amounts in this MD&A and in the Condensed interim consolidated financial statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Pan American's significant accounting policies are set out in Note 2 of the Audited Consolidated Financial Statements.

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

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

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

CORE BUSINESS AND STRATEGY

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

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

- *Generate sustainable profits and superior returns on investments through the safe, efficient and environmentally sound development and operation of silver assets*

- *Constantly replace and grow our mineable silver reserves and resources through targeted near-mine exploration and global business development*

- *Foster positive long term relationships with our employees, our shareholders, our communities and our local governments through open and honest communication and ethical and sustainable business practices*

- *Continually search for opportunities to upgrade and improve the quality of our silver assets both internally and through acquisition*

- *Encourage our employees to be innovative, responsive and entrepreneurial throughout our entire organization*

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

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

Q2 2015 HIGHLIGHTS

OPERATIONS & PROJECT DEVELOPMENT

- ***Silver Production of 6.65 million ounces***

Pan American's silver production for the three month period ended June 30, 2015 ("Q2 2015") was 6.65 million ounces, comparable to the 6.56 million silver ounces produced in the three month period ended June 30, 2014 ("Q2 2014"). The 1% quarter over quarter increase was achieved with improved silver production at each of the Company's mines other than Alamo Dorado, which produced 0.25 million silver ounces less in Q2 2015 than in Q2 2014. The most significant production increases were attributable to the Manantial Espejo and La Colorada mines which increased quarterly silver production from a year ago by 0.09 million ounces and 0.08 million ounces, respectively. The Q2 2015 production brought total silver production for the first half of 2015 ("H1 2015") to 12.72 million ounces, on pace to achieve the annual forecast of 25.50 to 26.50 million ounces.

- ***Cash Costs and AISCSOS targets beaten***

Consolidated cash costs, net of by-product credits, for the three and six months periods ended June 30, 2015 of $9.44 and $10.53, respectively, per silver ounce were less than management's 2015 guidance of $10.80 to $11.80 per ounce. Consolidated all-in sustaining costs per silver ounce sold net of by-product credits ("AISCSOS") for the three and six months period ended June 30, 2015 were $14.46 and $14.35, respectively, well below the low end of management's 2015 guidance of $15.50 to $16.50, as provided in the Company's 2014 year-end MD&A.

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

Key components of the expansion project were achieved in Q2 2015 including: commencing with civil earthworks and preliminary concrete placement for the new plant; completing the fabrication and taking delivery of the new hoist; and completing the pilot hole drilling and breaking through 611 meters.

FINANCIAL

- ***Cost Control Discipline***

The Company continued efforts during the quarter on operational optimizations and cost cutting initiatives to align the Company's financial performance with the prevailing price environment. Consolidated production costs in Q2 2015 were $14.0 million, or 10%, lower than those in Q2 2014. Further, Q2 2015 AISCSOS of $14.46 was 20% lower than the $17.98 in Q2 2014, a decrease partially resulting from a 27% reduction in sustaining capital expenditures and a 4% reduction in direct operating costs.

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

The Company had cash and short-term investment balances of $274.9 million and working capital of $469.8 million as at June 30, 2015, decreases of $17.5 million and $18.7 million, respectively, from March 31, 2015. The Company had a total debt outstanding of $61.8 million at the end of Q2 2015, a $3.5 million reduction from the $65.3 million at March 31, 2015 The Company's access to liquidity was strengthened during Q2 2015 by securing a new $300 million revolving credit facility with a syndicate of eight lenders. The Company's strong balance sheet and positive operating cash flow facilitated the continued return of value to shareholders in Q2 2015 by way of $7.6 million in dividend payments.

Q2 2015 OPERATING PERFORMANCE

The following table compares silver production and cash costs, net of by-product credits, at each of Pan American's operations for the respective three and six months periods ended June 30, 2015 and 2014:

	Silver Production (ounces '000s)				Cash Costs[(1)(2)] ($ per ounce)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
La Colorada	**1,320**	1,240	**2,583**	2,441	$7.85	$8.26	$7.80	$8.20
Dolores	**1,112**	1,050	**2,103**	2,062	$8.34	$12.36	$8.55	$12.14
Alamo Dorado	**773**	1,023	**1,460**	1,934	$15.25	$11.11	$15.59	$10.91
Huaron[(2)]	**938**	920	**1,839**	1,750	$8.96	$11.37	$10.39	$11.64
Morococha[(2)(3)]	**563**	540	**1,077**	1,130	$9.78	$17.91	$13.27	$16.32
San Vicente[(4)]	**1,042**	981	**2,009**	2,022	$11.44	$12.96	$11.99	$12.84
Manantial Espejo	**898**	810	**1,651**	1,840	$6.18	$18.31	$9.63	$5.36
Consolidated Total[(5)]	**6,646**	6,564	**12,723**	13,179	$9.44	$12.51	$10.53	$10.58

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

(2) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for Q2 and H1 2014 was as follows: a $0.45 and $0.43 per ounce increase to consolidated cash costs; a $2.88 and $2.76 per ounce increase to Huaron cash costs; and a $1.17 and $1.25 per ounce increase to Morococha cash costs respectively.

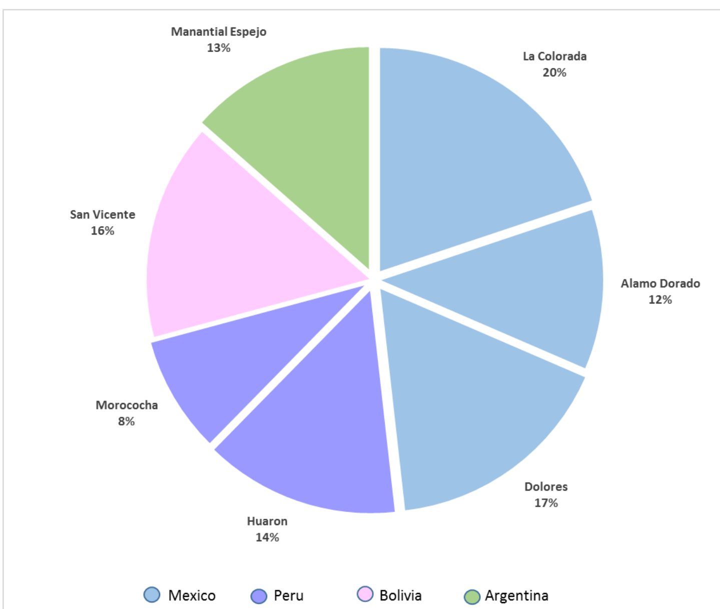
(3) Morococha data represents Pan American's 92.3% interest in the mine's production.

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

(5) Totals may not add due to rounding.

- ***Q2 2015 Silver Production***

The graph below presents silver production by mine in Q2 2015:



Pan American's Q2 2015 silver production of 6.65 million ounces was relatively consistent with the 6.56 million ounces produced in Q2 2014. All of the Company's mines, other than the Alamo Dorado mine, achieved increased quarter over quarter silver production, which more than offset the 0.25 million ounce silver production decrease at Alamo Dorado. The largest quarter over quarter increases in silver production came from the Manantial Espejo and La Colorada mines, which increased their quarterly silver production by 0.09 million ounces and 0.08 million ounces, respectively.

- ***Q2 2015 Cash Costs***

Consolidated cash costs per ounce of silver in Q2 2015 and H1 2015 were $9.44 per ounce and $10.53 per ounce, respectively, which compared to $12.51 per ounce and $10.58 per ounce in Q2 2014 and H1 2014. The quarter over quarter cash costs decrease resulted from reduced cash costs at each of the Company's operations other than the Alamo Dorado mine. Each operation's cash costs are separately discussed in the following Q2 2015 Individual Mine Performance section of this MD&A.

Consolidated cash costs in Q2 2015 decreased from those in Q2 2014 through a combination of a $1.45 per ounce decrease to costs before by-product credits, and a $1.62 per ounce increase in by-product credits. Q2 2015 per ounce costs before by-product credits benefited from both decreased consolidated costs, partially resulting from favorable exchange rate differences, and increased consolidated silver production. The increase to Q2 2015 per ounce by-product credits was largely due to increased copper production at the Morococha mine and from increased gold production at the Manantial Espejo and Dolores mines. The most significant individual contribution to decreased consolidated cash costs was from the Manantial Espejo mine which had a $12.13 per ounce quarter over quarter decrease to its cash costs, resulting from both decreased costs per ounce and increased by-product credits.

- ***Q2 2015 Average Market Metal Prices***

The following tables set out the average market price for each metal produced in Q2 2015 and H1 2015 together with amounts for the comparable periods in 2014:

	Average Market Metal Prices			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Silver/ounce	**$ 16.39**	$ 19.62	**$ 16.55**	$ 20.05
Gold/ounce	**$ 1,192**	$ 1,288	**$ 1,206**	$ 1,291
Zinc/tonne	**$ 2,190**	$ 2,073	**$ 2,134**	$ 2,051
Lead/tonne	**$ 1,942**	$ 2,096	**$ 1,873**	$ 2,101
Copper/tonne	**$ 6,043**	$ 6,787	**$ 5,916**	$ 6,916

- ***Q2 2015 By-Product Production***

The following tables set out the Company's by-product production for Q2 2015 and H1 2015 together with amounts for the comparable periods in 2014:

	By-Product Production			
	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Gold - ounces '000s ("koz")	**44.4**	37.7	**81.9**	83.6
Zinc - tonnes '000s ("kt")	**9.2**	11.4	**18.5**	22.8
Lead - kt	**3.5**	4.0	**7.0**	7.6
Copper - kt	**4.3**	1.9	**7.4**	3.6

In Q2 2015 consolidated gold production increased by 6.7koz or 18% compared to Q2 2014. The increase was primarily the result of Manantial Espejo producing 4.9koz more gold as a result of higher gold grades. Similarly, the Q2 2015 gold production at the Dolores mine increased by 3.2koz or 19% from Q2 2014, primarily due to improved gold grades, partially offset by reduced gold recoveries.

Consolidated copper production primarily from the Company's Peruvian operations in Q2 2015 was 4.3kt, a 126% increase from the 1.9kt produced in Q2 2014. The increase was mostly attributable to the Morococha mine, which produced more than five times the amount of copper produced in Q2 2014, a result of significantly increased copper grades and recoveries. Copper production at the Huaron mine in Q2 2015 increased 31% from Q2 2014, due primarily to higher grades.

Consolidated zinc production in Q2 2015 decreased by 2.2kt from Q2 2014 production. The decreased zinc production was largely the result of lower grades at both the Morococha and Huaron mines compared to Q2 2014. Quarter over quarter consolidated lead production decreased 0.5kt or 13% as lower grades and recoveries at Morococha were partially offset by higher grades at San Vicente and Huaron.

- ***Q2 2015 AISCSOS***

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for Q2 2015 and H1 2015, as compared to the same periods in 2014.

	Payable Silver Sold (ounces '000s)				AISCSOS[(1) (2)] ($ per ounce)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
La Colorada	**1,305**	1,172	**2,616**	2,335	**9.68**	12.20	**9.57**	11.36
Alamo Dorado	**718**	1,012	**1,508**	2,020	**16.62**	10.85	**15.53**	10.65
Dolores	**1,110**	909	**2,260**	1,977	**13.78**	28.80	**8.94**	24.90
Huaron	**764**	836	**1,498**	1,488	**14.11**	16.79	**15.51**	18.18
Morococha	**482**	521	**979**	1,018	**15.18**	25.26	**19.10**	22.29
San Vicente [(2)]	**1,247**	542	**1,834**	2,024	**11.88**	18.45	**12.22**	15.48
Manantial Espejo	**912**	1,120	**1,717**	1,985	**16.52**	12.96	**17.15**	9.48
Consolidated Total [(3)]	**6,538**	6,113	**12,413**	12,848	**14.46**	17.98	**14.35**	16.45

(1) AISCSOS is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the

three months ended June 30, 2015 and 2014. Corporate general and administration ("G&A") costs are included in the Consolidated AISCSOS, but not allocated in calculating AISCSOS for each operation.

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $0.25 and $0.37 decrease to the Company's previously reported consolidated AISCSOS of $18.23 and $16.82 respectively. The San Vicente mine AISCSOS decreased by $2.78 and $ 2.33 for the three and six months ended June 30, 2014.

(3) Totals may not add due to rounding.

Consolidated AISCSOS for Q2 2015 and H1 2015 were $14.46 and $14.35, respectively, a 20% and 13% reduction from AISCSOS of $17.98 and $16.45 in the respective 2014 comparative periods. The decline in quarter over quarter AISCSOS resulted primarily from: (i) a 7% increase the volume of payable silver ounces sold in Q2 2015 compared to Q2 2014; (ii) a reduction in negative net realizable value adjustments to inventories ("NRV" adjustments), which had a $0.23 per ounce unfavorable effect in Q2 2015 compared to a $1.64 per ounce unfavorable effect in Q2 2014; (iii) a 27% reduction in sustaining capital; and (iv) a 4% decrease in direct operating costs. These factors were partially offset by the impact of increased smelting, refining and selling charges.

- ***Q2 2015 Individual Mine Performance***

An analysis of each operation for the three and six months ended June 30, 2015 follows, as compared to the operating performance for the respective periods of 2014. Reported metal figures in the tables in this section reflect actual volumes of metals produced.

La Colorada mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**124.5**	118.6	**239.6**	232.8
Average silver grade – grams per tonne	**365**	361	**372**	363
Average silver recovery - %	**90.2**	90.1	**90.1**	90.0
Production:				
Silver – koz	**1,320**	1,240	**2,583**	2,441
Gold – koz	**0.67**	0.61	**1.28**	1.31
Zinc – kt	**2.06**	1.92	**4.11**	3.81
Lead – kt	**1.00**	0.92	**1.98**	1.91
Cash cost per ounce net of by-products(1)	**$ 7.85**	$ 8.26	**$ 7.80**	$ 8.20
AISCSOS(2)	**$ 9.68**	$ 12.20	**$ 9.57**	$ 11.36
Payable silver sold - koz	**1,305**	1,172	**2,616**	2,335
Sustaining capital - ('000s)(3)	**$ 2,125**	$ 4,918	**$ 4,186**	$ 7,814

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

(3) Sustaining capital expenditures excludes $7.0 million and $15.7 million of investing activity cash outflow in Q2 2015 and H1 2015, respectively ($3.8 million and $7.5 million in Q2 2014 and H1 2014, respectively) related to investment capital incurred on the expansion project as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

The La Colorada mine produced 6% more silver in Q2 2015 than in Q2 2014, primarily as a result of both increased throughput and silver grades.

The Q2 2015 cash costs of $7.85 per ounce were 5% lower than the $8.26 per ounce cash costs in Q2 2014. As increased maintenance costs were partially offset by certain consumable cost reductions and favorable currency exchange the quarter over quarter direct operating costs remained relatively consistent. As such, the decrease to cash costs was largely due to higher silver production and from increased by-product credits, driven primarily by increased zinc production and prices from those a year ago.

Q2 2015 AISCSOS decreased by 21% to $9.68 from $12.20 in Q2 2014 due primarily to a $2.8 million decrease in sustaining capital expenditures and an 11% increase in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures at La Colorada during Q2 2015 totalled $2.1 million, the majority of which was spent on exploration drilling, mine equipment replacement and rehabilitation, processing plant infrastructure, and access road upgrades.

Dolores mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**1,583.0**	1,523.7	**3,066.2**	3,065.9
Average silver grade – grams per tonne	**45**	38	**46**	38
Average gold grade – grams per tonne	**0.54**	0.42	**0.55**	0.40
Average silver recovery - %	**48.7**	57.0	**46.5**	55.6
Average gold recovery - %	**72.8**	82.6	**70.3**	86.6
Production:				
Silver – koz	**1,112**	1,050	**2,103**	2,062
Gold – koz	**20.17**	16.96	**38.35**	33.39
Cash cost per ounce net of by-products(1)	**$ 8.34**	$ 12.36	**$ 8.55**	$ 12.14
AISCSOS(2)	**$ 13.78**	$ 28.80	**$ 8.94**	$ 24.90
Payable silver sold - koz	**1,110**	909	**2,260**	1,977
Sustaining capital - ('000s)(3)	**$ 6,122**	$ 6,406	**$ 11,032**	$ 12,844

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

(3) Sustaining capital expenditures excludes $4.8 million and $12.8 million of investing activity cash outflow in Q2 2015 and H1 2015, respectively ($9.1 and $18.7 million in Q2 2014 and H1 2014, respectively) related to investment capital incurred on Dolores expansion projects as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

Silver production at Dolores in Q2 2015 increased 6% from that in Q2 2014, a result of increased silver grades and throughput partially offset by lower recoveries that resulted from the sequencing of ore stacking and leaching on the leach pads.

Cash costs of $8.34 per ounce in Q2 2015 were $4.02 per ounce lower than those in Q2 2014. The 33% decrease in cash costs was the combined result of a 10% decrease in costs before by-product credits per ounce, driven largely by reduced costs of certain consumables and favorable currency exchange, and a 4% increase in by-product credits per ounce that resulted from a 19% increase in gold production. The higher gold production was the result of processing higher gold grades, partially offset by lower recoveries.

Q2 2015 AISCSOS decreased by 52% to $13.78 from $28.80 in Q2 2014 due primarily to NRV inventory adjustments, which had a $0.01 per ounce favorable effect in Q2 2015 compared to an $8.97 per ounce unfavorable effect in Q2 2014. Other factors that improved AISCSOS in Q2 2015 included the combined impact of higher by-product gold credits, an increase in the quantity of payable silver ounces sold from Q2 2014 levels and lower sustaining capital expenditures.

Q2 2015 sustaining capital expenditures at Dolores totalled $6.1 million, the vast majority of which was comprised of pre-stripping activities, as well as investments in exploration, surface water diversion upgrades, mine and process equipment, and site access improvements.

Alamo Dorado mine

	Three months ended June 30,				Six months ended June 30,			
	2015		2014		**2015**		2014	
Tonnes milled - kt		**467.1**		455.7		**919.9**		805.4
Average silver grade – grams per tonne		**59**		83		**60**		90
Average gold grade – grams per tonne		**0.22**		0.40		**0.22**		0.40
Average silver recovery - %		**80.6**		81.7		**80.8**		81.4
Production:								
Silver – koz		**773**		1,023		**1,460**		1,934
Gold – koz		**2.81**		4.77		**5.87**		8.28
Cash cost per ounce net of by-products[(1)]	**$**	**15.25**	$	11.11	**$**	**15.59**	$	10.91
AISCSOS[(2)]	**$**	**16.62**	$	10.85	**$**	**15.53**	$	10.65
Payable silver sold - koz		**718**		1,012		**1,508**		2,020
Sustaining capital - ('000s)	**$**	**-**	$	115	**$**	**-**	$	205

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

As anticipated, Alamo Dorado silver production in Q2 2015 was significantly lower than that in Q2 2014. Despite higher throughput rates, quarter over quarter silver production declined by 24% due to an expected decline in silver grades, as the open pit mining is nearing completion.

Cash costs for Q2 2015 were $15.25 per ounce, an increase of $4.14 per ounce from the $11.11 per ounce a year ago. The increase to cash costs was primarily attributable to the decreased silver production partially offset by reduced operating costs achieved with less total tonnes being mined, reduced costs of certain consumables and favorable currency exchange rates. Additionally, by-product credits declined by $1.56 per ounce from Q2 2014 as a result of both lower gold production and gold prices.

Q2 2015 AISCSOS increased by 53% to $16.62 from $10.85 in the comparable quarter of 2014 due primarily to a 29% decrease in the amount of payable silver ounces sold from Q2 2014 levels, and declined per ounce by-product credits applied to decreased direct costs per ounce

No capital expenditures were made at Alamo Dorado during Q2 2015.

Huaron mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**230.4**	221.0	**453.9**	430.2
Average silver grade – grams per tonne	**156**	156	**154**	151
Average zinc grade – %	**2.26**	2.53	**2.32**	2.50
Average copper grade – %	**1.03**	0.88	**1.00**	0.81
Average silver recovery - %	**82.8**	83.8	**83.4**	83.5
Production:				
Silver – koz	**938**	920	**1,839**	1,750
Gold – koz	**0.30**	0.28	**0.62**	0.57
Zinc – kt	**3.15**	3.90	**6.56**	7.50
Copper – kt	**1.87**	1.43	**3.50**	2.62
Lead – kt	**1.71**	1.60	**3.32**	3.03
Cash cost per ounce net of by-products[(1) (2)]	**$ 8.96**	$ 11.37	**$ 10.39**	$ 11.64
AISCSOS[(3)]	**$ 14.11**	$ 16.79	**$ 15.51**	$ 18.18
Payable silver sold - koz	**764**	836	**1,498**	1,488
Sustaining capital - ('000s)	**$ 2,562**	$ 3,719	**$ 4,880**	$ 8,031

(1) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q2 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $2.88 and $2.76 per ounce increase to Huaron's Q2 2014 and H1 2014 cash costs per ounce.

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

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

Q2 2015 silver production at Huaron was 2% higher in Q2 2015 than in Q2 2014, primarily as a result of increased throughput rates.

Cash costs of $8.96 per ounce in Q2 2015 were $2.41 per ounce lower than those in Q2 2014. The 21% decrease in cash costs was the combined result of a $3.22 per ounce decrease in costs before by-product credits, largely due to reduced costs realized by improved productivities obtained through the multi-year mechanization initiatives and favorable currency exchange rates, partially offset by a $0.81 per ounce decrease in by-product credits from Q2 2014 levels. The decrease in by-product credits was primarily attributable to decreased zinc production and lower lead and copper prices, which was partially offset by increased copper and lead production.

Q2 2015 AISCSOS fell by 16% to $14.11 from $16.79 in the comparable quarter of 2014 due primarily to decreases in direct operating costs, sustaining capital expenditures, and smelting and refining charges, partially offset by lower by-product credits and a 9% decrease in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures during Q2 2015 totaled $2.6 million at the Huaron mine and related primarily to equipment refurbishments and replacements, as well as exploration drilling.

Morococha mine[1]

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**163.6**	132.8	**308.5**	272.2
Average silver grade – grams per tonne	**127**	150	**128**	153
Average copper grade - %	**1.67**	0.52	**1.47**	0.54
Average zinc grade - %	**2.48**	3.84	**2.67**	3.76
Average silver recovery - %	**84.8**	85.4	**84.8**	86.0
Production:				
Silver – koz	**563**	540	**1,077**	1,130
Gold – koz	**0.99**	0.56	**1.62**	1.07
Zinc – kt	**2.35**	4.04	**5.03**	8.13
Lead – kt	**0.52**	1.29	**1.28**	2.38
Copper – kt	**2.37**	0.43	**3.85**	0.95
Cash cost per ounce net of by-products (2) (3)	**$ 9.78**	$ 17.91	**$ 13.27**	$ 16.32
AISCSOS(4)	**$ 15.18**	$ 25.26	**$ 19.10**	$ 22.29
Payable silver sold - koz	**482**	521	**979**	1,018
Sustaining capital - ('000s)	**$ 1,430**	$ 3,307	**$ 3,323**	$ 5,126

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

(2) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q2 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $1.17 and $1.25 per ounce increase to Morococha's Q2 2014 and H1 2014 cash costs per ounce.

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

(4) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

The Morococha mine produced 4% more silver in Q2 2015 than in Q2 2014, a result of a 23% increase in throughput, offset by a 15% decrease in silver grades attributable to mine sequencing into higher copper grade zones.

Cash costs of $9.78 per ounce in Q2 2015 were $8.13 per ounce lower than those in Q2 2014, a 45% decrease. The decrease in cash costs was driven by an $11.74 per ounce increase in by-product credits and an 11% reduction in direct operating costs driven by improved productivities obtained through mechanization initiatives and favorable currency exchange rates, partially offset by an increase in smelting costs. The large increase to by-product credits was entirely attributable to the significant increase in copper production, which was more than 5.5 times higher than production in Q2 2014. This copper production improvement to by-product credits was partially offset by lower average copper prices, and lower zinc and lead production and higher smelting costs.

Q2 2015 AISCSOS decreased by 40% to $15.18 from $25.26 in Q2 2014, primarily due to the increased by-product credits from increased copper production. Also benefitting Q2 2015 AISCSOS were decreases to direct operating costs and sustaining capital, partially offset by a 7% decrease in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures during Q2 2015 totalled $1.4 million at the Morococha mine and related primarily to equipment refurbishments and replacements as well as exploration drilling.

San Vicente mine (1)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**80.8**	83.8	**158.5**	163.1
Average silver grade – grams per tonne	**430**	391	**423**	416
Average zinc grade - %	**2.71**	2.27	**2.30**	2.61
Average silver recovery - %	**93.9**	93.1	**93.6**	92.8
Production:				
Silver – koz	**1,042**	981	**2,009**	2,022
Zinc – kt	**1.67**	1.54	**2.80**	3.35
Lead – kt	**0.25**	0.15	**0.43**	0.29
Cash cost per ounce net of by-products (2)	**$ 11.44**	$ 12.96	**$ 11.99**	$ 12.84
AISCSOS(3)	**$ 11.88**	$ 18.45	**$ 12.22**	$ 15.48
Payable silver sold - koz	**1,247**	542	**1,834**	2,024
Sustaining capital - ('000s)	**$ 1,019**	$ 809	**$ 1,483**	$ 1,595

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

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

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

(4) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $2.78 and $ 2.33, respectively.

Silver production at the San Vicente mine in Q2 2015 was 6% more than that produced in Q2 2014. The increased silver production was primarily attributable to the 10% improvement in silver grades resulting from mine sequencing. Throughput rates in Q2 2015 fell 4% and recoveries remained relatively stable compared to Q2 2014.

San Vicente's Q2 2015 cash costs of $11.44 per ounce were 12% lower than the $12.96 per ounce cash costs in Q2 2014. The $1.52 per ounce decrease was the combined result of a $1.00 per ounce decrease in costs before by-product credits resulting from the increased silver production, and a $0.52 per ounce increase in by-product credits. The increase to by-product credits was attributable to increases in zinc and lead production, and higher average zinc prices, partially offset by decreased average lead prices.

Q2 2015 AISCSOS decreased by 36% to $11.88 from $18.45 in the comparable quarter of 2014 due primarily to a 130% increase in the quantity of payable silver ounces sold compared to Q2 2014 levels and higher by-product credits, partially offset by increased direct operating costs.

Sustaining capital expenditures at San Vicente during Q2 2015 totalled $1.0 million and were comprised mainly of infrastructure investments and equipment rebuilds.

Manantial Espejo mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**182.3**	191.9	**381.4**	383.1
Average silver grade – grams per tonne	**174**	147	**149**	160
Average gold grade – grams per tonne	**3.64**	2.46	**3.00**	3.15
Average silver recovery - %	**91.9**	91.4	**91.8**	91.9
Average gold recovery - %	**95.2**	95.1	**94.9**	95.5
Production:				
Silver – koz	**898**	810	**1,651**	1,840
Gold – koz	**19.45**	14.51	**34.14**	38.96
Cash cost per ounce net of by-products (1)	**$ 6.18**	$ 18.31	**$ 9.63**	$ 5.36
AISCSOS(2)	**$ 16.52**	$ 12.96	**$ 17.15**	$ 9.48
Payable silver sold - koz	**912**	1,120	**1,717**	1,985
Sustaining capital - ('000s)	**$ 4,488**	$ 5,136	**$ 9,367**	$ 13,492

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

Manantial Espejo's Q2 2015 silver production was 11%, or 0.09 million ounces more than Q2 2014 silver production. The increased production was the combined result of an 18% improvement in silver grades resulting from mine sequencing that accessed higher-grade open pit mining ore zones during the quarter, offset by a 5% decrease in throughput largely due to a 10-day work stoppage following a fatal accident at the mine.

Cash costs of $6.18 per ounce in Q2 2015 were $12.13 per ounce lower than those in Q2 2014. The 66% decrease in cash costs was the combined result of a $9.38 per ounce decrease in costs before by-product credits, due to increased silver production from mine sequencing, and a $2.75 per ounce increase in by-product credits. The increased by-product credit per ounce was attributable to the 34% increase in gold production which resulted from processing higher gold grades from mine sequencing, partially offset by lower gold prices.

Q2 2015 AISCSOS increased by 27% to $16.52 from $12.96 in Q2 2014 due primarily to: lower gold by-product credits, resulting from 27% fewer gold ounces being sold compared to Q2 2014 and lower realized gold prices, and a 19% decrease in the quantity of payable silver ounces sold compared to Q2 2014 levels. These impacts were partially offset by lower direct operating costs and sustaining capital, reduced by the negative impacts of NRV adjustments in Q2 2015 compared to Q2 2014.

Sustaining capital expenditures at Manantial Espejo during Q2 2015 totalled $4.5 million and consisted mainly of capitalized open-pit pre-stripping and exploration drilling.

2015 OPERATING OUTLOOK

Q2 2015 consolidated silver production of 6.65 million ounces brought year-to-date silver production to 12.72 million ounces for H1 2015, which is in line with the production rate required to achieve management's full year forecast range of 25.50 to 26.50 million silver ounces. With the expected silver production for the remainder of the year management reaffirms the annual production forecast as indicated in the 2014 year end MD&A. Similarly, H1 2015 gold production of 81.9koz was also in line with management's expected annual gold production forecast of between 165koz to 170koz. As copper production in H1 2015 was well ahead of management's original expectation, and in consideration of the revised mine plan at Morococha, the annual copper production forecast for 2015 has been revised to between 14.00kt to 15.00kt, a 75% increase from the low end of the 8.00kt to 8.50kt originally forecast for the year. Zinc and lead production in H1 2015 was slightly less than the expected annual production rate largely a result of the increased copper production at Morococha. As such management's 2015 annual zinc and lead production forecast is now 37.00kt to 39.00kt and 13.00kt to 13.50kt, respectively, a reduction from the 41.00kt to 43.00kt and 14.50kt to 15.00kt originally forecast, respectively. Cash costs in H1 2015 of $10.53 per ounce and AISCSOS of $14.35 were both an improvement over management's 2015 full year forecast of $10.80 to $11.80 per ounce and $15.50 to $16.50 per ounce, respectively. At the date of this MD&A, management reaffirms the guidance for cash costs per ounce and AISCSOS for the full year of 2015 as presented in the 2014 Annual MD&A.

Total sustaining capital investments for Q2 2015 was $17.7 million, while investment (project development) capital totaled $12.3 million. H1 2015 sustaining and investment capital was $34.3 million and $24.3 million, respectively, in line with management's plans and forecasts for the full 2015 year. Management continues to expect sustaining capital and investment project capital for 2015 to be approximately $71.0 to $84.0 million, and $90.0 to $97.0 million, respectively.

Q2 2015 PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's significant projects in Q2 2015 as compared to Q2 2014, and in H1 2015 as compared to H1 2014:

Project Development ('000s)	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Dolores Projects	**$ 4,710**	$ 9,096	**$ 9,701**	$ 18,661
La Colorada Expansion	**7,070**	3,822	**14,640**	7,450
Navidad (1)	**1,906**	1,003	**4,562**	1,781
Total	**$ 13,686**	$ 13,921	**$ 28,903**	$ 27,892

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

- ***La Colorada Expansion Project***

Pan American invested $7.6 million in Q2 2015 comprised largely of: (i) purchase of process equipment and commencement of construction of the new sulphide flotation process plant; (ii) completion of drilling of the pilot hole for the new shaft; (iii) continued engineering of the new shaft structures and furnishings; (iv) underground mine development; and (v) development of project site infrastructure and related indirect costs.

There was $7.0 million of investing activity cash outflows relating to the expansion project in Q2 2015 resulting from investments and changes in accounts payable during the quarter. The following progress on the expansion project was achieved during the quarter:

- Received the necessary construction permits and commenced the civil earthworks and preliminary concrete placement for the new sulphide flotation process plant;
- Completed the fabrication of the new 10 ft. diameter hoist and delivered it to the site;
- Completed the shaft pilot hole to breakthrough at 611 meters;
- Completed 525 meters of underground development in support of the future mine production increase;
- Continued detail engineering of the new powerline, established the routing, and commenced negotiations for the right of way with landowners.

In the third quarter of the year ("Q3 2015") the construction of the new sulphide plant will continue with the planned completion of the plant expected by mid-2016. The reaming of the shaft to the full diameter of 5.1 meters will commence and continue throughout much of the remainder of the year. The headframe and shaft Galloway will be fabricated in-country, and installation of the hoist will commence.

- ***Dolores Projects***

Pan American invested $4.7 million relating to Dolores projects in Q2 2015 comprised predominantly of approximately $2.9 million invested in the new power line development, with the remainder of the investment relating mostly to 170 meters of advancement on the new underground ramp development.

Work continued on the new powerline during the second quarter with advances made on the Dolores transformer station and digging holes for power poles in anticipation of the environmental permit which is now expected in the third quarter of 2015. Construction completion continues to be expected by mid-2016.

With regard to the new pulp agglomeration plant project, basic engineering and site geotechnical investigations were conducted during Q2 2015. In Q3 2015 engineering will advance, and some long-lead procurement activities will commence.

There were $4.8 million of investing activity cash outflows relating to Dolores projects in Q2 2015 resulting from investments and changes in accounts payable during the quarter.

OVERVIEW OF Q2 2015 FINANCIAL RESULTS

- ***Quarterly Information***

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

2015	Quarter Ended (unaudited)	
(In thousands of USD, other than per share amounts)	March 31	June 30
Revenue	$ 178,125	$ 174,189
Mine operating earnings (loss)	$ 2,630	$ (952)
Attributable loss for the period	$ (19,371)	$ (7,322)
Basic loss per share	$ (0.13)	$ (0.05)
Diluted loss per share	$ (0.13)	$ (0.05)
Cash flow from operating activities	$ 11,946	$ 20,577
Cash dividends paid per share	$ 0.125	$ 0.05
Other financial information		
Total assets		$ 1,959,574
Total long term financial liabilities		$ 76,831
Total attributable shareholders' equity		$ 1,510,345

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

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

- ***Income Statement:* Q2 2015 versus Q2 2014**

A net loss of $7.3 million recorded in Q2 2015 compared to a net loss of $5.7 million in Q2 2014, which corresponds to basic losses per share of $0.05 and $0.04 in Q2 2015 and Q2 2014, respectively.

The following table highlights the key items that resulted in the net loss in Q2 2015 as compared to the net loss recorded in Q2 2014:

Q2 2014 net loss (in thousands of USD)		**$ (5,679)**
Decreased revenue:		
Lower realized metal prices	$ (27,433)	
Higher quantities of metal sold	13,478	
Increased settlement adjustments	(8,130)	
Increased treatment and refining charges	(4,574)	
Total decrease in Q2 revenue		**$ (26,658)**
Decreased cost of sales:		
Lower production costs and royalty charges	**$** 13,852	
Lower depreciation and amortization	1,609	
Total decrease Q2 in cost of sales		**$ 15,461**
Decreased income taxes		9,521
Increased gain on commodity contracts, asset sales and derivatives		2,248
Decreased interest and finance expense		1,299
Decreased general and administrative expense		920
Decreased foreign exchange gain		(2,386)
Decreased other and investment income, net		(1,833)
Increased exploration and project development expense		(192)
Q2 2015 net loss		**$ (7,299)**

The majority of the $1.6 million quarter over quarter increase to net loss was due to $11.2 million less in mine operating earnings, which was primarily attributable to lower realized metal prices in Q2 2015 compared to metal prices in Q2 2014. Partially offsetting these negative impacts on revenue were positive variances in production costs (partially resulting from favorable exchange rate differences), income taxes and gains on commodity contracts.

Revenue for Q2 2015 was $174.2 million, a 13% decrease from the $200.8 million of revenue recognized in Q2 2014. The major factors behind the revenue decrease were a $27.4 million price variance from lower metal prices realized for all metals, except zinc, an $8.1 million increase in negative settlement adjustments and a $4.6 million negative variance in treatment and refining charges. Offsetting these revenue effects was a positive $13.5 million variance from higher quantities of silver and copper sold, net of lower quantities of other metals sold, most predominantly zinc.

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 June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Silver[(1)] – ounces	**$ 16.36**	$ 19.58	**$ 16.39**	$ 19.79	**6,538**	6,113	**12,413**	12,848
Gold[(1)] – ounces	**$ 1,194**	$ 1,289	**$ 1,211**	$ 1,286	**42.7**	43.1	**91.9**	89.8
Zinc[(1)] – tonnes	**$ 2,228**	$ 2,064	**$ 2,118**	$ 2,051	**6.8**	9.2	**15.4**	18.8
Lead[(1)] – tonnes	**$ 2,023**	$ 2,070	**$ 1,858**	$ 2,085	**3.5**	3.8	**6.7**	7.0
Copper[(1)] – tonnes	**$ 5,848**	$ 6,790	**$ 5,643**	$ 6,877	**3.5**	1.8	**6.2**	3.1

(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 all metals sold, other than zinc, decreased from those realized in Q2 2014. Silver, copper and gold prices experienced the most significant decreases, falling 16%, 14% and 7%, respectively. Silver sales volumes in Q2 2015 were 7% higher than Q2 2014 volumes, the combined result of increased quarter over quarter silver production and the build-up of silver inventories at certain mines in Q2 2014. Copper sales volumes in Q2 2015 were almost twice Q2 2014 copper sales, a direct result of the increased copper production, while Q2 2015 zinc sales volumes were down 27% from Q2 2014 as a result of the decreased quarter over quarter zinc production.

Mine operating losses of $1.0 million in Q2 2015 were $11.2 million lower than the $10.2 million of mine operating earnings generated in Q2 2014. Mine operating earnings are equal to revenue less cost of sales, substantially the same as gross margin. The decrease in mine operating earnings was primarily the result of the $26.7 million lower revenues previously discussed. Quarter over quarter production costs decreased by $14.0 million primarily as a result of: $8.5 million less in negative NRV adjustments to inventory; production cost reductions from Q2 2014 levels at certain mines, particularly at the Dolores and Peruvian mines (partially resulting from favorable exchange rate differences); and lower quarter over quarter quantities of metal sold at certain mines, particularly at Manantial Espejo. Q2 2015 royalties remained relatively consistent with those in Q2 2014, while depreciation and amortization of $36.7 million was 4% less than the $38.3 million in Q2 2014.

General and administrative ("G&A") expense, including share-based compensation expense, was $4.8 million in Q2 2015 compared to a $5.7 million expense recorded in Q2 2014. As the majority of G&A expenses are Canadian dollar ("CAD") denominated, the quarter to quarter decrease in G&A was primarily driven by the devaluation in the CAD from Q2 2014 to Q2 2015. Share-based compensation for Q2 2015 was $0.8 million compared to the $0.2 million expense recorded in Q2 2014.

Exploration and project development expenses of $2.5 million in Q2 2015 compared to $2.3 million incurred in Q2 2014. The expenses recorded in each quarter primarily related to exploration and project development activities near the Company's existing mines, at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project. During Q2 2015 there were no significant developments affecting the status of the Navidad project.

Foreign exchange gains in Q2 2015 were $1.0 million compared to a foreign exchange ("FX") gain of $3.4 million in Q2 2014. The quarter over quarter decrease in the FX gain is largely due to offsetting FX losses in Q2 2015 arising on Mexican Peso ("MXN") devaluation on higher MXN denominated treasury balances, compared to FX gains due to MXN appreciation in Q2 2014. These increased FX losses had a larger offset to FX gains experienced in each Q2 2015 and Q2 2014 from: (i) Argentine Peso ("ARS") denominated debt and ARS devaluation in both Q2 2015 and Q2 2014; and, (ii) by the Company's CAD treasury balances with the CAD appreciating in each Q2 2015 and Q2 2014.

Interest and finance expense for Q2 2015 was $2.3 million, $1.3 million less than the $3.5 million in Q2 2014, and consisted of accretion of the Company's closure liabilities and interest expense associated with short term loans, leases and the outstanding convertible notes. The quarter over quarter decrease is due to a quarter over quarter reduction of implied interest rates on loans payable.

Investment income for Q2 2015 totaled $0.3 million compared to $0.6 million earned in Q2 2014 and continued to consist mainly of interest income and net gains from the sales of the securities within the Company's short-term investment portfolio.

Income taxes for Q2 2015 were a recovery of $1.1 million, a $9.5 million decrease from the $8.4 million income tax provision recorded in Q2 2014 and were comprised of current and deferred income taxes. The decrease in the provision for income taxes was primarily a consequence of decreased taxable earnings generated at our operations as well as the effects of various temporary and permanent differences as shown in the table below. These resulted in effective tax rates that vary considerably from the comparable period and from the amount that would result from applying the Canadian federal and provincial statutory income tax rates to earnings before income taxes, as set out in the table that follows. The main factors which have affected the effective tax rates for the three months ended June 30, 2015 and the comparable period of 2014 were foreign tax rate differences, FX rate changes, non-deductible expenses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes on payments from foreign subsidiaries. The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Loss (earnings) before taxes	**(8,392)**	2,749	**(21,476)**	18,202
Statutory tax rate	**26.00%**	26.00%	**26.00%**	26.00%
Income tax (recovery) expense based on above rates	**$ (2,182)**	$ 715	**$ (5,584)**	$ 4,733
Increase (decrease) due to:				
Non-deductible expenses	**804**	745	**1,699**	1,736
Foreign tax rate differences	**(2,265)**	(1,089)	**(3,509)**	(90)
Change in net deferred tax assets not recognized:				
- Argentina exploration expenses	**913**	593	**2,062**	776
- Other changes in valuation allowances	**(2,596)**	(1,962)	**(2,015)**	327
Non-taxable unrealized (gains)/losses on derivative financial instruments	**(11)**	141	**(71)**	167
Effect of other taxes paid (mining and withholding)	**(209)**	2,867	**3,067**	4,493
Non-deductible foreign exchange (gain)/loss	**2,852**	1,370	**8,146**	(395)
Change to temporary differences on inventory	**-**	2,647	**-**	2,647
Other	**1,601**	2,401	**1,813**	2,727
	$ (1,093)	$ 8,428	**$ 5,608**	$ 17,121
Effective tax rate	**13.02%**	306.58%	**(26.11)%**	94.06%

- ***Statement of Cash Flows: Q2 2015 versus Q2 2014 2014***

Cash flow from operations in Q2 2015 generated $20.6 million, $28.2 million less than the $48.7 million generated in Q2 2014. The operating cash flow decrease was predominantly due to the decline in cash revenue in Q2 2015 compared to Q2 2014. This reduction to cash revenue arose on the decline in metal prices as previously described in the Income Statement section of this MD&A. In addition, tax payments of $7.7 million were made in Q2 2015, $3.6 million higher than in the comparable quarter of 2014. Offsetting this decrease was a $5.2 million positive variance in quarter over quarter non-cash working capital changes. The major difference in non-cash working capital movements arose on the timing of accounts payable and accrued liability balances (“Payables”) and trade and other receivables balances (“Receivables”). Payables changes in Q2 2015 resulted in an $8.9 million source of cash compared to a $2.1 million use of cash in Q2 2014. Partially offsetting this variance were changes in Receivables resulting in a $4.9 million use of cash in Q2 2015 compared to a $0.2 million use of cash in Q2 2014.

Investing activities generated $63.9 million in Q2 2015, inclusive of $92.7 million generated on net sales of short-term investments. The balance of Q2 2015 investing activities consisted primarily of spending $29.6 million on mineral property plant and equipment capital at the Company’s mines and projects as previously described in the Operating Performance section of this MD&A. In Q2 2014, investing activities used $17.3 million inclusive of $19.5 million generated on net sales of short-term investments, and $36.9 million spent on mineral property plant and equipment capital at the Company’s various operations and projects.

Financing activities in Q2 2015 used $11.7 million compared to $30.9 million in Q2 2014. Cash used in financing activities in Q2 2015 consisted of $7.6 million paid as dividends to shareholders, $1.2 million generated from additional short term debt proceeds and $5.1 million of lease repayments. In Q2 2014 $18.9 million in dividends were paid, $11.8 million was spent in short-term debt repayment (net of proceeds), and $0.1 million of lease payments were made.

- ***Income Statement:*** **H1 2015 versus H1 2014**

A net loss of $27.1 million recorded in H1 2015 compared to net income of $1.1 million in H2 2014, which corresponds to a basic loss per share of $0.18 and basic earnings per share of $0.01 in H1 2015 and H1 2014, respectively.

The following table highlights the key items that resulted in the net loss in H1 2015 as compared to the net income recorded in H1 2014:

H1 2014 net income (in thousands of USD)			**$**	**1,081**
Decreased revenue:				
Lower realized metal prices	$	(57,275)		
Higher quantities of metal sold		7,686		
Increased settlement adjustments		(5,841)		
Increased treatment and refining charges		(2,837)		
Total decrease in H1 revenue			**$**	**(58,267)**
Decreased cost of sales:				
Lower production costs and royalty charges	**$**	20,173		
Higher depreciation and amortization		(2,049)		
Total decrease in H1 cost of sales			**$**	**18,124**
Decreased income taxes				11,513
Increased gain on commodity contracts asset sales and derivatives				3,344
Decreased interest and finance expense				1,839
Decreased general and administrative expense				798
Increased foreign exchange loss				(3,232)
Decreased other and investment income, net				(1,318)
Increased exploration and project development expense				(966)
H1 2015 net loss			**$**	**(27,084)**

The $28.2 million period over period decrease in net income was primarily due to $40.1 million lower in mine operating earnings, which was largely attributable to lower realized metal prices in H1 2015 compared to those in H1 2014. Partially offsetting these negative impacts on revenue were positive variances in production costs (partially resulting from favorable exchange rate differences), royalty costs, income taxes and gains on commodity contracts.

Revenue for H1 2015 was $352.3 million, a 14% decrease from H1 2014 revenues of $410.6 million. The major factors behind the revenue decrease: were (i) a $57.3 million price variance from lower metal prices realized for all metals, except zinc; (ii) a $5.8 million increase in negative settlement adjustments; and (iii); and, $2.8 million increase in treatment and refining charges. Offsetting these revenue effects was a positive $7.7 million variance from higher quantities of copper and gold sold, net of lower quantities of other metals sold.

Realized prices in H1 2015 for all metals sold, other than zinc, decreased from those realized in H1 2014. Copper, silver, and lead prices experienced the most significant decreases, falling 18%, 17% and 11%, respectively. Silver sales volumes in H1 2015 were 3% lower than H1 2014 due to lower period over period amounts of payable silver production. Copper sales volumes in H1 2015 were almost twice H1 2014 copper sales, a direct result of the increased copper production, while Q2 2015 zinc sales volumes were down 18% from H1 2014 a result of the decreased quarter over quarter zinc production.

Mine operating earnings of $1.7 million in H1 2015 were $40.1 million lower than the $41.8 million of mine operating earnings generated in H1 2014. The decrease in mine operating earnings was primarily the result of the previously discussed $58.3 million decrease in revenues. Period over period production costs decreased by $15.9 million primarily the result of: (i) $22.9 million less in negative NRV adjustments to inventory; (ii) direct production cost reductions at certain mines (partially resulting from favorable exchange rate differences), particularly at the Dolores mine; (iii) lower period over period quantities of metal sold at Manantial Espejo, partially offset by increased period over period quantities of metal sold at Dolores. H1 2015 royalties of $12.6 million were $4.2 million lower than those in H1 2014, mainly a result of the decline in metal prices. Depreciation and amortization of $77.2 million and $75.2 million in H1 2015 and H1 2014, respectively, was comparable, changing less than 3%.

General and administrative ("G&A") expense including share-based compensation expense in H1 2015 and H1 2014 was $10.5 million and $11.3 million, respectively. Similar to the quarter over quarter change, the 7% reduction resulted primarily from the devaluation in the CAD from H2 2014 to H2 2015. Share-based compensation for H1 2015 was $1.6 million, similar to the $1.4 million expense recorded in H1 2014.

Exploration and project development expenses of $6.2 million in H1 2015 compared to $5.3 million in H1 2014. Similar to the quarter over quarter explanation, exploration and project development expenses related to activities near the Company's existing mines and at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project.

FX losses in H1 2015 were $5.4 million compared to FX losses of $2.1 million in Q2 2014. The period over period increase in FX losses is largely due to losses on the Company's CAD treasury balances as the CAD devalued against the US dollar 7% in H1 2015 and was essentially constant in H1 2014. Partial offsets from FX gains on Argentinean monetary liabilities were more significant in H1 2014 as the ARS devalued against the USD by 24% during H1 2014 compared to a devaluation of 6% in H1 2015.

Interest and finance expense for H1 2015 was $4.5 million, $1.8 million less than the $6.3 million recorded in H1 2014. The $1.8 million reduction from H2 2014 to H2 2015 is the result of a reduction in the implied interest rates on loans payable.

Investment income for H1 2015 was $0.6 million compared to $1.2 million in H1 2014 and also consisted mainly of interest income and net gains from the sales of securities within the Company's short-term investment portfolio.

Income taxes for H1 2015 was a provision of $5.6 million, an $11.5 million decrease from the $17.1 million income tax provision recorded in H1 2014 and was comprised of current and deferred income taxes. The period over period decrease in the provision was primarily a consequence of decreased taxable earnings generated in H1 2015 compared to H1 2014, as well as the effects of various temporary and permanent differences as shown in the table above. The main factors that affected the effective tax rates for the six months ended June 30, 2015 and 2014 were foreign tax rate differences, FX rate changes, non-deductible expenses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes on payments from foreign subsidiaries.

- ***Statement of Cash Flows : H1 2015 versus H1 2014***

Cash flow from operations in H1 2015 generated $32.4 million, $52.5 million less than the $84.9 million generated in H1 2014. The operating cash flow decrease was predominantly due to the decline in cash revenue that arose on the previously discussed decline in metal prices. Offsetting this decrease were $4.3 million less in income taxes paid in H1 2015 compared to H1 2014, and a $13.8 million positive variance in non-cash working capital. The major difference in non-cash working capital movements arose on the timing of Receivables, and Prepaids. Receivables resulted in a $2.5 million use of cash in H1 2015 compared to a $21.4 million use of cash in H1 2014.

Investing activities generated $30.5 million in H1 2015, inclusive of $91.5 million generated on net sales of short-term investments. The balance of H1 2015 investing activities consisted primarily of spending $62.0 million on mineral properties plant and equipment. In H1 2014, investing activities used $102.0 million inclusive of $28.2 million used on net purchases of short-term investments, and $73.7 million spent on mineral properties plant and equipment at the Company's various operations and projects.

Financing activities in H1 2015 used $26.7 million compared to $53.6 million in H1 2014. Cash used in financing activities in H1 2015 consisted of $26.5 million paid as dividends to shareholders, $6.5 million generated from additional short term debt proceeds and $6.4 million of lease repayments. In H1 2014, $37.9 million in dividends were paid, $14.5 million was spent in short-term debt repayment (net of proceeds), and $1.2 million of lease payments were made.

LIQUIDITY POSITION

The Company's cash balance at June 30, 2015 was $182.7 million, which was an increase of $72.7 million from the balance at March 31, 2015, while the balance of the Company's short-term investments at June 30, 2015 was $92.2 million, a decrease of $90.3 million from the balance at March 31, 2015. The combined liquidity decrease in Q2 2015 of $17.5 million resulted primarily from $29.6 million in capital expenditures on property, plant and equipment, and $7.6 million utilized for the payment of dividends, partially offset by $20.6 million in cash generated in operating activities. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

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

Working capital at June 30, 2015 was $469.8 million, a decrease of $18.7 million from March 31, 2015 working capital of $488.5 million. The decrease in working capital was mainly due to the previously described $17.5 million decrease in cash and short-term investments, while movements in other working capital accounts netted to $1.2 million increase, as a $6.4 million increase in accounts payable and accrued liabilities, a $5.9 million decrease in income tax receivable and a $2.7 million decrease in inventories, were partially offset by a $6.6 million decrease in current income tax liabilities and a $5.3 million increase in trade and other receivables.

The Company's financial position at June 30, 2015 and the operating cash flows that are expected over the next twelve months lead management to believe that the Company's liquid assets are sufficient to fund currently planned capital expenditures for existing operations and to discharge liabilities as they come due. The Company remains well positioned to take advantage of further strategic opportunities as they become available.

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

CAPITAL RESOURCES

Total attributable shareholders' equity at June 30, 2015 was $1,510.3 million, a decrease of $52.7 million from December 31, 2014, primarily because of the $27.1 million net loss for H1 2015 and $26.5 million in dividends paid. As of June 30, 2015, the Company had approximately 151.6 million common shares outstanding for a share capital balance of $2,296.7 million (December 31, 2014 – 151.6 million and $2,296.7 million). The basic weighted average number of common shares outstanding was 151.6 million and 151.5 million for the six months ended June 30, 2015, and 2014, respectively.

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

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

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

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

As at June 30, 2015, the Company had approximately 1.1 million stock options outstanding, with exercise prices in the range of CAD $11.49 to CAD $40.22 and a weighted average life of 57 months. 0.8 million of the stock options were vested and exercisable at June 30, 2014 with an average weighted exercise price of CAD $21.93 per share.

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

	Outstanding as at August 13, 2015
Common shares	151,643,372
Options	1,114,065
Total	**152,757,437**

Additionally, as described in the June 30, 2015 unaudited condensed interim consolidated financial statements in the note entitled Long Term Debt (Note 14), the Company has outstanding convertible notes associated with the Minefinders acquisition that could result in the issuance of a variable amount of common shares.

On April 15, 2015, the Company entered into a senior secured revolving credit facility (the "Facility") with a syndicate of eight lenders. The Facility is a US$300 million secured revolving line of credit that matures on April 15, 2019 and is available for general corporate purposes, including acquisitions. The terms of the Facility provide the Company with the flexibility of various borrowing and letter of credit options. With respect to loans drawn based on the average annual rate of interest at which major banks in the London interbank market are offering deposits in US Dollars ("LIBOR"), the interest margin on such loan is between 2.125% and

3.125% over LIBOR, depending on the Company's leverage ratio at the time of a specified reporting period. At the date of this MD&A, no drawings had been made under the Facility.

FINANCIAL INSTRUMENTS

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts.

A part of the Company's operating and capital expenditures is denominated in local currencies other than the USD. These expenditures are exposed to fluctuations in USD exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit the Company's exposure to changes in the value of local currencies relative to the USD, or assuming liability positions to offset financial assets subject to currency risk. The Company held cash and short-term investments of $23.9 million in CAD, $26.8 million in Mexican Pesos, $2.6 million in Peruvian Soles, and $1.3 in Bolivian Bolivianos ("BOB") at June 30, 2015. The Company had no open foreign currency forward contract positions at the end of Q2 2015 and at the date of this MD&A. During Q2 2015, the Company maintained short term bank loans in Argentina and at June 30, 2015 had a balance outstanding of $23.9 million (December 31, 2014: $17.6 million). These loans were denominated in USD and Argentine Pesos as at June 30, 2015 and December 31, 2014, respectively, and were drawn for the purposes of short-term cash management and to partially offset the foreign exchange exposure of holding local currency denominated financial assets.

During Q1 2015, the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices (the "Diesel Swaps"). The Diesel Swaps had an initial notional value of $13.0 million of which $9.9 million remained outstanding as of June 30, 2015. The Company recorded gains of $0.9 million and $1.5 million on the Diesel Swaps in Q2 2015 and H1 2015, respectively. Of these gains, $0.5 million and $0.6 million was realized in Q2 2015 and H1 2015, respectively. No such gains or losses were recorded in Q2 2014 or H1 2014.

During Q2 2015, the Company entered into copper swap contracts designed to fix or limit the Company's exposure to lower copper prices (the "Copper Swaps"). The Copper Swaps were on 4,080 metric tonnes ("MT") of copper at an average fixed price of $6,044 USD/MT. As of June 30, 2015 3,060 MT of the Copper Swaps remained outstanding. The Company recorded gains of $0.8 million on the Copper Swaps in Q2 2015 and H1 2015, inclusive of a negligible realized loss.

Other than the Diesel and Copper Swaps there were no other gains or losses on any commodity or foreign currency contracts in either Q2 2015 or Q2 2014.

The Company's share purchase warrants with an exercise price of CAD $35.00 per share expired in December 2014. During Q2 2014 and H1 2014, the Company recorded gains on the revaluation of the share purchase warrants of $0.1 and $0.2 million, respectively.

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

The conversion feature of the convertible notes was reflected at fair value and is adjusted each period. The Company has the right to pay all or part of the liability associated with the

Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative were recognized initially at their respective fair values. The embedded derivative is now recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized as amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date. Assumptions used in the fair value calculation of the embedded derivative component at June 30, 2015 were expected stock price volatility of 40%, expected life of 0.5 years, and expected dividend yield of 3.3%.

During Q2 2015 and Q2 2014, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $0.05 and $(0.6) million, respectively. During H1 2015 and H1 2014, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $0.3 and $(0.8) million, respectively.

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

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company does not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material, other than those disclosed in this MD&A and the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014, and the related notes contained therein.

The Company had the following contractual obligations at June 30, 2015:

	Payments due by period Total		Within 1 year[2]		2 - 3 years		4- 5 years		After 5 years
Current liabilities	$	118,155	$	118,155	$	-	$	-	$ -
Loan obligation (Note 11)		24,110		24,110		-		-	-
Finance lease obligations[1]		2,603		2,032		571		-	-
Severance accrual		3,593		228		785		366	2,214
Provisions		4,846		3,142		445		735	524
Income taxes payable		14,625		14,625		-		-	-
Restricted share units ("RSUs") [3] (Note 16)		2,068		1,371		697		-	-
Performance share units ("PSUs") [4]		267		-		267		-	-
Current portion of long term debt [5]		36,235		36,235		-		-	-
Total contractual obligations[6]	**$**	**206,502**	**$**	**199,898**	**$**	**2,765**	**$**	**1,101**	**$ 2,738**

(1) Includes lease obligations in the amount of $2.6 million (December 31, 2014 - $8.4 million) with a net present value of $2.6 million (December 31, 2014 - $8.0 million) discussed further in Note 13 of the Q2 2015 Unaudited Consolidated Financial Statements.

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

June 30, 2015				Future interest component		Within 1 year
Current portion of:						
Accounts payable and other liabilities	$	118,155	$	-	$	118,155
Loan obligation		23,899		211		24,110
Current severance liability		228		--		228
Current portion of finance lease		1,989		43		2,032
Employee Compensation PSU's & RSU's		988		383		1,371
Convertible note		35,392		843		36,235
Provisions		3,142		-		3,142
Income tax payable		14,625		-		14,625
Total contractual obligations within one year	$	198,418	$	1,480	$	199,898

(3) Includes RSU obligation in the amount of $2.1 million (December 31, 2014 – $2.2 million) that will be settled in cash. The RSUs vest in two instalments, 50% one year from date of grant and 50% two years from date of grant.

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

(5) Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 14 of the Q2 2015 Unaudited Consolidated Financial Statements for further details.

(6) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 15 of the Q2 2015 Unaudited Consolidated Financial Statements, and deferred tax liabilities.

RELATED PARTY TRANSACTIONS

No related party transactions occurred in Q2 2015. During the six months ended June 30, 2014, a company indirectly owned by a trust of which a past director of the Company, Robert Pirooz, is a beneficiary, was paid approximately $1.4 million, for consulting services, inclusive of a termination of services payment which was charged to general and administrative costs. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- ***AISCSOS***

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

(In thousands of USD, except as noted)		Three months ended June 30, 2015	2014[1]	Six months ended June 30, 2015	2014[1]
Direct operating costs		$ 130,327	$ 135,858	$ 271,362	$ 264,427
Net realizable value ("NRV") inventory adjustments		1,520	10,018	(10,541)	12,327
Production costs		$ 131,847	$ 145,876	$ 260,821	$ 276,754
Royalties		6,606	6,429	12,609	16,849
Smelting, refining and transportation charges[2]		23,733	19,158	43,521	40,684
Less by-product credits[2]		(93,525)	(94,793)	(191,425)	(190,229)
Cash cost of sales net of by-products[4]		**$ 68,661**	**$ 76,670**	**$ 125,526**	**$ 144,058**
Sustaining capital[3]		$ 17,746	$ 24,411	$ 34,273	$ 49,109
Exploration and project development		2,494	2,302	6,248	5,282
Reclamation cost accretion		810	801	1,620	1,620
General & administrative expense		4,798	5,718	10,498	11,296
All-in sustaining costs[4]	**A**	**$ 94,509**	**$ 109,902**	**$ 178,165**	**$ 211,365**
Payable ounces sold (in thousands)	**B**	6,538	6,113	12,413	12,848
All-in sustaining cost per silver ounce sold, net of by-products	**A/B**	$ 14.46	$ 17.98	$ 14.35	$ 16.45
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV)		$ 14.22	$ 16.34	$ 15.20	$ 15.49

(1) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $0.25 and $0.37 decrease to the Company's previously reported consolidated AISCSOS of $18.23 and $16.82 respectively.

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

(3) Please refer to the table below.

(4) Totals may not add due to rounding.

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

Reconciliation of payments for mineral property, plant and equipment and sustaining capital (in thousands of USD)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Payments for mineral property, plant and equipment[1]	**$ 29,558**	$ 36,894	**$ 62,004**	$ 73,705
Add/(Subtract)				
Advances received for leases	**-**	535	**920**	1,714
Non-Sustaining capital (Dolores and La Colorada projects, and other)	**(11,812)**	(13,018)	**(28,651)**	(26,310)
Sustaining Capital[2]	**$ 17,746**	$ 24,411	**$ 34,273**	$ 49,109

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

(2) Totals may not add due to rounding

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Three months ended June 30, 2015 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 13,685	$ 32,157	$ 14,534	$ 16,609	$ 16,488	$ 9,156	$ 27,700		**$ 130,327**
Net Realizable Value Adjustments	-	(11)	188	-	-	-	1,343		**1,520**
Production costs	$ 13,685	$ 32,146	$ 14,722	$ 16,609	$ 16,488	$ 9,156	$ 29,043		**$ 131,847**
Royalties	115	1,360	73	-	-	4,054	1,005		**6,606**
Smelting, refining and other direct selling charges	2,992	36	218	6,818	8,404	3,005	2,260		**23,733**
Less by-product credits	(6,345)	(24,605)	(3,129)	(15,730)	(19,231)	(2,477)	(22,008)		**(93,525)**
Cash cost of sales net of by-products	**$ 10,447**	**$ 8,937**	**$ 11,883**	**$ 7,698**	**$ 5,661**	**$ 13,739**	**$ 10,299**		**$ 68,661**
Sustaining capital	2,125	6,122	-	2,562	1,430	1,019	4,488		**17,746**
Exploration	1	148	(1)	371	123	-	-	1,853	**2,494**
Reclamation cost accretion	59	90	58	150	96	56	274	26	**810**
General & Administrative expense	-	-	-	-	-	-	-	4,798	**4,798**
All-in sustaining costs [1]	**$ 12,631**	**$ 15,297**	**$ 11,940**	**$ 10,781**	**$ 7,310**	**$ 14,814**	**$ 15,061**	**$ 6,676**	**$ 94,509**
Payable silver ounces sold	1,305,447	1,110,000	718,277	763,997	481,576	1,246,629	911,665		**6,537,592**
All-in Sustaining Costs per Silver Ounce Sold	**$ 9.68**	**$ 13.78**	**$ 16.62**	**$ 14.11**	**$ 15.18**	**$ 11.88**	**$ 16.52**		**$ 14.46**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 9.68**	**$ 13.79**	**$ 16.36**	**$ 14.11**	**$ 15.18**	**$ 11.88**	**$ 15.05**		**$ 14.22**

[1] Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Six months ended June 30, 2015 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 26,561	$ 70,102	$ 32,160	$ 33,663	$ 35,022	$ 14,833	$ 59,022		**$ 271,362**
Net Realizable Value Adjustments		(13,620)	(290)	-	-	-	3,370		**(10,541)**
Production costs	$ 26,561	$ 56,482	$ 31,870	$ 33,663	$ 35,022	$ 14,833	$ 62,392		**$ 260,821**
Royalties	221	2,810	168	-	-	7,612	1,799		**12,609**
Smelting, refining and other direct selling charges	5,941	67	318	13,285	15,154	4,556	4,201		**43,521**
Less by-product credits	(12,008)	(50,697)	(9,051)	(29,346)	(35,277)	(6,183)	(48,862)		**(191,425)**
Cash cost of sales net of by-products	**$ 20,714**	**$ 8,663**	**$ 23,304**	**$ 17,602**	**$ 14,898**	**$ 20,818**	**$ 19,530**		**$ 125,526**
Sustaining capital	4,186	11,032	-	4,880	3,323	1,483	9,367		**34,273**
Exploration	2	335	1	444	291	-	-	5,174	**6,248**
Reclamation cost accretion	119	181	116	300	192	113	548	51	**1,620**
General & Administrative expense	-	-	-	-	-	-	-	10,498	**10,498**
All-in sustaining costs [1]	**$ 25,021**	**$ 20,211**	**$ 23,421**	**$ 23,226**	**$ 18,705**	**$ 22,414**	**$ 29,445**	**$ 15,723**	**$ 178,165**
Payable silver ounces sold	2,615,595	2,260,000	1,508,277	1,497,726	979,441	1,834,493	1,717,093		**12,412,623**
All-in Sustaining Costs per Silver Ounce Sold	**$ 9.57**	**$ 8.94**	**$ 15.53**	**$ 15.51**	**$ 19.10**	**$ 12.22**	**$ 17.15**		**$ 14.35**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 9.57**	**$ 14.97**	**$ 15.72**	**$ 15.51**	**$ 19.10**	**$ 12.22**	**$ 15.19**		**$ 15.20**

[1] Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Three months ended June 30, 2014 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 12,237	$ 28,395	$ 15,970	$ 20,457	$ 18,969	$ 4,992	$ 34,839		**$ 135,858**
Net Realizable Value Adjustments		8,155					1,863		**10,018**
Production costs	$ 12,237	$ 36,550	$ 15,970	$ 20,457	$ 18,969	$ 4,992	$ 36,702		**$ 145,876**
Royalties	112	1,118	127		-	4,184	887		**6,429**
Smelting, refining and other direct selling charges	2,895	39	155	7,799	4,435	1,820	2,016		**19,158**
Less by-product credits	(5,921)	(18,309)	(5,521)	(18,750)	(13,783)	(1,866)	(30,642)		**(94,793)**
Cash cost of sales net of by-products	**$ 9,322**	**$ 19,398**	**$ 10,731**	**$ 9,506**	**$ 9,620**	**$ 9,129**	**$ 8,963**		**$ 76,670**
Sustaining capital	4,918	6,406	115	3,719	3,307	809	5,136		**24,411**
Exploration	2	283	84	653	150	-	160	971	**2,302**
Reclamation cost accretion	59	91	58	150	96	56	264	26	**801**
General & Administrative expense	-	-	-	-	-	-	-	5,718	**5,718**
All-in sustaining costs [1]	**$ 14,302**	**$ 26,178**	**$ 10,988**	**$ 14,027**	**$ 13,173**	**$ 9,995**	**$ 14,522**	**$ 6,715**	**$ 109,902**
Payable silver ounces sold	1,171,986	909,000	1,012,495	835,696	521,404	541,806	1,120,143		**6,112,529**
All-in Sustaining Costs per Silver Ounce Sold	**$ 12.20**	**$ 28.80**	**$ 10.85**	**$ 16.79**	**$ 25.26**	**$ 18.45**	**$ 12.96**		**$ 17.98**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 12.20**	**$ 19.83**	**$ 10.85**	**$ 16.79**	**$ 25.26**	**$ 18.45**	**$ 11.30**		**$ 16.34**

[1] Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Six months ended June 30, 2014 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 24,456	$ 63,639	$ 32,072	$ 37,617	$ 35,037	$ 15,872	$ 55,735		**$ 264,427**
Net Realizable Value Adjustments		10,463					1,863		**12,327**
Production costs	$ 24,456	$ 74,103	$ 32,072	$ 37,617	$ 35,037	$ 15,872	$ 57,598		**$ 276,754**
Royalties	224	2,519	259	-	-	11,447	2,398		**16,849**
Smelting, refining and other direct selling charges	5,636	88	344	13,654	8,683	7,269	5,011		**40,684**
Less by-product credits	(11,738)	(41,169)	(11,584)	(33,591)	(26,688)	(4,965)	(60,494)		**(190,229)**
Cash cost of sales net of by-products	**$ 18,579**	**$ 35,541**	**$ 21,090**	**$ 17,679**	**$ 17,032**	**$ 29,623**	**$ 4,513**		**$ 144,058**
Sustaining capital	7,815	12,844	205	8,031	5,126	1,595	13,492		**49,109**
Exploration	5	659	93	1,053	338	-	262	2,872	**5,282**
Reclamation cost accretion	119	181	116	300	192	113	548	51	**1,620**
General & Administrative expense	-	-	-	-	-	-	-	11,296	**11,296**
All-in sustaining costs [1]	**$ 26,518**	**$ 49,226**	**$ 21,503**	**$ 27,063**	**$ 22,688**	**$ 31,331**	**$ 18,815**	$ 14,219	**211,365**
Payable silver ounces sold	2,335,279	1,977,000	2,019,772	1,488,428	1,017,859	2,024,156	1,985,349		**12,847,842**
All-in Sustaining Costs per Silver Ounce Sold	**$ 11.36**	**$ 24.90**	**$ 10.65**	**$ 18.18**	**$ 22.29**	**$ 15.48**	**$ 9.48**		**$ 16.45**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 11.36**	**$ 19.61**	**$ 10.65**	**$ 18.18**	**$ 22.29**	**$ 15.48**	**$ 8.54**		**$ 15.49**

[1] Totals may not add due to rounding.

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

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

Cash costs per ounce, net of by-product credits, were utilized extensively in our internal decision making processes. We believe they are useful to investors as these metrics facilitate comparison, on a mine by mine basis, notwithstanding the unique mix of incidental by-product production at each mine, of our operations' relative performance on a period by period basis, and against the operations of our peers in the silver industry on a consistent basis. Cash costs per ounce is conceptually understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by GAAP and the Company's method of calculating cash costs may differ from the methods used by other entities.

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

Total Cash Costs per ounce of Payable Silver, net of by-product credits (in thousands of U.S. dollars except as noted)		Three months ended June 30,		Six months ended June 30,	
		2015	2014(1)	**2015**	2014(1)
Production costs		**$ 131,847**	$ 145,876	**$ 260,821**	$ 276,754
Add/(Subtract)					
Royalties		**6,606**	6,429	**12,609**	16,849
Smelting, refining, and transportation charges		**24,858**	18,391	**46,853**	36,139
Worker's participation and voluntary payments		**(202)**	(190)	**(227)**	(334)
Change in inventories		**(1,245)**	7,352	**(17,649)**	3,841
Other		**(2,216)**	(1,379)	**(3,969)**	(2,559)
Non-controlling interests(2)		**(973)**	(1,483)	**(2,192)**	(2,743)
Metal inventories recovery (write-down)		**(1,520)**	(10,018)	**10,541**	(12,327)
Cash Operating Costs before by-product credits(3)		**157,155**	164,978	**306,787**	315,620
Less gold credit		**(51,885)**	(47,858)	**(96,817)**	(106,468)
Less zinc credit		**(17,444)**	(20,463)	**(33,948)**	(40,600)
Less lead credit		**(6,397)**	(7,976)	**(12,393)**	(15,327)
Less copper credit		**(22,473)**	(10,886)	**(37,946)**	(21,216)
Cash Operating Costs net of by-product credits(3)	**A**	**58,958**	77,795	**125,683**	132,009
Payable Silver Production (koz.)	**B**	**6,244**	6,218	**11,940**	12,481
Cash Costs per ounce net of by-product credits	**(A*$1000) /B**	**$ 9.44**	$ 12.51	**$ 10.53**	$ 10.58

(1) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for Q2 and H1 2014 was as follows: a \$0.45 and \$0.43 per ounce increase to consolidated cash costs; a \$2.88 and \$2.76 per ounce increase to Huaron cash costs; and a \$1.17 and \$1.25 per ounce increase to Morococha cash costs respectively.

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

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

Three months ended June 30, 2015 (1) (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 16,257	$ 33,284	$ 15,082	$ 24,030	$ 23,435	$ 14,605	$ 28,706	**$ 155,400**
Less gold credit	b1	(687)	(24,030)	(3,337)	(42)	(511)	(65)	(23,166)	**(51,838)**
Less zinc credit	b2	(3,836)	-	-	(5,725)	(4,220)	(3,145)	-	**(16,925)**
Less lead credit	b3	(1,814)	-	-	(3,129)	(948)	(405)	-	**(6,296)**
Less copper credit	b4	-	-	(70)	(8,266)	(13,044)	-	-	**(21,380)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (6,336)**	**$ (24,030)**	**$ (3,407)**	**$ (17,161)**	**$ (18,724)**	**$ (3,615)**	**$ (23,166)**	**$ (96,440)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,922	$ 9,253	$ 11,675	$ 6,869	$ 4,711	$ 10,990	$ 5,540	**$ 58,960**
Payable ounces of silver (thousand)	D	1,263	1,110	766	767	482	961	896	**6,244**
Cash cost per ounce net of by-products	**C/D**	**$ 7.85**	**$ 8.34**	**$ 15.25**	**$ 8.96**	**$ 9.78**	**$ 11.44**	**$ 6.18**	**$ 9.44**

(1) Totals may not add due to rounding.

Six months ended June 30, 2015(1)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 31,489	$ 64,058	$ 29,697	$ 48,585	$ 44,784	$ 28,129	$ 57,008	**$ 303,749**
Less gold credit	b1	(1,312)	(46,116)	(7,083)	(126)	(841)	(125)	(41,137)	**$ (96,740)**
Less zinc credit	b2	(7,449)	-	-	(11,562)	(8,809)	(5,121)	-	**(32,940)**
Less lead credit	b3	(3,457)	-	-	(5,845)	(2,229)	(642)	-	**(12,173)**
Less copper credit	b4	-	-	(72)	(15,427)	(20,711)	-	-	**(36,211)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (12,217)**	**$ (46,116)**	**$ (7,155)**	**$ (32,961)**	**$ (32,591)**	**$ (5,887)**	**$ (41,137)**	**$ (178,064)**
Cash Costs net of by-product credits	C=(A+B)	$ 19,272	$ 17,942	$ 22,541	$ 15,624	$ 12,193	$ 22,242	$ 15,871	**$ 125,685**
Payable ounces of silver (thousand)	D	2,469	2,099	1,446	1,504	919	1,855	1,647	**11,940**
Cash cost per ounce net of by-products	**C/D**	**$ 7.80**	**$ 8.55**	**$ 15.59**	**$ 10.39**	**$ 13.27**	**$ 11.99**	**$ 9.63**	**$ 10.53**

(1) Totals may not add due to rounding.

Three months ended June 30, 2014 (1) (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 15,623	$ 34,742	$ 17,468	$ 27,248	$ 20.544	$ 14,672	$ 33,488	**$ 163,786**
Less gold credit	b1	(602)	(21,801)	(6,119)	(80)	(527)	-	(18,684)	**(47,814)**
Less zinc credit	b2	(3,375)	-	-	(6,733)	(6,978)	(2,652)	-	**(19,738)**
Less lead credit	b3	(1,791)	-	-	(3,149)	(2,524)	(286)	-	**(7,750)**
Less copper credit	b4	-	-	(18)	(8,325)	(2,346)	-	-	**(10,689)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (5,768)**	**$ (21,801)**	**$ (6,137)**	**$ (18,287)**	**$ (12,375)**	**$ (2,938)**	**$ (18,684)**	**$ (85,991)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,855	$ 12,941	$ 11,331	$ 8,961	$ 8,169	$ 11,734	$ 14,804	**$ 77,795**
Payable ounces of silver (thousand)	D	1,193	1,047	1,020	788	456	905	808	**6,218**
Cash cost per ounce net of by-products	**C/D**	$ 8.26	$ 12.36	$ 11.11	$ 11.37	$ 17.91	$ 12.96	$ 18.31	**$ 12.51**

(1) Totals may not add due to rounding.

Six months ended June 30,2014 (1) (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 30,929	$ 67,964	$ 31,791	$ 51,899	$ 40,366	$ 30,225	$ 60,035	**$ 313,209**
Less gold credit	b1	(1,315)	(43,007)	(10,681)	(198)	(994)	-	(50,189)	**(106,385)**
Less zinc credit	b2	(6,632)	-	-	(12,854)	(13,877)	(5,770)	-	**(39,133)**
Less lead credit	b3	(3,720)	-	-	(5,974)	(4,679)	(534)	-	**(14,907)**
Less copper credit	b4	-	-	(118)	(15,395)	(5,262)	-	-	**(20,775)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (11,667)**	**$ (43,007)**	**$ (10,799)**	**$ (34,422)**	**$ (24,812)**	**$ (6,304)**	**$ (50,189)**	**$ (181,200)**
Cash Costs net of by-product credits	C=(A+B)	$ 19,262	$ 24,957	$ 20,992	$ 17,477	$ 15,554	$ 23,921	$ 9,846	**$ 132,009**
Payable ounces of silver (thousand)	D	2,348	2,055	1,924	1,502	953	1,863	1,836	**12,482**
Cash cost per ounce net of by-products	**C/D**	$ 8.20	$ 12.14	$ 10.91	$ 11.64	$ 16.32	$ 12.84	$ 5.36	**$ 10.58**

(1) Totals may not add due to rounding.

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

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

The following table shows a reconciliation of adjusted loss and earnings for the three and six months ended June 30, 2015 and 2014, to the net (loss) earnings for each period.

	Three months ended June 30,		Six months ended June 30,	
Adjusted Earnings (loss) Reconciliation	**2015**	2014	**2015**	2014
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Adjust derivative loss (gain)	**(45)**	543	**(274)**	642
Adjust impairment of mineral property	**-**	-	**-**	-
Adjust unrealized foreign exchange (gains) losses	**(3,079)**	371	**(1,006)**	2,075
Adjust net realizable value of inventory	**1,033**	10,515	**(1,003)**	17,114
Adjust unrealized gain on commodity contracts	**(1,370)**	-	**(1,913)**	-
Adjust gain on sale of assets	**(139)**	(323)	**(272)**	(329)
Adjust acquisition costs	**-**	-	**-**	-
Adjust for effect of taxes	**(340)**	(3,610)	**407**	(5,939)
Adjusted (loss) earnings for the period	**$ (11,239)**	$ 1,817	**$ (31,145)**	$ 14,644
Weighted average shares for the period	**151,643**	151,503	**151,643**	151,501
Adjusted (loss) earnings per share for the period	**$ (0.07)**	$ 0.01	**$ (0.21)**	$ 0.10

- ***Working Capital***

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

RISKS AND UNCERTAINTIES

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

- ***Foreign Jurisdiction Risk***

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

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

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

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

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

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

Government regulation in Argentina related to the economy has increased substantially over the past few years. In particular, the government has intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. An example of the changing regulations which have affected the Company's activities in Argentina was the Argentinean Ministry of Economy and Public Finance resolution in 2012 that reduced the time within which exporters were required to repatriate net proceeds from export sales from 180 days to 15 days after the date of export. As a result of this change, the Manantial Espejo operation temporarily suspended doré shipments while local management reviewed how the new resolution would be applied by the government. In response to petitions from numerous exporters for relief from the new resolution, shortly thereafter, the Ministry issued a revised resolution which extended the 15-day limit to 120 days and the effect of the delayed shipments and sales was made up during the remainder of 2012.

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

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

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

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

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

- ***Metal Price Risk***

Pan American derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Pan American Silver takes the view that its precious metals production should not be hedged, thereby, allowing the Company to maintain maximum exposure to precious metal prices. From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production under forward sales and option contracts, as described under the "Financial Instruments" section of this MD&A. Since base metal and gold revenue are treated as a by-product credit for purposes of calculating cash costs per ounce of silver and AISCSOS, these non-GAAP measures are highly sensitive to base metal and gold prices. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions. Subsequent to quarter end, the market prices of certain metals declined significantly and were below levels used in the Company's most recent impairment test. If metal prices remain at these levels for an extended period of time, the Company may need to reassess its price assumptions, and a significant decrease in the price assumptions could be an indicator of potential impairment. A description of the impact of metal price changes on certain Company assets is included in the Key Assumption and Sensitivity sections included in both the Company's Audited Consolidated Financial Statements for the year ended December 31, 2014 (included in Note 11), and in the 2014 annual MD&A (included in the Income Statement analysis section).

- ***Exchange Rate Risk***

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

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

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

- ***Claims and Legal Proceedings***

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex- or current employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. The Company carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future which may result in a material adverse impact on our financial condition, cash flow and results of operations. Please refer to Commitments and Contingencies Note 23 of the Q2 2015 Financial Statements for further information.

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

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

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

CHANGES IN ACCOUNTING STANDARDS

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

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

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. On July 22, 2015, the IASB confirmed a one year deferral of the effective date of IFRS 15 to January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

DISCLOSURE CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

There has been no change in the Company's internal control over financial reporting during the three months ended June 30, 2015 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

Management's Discussion and Analysis for the Three and Six months ended June 30, 2015

TABLE OF CONTENTS

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

August 13, 2015

INTRODUCTION

Management's discussion and analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Pan American Silver Corp.'s and its subsidiaries' ("Pan American" or the "Company") performance and such factors that may affect its future performance. The MD&A should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended December 31, 2014 and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014 and the related notes contained therein. All amounts in this MD&A and in the Condensed interim consolidated financial statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Pan American's significant accounting policies are set out in Note 2 of the Audited Consolidated Financial Statements.

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

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

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

CORE BUSINESS AND STRATEGY

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

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

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

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

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

Q2 2015 HIGHLIGHTS

OPERATIONS & PROJECT DEVELOPMENT

- ***Silver Production of 6.65 million ounces***

Pan American's silver production for the three month period ended June 30, 2015 ("Q2 2015") was 6.65 million ounces, comparable to the 6.56 million silver ounces produced in the three month period ended June 30, 2014 ("Q2 2014"). The 1% quarter over quarter increase was achieved with improved silver production at each of the Company's mines other than Alamo Dorado, which produced 0.25 million silver ounces less in Q2 2015 than in Q2 2014. The most significant production increases were attributable to the Manantial Espejo and La Colorada mines which increased quarterly silver production from a year ago by 0.09 million ounces and 0.08 million ounces, respectively. The Q2 2015 production brought total silver production for the first half of 2015 ("H1 2015") to 12.72 million ounces, on pace to achieve the annual forecast of 25.50 to 26.50 million ounces.

- ***Cash Costs and AISCSOS targets beaten***

Consolidated cash costs, net of by-product credits, for the three and six months periods ended June 30, 2015 of $9.44 and $10.53, respectively, per silver ounce were less than management's 2015 guidance of $10.80 to $11.80 per ounce. Consolidated all-in sustaining costs per silver ounce sold net of by-product credits ("AISCSOS") for the three and six months period ended June 30, 2015 were $14.46 and $14.35, respectively, well below the low end of management's 2015 guidance of $15.50 to $16.50, as provided in the Company's 2014 year-end MD&A.

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

Key components of the expansion project were achieved in Q2 2015 including: commencing with civil earthworks and preliminary concrete placement for the new plant; completing the fabrication and taking delivery of the new hoist; and completing the pilot hole drilling and breaking through 611 meters.

FINANCIAL

- ***Cost Control Discipline***

The Company continued efforts during the quarter on operational optimizations and cost cutting initiatives to align the Company's financial performance with the prevailing price environment. Consolidated production costs in Q2 2015 were $14.0 million, or 10%, lower than those in Q2 2014. Further, Q2 2015 AISCSOS of $14.46 was 20% lower than the $17.98 in Q2 2014, a decrease partially resulting from a 27% reduction in sustaining capital expenditures and a 4% reduction in direct operating costs.

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

The Company had cash and short-term investment balances of $274.9 million and working capital of $469.8 million as at June 30, 2015, decreases of $17.5 million and $18.7 million, respectively, from March 31, 2015. The Company had a total debt outstanding of $61.8 million at the end of Q2 2015, a $3.5 million reduction from the $65.3 million at March 31, 2015 The Company's access to liquidity was strengthened during Q2 2015 by securing a new $300 million revolving credit facility with a syndicate of eight lenders. The Company's strong balance sheet and positive operating cash flow facilitated the continued return of value to shareholders in Q2 2015 by way of $7.6 million in dividend payments.

Q2 2015 OPERATING PERFORMANCE

The following table compares silver production and cash costs, net of by-product credits, at each of Pan American's operations for the respective three and six months periods ended June 30, 2015 and 2014:

	Silver Production (ounces '000s)				Cash Costs[1][2] ($ per ounce)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
La Colorada	**1,320**	1,240	**2,583**	2,441	$7.85	$8.26	$7.80	$8.20
Dolores	**1,112**	1,050	**2,103**	2,062	$8.34	$12.36	$8.55	$12.14
Alamo Dorado	**773**	1,023	**1,460**	1,934	$15.25	$11.11	$15.59	$10.91
Huaron[2]	**938**	920	**1,839**	1,750	$8.96	$11.37	$10.39	$11.64
Morococha[2][3]	**563**	540	**1,077**	1,130	$9.78	$17.91	$13.27	$16.32
San Vicente[4]	**1,042**	981	**2,009**	2,022	$11.44	$12.96	$11.99	$12.84
Manantial Espejo	**898**	810	**1,651**	1,840	$6.18	$18.31	$9.63	$5.36
Consolidated Total[5]	**6,646**	6,564	**12,723**	13,179	$9.44	$12.51	$10.53	$10.58

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

(2) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for Q2 and H1 2014 was as follows: a $0.45 and $0.43 per ounce increase to consolidated cash costs; a $2.88 and $2.76 per ounce increase to Huaron cash costs; and a $1.17 and $1.25 per ounce increase to Morococha cash costs respectively.

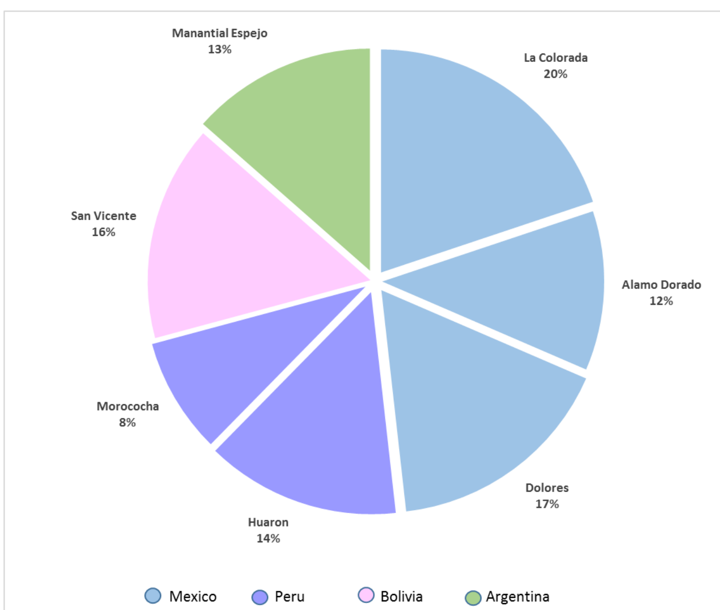
(3) Morococha data represents Pan American's 92.3% interest in the mine's production.

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

(5) Totals may not add due to rounding.

- ***Q2 2015 Silver Production***

The graph below presents silver production by mine in Q2 2015:



Pan American's Q2 2015 silver production of 6.65 million ounces was relatively consistent with the 6.56 million ounces produced in Q2 2014. All of the Company's mines, other than the Alamo Dorado mine, achieved increased quarter over quarter silver production, which more than offset the 0.25 million ounce silver production decrease at Alamo Dorado. The largest quarter over quarter increases in silver production came from the Manantial Espejo and La Colorada mines, which increased their quarterly silver production by 0.09 million ounces and 0.08 million ounces, respectively.

- ***Q2 2015 Cash Costs***

Consolidated cash costs per ounce of silver in Q2 2015 and H1 2015 were $9.44 per ounce and $10.53 per ounce, respectively, which compared to $12.51 per ounce and $10.58 per ounce in Q2 2014 and H1 2014. The quarter over quarter cash costs decrease resulted from reduced cash costs at each of the Company's operations other than the Alamo Dorado mine. Each operation's cash costs are separately discussed in the following Q2 2015 Individual Mine Performance section of this MD&A.

Consolidated cash costs in Q2 2015 decreased from those in Q2 2014 through a combination of a $1.45 per ounce decrease to costs before by-product credits, and a $1.62 per ounce increase in by-product credits. Q2 2015 per ounce costs before by-product credits benefited from both decreased consolidated costs, partially resulting from favorable exchange rate differences, and increased consolidated silver production. The increase to Q2 2015 per ounce by-product credits was largely due to increased copper production at the Morococha mine and from increased gold production at the Manantial Espejo and Dolores mines. The most significant individual contribution to decreased consolidated cash costs was from the Manantial Espejo mine which had a $12.13 per ounce quarter over quarter decrease to its cash costs, resulting from both decreased costs per ounce and increased by-product credits.

- ***Q2 2015 Average Market Metal Prices***

The following tables set out the average market price for each metal produced in Q2 2015 and H1 2015 together with amounts for the comparable periods in 2014:

	Average Market Metal Prices			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Silver/ounce	**$ 16.39**	$ 19.62	**$ 16.55**	$ 20.05
Gold/ounce	**$ 1,192**	$ 1,288	**$ 1,206**	$ 1,291
Zinc/tonne	**$ 2,190**	$ 2,073	**$ 2,134**	$ 2,051
Lead/tonne	**$ 1,942**	$ 2,096	**$ 1,873**	$ 2,101
Copper/tonne	**$ 6,043**	$ 6,787	**$ 5,916**	$ 6,916

- ***Q2 2015 By-Product Production***

The following tables set out the Company's by-product production for Q2 2015 and H1 2015 together with amounts for the comparable periods in 2014:

	By-Product Production			
	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Gold - ounces '000s ("koz")	**44.4**	37.7	**81.9**	83.6
Zinc - tonnes '000s ("kt")	**9.2**	11.4	**18.5**	22.8
Lead - kt	**3.5**	4.0	**7.0**	7.6
Copper - kt	**4.3**	1.9	**7.4**	3.6

In Q2 2015 consolidated gold production increased by 6.7koz or 18% compared to Q2 2014. The increase was primarily the result of Manantial Espejo producing 4.9koz more gold as a result of higher gold grades. Similarly, the Q2 2015 gold production at the Dolores mine increased by 3.2koz or 19% from Q2 2014, primarily due to improved gold grades, partially offset by reduced gold recoveries.

Consolidated copper production primarily from the Company's Peruvian operations in Q2 2015 was 4.3kt, a 126% increase from the 1.9kt produced in Q2 2014. The increase was mostly attributable to the Morococha mine, which produced more than five times the amount of copper produced in Q2 2014, a result of significantly increased copper grades and recoveries. Copper production at the Huaron mine in Q2 2015 increased 31% from Q2 2014, due primarily to higher grades.

Consolidated zinc production in Q2 2015 decreased by 2.2kt from Q2 2014 production. The decreased zinc production was largely the result of lower grades at both the Morococha and Huaron mines compared to Q2 2014. Quarter over quarter consolidated lead production decreased 0.5kt or 13% as lower grades and recoveries at Morococha were partially offset by higher grades at San Vicente and Huaron.

- ***Q2 2015 AISCSOS***

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for Q2 2015 and H1 2015, as compared to the same periods in 2014.

	Payable Silver Sold (ounces '000s)				AISCSOS[(1) (2)] ($ per ounce)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
La Colorada	**1,305**	1,172	**2,616**	2,335	**9.68**	12.20	**9.57**	11.36
Alamo Dorado	**718**	1,012	**1,508**	2,020	**16.62**	10.85	**15.53**	10.65
Dolores	**1,110**	909	**2,260**	1,977	**13.78**	28.80	**8.94**	24.90
Huaron	**764**	836	**1,498**	1,488	**14.11**	16.79	**15.51**	18.18
Morococha	**482**	521	**979**	1,018	**15.18**	25.26	**19.10**	22.29
San Vicente [(2)]	**1,247**	542	**1,834**	2,024	**11.88**	18.45	**12.22**	15.48
Manantial Espejo	**912**	1,120	**1,717**	1,985	**16.52**	12.96	**17.15**	9.48
Consolidated Total [(3)]	**6,538**	6,113	**12,413**	12,848	**14.46**	17.98	**14.35**	16.45

(1) AISCSOS is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the

three months ended June 30, 2015 and 2014. Corporate general and administration ("G&A") costs are included in the Consolidated AISCSOS, but not allocated in calculating AISCSOS for each operation.

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $0.25 and $0.37 decrease to the Company's previously reported consolidated AISCSOS of $18.23 and $16.82 respectively. The San Vicente mine AISCSOS decreased by $2.78 and $ 2.33 for the three and six months ended June 30, 2014.

(3) Totals may not add due to rounding.

Consolidated AISCSOS for Q2 2015 and H1 2015 were $14.46 and $14.35, respectively, a 20% and 13% reduction from AISCSOS of $17.98 and $16.45 in the respective 2014 comparative periods. The decline in quarter over quarter AISCSOS resulted primarily from: (i) a 7% increase the volume of payable silver ounces sold in Q2 2015 compared to Q2 2014; (ii) a reduction in negative net realizable value adjustments to inventories ("NRV" adjustments), which had a $0.23 per ounce unfavorable effect in Q2 2015 compared to a $1.64 per ounce unfavorable effect in Q2 2014; (iii) a 27% reduction in sustaining capital; and (iv) a 4% decrease in direct operating costs. These factors were partially offset by the impact of increased smelting, refining and selling charges.

- ***Q2 2015 Individual Mine Performance***

An analysis of each operation for the three and six months ended June 30, 2015 follows, as compared to the operating performance for the respective periods of 2014. Reported metal figures in the tables in this section reflect actual volumes of metals produced.

La Colorada mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**124.5**	118.6	**239.6**	232.8
Average silver grade – grams per tonne	**365**	361	**372**	363
Average silver recovery - %	**90.2**	90.1	**90.1**	90.0
Production:				
Silver – koz	**1,320**	1,240	**2,583**	2,441
Gold – koz	**0.67**	0.61	**1.28**	1.31
Zinc – kt	**2.06**	1.92	**4.11**	3.81
Lead – kt	**1.00**	0.92	**1.98**	1.91
Cash cost per ounce net of by-products(1)	**$ 7.85**	$ 8.26	**$ 7.80**	$ 8.20
AISCSOS(2)	**$ 9.68**	$ 12.20	**$ 9.57**	$ 11.36
Payable silver sold - koz	**1,305**	1,172	**2,616**	2,335
Sustaining capital - ('000s)(3)	**$ 2,125**	$ 4,918	**$ 4,186**	$ 7,814

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2015 and 2014.

(3) Sustaining capital expenditures excludes $7.0 million and $15.7 million of investing activity cash outflow in Q2 2015 and H1 2015, respectively ($3.8 million and $7.5 million in Q2 2014 and H1 2014, respectively) related to investment capital incurred on the expansion project as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

The La Colorada mine produced 6% more silver in Q2 2015 than in Q2 2014, primarily as a result of both increased throughput and silver grades.

The Q2 2015 cash costs of $7.85 per ounce were 5% lower than the $8.26 per ounce cash costs in Q2 2014. As increased maintenance costs were partially offset by certain consumable cost reductions and favorable currency exchange the quarter over quarter direct operating costs remained relatively consistent. As such, the decrease to cash costs was largely due to higher silver production and from increased by-product credits, driven primarily by increased zinc production and prices from those a year ago.

Q2 2015 AISCSOS decreased by 21% to $9.68 from $12.20 in Q2 2014 due primarily to a $2.8 million decrease in sustaining capital expenditures and an 11% increase in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures at La Colorada during Q2 2015 totalled $2.1 million, the majority of which was spent on exploration drilling, mine equipment replacement and rehabilitation, processing plant infrastructure, and access road upgrades.

Dolores mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**1,583.0**	1,523.7	**3,066.2**	3,065.9
Average silver grade – grams per tonne	**45**	38	**46**	38
Average gold grade – grams per tonne	**0.54**	0.42	**0.55**	0.40
Average silver recovery - %	**48.7**	57.0	**46.5**	55.6
Average gold recovery - %	**72.8**	82.6	**70.3**	86.6
Production:				
Silver – koz	**1,112**	1,050	**2,103**	2,062
Gold – koz	**20.17**	16.96	**38.35**	33.39
Cash cost per ounce net of by-products(1)	**$ 8.34**	$ 12.36	**$ 8.55**	$ 12.14
AISCSOS(2)	**$ 13.78**	$ 28.80	**$ 8.94**	$ 24.90
Payable silver sold - koz	**1,110**	909	**2,260**	1,977
Sustaining capital - ('000s)(3)	**$ 6,122**	$ 6,406	**$ 11,032**	$ 12,844

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

(3) Sustaining capital expenditures excludes $4.8 million and $12.8 million of investing activity cash outflow in Q2 2015 and H1 2015, respectively ($9.1 and $18.7 million in Q2 2014 and H1 2014, respectively) related to investment capital incurred on Dolores expansion projects as disclosed in the Project Development Update and Alternative Performance (non-GAAP) Measures sections of this MD&A.

Silver production at Dolores in Q2 2015 increased 6% from that in Q2 2014, a result of increased silver grades and throughput partially offset by lower recoveries that resulted from the sequencing of ore stacking and leaching on the leach pads.

Cash costs of $8.34 per ounce in Q2 2015 were $4.02 per ounce lower than those in Q2 2014. The 33% decrease in cash costs was the combined result of a 10% decrease in costs before by-product credits per ounce, driven largely by reduced costs of certain consumables and favorable currency exchange, and a 4% increase in by-product credits per ounce that resulted from a 19% increase in gold production. The higher gold production was the result of processing higher gold grades, partially offset by lower recoveries.

Q2 2015 AISCSOS decreased by 52% to $13.78 from $28.80 in Q2 2014 due primarily to NRV inventory adjustments, which had a $0.01 per ounce favorable effect in Q2 2015 compared to an $8.97 per ounce unfavorable effect in Q2 2014. Other factors that improved AISCSOS in Q2 2015 included the combined impact of higher by-product gold credits, an increase in the quantity of payable silver ounces sold from Q2 2014 levels and lower sustaining capital expenditures.

Q2 2015 sustaining capital expenditures at Dolores totalled $6.1 million, the vast majority of which was comprised of pre-stripping activities, as well as investments in exploration, surface water diversion upgrades, mine and process equipment, and site access improvements.

Alamo Dorado mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**467.1**	455.7	**919.9**	805.4
Average silver grade – grams per tonne	**59**	83	**60**	90
Average gold grade – grams per tonne	**0.22**	0.40	**0.22**	0.40
Average silver recovery - %	**80.6**	81.7	**80.8**	81.4
Production:				
Silver – koz	**773**	1,023	**1,460**	1,934
Gold – koz	**2.81**	4.77	**5.87**	8.28
Cash cost per ounce net of by-products[(1)]	**$ 15.25**	$ 11.11	**$ 15.59**	$ 10.91
AISCSOS[(2)]	**$ 16.62**	$ 10.85	**$ 15.53**	$ 10.65
Payable silver sold - koz	**718**	1,012	**1,508**	2,020
Sustaining capital - ('000s)	**$ -**	$ 115	**$ -**	$ 205

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

As anticipated, Alamo Dorado silver production in Q2 2015 was significantly lower than that in Q2 2014. Despite higher throughput rates, quarter over quarter silver production declined by 24% due to an expected decline in silver grades, as the open pit mining is nearing completion.

Cash costs for Q2 2015 were $15.25 per ounce, an increase of $4.14 per ounce from the $11.11 per ounce a year ago. The increase to cash costs was primarily attributable to the decreased silver production partially offset by reduced operating costs achieved with less total tonnes being mined, reduced costs of certain consumables and favorable currency exchange rates. Additionally, by-product credits declined by $1.56 per ounce from Q2 2014 as a result of both lower gold production and gold prices.

Q2 2015 AISCSOS increased by 53% to $16.62 from $10.85 in the comparable quarter of 2014 due primarily to a 29% decrease in the amount of payable silver ounces sold from Q2 2014 levels, and declined per ounce by-product credits applied to decreased direct costs per ounce

No capital expenditures were made at Alamo Dorado during Q2 2015.

Huaron mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**230.4**	221.0	**453.9**	430.2
Average silver grade – grams per tonne	**156**	156	**154**	151
Average zinc grade – %	**2.26**	2.53	**2.32**	2.50
Average copper grade – %	**1.03**	0.88	**1.00**	0.81
Average silver recovery - %	**82.8**	83.8	**83.4**	83.5
Production:				
Silver – koz	**938**	920	**1,839**	1,750
Gold – koz	**0.30**	0.28	**0.62**	0.57
Zinc – kt	**3.15**	3.90	**6.56**	7.50
Copper – kt	**1.87**	1.43	**3.50**	2.62
Lead – kt	**1.71**	1.60	**3.32**	3.03
Cash cost per ounce net of by-products[(1) (2)]	**$ 8.96**	$ 11.37	**$ 10.39**	$ 11.64
AISCSOS[(3)]	**$ 14.11**	$ 16.79	**$ 15.51**	$ 18.18
Payable silver sold - koz	**764**	836	**1,498**	1,488
Sustaining capital - ('000s)	**$ 2,562**	$ 3,719	**$ 4,880**	$ 8,031

(1) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q2 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $2.88 and $2.76 per ounce increase to Huaron's Q2 2014 and H1 2014 cash costs per ounce.

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

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

Q2 2015 silver production at Huaron was 2% higher in Q2 2015 than in Q2 2014, primarily as a result of increased throughput rates.

Cash costs of $8.96 per ounce in Q2 2015 were $2.41 per ounce lower than those in Q2 2014. The 21% decrease in cash costs was the combined result of a $3.22 per ounce decrease in costs before by-product credits, largely due to reduced costs realized by improved productivities obtained through the multi-year mechanization initiatives and favorable currency exchange rates, partially offset by a $0.81 per ounce decrease in by-product credits from Q2 2014 levels. The decrease in by-product credits was primarily attributable to decreased zinc production and lower lead and copper prices, which was partially offset by increased copper and lead production.

Q2 2015 AISCSOS fell by 16% to $14.11 from $16.79 in the comparable quarter of 2014 due primarily to decreases in direct operating costs, sustaining capital expenditures, and smelting and refining charges, partially offset by lower by-product credits and a 9% decrease in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures during Q2 2015 totaled $2.6 million at the Huaron mine and related primarily to equipment refurbishments and replacements, as well as exploration drilling.

Morococha mine[1]

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**163.6**	132.8	**308.5**	272.2
Average silver grade – grams per tonne	**127**	150	**128**	153
Average copper grade - %	**1.67**	0.52	**1.47**	0.54
Average zinc grade - %	**2.48**	3.84	**2.67**	3.76
Average silver recovery - %	**84.8**	85.4	**84.8**	86.0
Production:				
Silver – koz	**563**	540	**1,077**	1,130
Gold – koz	**0.99**	0.56	**1.62**	1.07
Zinc – kt	**2.35**	4.04	**5.03**	8.13
Lead – kt	**0.52**	1.29	**1.28**	2.38
Copper – kt	**2.37**	0.43	**3.85**	0.95
Cash cost per ounce net of by-products [2] [3]	**$ 9.78**	$ 17.91	**$ 13.27**	$ 16.32
AISCSOS[4]	**$ 15.18**	$ 25.26	**$ 19.10**	$ 22.29
Payable silver sold - koz	**482**	521	**979**	1,018
Sustaining capital - ('000s)	**$ 1,430**	$ 3,307	**$ 3,323**	$ 5,126

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

(2) Previously reported cash costs per ounce for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for Q2 2014 have been adjusted to correct for this overstatement. The effect of these corrections was a $1.17 and $1.25 per ounce increase to Morococha's Q2 2014 and H1 2014 cash costs per ounce.

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

(4) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

The Morococha mine produced 4% more silver in Q2 2015 than in Q2 2014, a result of a 23% increase in throughput, offset by a 15% decrease in silver grades attributable to mine sequencing into higher copper grade zones.

Cash costs of $9.78 per ounce in Q2 2015 were $8.13 per ounce lower than those in Q2 2014, a 45% decrease. The decrease in cash costs was driven by an $11.74 per ounce increase in by-product credits and an 11% reduction in direct operating costs driven by improved productivities obtained through mechanization initiatives and favorable currency exchange rates, partially offset by an increase in smelting costs. The large increase to by-product credits was entirely attributable to the significant increase in copper production, which was more than 5.5 times higher than production in Q2 2014. This copper production improvement to by-product credits was partially offset by lower average copper prices, and lower zinc and lead production and higher smelting costs.

Q2 2015 AISCSOS decreased by 40% to $15.18 from $25.26 in Q2 2014, primarily due to the increased by-product credits from increased copper production. Also benefitting Q2 2015 AISCSOS were decreases to direct operating costs and sustaining capital, partially offset by a 7% decrease in the amount of payable silver ounces sold from Q2 2014 levels.

Sustaining capital expenditures during Q2 2015 totalled $1.4 million at the Morococha mine and related primarily to equipment refurbishments and replacements as well as exploration drilling.

San Vicente mine (1)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**80.8**	83.8	**158.5**	163.1
Average silver grade – grams per tonne	**430**	391	**423**	416
Average zinc grade - %	**2.71**	2.27	**2.30**	2.61
Average silver recovery - %	**93.9**	93.1	**93.6**	92.8
Production:				
Silver – koz	**1,042**	981	**2,009**	2,022
Zinc – kt	**1.67**	1.54	**2.80**	3.35
Lead – kt	**0.25**	0.15	**0.43**	0.29
Cash cost per ounce net of by-products (2)	**$ 11.44**	$ 12.96	**$ 11.99**	$ 12.84
AISCSOS(3)	**$ 11.88**	$ 18.45	**$ 12.22**	$ 15.48
Payable silver sold - koz	**1,247**	542	**1,834**	2,024
Sustaining capital - ('000s)	**$ 1,019**	$ 809	**$ 1,483**	$ 1,595

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

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

(3) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

(4) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $2.78 and $ 2.33, respectively.

Silver production at the San Vicente mine in Q2 2015 was 6% more than that produced in Q2 2014. The increased silver production was primarily attributable to the 10% improvement in silver grades resulting from mine sequencing. Throughput rates in Q2 2015 fell 4% and recoveries remained relatively stable compared to Q2 2014.

San Vicente's Q2 2015 cash costs of $11.44 per ounce were 12% lower than the $12.96 per ounce cash costs in Q2 2014. The $1.52 per ounce decrease was the combined result of a $1.00 per ounce decrease in costs before by-product credits resulting from the increased silver production, and a $0.52 per ounce increase in by-product credits. The increase to by-product credits was attributable to increases in zinc and lead production, and higher average zinc prices, partially offset by decreased average lead prices.

Q2 2015 AISCSOS decreased by 36% to $11.88 from $18.45 in the comparable quarter of 2014 due primarily to a 130% increase in the quantity of payable silver ounces sold compared to Q2 2014 levels and higher by-product credits, partially offset by increased direct operating costs.

Sustaining capital expenditures at San Vicente during Q2 2015 totalled $1.0 million and were comprised mainly of infrastructure investments and equipment rebuilds.

Manantial Espejo mine

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Tonnes milled - kt	**182.3**	191.9	**381.4**	383.1
Average silver grade – grams per tonne	**174**	147	**149**	160
Average gold grade – grams per tonne	**3.64**	2.46	**3.00**	3.15
Average silver recovery - %	**91.9**	91.4	**91.8**	91.9
Average gold recovery - %	**95.2**	95.1	**94.9**	95.5
Production:				
Silver – koz	**898**	810	**1,651**	1,840
Gold – koz	**19.45**	14.51	**34.14**	38.96
Cash cost per ounce net of by-products (1)	**$ 6.18**	$ 18.31	**$ 9.63**	$ 5.36
AISCSOS(2)	**$ 16.52**	$ 12.96	**$ 17.15**	$ 9.48
Payable silver sold - koz	**912**	1,120	**1,717**	1,985
Sustaining capital - ('000s)	**$ 4,488**	$ 5,136	**$ 9,367**	$ 13,492

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

(2) AISCSOS is a non-GAAP measure. Please refer to the Alternative Performance (non-GAAP) Measures section for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014.

Manantial Espejo's Q2 2015 silver production was 11%, or 0.09 million ounces more than Q2 2014 silver production. The increased production was the combined result of an 18% improvement in silver grades resulting from mine sequencing that accessed higher-grade open pit mining ore zones during the quarter, offset by a 5% decrease in throughput largely due to a 10-day work stoppage following a fatal accident at the mine.

Cash costs of $6.18 per ounce in Q2 2015 were $12.13 per ounce lower than those in Q2 2014. The 66% decrease in cash costs was the combined result of a $9.38 per ounce decrease in costs before by-product credits, due to increased silver production from mine sequencing, and a $2.75 per ounce increase in by-product credits. The increased by-product credit per ounce was attributable to the 34% increase in gold production which resulted from processing higher gold grades from mine sequencing, partially offset by lower gold prices.

Q2 2015 AISCSOS increased by 27% to $16.52 from $12.96 in Q2 2014 due primarily to: lower gold by-product credits, resulting from 27% fewer gold ounces being sold compared to Q2 2014 and lower realized gold prices, and a 19% decrease in the quantity of payable silver ounces sold compared to Q2 2014 levels. These impacts were partially offset by lower direct operating costs and sustaining capital, reduced by the negative impacts of NRV adjustments in Q2 2015 compared to Q2 2014.

Sustaining capital expenditures at Manantial Espejo during Q2 2015 totalled $4.5 million and consisted mainly of capitalized open-pit pre-stripping and exploration drilling.

2015 OPERATING OUTLOOK

Q2 2015 consolidated silver production of 6.65 million ounces brought year-to-date silver production to 12.72 million ounces for H1 2015, which is in line with the production rate required to achieve management's full year forecast range of 25.50 to 26.50 million silver ounces. With the expected silver production for the remainder of the year management reaffirms the annual production forecast as indicated in the 2014 year end MD&A. Similarly, H1 2015 gold production of 81.9koz was also in line with management's expected annual gold production forecast of between 165koz to 170koz. As copper production in H1 2015 was well ahead of management's original expectation, and in consideration of the revised mine plan at Morococha, the annual copper production forecast for 2015 has been revised to between 14.00kt to 15.00kt, a 75% increase from the low end of the 8.00kt to 8.50kt originally forecast for the year. Zinc and lead production in H1 2015 was slightly less than the expected annual production rate largely a result of the increased copper production at Morococha. As such management's 2015 annual zinc and lead production forecast is now 37.00kt to 39.00kt and 13.00kt to 13.50kt, respectively, a reduction from the 41.00kt to 43.00kt and 14.50kt to 15.00kt originally forecast, respectively. Cash costs in H1 2015 of $10.53 per ounce and AISCSOS of $14.35 were both an improvement over management's 2015 full year forecast of $10.80 to $11.80 per ounce and $15.50 to $16.50 per ounce, respectively. At the date of this MD&A, management reaffirms the guidance for cash costs per ounce and AISCSOS for the full year of 2015 as presented in the 2014 Annual MD&A.

Total sustaining capital investments for Q2 2015 was $17.7 million, while investment (project development) capital totaled $12.3 million. H1 2015 sustaining and investment capital was $34.3 million and $24.3 million, respectively, in line with management's plans and forecasts for the full 2015 year. Management continues to expect sustaining capital and investment project capital for 2015 to be approximately $71.0 to $84.0 million, and $90.0 to $97.0 million, respectively.

Q2 2015 PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's significant projects in Q2 2015 as compared to Q2 2014, and in H1 2015 as compared to H1 2014:

Project Development ('000s)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Dolores Projects	**$ 4,710**	$ 9,096	**$ 9,701**	$ 18,661
La Colorada Expansion	**7,070**	3,822	**14,640**	7,450
Navidad [(1)]	**1,906**	1,003	**4,562**	1,781
Total	**$ 13,686**	$ 13,921	**$ 28,903**	$ 27,892

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

- ***La Colorada Expansion Project***

Pan American invested $7.6 million in Q2 2015 comprised largely of: (i) purchase of process equipment and commencement of construction of the new sulphide flotation process plant; (ii) completion of drilling of the pilot hole for the new shaft; (iii) continued engineering of the new shaft structures and furnishings; (iv) underground mine development; and (v) development of project site infrastructure and related indirect costs.

There was $7.0 million of investing activity cash outflows relating to the expansion project in Q2 2015 resulting from investments and changes in accounts payable during the quarter. The following progress on the expansion project was achieved during the quarter:

- Received the necessary construction permits and commenced the civil earthworks and preliminary concrete placement for the new sulphide flotation process plant;
- Completed the fabrication of the new 10 ft. diameter hoist and delivered it to the site;
- Completed the shaft pilot hole to breakthrough at 611 meters;
- Completed 525 meters of underground development in support of the future mine production increase;
- Continued detail engineering of the new powerline, established the routing, and commenced negotiations for the right of way with landowners.

In the third quarter of the year ("Q3 2015") the construction of the new sulphide plant will continue with the planned completion of the plant expected by mid-2016. The reaming of the shaft to the full diameter of 5.1 meters will commence and continue throughout much of the remainder of the year. The headframe and shaft Galloway will be fabricated in-country, and installation of the hoist will commence.

- ***Dolores Projects***

Pan American invested $4.7 million relating to Dolores projects in Q2 2015 comprised predominantly of approximately $2.9 million invested in the new power line development, with the remainder of the investment relating mostly to 170 meters of advancement on the new underground ramp development.

Work continued on the new powerline during the second quarter with advances made on the Dolores transformer station and digging holes for power poles in anticipation of the environmental permit which is now expected in the third quarter of 2015. Construction completion continues to be expected by mid-2016.

With regard to the new pulp agglomeration plant project, basic engineering and site geotechnical investigations were conducted during Q2 2015. In Q3 2015 engineering will advance, and some long-lead procurement activities will commence.

There were $4.8 million of investing activity cash outflows relating to Dolores projects in Q2 2015 resulting from investments and changes in accounts payable during the quarter.

OVERVIEW OF Q2 2015 FINANCIAL RESULTS

- ***Quarterly Information***

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

2015	Quarter Ended (unaudited)	
(In thousands of USD, other than per share amounts)	**March 31**	**June 30**
Revenue	$ 178,125	$ 174,189
Mine operating earnings (loss)	$ 2,630	$ (952)
Attributable loss for the period	$ (19,371)	$ (7,322)
Basic loss per share	$ (0.13)	$ (0.05)
Diluted loss per share	$ (0.13)	$ (0.05)
Cash flow from operating activities	$ 11,946	$ 20,577
Cash dividends paid per share	$ 0.125	$ 0.05
Other financial information		
Total assets		$ 1,959,574
Total long term financial liabilities		$ 76,831
Total attributable shareholders' equity		$ 1,510,345

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

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

- ***Income Statement:* Q2 2015 versus Q2 2014**

A net loss of $7.3 million recorded in Q2 2015 compared to a net loss of $5.7 million in Q2 2014, which corresponds to basic losses per share of $0.05 and $0.04 in Q2 2015 and Q2 2014, respectively.

The following table highlights the key items that resulted in the net loss in Q2 2015 as compared to the net loss recorded in Q2 2014:

Q2 2014 net loss (in thousands of USD)		**$ (5,679)**
Decreased revenue:		
Lower realized metal prices	$ (27,433)	
Higher quantities of metal sold	13,478	
Increased settlement adjustments	(8,130)	
Increased treatment and refining charges	(4,574)	
Total decrease in Q2 revenue		**$ (26,658)**
Decreased cost of sales:		
Lower production costs and royalty charges	**$** 13,852	
Lower depreciation and amortization	1,609	
Total decrease Q2 in cost of sales		**$ 15,461**
Decreased income taxes		9,521
Increased gain on commodity contracts, asset sales and derivatives		2,248
Decreased interest and finance expense		1,299
Decreased general and administrative expense		920
Decreased foreign exchange gain		(2,386)
Decreased other and investment income, net		(1,833)
Increased exploration and project development expense		(192)
Q2 2015 net loss		**$ (7,299)**

The majority of the $1.6 million quarter over quarter increase to net loss was due to $11.2 million less in mine operating earnings, which was primarily attributable to lower realized metal prices in Q2 2015 compared to metal prices in Q2 2014. Partially offsetting these negative impacts on revenue were positive variances in production costs (partially resulting from favorable exchange rate differences), income taxes and gains on commodity contracts.

Revenue for Q2 2015 was $174.2 million, a 13% decrease from the $200.8 million of revenue recognized in Q2 2014. The major factors behind the revenue decrease were a $27.4 million price variance from lower metal prices realized for all metals, except zinc, an $8.1 million increase in negative settlement adjustments and a $4.6 million negative variance in treatment and refining charges. Offsetting these revenue effects was a positive $13.5 million variance from higher quantities of silver and copper sold, net of lower quantities of other metals sold, most predominantly zinc.

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 June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Silver[(1)] – ounces	**$ 16.36**	$ 19.58	**$ 16.39**	$ 19.79	**6,538**	6,113	**12,413**	12,848
Gold[(1)] – ounces	**$ 1,194**	$ 1,289	**$ 1,211**	$ 1,286	**42.7**	43.1	**91.9**	89.8
Zinc[(1)] – tonnes	**$ 2,228**	$ 2,064	**$ 2,118**	$ 2,051	**6.8**	9.2	**15.4**	18.8
Lead[(1)] – tonnes	**$ 2,023**	$ 2,070	**$ 1,858**	$ 2,085	**3.5**	3.8	**6.7**	7.0
Copper[(1)] – tonnes	**$ 5,848**	$ 6,790	**$ 5,643**	$ 6,877	**3.5**	1.8	**6.2**	3.1

(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 all metals sold, other than zinc, decreased from those realized in Q2 2014. Silver, copper and gold prices experienced the most significant decreases, falling 16%, 14% and 7%, respectively. Silver sales volumes in Q2 2015 were 7% higher than Q2 2014 volumes, the combined result of increased quarter over quarter silver production and the build-up of silver inventories at certain mines in Q2 2014. Copper sales volumes in Q2 2015 were almost twice Q2 2014 copper sales, a direct result of the increased copper production, while Q2 2015 zinc sales volumes were down 27% from Q2 2014 as a result of the decreased quarter over quarter zinc production.

Mine operating losses of $1.0 million in Q2 2015 were $11.2 million lower than the $10.2 million of mine operating earnings generated in Q2 2014. Mine operating earnings are equal to revenue less cost of sales, substantially the same as gross margin. The decrease in mine operating earnings was primarily the result of the $26.7 million lower revenues previously discussed. Quarter over quarter production costs decreased by $14.0 million primarily as a result of: $8.5 million less in negative NRV adjustments to inventory; production cost reductions from Q2 2014 levels at certain mines, particularly at the Dolores and Peruvian mines (partially resulting from favorable exchange rate differences); and lower quarter over quarter quantities of metal sold at certain mines, particularly at Manantial Espejo. Q2 2015 royalties remained relatively consistent with those in Q2 2014, while depreciation and amortization of $36.7 million was 4% less than the $38.3 million in Q2 2014.

General and administrative (“G&A”) expense, including share-based compensation expense, was $4.8 million in Q2 2015 compared to a $5.7 million expense recorded in Q2 2014. As the majority of G&A expenses are Canadian dollar (“CAD”) denominated, the quarter to quarter decrease in G&A was primarily driven by the devaluation in the CAD from Q2 2014 to Q2 2015. Share-based compensation for Q2 2015 was $0.8 million compared to the $0.2 million expense recorded in Q2 2014.

Exploration and project development expenses of $2.5 million in Q2 2015 compared to $2.3 million incurred in Q2 2014. The expenses recorded in each quarter primarily related to exploration and project development activities near the Company’s existing mines, at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project. During Q2 2015 there were no significant developments affecting the status of the Navidad project.

Foreign exchange gains in Q2 2015 were $1.0 million compared to a foreign exchange ("FX") gain of $3.4 million in Q2 2014. The quarter over quarter decrease in the FX gain is largely due to offsetting FX losses in Q2 2015 arising on Mexican Peso ("MXN") devaluation on higher MXN denominated treasury balances, compared to FX gains due to MXN appreciation in Q2 2014. These increased FX losses had a larger offset to FX gains experienced in each Q2 2015 and Q2 2014 from: (i) Argentine Peso ("ARS") denominated debt and ARS devaluation in both Q2 2015 and Q2 2014; and, (ii) by the Company's CAD treasury balances with the CAD appreciating in each Q2 2015 and Q2 2014.

Interest and finance expense for Q2 2015 was $2.3 million, $1.3 million less than the $3.5 million in Q2 2014, and consisted of accretion of the Company's closure liabilities and interest expense associated with short term loans, leases and the outstanding convertible notes. The quarter over quarter decrease is due to a quarter over quarter reduction of implied interest rates on loans payable.

Investment income for Q2 2015 totaled $0.3 million compared to $0.6 million earned in Q2 2014 and continued to consist mainly of interest income and net gains from the sales of the securities within the Company's short-term investment portfolio.

Income taxes for Q2 2015 were a recovery of $1.1 million, a $9.5 million decrease from the $8.4 million income tax provision recorded in Q2 2014 and were comprised of current and deferred income taxes. The decrease in the provision for income taxes was primarily a consequence of decreased taxable earnings generated at our operations as well as the effects of various temporary and permanent differences as shown in the table below. These resulted in effective tax rates that vary considerably from the comparable period and from the amount that would result from applying the Canadian federal and provincial statutory income tax rates to earnings before income taxes, as set out in the table that follows. The main factors which have affected the effective tax rates for the three months ended June 30, 2015 and the comparable period of 2014 were foreign tax rate differences, FX rate changes, non-deductible expenses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes on payments from foreign subsidiaries. The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

	Three months ended June 30,		**Six months ended June 30,**	
	2015	2014	**2015**	2014
Loss (earnings) before taxes	**(8,392)**	2,749	**(21,476)**	18,202
Statutory tax rate	**26.00%**	26.00%	**26.00%**	26.00%
Income tax (recovery) expense based on above rates	**$ (2,182)**	$ 715	**$ (5,584)**	$ 4,733
Increase (decrease) due to:				
Non-deductible expenses	**804**	745	**1,699**	1,736
Foreign tax rate differences	**(2,265)**	(1,089)	**(3,509)**	(90)
Change in net deferred tax assets not recognized:				
- Argentina exploration expenses	**913**	593	**2,062**	776
- Other changes in valuation allowances	**(2,596)**	(1,962)	**(2,015)**	327
Non-taxable unrealized (gains)/losses on derivative financial instruments	**(11)**	141	**(71)**	167
Effect of other taxes paid (mining and withholding)	**(209)**	2,867	**3,067**	4,493
Non-deductible foreign exchange (gain)/loss	**2,852**	1,370	**8,146**	(395)
Change to temporary differences on inventory	**-**	2,647	**-**	2,647
Other	**1,601**	2,401	**1,813**	2,727
	$ (1,093)	$ 8,428	**$ 5,608**	$ 17,121
Effective tax rate	**13.02%**	306.58%	**(26.11)%**	94.06%

- ***Statement of Cash Flows: Q2 2015 versus Q2 2014 2014***

Cash flow from operations in Q2 2015 generated $20.6 million, $28.2 million less than the $48.7 million generated in Q2 2014. The operating cash flow decrease was predominantly due to the decline in cash revenue in Q2 2015 compared to Q2 2014. This reduction to cash revenue arose on the decline in metal prices as previously described in the Income Statement section of this MD&A. In addition, tax payments of $7.7 million were made in Q2 2015, $3.6 million higher than in the comparable quarter of 2014. Offsetting this decrease was a $5.2 million positive variance in quarter over quarter non-cash working capital changes. The major difference in non-cash working capital movements arose on the timing of accounts payable and accrued liability balances ("Payables") and trade and other receivables balances ("Receivables"). Payables changes in Q2 2015 resulted in an $8.9 million source of cash compared to a $2.1 million use of cash in Q2 2014. Partially offsetting this variance were changes in Receivables resulting in a $4.9 million use of cash in Q2 2015 compared to a $0.2 million use of cash in Q2 2014.

Investing activities generated $63.9 million in Q2 2015, inclusive of $92.7 million generated on net sales of short-term investments. The balance of Q2 2015 investing activities consisted primarily of spending $29.6 million on mineral property plant and equipment capital at the Company's mines and projects as previously described in the Operating Performance section of this MD&A. In Q2 2014, investing activities used $17.3 million inclusive of $19.5 million generated on net sales of short-term investments, and $36.9 million spent on mineral property plant and equipment capital at the Company's various operations and projects.

Financing activities in Q2 2015 used $11.7 million compared to $30.9 million in Q2 2014. Cash used in financing activities in Q2 2015 consisted of $7.6 million paid as dividends to shareholders, $1.2 million generated from additional short term debt proceeds and $5.1 million of lease repayments. In Q2 2014 $18.9 million in dividends were paid, $11.8 million was spent in short-term debt repayment (net of proceeds), and $0.1 million of lease payments were made.

- ***Income Statement:*** **H1 2015 versus H1 2014**

A net loss of $27.1 million recorded in H1 2015 compared to net income of $1.1 million in H2 2014, which corresponds to a basic loss per share of $0.18 and basic earnings per share of $0.01 in H1 2015 and H1 2014, respectively.

The following table highlights the key items that resulted in the net loss in H1 2015 as compared to the net income recorded in H1 2014:

H1 2014 net income (in thousands of USD)				**$**	**1,081**
Decreased revenue:					
Lower realized metal prices	$	(57,275)			
Higher quantities of metal sold		7,686			
Increased settlement adjustments		(5,841)			
Increased treatment and refining charges		(2,837)			
Total decrease in H1 revenue				**$**	**(58,267)**
Decreased cost of sales:					
Lower production costs and royalty charges	**$**	20,173			
Higher depreciation and amortization		(2,049)			
Total decrease in H1 cost of sales				**$**	**18,124**
Decreased income taxes					11,513
Increased gain on commodity contracts asset sales and derivatives					3,344
Decreased interest and finance expense					1,839
Decreased general and administrative expense					798
Increased foreign exchange loss					(3,232)
Decreased other and investment income, net					(1,318)
Increased exploration and project development expense					(966)
H1 2015 net loss				**$**	**(27,084)**

The $28.2 million period over period decrease in net income was primarily due to $40.1 million lower in mine operating earnings, which was largely attributable to lower realized metal prices in H1 2015 compared to those in H1 2014. Partially offsetting these negative impacts on revenue were positive variances in production costs (partially resulting from favorable exchange rate differences), royalty costs, income taxes and gains on commodity contracts.

Revenue for H1 2015 was $352.3 million, a 14% decrease from H1 2014 revenues of $410.6 million. The major factors behind the revenue decrease: were (i) a $57.3 million price variance from lower metal prices realized for all metals, except zinc; (ii) a $5.8 million increase in negative settlement adjustments; and (iii); and, $2.8 million increase in treatment and refining charges. Offsetting these revenue effects was a positive $7.7 million variance from higher quantities of copper and gold sold, net of lower quantities of other metals sold.

Realized prices in H1 2015 for all metals sold, other than zinc, decreased from those realized in H1 2014. Copper, silver, and lead prices experienced the most significant decreases, falling 18%, 17% and 11%, respectively. Silver sales volumes in H1 2015 were 3% lower than H1 2014 due to lower period over period amounts of payable silver production. Copper sales volumes in H1 2015 were almost twice H1 2014 copper sales, a direct result of the increased copper production, while Q2 2015 zinc sales volumes were down 18% from H1 2014 a result of the decreased quarter over quarter zinc production.

Mine operating earnings of $1.7 million in H1 2015 were $40.1 million lower than the $41.8 million of mine operating earnings generated in H1 2014. The decrease in mine operating earnings was primarily the result of the previously discussed $58.3 million decrease in revenues. Period over period production costs decreased by $15.9 million primarily the result of: (i) $22.9 million less in negative NRV adjustments to inventory; (ii) direct production cost reductions at certain mines (partially resulting from favorable exchange rate differences), particularly at the Dolores mine; (iii) lower period over period quantities of metal sold at Manantial Espejo, partially offset by increased period over period quantities of metal sold at Dolores. H1 2015 royalties of $12.6 million were $4.2 million lower than those in H1 2014, mainly a result of the decline in metal prices. Depreciation and amortization of $77.2 million and $75.2 million in H1 2015 and H1 2014, respectively, was comparable, changing less than 3%.

General and administrative ("G&A") expense including share-based compensation expense in H1 2015 and H1 2014 was $10.5 million and $11.3 million, respectively. Similar to the quarter over quarter change, the 7% reduction resulted primarily from the devaluation in the CAD from H2 2014 to H2 2015. Share-based compensation for H1 2015 was $1.6 million, similar to the $1.4 million expense recorded in H1 2014.

Exploration and project development expenses of $6.2 million in H1 2015 compared to $5.3 million in H1 2014. Similar to the quarter over quarter explanation, exploration and project development expenses related to activities near the Company's existing mines and at select greenfield projects, and on the holding and maintenance costs associated with the Navidad project.

FX losses in H1 2015 were $5.4 million compared to FX losses of $2.1 million in Q2 2014. The period over period increase in FX losses is largely due to losses on the Company's CAD treasury balances as the CAD devalued against the US dollar 7% in H1 2015 and was essentially constant in H1 2014. Partial offsets from FX gains on Argentinean monetary liabilities were more significant in H1 2014 as the ARS devalued against the USD by 24% during H1 2014 compared to a devaluation of 6% in H1 2015.

Interest and finance expense for H1 2015 was $4.5 million, $1.8 million less than the $6.3 million recorded in H1 2014. The $1.8 million reduction from H2 2014 to H2 2015 is the result of a reduction in the implied interest rates on loans payable.

Investment income for H1 2015 was $0.6 million compared to $1.2 million in H1 2014 and also consisted mainly of interest income and net gains from the sales of securities within the Company's short-term investment portfolio.

Income taxes for H1 2015 was a provision of $5.6 million, an $11.5 million decrease from the $17.1 million income tax provision recorded in H1 2014 and was comprised of current and deferred income taxes. The period over period decrease in the provision was primarily a consequence of decreased taxable earnings generated in H1 2015 compared to H1 2014, as well as the effects of various temporary and permanent differences as shown in the table above. The main factors that affected the effective tax rates for the six months ended June 30, 2015 and 2014 were foreign tax rate differences, FX rate changes, non-deductible expenses, non-recognition of certain deferred tax assets, mining taxes paid, and withholding taxes on payments from foreign subsidiaries.

- ***Statement of Cash Flows : H1 2015 versus H1 2014***

Cash flow from operations in H1 2015 generated $32.4 million, $52.5 million less than the $84.9 million generated in H1 2014. The operating cash flow decrease was predominantly due to the decline in cash revenue that arose on the previously discussed decline in metal prices. Offsetting this decrease were $4.3 million less in income taxes paid in H1 2015 compared to H1 2014, and a $13.8 million positive variance in non-cash working capital. The major difference in non-cash working capital movements arose on the timing of Receivables, and Prepaids. Receivables resulted in a $2.5 million use of cash in H1 2015 compared to a $21.4 million use of cash in H1 2014.

Investing activities generated $30.5 million in H1 2015, inclusive of $91.5 million generated on net sales of short-term investments. The balance of H1 2015 investing activities consisted primarily of spending $62.0 million on mineral properties plant and equipment. In H1 2014, investing activities used $102.0 million inclusive of $28.2 million used on net purchases of short-term investments, and $73.7 million spent on mineral properties plant and equipment at the Company's various operations and projects.

Financing activities in H1 2015 used $26.7 million compared to $53.6 million in H1 2014. Cash used in financing activities in H1 2015 consisted of $26.5 million paid as dividends to shareholders, $6.5 million generated from additional short term debt proceeds and $6.4 million of lease repayments. In H1 2014, $37.9 million in dividends were paid, $14.5 million was spent in short-term debt repayment (net of proceeds), and $1.2 million of lease payments were made.

LIQUIDITY POSITION

The Company's cash balance at June 30, 2015 was $182.7 million, which was an increase of $72.7 million from the balance at March 31, 2015, while the balance of the Company's short-term investments at June 30, 2015 was $92.2 million, a decrease of $90.3 million from the balance at March 31, 2015. The combined liquidity decrease in Q2 2015 of $17.5 million resulted primarily from $29.6 million in capital expenditures on property, plant and equipment, and $7.6 million utilized for the payment of dividends, partially offset by $20.6 million in cash generated in operating activities. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

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

Working capital at June 30, 2015 was $469.8 million, a decrease of $18.7 million from March 31, 2015 working capital of $488.5 million. The decrease in working capital was mainly due to the previously described $17.5 million decrease in cash and short-term investments, while movements in other working capital accounts netted to $1.2 million increase, as a $6.4 million increase in accounts payable and accrued liabilities, a $5.9 million decrease in income tax receivable and a $2.7 million decrease in inventories, were partially offset by a $6.6 million decrease in current income tax liabilities and a $5.3 million increase in trade and other receivables.

The Company's financial position at June 30, 2015 and the operating cash flows that are expected over the next twelve months lead management to believe that the Company's liquid assets are sufficient to fund currently planned capital expenditures for existing operations and to discharge liabilities as they come due. The Company remains well positioned to take advantage of further strategic opportunities as they become available.

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

CAPITAL RESOURCES

Total attributable shareholders' equity at June 30, 2015 was $1,510.3 million, a decrease of $52.7 million from December 31, 2014, primarily because of the $27.1 million net loss for H1 2015 and $26.5 million in dividends paid. As of June 30, 2015, the Company had approximately 151.6 million common shares outstanding for a share capital balance of $2,296.7 million (December 31, 2014 – 151.6 million and $2,296.7 million). The basic weighted average number of common shares outstanding was 151.6 million and 151.5 million for the six months ended June 30, 2015, and 2014, respectively.

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

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

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

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

As at June 30, 2015, the Company had approximately 1.1 million stock options outstanding, with exercise prices in the range of CAD $11.49 to CAD $40.22 and a weighted average life of 57 months. 0.8 million of the stock options were vested and exercisable at June 30, 2014 with an average weighted exercise price of CAD $21.93 per share.

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

	Outstanding as at August 13, 2015
Common shares	151,643,372
Options	1,114,065
Total	**152,757,437**

Additionally, as described in the June 30, 2015 unaudited condensed interim consolidated financial statements in the note entitled Long Term Debt (Note 14), the Company has outstanding convertible notes associated with the Minefinders acquisition that could result in the issuance of a variable amount of common shares.

On April 15, 2015, the Company entered into a senior secured revolving credit facility (the "Facility") with a syndicate of eight lenders. The Facility is a US$300 million secured revolving line of credit that matures on April 15, 2019 and is available for general corporate purposes, including acquisitions. The terms of the Facility provide the Company with the flexibility of various borrowing and letter of credit options. With respect to loans drawn based on the average annual rate of interest at which major banks in the London interbank market are offering deposits in US Dollars ("LIBOR"), the interest margin on such loan is between 2.125% and

3.125% over LIBOR, depending on the Company's leverage ratio at the time of a specified reporting period. At the date of this MD&A, no drawings had been made under the Facility.

FINANCIAL INSTRUMENTS

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts.

A part of the Company's operating and capital expenditures is denominated in local currencies other than the USD. These expenditures are exposed to fluctuations in USD exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit the Company's exposure to changes in the value of local currencies relative to the USD, or assuming liability positions to offset financial assets subject to currency risk. The Company held cash and short-term investments of $23.9 million in CAD, $26.8 million in Mexican Pesos, $2.6 million in Peruvian Soles, and $1.3 in Bolivian Bolivianos ("BOB") at June 30, 2015. The Company had no open foreign currency forward contract positions at the end of Q2 2015 and at the date of this MD&A. During Q2 2015, the Company maintained short term bank loans in Argentina and at June 30, 2015 had a balance outstanding of $23.9 million (December 31, 2014: $17.6 million). These loans were denominated in USD and Argentine Pesos as at June 30, 2015 and December 31, 2014, respectively, and were drawn for the purposes of short-term cash management and to partially offset the foreign exchange exposure of holding local currency denominated financial assets.

During Q1 2015, the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices (the "Diesel Swaps"). The Diesel Swaps had an initial notional value of $13.0 million of which $9.9 million remained outstanding as of June 30, 2015. The Company recorded gains of $0.9 million and $1.5 million on the Diesel Swaps in Q2 2015 and H1 2015, respectively. Of these gains, $0.5 million and $0.6 million was realized in Q2 2015 and H1 2015, respectively. No such gains or losses were recorded in Q2 2014 or H1 2014.

During Q2 2015, the Company entered into copper swap contracts designed to fix or limit the Company's exposure to lower copper prices (the "Copper Swaps"). The Copper Swaps were on 4,080 metric tonnes ("MT") of copper at an average fixed price of $6,044 USD/MT. As of June 30, 2015 3,060 MT of the Copper Swaps remained outstanding. The Company recorded gains of $0.8 million on the Copper Swaps in Q2 2015 and H1 2015, inclusive of a negligible realized loss.

Other than the Diesel and Copper Swaps there were no other gains or losses on any commodity or foreign currency contracts in either Q2 2015 or Q2 2014.

The Company's share purchase warrants with an exercise price of CAD $35.00 per share expired in December 2014. During Q2 2014 and H1 2014, the Company recorded gains on the revaluation of the share purchase warrants of $0.1 and $0.2 million, respectively.

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

The conversion feature of the convertible notes was reflected at fair value and is adjusted each period. The Company has the right to pay all or part of the liability associated with the

Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative were recognized initially at their respective fair values. The embedded derivative is now recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized as amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date. Assumptions used in the fair value calculation of the embedded derivative component at June 30, 2015 were expected stock price volatility of 40%, expected life of 0.5 years, and expected dividend yield of 3.3%.

During Q2 2015 and Q2 2014, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $0.05 and $(0.6) million, respectively. During H1 2015 and H1 2014, the Company recorded a gain (loss) on the revaluation of the conversion feature of the convertible notes of $0.3 and $(0.8) million, respectively.

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

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company does not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material, other than those disclosed in this MD&A and the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2015 and 2014, and the related notes contained therein.

The Company had the following contractual obligations at June 30, 2015:

	Payments due by period Total		Within 1 year[2]		2 - 3 years		4- 5 years		After 5 years
Current liabilities	$	118,155	$	118,155	$	-	$	-	$ -
Loan obligation (Note 11)		24,110		24,110		-		-	-
Finance lease obligations[1]		2,603		2,032		571		-	-
Severance accrual		3,593		228		785		366	2,214
Provisions		4,846		3,142		445		735	524
Income taxes payable		14,625		14,625		-		-	-
Restricted share units ("RSUs") [3] (Note 16)		2,068		1,371		697		-	-
Performance share units ("PSUs") [4]		267		-		267		-	-
Current portion of long term debt [5]		36,235		36,235		-		-	-
Total contractual obligations[6]	**$**	**206,502**	**$**	**199,898**	**$**	**2,765**	**$**	**1,101**	**$ 2,738**

[1] Includes lease obligations in the amount of $2.6 million (December 31, 2014 - $8.4 million) with a net present value of $2.6 million (December 31, 2014 - $8.0 million) discussed further in Note 13 of the Q2 2015 Unaudited Consolidated Financial Statements.

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

June 30, 2015			Future interest component		Within 1 year
Current portion of:					
Accounts payable and other liabilities	$	118,155	$	-	**$** 118,155
Loan obligation		23,899		211	24,110
Current severance liability		228		--	228
Current portion of finance lease		1,989		43	2,032
Employee Compensation PSU's & RSU's		988		383	1,371
Convertible note		35,392		843	36,235
Provisions		3,142		-	3,142
Income tax payable		14,625		-	14,625
Total contractual obligations within one year	$	198,418	$	1,480	**$** 199,898

[3] Includes RSU obligation in the amount of $2.1 million (December 31, 2014 – $2.2 million) that will be settled in cash. The RSUs vest in two instalments, 50% one year from date of grant and 50% two years from date of grant.

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

[5] Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 14 of the Q2 2015 Unaudited Consolidated Financial Statements for further details.

[6] Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 15 of the Q2 2015 Unaudited Consolidated Financial Statements, and deferred tax liabilities.

RELATED PARTY TRANSACTIONS

No related party transactions occurred in Q2 2015. During the six months ended June 30, 2014, a company indirectly owned by a trust of which a past director of the Company, Robert Pirooz, is a beneficiary, was paid approximately $1.4 million, for consulting services, inclusive of a termination of services payment which was charged to general and administrative costs. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- ***AISCSOS***

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

(In thousands of USD, except as noted)		Three months ended June 30, 2015	2014[1]	Six months ended June 30, 2015	2014[1]
Direct operating costs		$ 130,327	$ 135,858	$ 271,362	$ 264,427
Net realizable value ("NRV") inventory adjustments		1,520	10,018	(10,541)	12,327
Production costs		$ 131,847	$ 145,876	$ 260,821	$ 276,754
Royalties		6,606	6,429	12,609	16,849
Smelting, refining and transportation charges[2]		23,733	19,158	43,521	40,684
Less by-product credits[2]		(93,525)	(94,793)	(191,425)	(190,229)
Cash cost of sales net of by-products[4]		**$ 68,661**	**$ 76,670**	**$ 125,526**	**$ 144,058**
Sustaining capital[3]		$ 17,746	$ 24,411	$ 34,273	$ 49,109
Exploration and project development		2,494	2,302	6,248	5,282
Reclamation cost accretion		810	801	1,620	1,620
General & administrative expense		4,798	5,718	10,498	11,296
All-in sustaining costs[4]	**A**	**$ 94,509**	**$ 109,902**	**$ 178,165**	**$ 211,365**
Payable ounces sold (in thousands)	**B**	6,538	6,113	12,413	12,848
All-in sustaining cost per silver ounce sold, net of by-products	**A/B**	$ 14.46	$ 17.98	$ 14.35	$ 16.45
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV)		$ 14.22	$ 16.34	$ 15.20	$ 15.49

(1) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for the three and six months ended June 30, 2014 was a $0.25 and $0.37 decrease to the Company's previously reported consolidated AISCSOS of $18.23 and $16.82 respectively.

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

(3) Please refer to the table below.

(4) Totals may not add due to rounding.

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

Reconciliation of payments for mineral property, plant and equipment and sustaining capital (in thousands of USD)	**Three months ended June 30, 2015**	2014	**Six months ended June 30, 2015**	2014
Payments for mineral property, plant and equipment[1]	**$ 29,558**	$ 36,894	**$ 62,004**	$ 73,705
Add/(Subtract)				
Advances received for leases	**-**	535	**920**	1,714
Non-Sustaining capital (Dolores and La Colorada projects, and other)	**(11,812)**	(13,018)	**(28,651)**	(26,310)
Sustaining Capital[2]	**$ 17,746**	$ 24,411	**$ 34,273**	$ 49,109

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

(2) Totals may not add due to rounding

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Three months ended June 30, 2015 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 13,685	$ 32,157	$ 14,534	$ 16,609	$ 16,488	$ 9,156	$ 27,700		**$ 130,327**
Net Realizable Value Adjustments	-	(11)	188	-	-	-	1,343		**1,520**
Production costs	$ 13,685	$ 32,146	$ 14,722	$ 16,609	$ 16,488	$ 9,156	$ 29,043		**$ 131,847**
Royalties	115	1,360	73	-	-	4,054	1,005		**6,606**
Smelting, refining and other direct selling charges	2,992	36	218	6,818	8,404	3,005	2,260		**23,733**
Less by-product credits	(6,345)	(24,605)	(3,129)	(15,730)	(19,231)	(2,477)	(22,008)		**(93,525)**
Cash cost of sales net of by-products	**$ 10,447**	**$ 8,937**	**$ 11,883**	**$ 7,698**	**$ 5,661**	**$ 13,739**	**$ 10,299**		**$ 68,661**
Sustaining capital	2,125	6,122	-	2,562	1,430	1,019	4,488		**17,746**
Exploration	1	148	(1)	371	123	-	-	1,853	**2,494**
Reclamation cost accretion	59	90	58	150	96	56	274	26	**810**
General & Administrative expense	-	-	-	-	-	-	-	4,798	**4,798**
All-in sustaining costs [1]	**$ 12,631**	**$ 15,297**	**$ 11,940**	**$ 10,781**	**$ 7,310**	**$ 14,814**	**$ 15,061**	**$ 6,676**	**$ 94,509**
Payable silver ounces sold	1,305,447	1,110,000	718,277	763,997	481,576	1,246,629	911,665		**6,537,592**
All-in Sustaining Costs per Silver Ounce Sold	**$ 9.68**	**$ 13.78**	**$ 16.62**	**$ 14.11**	**$ 15.18**	**$ 11.88**	**$ 16.52**		**$ 14.46**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 9.68**	**$ 13.79**	**$ 16.36**	**$ 14.11**	**$ 15.18**	**$ 11.88**	**$ 15.05**		**$ 14.22**

[1] Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total [1]
	Six months ended June 30, 2015 [1] (in thousands of USD except as noted)								
Direct Operating Costs	$ 26,561	$ 70,102	$ 32,160	$ 33,663	$ 35,022	$ 14,833	$ 59,022		**$ 271,362**
Net Realizable Value Adjustments		(13,620)	(290)	-	-	-	3,370		**(10,541)**
Production costs	$ 26,561	$ 56,482	$ 31,870	$ 33,663	$ 35,022	$ 14,833	$ 62,392		**$ 260,821**
Royalties	221	2,810	168	-	-	7,612	1,799		**12,609**
Smelting, refining and other direct selling charges	5,941	67	318	13,285	15,154	4,556	4,201		**43,521**
Less by-product credits	(12,008)	(50,697)	(9,051)	(29,346)	(35,277)	(6,183)	(48,862)		**(191,425)**
Cash cost of sales net of by-products	**$ 20,714**	**$ 8,663**	**$ 23,304**	**$ 17,602**	**$ 14,898**	**$ 20,818**	**$ 19,530**		**$ 125,526**
Sustaining capital	4,186	11,032	-	4,880	3,323	1,483	9,367		**34,273**
Exploration	2	335	1	444	291	-	-	5,174	**6,248**
Reclamation cost accretion	119	181	116	300	192	113	548	51	**1,620**
General & Administrative expense	-	-	-	-	-	-	-	10,498	**10,498**
All-in sustaining costs [1]	**$ 25,021**	**$ 20,211**	**$ 23,421**	**$ 23,226**	**$ 18,705**	**$ 22,414**	**$ 29,445**	**$ 15,723**	**$ 178,165**
Payable silver ounces sold	2,615,595	2,260,000	1,508,277	1,497,726	979,441	1,834,493	1,717,093		**12,412,623**
All-in Sustaining Costs per Silver Ounce Sold	**$ 9.57**	**$ 8.94**	**$ 15.53**	**$ 15.51**	**$ 19.10**	**$ 12.22**	**$ 17.15**		**$ 14.35**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 9.57**	**$ 14.97**	**$ 15.72**	**$ 15.51**	**$ 19.10**	**$ 12.22**	**$ 15.19**		**$ 15.20**

[1] Totals may not add due to rounding.

Three months ended June 30, 2014 [1] (in thousands of USD except as noted)									
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	**Consolidated Total [1]**
Direct Operating Costs	$ 12,237	$ 28,395	$ 15,970	$ 20,457	$ 18,969	$ 4,992	$ 34,839		**$ 135,858**
Net Realizable Value Adjustments		8,155					1,863		**10,018**
Production costs	$ 12,237	$ 36,550	$ 15,970	$ 20,457	$ 18,969	$ 4,992	$ 36,702		**$ 145,876**
Royalties	112	1,118	127		-	4,184	887		**6,429**
Smelting, refining and other direct selling charges	2,895	39	155	7,799	4,435	1,820	2,016		**19,158**
Less by-product credits	(5,921)	(18,309)	(5,521)	(18,750)	(13,783)	(1,866)	(30,642)		**(94,793)**
Cash cost of sales net of by-products	**$ 9,322**	**$ 19,398**	**$ 10,731**	**$ 9,506**	**$ 9,620**	**$ 9,129**	**$ 8,963**		**$ 76,670**
Sustaining capital	4,918	6,406	115	3,719	3,307	809	5,136		**24,411**
Exploration	2	283	84	653	150	-	160	971	**2,302**
Reclamation cost accretion	59	91	58	150	96	56	264	26	**801**
General & Administrative expense	-	-	-	-	-	-	-	5,718	**5,718**
All-in sustaining costs [1]	**$ 14,302**	**$ 26,178**	**$ 10,988**	**$ 14,027**	**$ 13,173**	**$ 9,995**	**$ 14,522**	**$ 6,715**	**$ 109,902**
Payable silver ounces sold	1,171,986	909,000	1,012,495	835,696	521,404	541,806	1,120,143		**6,112,529**
All-in Sustaining Costs per Silver Ounce Sold	**$ 12.20**	**$ 28.80**	**$ 10.85**	**$ 16.79**	**$ 25.26**	**$ 18.45**	**$ 12.96**		**$ 17.98**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 12.20**	**$ 19.83**	**$ 10.85**	**$ 16.79**	**$ 25.26**	**$ 18.45**	**$ 11.30**		**$ 16.34**

[1] Totals may not add due to rounding.

Six months ended June 30, 2014 [1] (in thousands of USD except as noted)									
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	**Consolidated Total [1]**
Direct Operating Costs	$ 24,456	$ 63,639	$ 32,072	$ 37,617	$ 35,037	$ 15,872	$ 55,735		**$ 264,427**
Net Realizable Value Adjustments		10,463					1,863		**12,327**
Production costs	$ 24,456	$ 74,103	$ 32,072	$ 37,617	$ 35,037	$ 15,872	$ 57,598		**$ 276,754**
Royalties	224	2,519	259	-	-	11,447	2,398		**16,849**
Smelting, refining and other direct selling charges	5,636	88	344	13,654	8,683	7,269	5,011		**40,684**
Less by-product credits	(11,738)	(41,169)	(11,584)	(33,591)	(26,688)	(4,965)	(60,494)		**(190,229)**
Cash cost of sales net of by-products	**$ 18,579**	**$ 35,541**	**$ 21,090**	**$ 17,679**	**$ 17,032**	**$ 29,623**	**$ 4,513**		**$ 144,058**
Sustaining capital	7,815	12,844	205	8,031	5,126	1,595	13,492		**49,109**
Exploration	5	659	93	1,053	338	-	262	2,872	**5,282**
Reclamation cost accretion	119	181	116	300	192	113	548	51	**1,620**
General & Administrative expense	-	-	-	-	-	-	-	11,296	**11,296**
All-in sustaining costs [1]	**$ 26,518**	**$ 49,226**	**$ 21,503**	**$ 27,063**	**$ 22,688**	**$ 31,331**	**$ 18,815**	$ 14,219	**211,365**
Payable silver ounces sold	2,335,279	1,977,000	2,019,772	1,488,428	1,017,859	2,024,156	1,985,349		**12,847,842**
All-in Sustaining Costs per Silver Ounce Sold	**$ 11.36**	**$ 24.90**	**$ 10.65**	**$ 18.18**	**$ 22.29**	**$ 15.48**	**$ 9.48**		**$ 16.45**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV adj.)	**$ 11.36**	**$ 19.61**	**$ 10.65**	**$ 18.18**	**$ 22.29**	**$ 15.48**	**$ 8.54**		**$ 15.49**

[1] Totals may not add due to rounding.

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

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

Cash costs per ounce, net of by-product credits, were utilized extensively in our internal decision making processes. We believe they are useful to investors as these metrics facilitate comparison, on a mine by mine basis, notwithstanding the unique mix of incidental by-product production at each mine, of our operations' relative performance on a period by period basis, and against the operations of our peers in the silver industry on a consistent basis. Cash costs per ounce is conceptually understood and widely reported in the silver mining industry. However, cash cost per ounce does not have a standardized meaning prescribed by GAAP and the Company's method of calculating cash costs may differ from the methods used by other entities.

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

Total Cash Costs per ounce of Payable Silver, net of by-product credits (in thousands of U.S. dollars except as noted)		Three months ended June 30, 2015	Three months ended June 30, 2014[1]	Six months ended June 30, 2015	Six months ended June 30, 2014[1]
Production costs		$ **131,847**	$ 145,876	$ **260,821**	$ 276,754
Add/(Subtract)					
Royalties		**6,606**	6,429	**12,609**	16,849
Smelting, refining, and transportation charges		**24,858**	18,391	**46,853**	36,139
Worker's participation and voluntary payments		**(202)**	(190)	**(227)**	(334)
Change in inventories		**(1,245)**	7,352	**(17,649)**	3,841
Other		**(2,216)**	(1,379)	**(3,969)**	(2,559)
Non-controlling interests[2]		**(973)**	(1,483)	**(2,192)**	(2,743)
Metal inventories recovery (write-down)		**(1,520)**	(10,018)	**10,541**	(12,327)
Cash Operating Costs before by-product credits[3]		**157,155**	164,978	**306,787**	315,620
Less gold credit		**(51,885)**	(47,858)	**(96,817)**	(106,468)
Less zinc credit		**(17,444)**	(20,463)	**(33,948)**	(40,600)
Less lead credit		**(6,397)**	(7,976)	**(12,393)**	(15,327)
Less copper credit		**(22,473)**	(10,886)	**(37,946)**	(21,216)
Cash Operating Costs net of by-product credits[3]	**A**	**58,958**	77,795	**125,683**	132,009
Payable Silver Production (koz.)	**B**	**6,244**	6,218	**11,940**	12,481
Cash Costs per ounce net of by-product credits	**(A*$1000) /B**	**$ 9.44**	$ 12.51	**$ 10.53**	$ 10.58

(1) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian cash costs for 2014 have been adjusted to correct for this overstatement. The effect of these corrections for Q2 and H1 2014 was as follows: a $0.45 and $0.43 per ounce increase to consolidated cash costs; a $2.88 and $2.76 per ounce increase to Huaron cash costs; and a $1.17 and $1.25 per ounce increase to Morococha cash costs respectively.

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

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

Three months ended June 30, 2015 [1] (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 16,257	$ 33,284	$ 15,082	$ 24,030	$ 23,435	$ 14,605	$ 28,706	**$ 155,400**
Less gold credit	b1	(687)	(24,030)	(3,337)	(42)	(511)	(65)	(23,166)	**(51,838)**
Less zinc credit	b2	(3,836)	-	-	(5,725)	(4,220)	(3,145)	-	**(16,925)**
Less lead credit	b3	(1,814)	-	-	(3,129)	(948)	(405)	-	**(6,296)**
Less copper credit	b4	-	-	(70)	(8,266)	(13,044)	-	-	**(21,380)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (6,336)**	**$ (24,030)**	**$ (3,407)**	**$ (17,161)**	**$ (18,724)**	**$ (3,615)**	**$ (23,166)**	**$ (96,440)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,922	$ 9,253	$ 11,675	$ 6,869	$ 4,711	$ 10,990	$ 5,540	**$ 58,960**
Payable ounces of silver (thousand)	D	1,263	1,110	766	767	482	961	896	**6,244**
Cash cost per ounce net of by-products	**C/D**	**$ 7.85**	**$ 8.34**	**$ 15.25**	**$ 8.96**	**$ 9.78**	**$ 11.44**	**$ 6.18**	**$ 9.44**

(1) Totals may not add due to rounding.

Six months ended June 30, 2015 [1]									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 31,489	$ 64,058	$ 29,697	$ 48,585	$ 44,784	$ 28,129	$ 57,008	**$ 303,749**
Less gold credit	b1	(1,312)	(46,116)	(7,083)	(126)	(841)	(125)	(41,137)	**$ (96,740)**
Less zinc credit	b2	(7,449)	-	-	(11,562)	(8,809)	(5,121)	-	**(32,940)**
Less lead credit	b3	(3,457)	-	-	(5,845)	(2,229)	(642)	-	**(12,173)**
Less copper credit	b4	-	-	(72)	(15,427)	(20,711)	-	-	**(36,211)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (12,217)**	**$ (46,116)**	**$ (7,155)**	**$ (32,961)**	**$ (32,591)**	**$ (5,887)**	**$ (41,137)**	**$ (178,064)**
Cash Costs net of by-product credits	C=(A+B)	$ 19,272	$ 17,942	$ 22,541	$ 15,624	$ 12,193	$ 22,242	$ 15,871	**$ 125,685**
Payable ounces of silver (thousand)	D	2,469	2,099	1,446	1,504	919	1,855	1,647	**11,940**
Cash cost per ounce net of by-products	**C/D**	**$ 7.80**	**$ 8.55**	**$ 15.59**	**$ 10.39**	**$ 13.27**	**$ 11.99**	**$ 9.63**	**$ 10.53**

(1) Totals may not add due to rounding.

Three months ended June 30, 2014 [1] (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 15,623	$ 34,742	$ 17,468	$ 27,248	$ 20.544	$ 14,672	$ 33,488	**$ 163,786**
Less gold credit	b1	(602)	(21,801)	(6,119)	(80)	(527)	-	(18,684)	**(47,814)**
Less zinc credit	b2	(3,375)	-	-	(6,733)	(6,978)	(2,652)	-	**(19,738)**
Less lead credit	b3	(1,791)	-	-	(3,149)	(2,524)	(286)	-	**(7,750)**
Less copper credit	b4	-	-	(18)	(8,325)	(2,346)	-	-	**(10,689)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (5,768)**	**$ (21,801)**	**$ (6,137)**	**$ (18,287)**	**$ (12,375)**	**$ (2,938)**	**$ (18,684)**	**$ (85,991)**
Cash Costs net of by-product credits	C=(A+B)	$ 9,855	$ 12,941	$ 11,331	$ 8,961	$ 8,169	$ 11,734	$ 14,804	**$ 77,795**
Payable ounces of silver (thousand)	D	1,193	1,047	1,020	788	456	905	808	**6,218**
Cash cost per ounce net of by-products	**C/D**	$ 8.26	$ 12.36	$ 11.11	$ 11.37	$ 17.91	$ 12.96	$ 18.31	**$ 12.51**

(1) Totals may not add due to rounding.

Six months ended June 30,2014 (1) (in thousands of USD except as noted)									
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 30,929	$ 67,964	$ 31,791	$ 51,899	$ 40,366	$ 30,225	$ 60,035	**$ 313,209**
Less gold credit	b1	(1,315)	(43,007)	(10,681)	(198)	(994)	-	(50,189)	**(106,385)**
Less zinc credit	b2	(6,632)	-	-	(12,854)	(13,877)	(5,770)	-	**(39,133)**
Less lead credit	b3	(3,720)	-	-	(5,974)	(4,679)	(534)	-	**(14,907)**
Less copper credit	b4	-	-	(118)	(15,395)	(5,262)	-	-	**(20,775)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (11,667)**	**$ (43,007)**	**$ (10,799)**	**$ (34,422)**	**$ (24,812)**	**$ (6,304)**	**$ (50,189)**	**$ (181,200)**
Cash Costs net of by-product credits	C=(A+B)	$ 19,262	$ 24,957	$ 20,992	$ 17,477	$ 15,554	$ 23,921	$ 9,846	**$ 132,009**
Payable ounces of silver (thousand)	D	2,348	2,055	1,924	1,502	953	1,863	1,836	**12,482**
Cash cost per ounce net of by-products	**C/D**	$ 8.20	$ 12.14	$ 10.91	$ 11.64	$ 16.32	$ 12.84	$ 5.36	**$ 10.58**

(1) Totals may not add due to rounding.

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

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

The following table shows a reconciliation of adjusted loss and earnings for the three and six months ended June 30, 2015 and 2014, to the net (loss) earnings for each period.

Adjusted Earnings (loss) Reconciliation	**Three months ended June 30,**		**Six months ended June 30,**	
	2015	2014	**2015**	2014
Net (loss) earnings for the period	**$ (7,299)**	$ (5,679)	**$ (27,084)**	$ 1,081
Adjust derivative loss (gain)	**(45)**	543	**(274)**	642
Adjust impairment of mineral property	**-**	-	**-**	-
Adjust unrealized foreign exchange (gains) losses	**(3,079)**	371	**(1,006)**	2,075
Adjust net realizable value of inventory	**1,033**	10,515	**(1,003)**	17,114
Adjust unrealized gain on commodity contracts	**(1,370)**	-	**(1,913)**	-
Adjust gain on sale of assets	**(139)**	(323)	**(272)**	(329)
Adjust acquisition costs	**-**	-	**-**	-
Adjust for effect of taxes	**(340)**	(3,610)	**407**	(5,939)
Adjusted (loss) earnings for the period	**$ (11,239)**	$ 1,817	**$ (31,145)**	$ 14,644
Weighted average shares for the period	**151,643**	151,503	**151,643**	151,501
Adjusted (loss) earnings per share for the period	**$ (0.07)**	$ 0.01	**$ (0.21)**	$ 0.10

- ***Working Capital***

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

RISKS AND UNCERTAINTIES

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

- ***Foreign Jurisdiction Risk***

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

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

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

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

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

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

Government regulation in Argentina related to the economy has increased substantially over the past few years. In particular, the government has intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. An example of the changing regulations which have affected the Company's activities in Argentina was the Argentinean Ministry of Economy and Public Finance resolution in 2012 that reduced the time within which exporters were required to repatriate net proceeds from export sales from 180 days to 15 days after the date of export. As a result of this change, the Manantial Espejo operation temporarily suspended doré shipments while local management reviewed how the new resolution would be applied by the government. In response to petitions from numerous exporters for relief from the new resolution, shortly thereafter, the Ministry issued a revised resolution which extended the 15-day limit to 120 days and the effect of the delayed shipments and sales was made up during the remainder of 2012.

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

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

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

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

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

- ***Metal Price Risk***

Pan American derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Pan American Silver takes the view that its precious metals production should not be hedged, thereby, allowing the Company to maintain maximum exposure to precious metal prices. From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production under forward sales and option contracts, as described under the "Financial Instruments" section of this MD&A. Since base metal and gold revenue are treated as a by-product credit for purposes of calculating cash costs per ounce of silver and AISCSOS, these non-GAAP measures are highly sensitive to base metal and gold prices. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions. Subsequent to quarter end, the market prices of certain metals declined significantly and were below levels used in the Company's most recent impairment test. If metal prices remain at these levels for an extended period of time, the Company may need to reassess its price assumptions, and a significant decrease in the price assumptions could be an indicator of potential impairment. A description of the impact of metal price changes on certain Company assets is included in the Key Assumption and Sensitivity sections included in both the Company's Audited Consolidated Financial Statements for the year ended December 31, 2014 (included in Note 11), and in the 2014 annual MD&A (included in the Income Statement analysis section).

- ***Exchange Rate Risk***

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

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

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

- ***Claims and Legal Proceedings***

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex- or current employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. The Company carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future which may result in a material adverse impact on our financial condition, cash flow and results of operations. Please refer to Commitments and Contingencies Note 23 of the Q2 2015 Financial Statements for further information.

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

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

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

CHANGES IN ACCOUNTING STANDARDS

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

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

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

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. On July 22, 2015, the IASB confirmed a one year deferral of the effective date of IFRS 15 to January 1, 2018. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

DISCLOSURE CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

There has been no change in the Company's internal control over financial reporting during the three months ended June 30, 2015 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

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