Suite 1500 - 625 Howe St.
Vancouver, BC
Canada, V6C 2T6
604-684-1175

PAN AMERICAN SILVER

THIRD QUARTER REPORT TO SHAREHOLDERS

For the period ending September 30, 2018

www.panamericansilver.com

PAN AMERICAN — SILVER —

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

Pan American Silver Reports Cash from Operating Activities of $41.7 million in Q3 2018

Vancouver, B.C. - November 6, 2018 - Pan American Silver Corp. (NASDAQ: PAAS) (TSX: PAAS) today reported unaudited results for the third quarter ended September 30, 2018 ("Q3 2018"). Pan American Silver's unaudited condensed interim consolidated financial statements and notes ("financial statements"), as well as Pan American Silver's Management's Discussion and Analysis ("MD&A") as at and for the three and nine months ended September 30, 2018, are available on Pan American Silver's website at www.panamericansilver.com and on SEDAR at www.sedar.com.

- Decreased metal prices, including their effect on net realizable value ("NRV") inventory adjustments, impacted financial results in Q3 2018
- Revenue of $187.7 million, which was reduced approximately $9.8 million by negative settlement adjustments on concentrate shipments
- Cash from operating activities of $41.7 million
- Net loss of $9.2 million, equivalent to $0.06 basic loss per share
- Adjusted loss of $4.7 million, equivalent to $0.03 basic adjusted loss per share, impacted by approximately $23.4 million in negative NRV inventory adjustments
- Cash and short-term investment balance of $252.7 million, up $2.4 million from June 30, 2018

"We continue to generate strong cash flow, which increased our cash and short-term investment balance at the end of the quarter to $252.7 million, despite realizing the lowest metal prices of the year," said Michael Steinmann, President and Chief Executive Officer of the Company. "The depressed metal prices had a significant impact on both settlement adjustments on concentrate shipments and NRV inventory adjustments, which together reduced earnings in the quarter by approximately $33.2 million."

Added Mr. Steinmann: "Operationally, our La Colorada asset is exceeding expectations. The expansion is performing above design capacity, achieving record quarterly silver production of two million ounces in Q3 2018. We are also excited by the recent exploration discovery, which will very positively impact the future of this mine."

Consolidated Q3 2018 Highlights:

- **Production on track -** Silver production was 6.3 million ounces and gold production was 42.1 thousand ounces. Zinc, lead and copper production were 16.7 thousand tonnes, 5.7 thousand tonnes, and 2.6 thousand tonnes, respectively. The Company is on track to achieve the annual 2018 production guidance.
- **Cash costs per payable ounce of silver, net of by-product credits, ("cash costs")** were $5.24 per ounce and reflect lower by-product credits, primarily from decreased base metal prices, and higher operating costs, primarily due to the expanded operations at our Mexican mines. Partially offsetting the increases to cash costs were lower direct selling costs from improved contract terms for concentrate treatment and refining.
- **All-in sustaining costs per silver ounce sold ("AISCSOS")** were $13.73. Excluding non-cash NRV inventory adjustments, AISCSOS were $10.05. Based on YTD 2018 cash costs and AISCSOS, the Company is on track to achieve the annual 2018 cash costs and AISCSOS guidance, as previously lowered on August 8, 2018.
- **Solid balance sheet -** At September 30, 2018, the Company had a cash and short-term investment balance of $252.7 million, working capital of $443.6 million, and $300.0 million available under its undrawn revolving credit facility. Total debt of $8.4 million was related entirely to finance lease liabilities.
- **COSE and Joaquin projects -** Both projects remain on budget with $5.3 million invested during Q3 2018. The COSE project is progressing on schedule. At Joaquin, development of the decline has returned to planned levels after successfully negotiating an area of unexpectedly difficult ground conditions. The delay may result in extending completion of the project by approximately two months.
- **Quarterly cash dividend** - The Board of Directors has approved a cash dividend of $0.035 per common share, or approximately $5.4 million in aggregate cash dividends, payable on or about November 30, 2018, to holders of record of Pan American Silver's common shares as of the close on November 19, 2018. Pan American Silver's

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

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.

Cash costs, AISCSOS, adjusted earnings, basic adjusted earnings per share, and working capital are not generally accepted accounting principle ("non-GAAP") financial measures. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

CONSOLIDATED RESULTS

	September 30, 2018	December 31, 2017
Shares outstanding (millions)	153,318	153,303

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
FINANCIAL				
Revenue	$187,717	$190,791	$611,138	$590,797
Mine operating (loss) earnings	-$4,412	$47,818	$105,563	$125,475
Net (loss) earnings	-$9,234	$17,826	$75,618	$73,787
Per share (1)	-$0.06	$0.11	$0.48	$0.47
Adjusted (loss) earnings (2)	-$4,673	$23,318	$61,456	$54,613
Per share (1)	-$0.03	$0.15	$0.40	$0.36
Net cash generated from operating activities	$41,699	$63,793	$143,048	$145,268
Net cash generated from operating activities before changes in working capital (2)	$37,515	$56,878	$142,412	$148,752
Sustaining capital expenditures	$24,276	$18,765	$73,900	$55,753
Project capital expenditures	$8,346	$17,923	$29,444	$47,778
Dividend per share	$0.035	$0.025	$0.105	$0.075
OPERATIONAL				
Production				
Silver (thousand ounces)	6,253	5,893	18,649	18,400
Gold (thousand ounces)	42.1	40.8	141.7	116.3
Zinc (thousand tonnes)	16.7	14.1	46.3	40.6
Lead (thousand tonnes)	5.7	5.3	16.1	16.1
Copper (thousand tonnes)	2.6	3.7	7.6	10.4
Average realized prices				
Silver ($/ounce)	14.88	16.68	15.98	17.12
Gold ($/ounce)	1,212	1,277	1,283	1,250
Zinc ($/tonne)	2,472	2,974	2,981	2,801
Lead ($/tonne)	2,072	2,421	2,286	2,309
Copper ($/tonne)	6,105	6,351	6,641	5,992
Cash costs (per payable ounce of silver, net of by-product credits) (2)	$5.24	$3.12	$2.45	$5.04
All-in sustaining costs per silver ounce sold(2)	$13.73	$8.69	$9.21	$10.77
All-in sustaining costs per silver ounce sold, excluding NRV inventory adjustments(2)	$10.05	$8.43	$8.59	$10.38

(1) Per share amounts are based on basic weighted average common shares.

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

(2) Non- GAAP measures: adjusted (loss) earnings, basic adjusted (loss) earnings per share, net cash generated from operating activities before changes in working capital, cash costs, and all-in sustaining costs per silver ounce sold (inclusive and exclusive of NRV inventory adjustments) are not generally accepted accounting principle ("non-GAAP") financial measures. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

MINE OPERATING RESULTS

	Three months ended September 30, 2018			**Three months ended September 30, 2017**		
	Production			Production		
	Ag (Moz)	**Au (koz)**	**Cash Costs(1)**	Ag (Moz)	Au (koz)	Cash Costs(1)
La Colorada	2.0	1.1	$3.50	1.8	1.2	$1.71
Dolores	1.0	33.1	$1.00	1.0	25.0	-$0.57
Huaron	0.9	0.2	$3.25	0.9	0.3	$0.31
Morococha(2)	0.8	0.4	-$0.65	0.6	1.1	-$8.16
San Vicente(3)	0.9	0.1	$11.14	0.8	0.1	$12.99
Manantial Espejo	0.7	7.1	$16.50	0.7	13.2	$12.73
TOTAL	**6.3**	**42.1**	**$5.24**	5.9	40.8	$3.12

Totals may not add up due to rounding.

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

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

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

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

2018 GUIDANCE

Pan American Silver is maintaining the guidance provided on August 8, 2018, except for project capital. Estimated project capital in 2018 has been reduced to $40 million from $50 million due to timing of expenditures. Annual forecasts for 2018 cash costs, AISCSOS and copper production were revised on August 8, 2018, from the estimates provided in our news release dated January 11, 2018.

The following table provides our current guidance for 2018 and our original guidance as at January 11, 2018:

	Guidance as at Nov. 6, 2018	Guidance as at Jan. 11, 2018
Production		
Silver (million ounces)	25.0 - 26.5	25.0 - 26.5
Gold (thousand ounces)	175 - 185	175 - 185
Zinc (thousand tonnes)	60.0 - 62.0	60.0 - 62.0
Lead (thousand tonnes)	21.0 - 22.0	21.0 - 22.0
Copper (thousand tonnes)	9.0 - 10.4	12.0 - 12.5
Cash Costs(1)($/ounce)	2.80 - 3.80	3.60 - 4.60
AISCSOS(1) ($)	8.50 - 10.00	9.30 - 10.80
Sustaining capital ($millions)	100 - 105	100 - 105
Project capital ($millions)	40	50

Assumptions used to forecast total cash costs and AISCSOS		
Forecast metal prices for 2nd half of 2018		
Silver ($/ounce)	16.50	
Gold ($/ounce)	1,250	
Zinc ($/tonne)	2,600	
Lead ($/tonne)	2,300	
Copper ($/tonne)	6,200	
Average annual exchange rates relative to 1.00 U.S. dollar		
Mexican peso	18.50	
Peruvian sol	3.23	
Argentine peso	27.00	
Bolivian boliviano	7.00	

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

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

Third Quarter 2018 Unaudited Results Conference Call and Webcast

Date:	November 7, 2018
Time:	11:00 am ET (8:00 am PT)
Dial-in numbers:	1-800-319-4610 (toll-free in Canada and the U.S.)
	+1-604-638-5340 (international participants)
Webcast:	www.panamericansilver.com

Callers should dial in 5 to 10 minutes prior to the scheduled start time. The live webcast and presentation slides will be available on the Company's website at www.panamericansilver.com. An archive of the webcast will also be available for three months.

Corporate Office:

625 Howe Street, Suite 1440
Vancouver, British Columbia
V6C 2T6 Canada

Tel: +1 604 684-1175
Fax: +1 604 684-0147

About Pan American Silver

Pan American Silver Corp. is the world's second largest primary silver producer, providing enhanced exposure to silver through a diversified portfolio of assets, large reserves and growing production. We own and operate six mines in Mexico, Peru, Argentina and Bolivia. Pan American Silver maintains a strong balance sheet, has an established management team with proven operating expertise, and is committed to responsible development. Founded in 1994, the Company is headquartered in Vancouver, B.C. and our shares trade on NASDAQ and the Toronto Stock Exchange under the symbol "PAAS".

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

For more information contact:
Siren Fisekci
VP, Investor Relations & Corporate Communications
Ph: 604-806-3191
Email: ir@panamericansilver.com

Technical Information

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

For more detailed information regarding the Company's material mineral properties and technical information related thereto, including a complete list of current technical reports applicable to such properties, please refer to the Company's Annual Information Form dated March 22, 2018, filed at www.sedar.com or the Company's most recent Form 40-F filed with the SEC.

Alternative Performance (Non-GAAP) Measures

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

- Cash costs per payable ounce of silver, net of by-product credits ("cash costs"). The Company's method of calculating cash costs may differ from the methods used by other entities and, accordingly, the Company's cash costs may not be comparable to similarly titled measures used by other entities. Investors are cautioned that cash costs should not be construed as an alternative to production costs, depreciation and amortization, and royalties determined in accordance with IFRS as an indicator of performance.
- Adjusted earnings and basic adjusted earnings per share. The Company believes that these measures better reflect normalized earnings as they eliminate items that in management's judgment are subject to volatility as a result of factors, which are unrelated to operations in the period, and/or relate to items that will settle in future periods.
- All-in sustaining costs per silver ounce sold ("AISCSOS"). The Company has adopted AISCSOS as a measure of its consolidated operating performance and its ability to generate cash from all operations collectively, and the Company believes it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash costs per payable ounce, as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow.
- Total debt is calculated as the total current and non-current portions of: long-term debt, finance lease liabilities and loans payable. Total debt does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate the financial debt leverage of the Company.
- Working capital is calculated as current assets less current liabilities. Working capital does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate whether the Company is able to meet its current obligations using its current assets.

Readers should refer to the "Alternative Performance (non-GAAP) Measures" section of the Company’s Management's Discussion and Analysis for the period ended September 30, 2018, for a more detailed discussion of these and other non-GAAP measures and their calculation.

Cautionary Note Regarding Forward-Looking Statements and Information

Certain of the statements and information in this news release constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or information. Forward-looking statements or information in this news release relate to, among other things: future financial or operational performance, including our estimated production of silver, gold and other metals in 2018, our estimated cash costs and AISCSOS in 2018, and our expectations with respect to future metal prices and exchange rates; the ability of the Company to successfully complete any capital investment programs and projects, including the COSE and Joaquin projects, whether on time, or on or below budget, the expected economic or operational results derived from those programs and projects, and the impacts of any such programs and projects on the Company, including with respect to production, associated operational efficiencies and economic returns; and the approval of or the amount of any future cash dividends.

These forward-looking statements and information reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. These assumptions include: tonnage of ore to be mined and processed; ore grades and recoveries; prices for silver, gold and base metals remaining as estimated; currency exchange rates remaining as estimated; capital, decommissioning and reclamation estimates; our mineral reserve and mineral resource estimates and the assumptions upon which they are based; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions at any of our operations; no unplanned delays or interruptions in scheduled production; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner; our ability to secure our mine sites or maintain safe access to our mine sites due to criminal activity and violence; 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 metal prices; fluctuations in prices for energy inputs, labour, materials, supplies and services (including transportation); fluctuations in currency markets (such as the Canadian dollar, Peruvian sol, Mexican peso, Argentine peso and Bolivian boliviano versus the U.S. dollar); operational risks and hazards inherent with the business of mining (including environmental accidents and hazards, industrial accidents, equipment breakdown, unusual or unexpected geological or structural formations, cave-ins, flooding and severe weather); risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relationships with, and claims by, local communities and indigenous populations; our ability to obtain all necessary permits, licenses and regulatory approvals in a timely manner; changes in laws, regulations and government practices in the jurisdictions where we operate, including environmental, export and import laws and regulations; legal restrictions relating to mining, including in Chubut, Argentina; risks relating to expropriation; diminishing quantities or grades of mineral reserves as properties are mined; increased competition in the mining industry for equipment and qualified personnel; and those factors identified under the caption "Risks Related to Pan American's Business" in the Company's most recent form 40-F and Annual Information Form filed with the United States Securities and Exchange Commission and Canadian provincial securities regulatory authorities, respectively. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Investors are cautioned against undue reliance on forward-looking statements or information. Forward-looking statements and information are designed to help readers understand management's current views of our near and longer term prospects and may not be appropriate for other purposes. The Company does not intend, nor does it assume any obligation to update or revise forward-looking statements or information, whether as a result of new information, changes in assumptions, future events or otherwise, except to the extent required by applicable law.

Management's Discussion and Analysis

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

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

November 6, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that influence the performance of Pan American Silver Corp. and its subsidiaries (collectively "Pan American", "we", "us", "our" or the "Company") and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "2017 Financial Statements"), and the related notes contained therein, and the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 (the "Q3 2018 Financial Statements"), and the related notes contained therein.   All amounts in this MD&A, the 2017 Financial Statements, and the Q3 2018 Financial Statements are expressed in United States dollars ("USD"), unless identified otherwise. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Pan American's significant accounting policies are set out in Note 2 of the 2017 Financial Statements.

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "total debt", "working capital", "general and administrative cost per silver ounce produced", "adjusted earnings" and "basic adjusted earnings per share", which are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the mining industry as benchmarks for performance, but do not have standardized meaning under IFRS. To facilitate a better understanding of these non-GAAP measures as calculated by the Company, additional information has been provided in this MD&A. Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "working capital", "general and administrative cost per silver ounce produced", "adjusted earnings" and "basic adjusted earnings per share", as well as details of the Company's by-product credits and a reconciliation of these measures to the Q3 2018 Financial Statements.

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

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

CORE BUSINESS AND STRATEGY

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

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

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

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

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

Q3 2018 HIGHLIGHTS

Operations

- **Silver production of 6.25 million ounces, on track to achieve annual guidance**

Consolidated silver production for the three months ended September 30, 2018 ("Q3 2018") of 6.25 million ounces was 6% more than the 5.89 million produced in the three months ended September 30, 2017 ("Q3 2017"). Silver production for the nine months ended September 30, 2018 ("YTD 2018") totaled 18.6 million ounces, which is in-line with expectations and on-track to achieve management's annual guidance for 2018 of 25.0 million to 26.5 million ounces.

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

Consolidated gold production in Q3 2018 was 42.1 thousand ounces, 1.2 thousand ounces higher than the 40.8 thousand ounces produced in Q3 2017. YTD 2018 gold production of 141.7 thousand ounces is in-line with expected production required to achieve guidance for 2018 of 175.0 thousand to 185.0 thousand ounces.

Zinc production in Q3 2018 was 16.7 thousand tonnes, 19% higher than in the comparable quarter of 2017. Lead production was 5.7 thousand tonnes, 8% more than Q3 2017 production. Copper production of 2.6 thousand tonnes was 30% lower than in Q3 2017. YTD 2018 base metal production was 46.3 thousand tonnes of zinc, 16.1 thousand tonnes of lead, and 7.6 thousand tonnes of copper, all in-line with expectations and on-track to achieve management's guidance for 2018 of 60.0 thousand to 62.0 thousand tonnes of zinc, 21.0 thousand to 22.0 thousand tonnes of lead, and most recent guidance of 9.0 thousand to 10.4 thousand tonnes of copper. Guidance for copper was revised in the second quarter MD&A dated August 8, 2018 (the "Q2 2018 MD&A").

- **Cash Costs of $5.24 per ounce**

Consolidated cash costs for Q3 2018 were $5.24 per ounce, $2.12 per ounce or 68% higher than in Q3 2017. YTD 2018 cash costs of $2.45 per ounce were $2.59 per ounce or 51% lower than those for the nine months ended September 30, 2017 ("YTD 2017"), and are less than the low end of management's reduced guidance range of $2.80 to $3.80 per ounce stated in the Q2 2018 MD&A. Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.

Financial

- **Revenue and net loss**

  Revenue in Q3 2018 of $187.7 million was down 2% from Q3 2017, mainly due to lower metal prices being largely offset by increased quantities of metal sold for all products except copper.

  Net loss for Q3 2018 was $9.2 million ($0.06 basic loss per share) compared with earnings of $17.8 million ($0.11 basic earnings per share) in Q3 2017. The Q3 2018 loss reflects: decreased mine operating earnings as a result of higher production costs, driven by increased sales volumes and the inclusion of $23.4 million of negative net realizable value ("NRV") inventory adjustments; and increased depreciation and amortization. These factors were partially offset by lower income tax expense.

  Adjusted loss in Q3 2018 was $4.7 million ($0.03 basic adjusted loss per share) compared with $23.3 million ($0.15 basic adjusted earnings per share) in Q3 2017. Lower revenue from decreased metal prices, and increased production costs, driven by NRV adjustments, partially offset by lower income tax expense, were the major drivers in the quarter-over-quarter adjusted earnings decrease.

- **Liquidity and working capital position**

As at September 30, 2018, the Company had cash and short-term investment balances of $252.7 million, working capital of $443.6 million, and $300.0 million available under its undrawn revolving credit facility. Total debt of $8.4 million was related entirely to finance lease liabilities.

- **All-In Sustaining Costs per Silver Ounce Sold ("AISCSOS")**

Q3 2018 AISCSOS of $13.73, inclusive of $3.68 per ounce in NRV inventory adjustments, was $5.04, or 58%, higher than in Q3 2017. YTD 2018 AISCSOS of $9.21 was in line with management's reduced guidance for 2018 AISCSOS of

$8.50 to $10.00, as provided in the Q2 2018 MD&A. AISCSOS is a non-GAAP measure; please refer to the section "Alternative Performance (Non-GAAP) Measures" of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

OPERATING PERFORMANCE

The following table provides silver production and cash costs at each of Pan American's operations for the respective three and nine-month periods ended September 30, 2018 and 2017:

	Silver Production (ounces '000s)				Cash Costs[(1)] ($ per ounce)			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
La Colorada	**2,020**	1,825	**5,543**	5,186	**3.50**	1.71	**2.13**	2.68
Dolores	**967**	974	**3,257**	2,976	**1.00**	(0.57)	**(4.12)**	(0.69)
Alamo Dorado	**—**	—	**—**	608	**NA**	NA	**NA**	17.03
Huaron	**922**	939	**2,595**	2,733	**3.25**	0.31	**1.19**	1.09
Morococha[(2)]	**758**	634	**2,141**	1,912	**(0.65)**	(8.16)	**(6.06)**	(4.56)
San Vicente[(3)]	**867**	806	**2,607**	2,507	**11.14**	12.99	**10.44**	13.11
Manantial Espejo	**718**	715	**2,505**	2,477	**16.50**	12.73	**11.19**	16.10
Total [(4)]	**6,253**	5,893	**18,649**	18,400	**5.24**	3.12	**2.45**	5.04

(1) Cash costs is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" of this MD&A for a detailed description of the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the Q3 2018 Financial Statements.
(2) Morococha data represents Pan American's 92.3% interest in the mine's production.
(3) San Vicente data represents Pan American's 95.0% interest in the mine's production.
(4) Totals may not add due to rounding.

Silver Production

Consolidated silver production in Q3 2018 was 0.36 million ounces more than in Q3 2017 as a result of higher production at La Colorada, Morococha, and San Vicente. La Colorada production benefited from the mine expansion completed in 2017, while San Vicente benefited from mechanization programs and improvements to ore control. The increase in production at Morococha was due to mine sequencing. Each operation's silver production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Cash Costs

Consolidated cash costs for Q3 2018 were $5.24, up 68% from Q3 2017, as a result of lower by-product credits, primarily from decreased base metal prices, and higher operating costs, primarily due to the expanded operations at our Mexican mines. These factors that increased cash costs were partially offset by decreased direct selling costs from improved contract terms for concentrate treatment and refining.

By-Product Production

The following table provides the Company's by-product production for the three and nine-month periods ended September 30, 2018 and 2017:

	By-Product Production			
	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Gold – koz	**42.1**	40.8	**141.7**	116.3
Zinc – kt	**16.7**	14.1	**46.3**	40.6
Lead – kt	**5.7**	5.3	**16.1**	16.1
Copper – kt	**2.6**	3.7	**7.6**	10.4

The 3% increase in quarterly gold production is mostly due to better grades from mine sequencing and faster recoveries from the pulp agglomeration plant at Dolores.

Zinc production in Q3 2018 was 19% higher than Q3 2017, driven by higher grades at Morococha and San Vicente from mine sequencing, and higher throughput at the expanded La Colorada mine. Lead production in Q3 2018 was 8% higher than Q3 2017, resulting from increased grades due to mine sequencing at both Peruvian operations. Copper production in Q3 2018 was 30% lower than Q3 2017, primarily because of anticipated lower copper grades at both Peruvian mines. Each operation's by-product production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Average Market Metal Prices

The following tables set out the average market price for each metal produced for the three and nine-month periods ended September 30, 2018 and 2017:

	Average Market Metal Prices(1)			
	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Silver $/ounce	**15.02**	16.84	**16.10**	17.16
Gold $/ounce	**1,213**	1,278	**1,282**	1,251
Zinc $/tonne	**2,537**	2,963	**3,020**	2,783
Lead $/tonne	**2,104**	2,334	**2,337**	2,259
Copper $/tonne	**6,105**	6,349	**6,642**	5,952

(1) Average market prices for zinc, lead and copper are the London Metal Exchange cash prices for the three and nine-month periods ended September 30, 2018 and 2017. Silver and gold prices are the London Bullion Metal Association prices for the same periods.

AISCSOS

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for the three and nine months ended September 30, 2018, as compared to the same periods in 2017:

	Payable Silver Sold (ounces '000s)				AISCSOS(1) ($ per ounce)			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
La Colorada	**2,258**	1,642	**5,289**	5,006	**6.27**	3.48	**4.20**	5.04
Dolores	**950**	933	**3,335**	2,864	**25.52**	8.03	**11.40**	8.45
Alamo Dorado	**—**	91	**—**	734	**—**	6.38	**—**	17.73
Huaron	**785**	818	**2,236**	2,368	**11.07**	2.94	**7.18**	4.65
Morococha	**688**	576	**1,978**	1,791	**4.52**	(0.46)	**0.59**	2.23
San Vicente	**876**	632	**2,551**	2,384	**11.11**	18.62	**11.92**	15.47
Manantial Espejo	**810**	562	**2,471**	2,405	**24.78**	19.25	**14.07**	21.76
Total (2)	**6,366**	5,255	**17,860**	17,552	**13.73**	8.69	**9.21**	10.77

(1) AISCSOS is a non-GAAP measure. Please refer to the section "Alternative Performance (Non-GAAP) Measures" of this MD&A for a detailed description of the AISCSOS calculation and a reconciliation of this measure to the Q3 2018 Financial Statements. G&A costs are included in the consolidated AISCSOS, but not allocated in calculating AISCSOS for each operation.

(2) Totals may not add due to rounding.

Consolidated AISCSOS for Q3 2018 were $13.73, representing a 58% increase from the comparable period in 2017. The quarter-over-quarter increase was due to the following factors: (i) an increase in negative NRV adjustments of $22.1 million, (ii) increased operating costs due to additional activity at both the expanded operations in Mexico, and (iii) increased cash sustaining capital, primarily due to the timing of cash outflows at Dolores and a tailings storage facility raise and a mine deepening project at Huaron. These increases in AISCSOS were partially offset by higher volumes of silver ounces sold and better concentrate treatment terms.

Individual Mine Performance

An analysis of performance at each operation in Q3 2018 compared with Q3 2017 follows. The project capital amounts invested in Q3 2018 are further discussed in the Project Development Update section of this MD&A.

La Colorada mine

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	**2017**
Tonnes milled - kt	**191.2**	175.3	**538.5**	484.6
Average silver grade – grams per tonne	**360**	355	**352**	366
Average zinc grade - %	**2.62**	2.70	**2.74**	2.79
Average lead grade - %	**1.30**	1.56	**1.36**	1.55
Average silver recovery - %	**91.2**	91.2	**91.0**	91.1
Average zinc recovery - %	**86.4**	83.1	**86.1**	83.6
Average lead recovery - %	**87.3**	86.7	**87.4**	87.1
Production:				
Silver – koz	**2,020**	1,825	**5,543**	5,186
Gold – koz	**1.14**	1.21	**3.24**	3.03
Zinc – kt	**4.33**	3.93	**12.70**	11.30
Lead – kt	**2.17**	2.37	**6.40**	6.53
Cash cost per ounce net of by-products(1)	**$ 3.50**	$ 1.71	**$ 2.13**	$ 2.68
AISCSOS(2)	**$ 6.27**	$ 3.48	**$ 4.20**	$ 5.04
Payable silver sold - koz	**2,258**	1,642	**5,289**	5,006
Sustaining capital - ('000s)(3)	**$ 3,902**	$ 3,680	**$ 10,097**	$ 11,394

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

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

(3) Sustaining capital expenditures exclude $1.1 million and $4.2 million of investing activity cash outflow for Q3 2018 and YTD 2018, respectively (Q3 2017 and YTD 2017: $2.0 million and $7.4 million, respectively) related to investment capital incurred on the La Colorada expansion project as disclosed in the "Project Development Update" section of this MD&A.

Q3 2018 vs. Q3 2017

Production:

- Silver: 11% increase, driven primarily from improved throughput attributable to the mine expansion completed in 2017.
- By-products: 10% increase in zinc from improved throughput, partially offset by lower grades from mine sequencing; and an 8% decrease in lead production due to lower grades from mine sequencing, partially offset by the increase in throughput.

Cash costs: the 105% increase was primarily the result of increased operating costs due to higher direct unit operating costs, particularly power costs, as well as reduced by-product credits from lower base metal prices and lower lead and gold production. These factors were partially offset by the increase in zinc and silver production.

AISCSOS: the 80% increase was driven by the same factors as the increase in cash costs.

Sustaining Capital: primarily related to investments in equipment replacements and rehabilitations, the hydraulic backfill system, plant infrastructure, and increased near-mine exploration activities.

Dolores mine

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Tonnes placed - kt	**1,522.9**	1,629.7	**5,084.8**	4,820.5
Average silver grade – grams per tonne	**33**	35	**33**	38
Average gold grade – grams per tonne	**0.84**	0.67	**0.91**	0.64
Average silver produced to placed ratio - %	**59.8**	53.5	**60.2**	50.3
Average gold produced to placed ratio - %	**80.5**	70.8	**71.8**	72.4
Production:				
Silver – koz	**967**	974	**3,257**	2,976
Gold – koz	**33.1**	**25.0**	**107.2**	71.8
Cash cost per ounce net of by-products[(1)]	**$ 1.00**	$ (0.57)	**$ (4.12)**	$ (0.69)
AISCSOS[(2)]	**$ 25.52**	$ 8.03	**$ 11.40**	$ 8.45
Payable silver sold - koz	**950**	933	**3,335**	2,864
Sustaining capital - ('000s)[(3)]	**$ 9,971**	$ 3,812	**$ 35,587**	$ 22,768

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

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

(3) Sustaining capital expenditures exclude $1.8 million and $10.3 million of investing activity cash outflow for Q3 2018 and YTD 2018, respectively (Q3 2017 and YTD 2017: $12.5 million and $40.3 million, respectively) related to investment capital incurred on Dolores expansion projects, as disclosed in the "Project Development Update" section of this MD&A.

Q3 2018 vs. Q3 2017

Production:

- Silver: 1% lower due to a reduction in stacking rates and silver grades resulting from the re-sequencing of the mine plan because of the 15-day suspension of mining activities in June and seasonal heavy rains affecting access to certain ore zones, partially offset by enhanced recoveries attributable to the pulp agglomeration plant completed in 2017. Delivery of additional plate and frame expansion kits, to maximize the capacity of the existing filter units in the pulp agglomeration plant, occurred in Q3 2018 and installation is planned for the fourth quarter of 2018.
- By-products: 33% increase in gold due to better grades from mine sequencing, and higher recoveries due to the addition of the pulp agglomeration plant and the timing of leach pad kinetics, partially offset by a reduction in stacking rates during the quarter.

Cash costs: increased $1.57 per ounce due to higher operating costs associated with the pulp agglomeration plant, higher direct unit operating costs, particularly power costs, delays in the ramp up of stope mining in the underground mine, and greater waste mining due to the re-sequencing of the mine plan. These factors were partially offset by greater by-product credits from higher gold production.

AISCSOS: increased $17.49 per ounce, due to the following factors: (i) negative NRV adjustments that resulted in a quarter over quarter increase of $14.20 per ounce, (ii) a $6.2 million increase in cash sustaining capital expenditures due mostly to the timing of payables and higher pre-stripping rates to offset the mine suspension in Q2 2018, and (iii) higher direct operating costs as described above. These factors were partially offset by higher by-product credits from higher gold sales during the quarter.

Sustaining Capital: comprised mainly of pre-stripping and the restart of the leach pad expansions, both of which were at higher levels of activity compared to Q3 2017.

Huaron mine

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Tonnes milled - kt	**244.8**	241.5	**683.0**	696.6
Average silver grade – grams per tonne	**141**	142	**142**	145
Average zinc grade - %	**2.39**	2.65	**2.42**	2.74
Average lead grade - %	**1.29**	1.11	**1.17**	1.26
Average copper grade - %	**0.81**	0.90	**0.76**	0.89
Average silver recovery - %	**82.3**	85.6	**82.5**	85.6
Average zinc recovery - %	**75.8**	77.7	**75.9**	77.5
Average lead recovery - %	**73.8**	76.8	**74.3**	78.1
Average copper recovery - %	**79.1**	80.9	**76.6**	79.5
Production:				
Silver – koz	**922**	939	**2,595**	2,733
Gold – koz	**0.21**	0.27	**0.57**	0.96
Zinc – kt	**4.45**	4.97	**12.56**	14.73
Lead – kt	**2.33**	2.03	**5.88**	6.74
Copper – kt	**1.57**	1.74	**3.92**	4.89
Cash cost per ounce net of by-products[(1)]	**$ 3.25**	$ 0.31	**$ 1.19**	$ 1.09
AISCSOS[(2)]	**$ 11.07**	$ 2.94	**$ 7.18**	$ 4.65
Payable silver sold – koz	**785**	818	**2,236**	2,368
Sustaining capital - ('000s)	**$ 5,733**	$ 1,512	**$ 11,456**	$ 6,719

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

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

Q3 2018 vs. Q3 2017

Production:

- Silver: 2% lower, primarily due to lower recoveries from mine sequencing into different ore types.
- By-products: 10% decrease in both zinc and copper production, and a 14% increase in lead production as a result of mine sequencing.

Cash costs: $2.94 per ounce higher due primarily to higher direct unit operating costs and reduced by-product credits from lower base metal prices and lower zinc and copper production, partially offset by improved concentrate treatment terms.

AISCSOS: an increase of $8.13 due to the same factors affecting quarter-over-quarter cash costs, as well as higher sustaining capital.

Sustaining Capital: related primarily to equipment replacements and refurbishments, plant and infrastructure upgrades, near-mine exploration, mine deepening and a tailings storage facility raise. The increase from Q3 2017 was related primarily to the tailings storage facility raise and mine deepening projects, both of which began in 2018.

Morococha mine[1]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Tonnes milled – kt	**169.5**	171.7	**509.0**	506.3
Average silver grade – grams per tonne	**155**	132	**147**	135
Average zinc grade - %	**3.89**	3.09	**3.72**	2.93
Average lead grade - %	**0.90**	0.70	**0.87**	0.76
Average copper grade - %	**0.67**	1.28	**0.74**	1.25
Average silver recovery - %	**91.0**	89.0	**90.3**	88.6
Average zinc recovery - %	**87.9**	79.6	**87.0**	79.0
Average lead recovery - %	**75.4**	64.0	**75.6**	65.0
Average copper recovery - %	**76.7**	84.8	**78.2**	84.0
Production:				
Silver – koz	**758**	634	**2,141**	1,912
Gold – koz	**0.44**	1.08	**1.90**	2.71
Zinc – kt	**5.80**	4.19	**16.40**	11.65
Lead – kt	**1.14**	0.75	**3.29**	2.46
Copper – kt	**0.85**	1.80	**2.85**	5.15
Cash cost per ounce net of by-products [2]	**$ (0.65)**	$ (8.16)	**$ (6.06)**	$ (4.56)
AISCSOS[3]	**$ 4.52**	$ (0.46)	**$ 0.59**	$ 2.23
Payable silver sold (100%) - koz	**688**	576	**1,978**	1,791
Sustaining capital (100%) - ('000s)	**$ 3,509**	$ 2,995	**$ 11,801**	$ 9,266

(1) Production figures are for Pan American's 92.3% share only, unless otherwise noted.
(2) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to our cost of sales.
(3) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

Q3 2018 vs. Q3 2017

Production:

- Silver: 20% higher, primarily due to higher grades from mine sequencing.
- By-products: a 52% and 38% increase in lead and zinc production, respectively, and a 53% decrease in copper production, all related to mine sequencing.

Cash costs: $7.51 per ounce higher, primarily because of lower by-product prices and higher direct unit operating costs, partially offset by higher silver production and better concentrate treatment terms.

AISCSOS: the $4.98 per ounce increase was primarily driven by the same factors affecting quarter-over-quarter cash costs.

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

San Vicente mine [1]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Tonnes milled – kt	**82.9**	86.6	**244.7**	238.6
Average silver grade – grams per tonne	**354**	330	**358**	362
Average zinc grade - %	**3.12**	1.79	**2.45**	1.91
Average lead grade - %	**0.36**	0.29	**0.34**	0.30
Average silver recovery - %	**92.7**	90.8	**93.5**	92.1
Average zinc recovery - %	**82.9**	65.8	**77.9**	65.1
Average lead recovery - %	**76.1**	75.5	**77.6**	80.4
Production:				
Silver – koz	**867**	806	**2,607**	2,507
Gold – koz	**0.12**	0.13	**0.39**	0.38
Zinc – kt	**2.16**	1.02	**4.65**	2.96
Lead – kt	**0.10**	0.15	**0.54**	0.36
Copper – kt	**0.21**	0.11	**0.80**	0.31
Cash cost per ounce net of by-products [2]	**$ 11.14**	$ 12.99	**$ 10.44**	$ 13.11
AISCSOS[3]	**$ 11.11**	$ 18.62	**$ 11.92**	$ 15.47
Payable silver sold (100%) - koz	**876**	632	**2,551**	2,384
Sustaining capital (100%) - ('000s)	**$ 1,731**	$ 2,400	**$ 5,321**	$ 6,207

(1) Production figures are for Pan American's 95.0% share only, unless otherwise noted.
(2) Cash costs is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to cost of sales.
(3) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

Q3 2018 vs. Q3 2017

Production:

- Silver: 8% higher due to a 7% increase in head grades and better recoveries, partially offset by a decrease in throughput while enhancing the mechanization of the mine. The increase in head grades was attributable to efforts to improve mining dilution through better ore control.
- By-products: 112% and 91% increases in zinc and copper, respectively, and a 40% decrease in lead were the result of overall better base metal grades due to mine sequencing and reduced mining dilution.

Cash costs: 14% lower due to increased base metal quantities, improved concentrate terms, and increased silver production; partially offset by higher direct unit operating costs, largely due to the transition to more mechanized mining methods, and wage increases.

AISCSOS: a 40% reduction due to the same factors affecting quarter-over-quarter cash costs, as well as lower royalty expenses due to the timing of revenue and royalty expense recognition, which had negatively impacted the comparable period.

Sustaining Capital: Q3 2018 expenditures primarily relate to mine equipment replacements and rehabilitations, near-mine exploration, tailings storage facility expansion, and mine site and camp infrastructure.

Manantial Espejo mine

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	**2017**
Tonnes milled - kt	**206.1**	206.1	**605.9**	588.3
Average silver grade – grams per tonne	**121**	119	**148**	143
Average gold grade – grams per tonne	**1.12**	2.05	**1.56**	1.97
Average silver recovery - %	**87.5**	89.4	**87.6**	90.8
Average gold recovery - %	**94.1**	93.9	**93.5**	93.9
Production:				
Silver – koz	**718**	715	**2,505**	2,477
Gold – koz	**7.06**	13.18	**28.37**	35.36
Cash cost per ounce net of by-products (1)	**$ 16.50**	$ 12.73	**$ 11.19**	$ 16.10
AISCSOS(2)	**$ 24.78**	$ 19.25	**$ 14.07**	$ 21.76
Payable silver sold - koz	**810**	562	**2,471**	2,405
Sustaining capital - ('000s)	**$ 763**	$ 1,025	**$ 2,391**	$ 2,288

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

(2) AISCSOS is a non-GAAP measure. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of the calculation and a reconciliation of this measure to the Q3 2018 Financial Statements.

Q3 2018 vs. Q3 2017

Production:

- Silver: comparable due to slightly better grades, partially offset by lower recoveries.
- By-products: 46% decrease in gold production due to processing of lower grade stockpile ore, as planned.

Cash costs: a $3.77 per ounce increase as a result of lower by-product credits due to lower gold production and prices, partially offset by lower direct unit operating costs from the devaluation in the Argentine peso and the termination of open pit mining at the end of Q3 2017.

AISCSOS: a 29% increase due to a $7.3 million increase in negative NRV inventory adjustments and lower by-product credits, partially offset by lower operating costs.

Sustaining Capital: primarily related to near-mine exploration.

2018 ANNUAL OPERATING OUTLOOK

All 2018 forecast amounts in this section refer to the management's annual forecasts for 2018, as provided in the Company's 2017 Annual MD&A dated March 22, 2018, and the revised annual forecast for 2018 cash costs, AISCSOS and copper production, as provided in the Q2 2018 MD&A (together, the "2018 Forecast").

Production:

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

	YTD 2018 Actual	2018 Forecast	% of 2018 Forecast (1)
Silver – Moz	18.65	25.00 - 26.50	72%
Gold – koz	141.7	175.0 - 185.0	79%
Zinc – kt	46.3	60.0 - 62.0	76%
Lead – kt	16.1	21.0 - 22.0	75%
Copper – kt (2)	7.6	9.0 - 10.4	78%

(1) Percentage calculated based on mid-point of the related 2018 guidance range.
(2) 2018 Forecast amount per as disclosed in the Q2 2018 MD&A.

Based on year-to-date production results and the expected production for the remainder of the year, management reaffirms the 2018 Forecast annual consolidated metal production, as shown in the table above.

Cash Costs and AISCSOS:

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

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

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

	Cash Costs(1) ($ per ounce)			AISCSOS(1) ($ per ounce)		
	2018 Forecast(2)	YTD 2018 Actual		2018 Forecast(2)	YTD 2018 Actual	
La Colorada	1.90 - 2.50	$2.13	✓	4.80 - 5.70	$4.20	✓✓
Dolores	(2.00) - (2.50)	(4.12)	✓✓	7.25 - 8.25	$11.40	✗
Huaron	1.25 - 2.00	1.19	✓✓	7.35 - 8.35	$7.18	✓✓
Morococha	(4.70) - (3.40)	(6.06)	✓✓	3.20 - 5.20	$0.59	✓✓
San Vicente	10.25 - 11.25	10.44	✓	12.00 - 13.25	$11.92	✓✓
Manantial Espejo	10.75 - 14.50	11.19	✓	9.00 - 12.75	$14.07	✗
Total	**2.80 - 3.80**	**$2.45**	✓✓	**8.50 - 10.00**	**$9.21**	✓

(1) Cash Costs and AISCSOS are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of these calculations and a reconciliation of these measures to the Q3 2018 Financial Statements.
(2) 2018 Forecast amount as disclosed in Q2 2018 MD&A.

Based on YTD 2018 cash costs and AISCSOS, and the expected results for the remainder of 2018, management is reaffirming the annual 2018 cash costs and AISCSOS forecasts, as provided in the Q2 2018 interim MD&A dated August 8, 2018 and presented in the table above. These estimates are largely influenced by management's assumptions for commodity prices and currency exchange rates.

Capital Expenditures:

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

	2018 Capital Investment ($ millions)		
	YTD 2018 Actual(1)	2018 Forecast	% of Annual Forecast (2)
La Colorada	10.7	16.5 – 17.0	64%
Dolores	33.5	47.5 – 49.0	69%
Huaron	10.7	17.0 – 17.5	62%
Morococha	11.3	12.0 – 12.5	92%
San Vicente	5.3	6.0 – 7.0	82%
Manantial Espejo	2.4	1.0 – 2.0	160%
Sustaining Capital Sub-total	**73.9**	**100.0 - 105.0**	**72%**
Morococha projects	—	2.0	—%
Mexico projects	13.1	13.0	101%
Joaquin and COSE projects	16.4	35.0	47%
Project Capital Sub-total	**29.4**	**50.0**	**59%**
Total Capital	**103.3**	**150.0 – 155.0**	**68%**

(1) Total sustaining capital investments capitalized in YTD 2018 were $2.8 million less than the $76.7 million of sustaining capital cash outflows referenced in the individual mine tables and included in the YTD 2018 AISCSOS calculations, shown in the "Alternative Performance (Non-GAAP) Measures" section of this MD&A. In addition, project capital investments in YTD 2018 were $2.1 million less than the $31.6 million of YTD 2018 project capital cash outflows. These differences are due to the timing between the cash payment of capital investments compared with the period in which the investments are capitalized.

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

Based on year-to-date capital expenditures and those expected for the remainder of the year, management reaffirms the 2018 Forecast for annual consolidated sustaining capital expenditures; however, management has reduced the 2018 annual consolidated project capital to $40.0 million from $50 million to reflect the timing of expenditures for the Morococha, Joaquin and COSE projects. The revised 2018 capital forecast is as follows:

	2018 Revised Capital Forecast ($ millions)
La Colorada	17.5 – 18.5
Dolores	42.0 – 44.0
Huaron	17.0 – 17.5
Morococha	14.5 – 15.0
San Vicente	6.5 – 7.0
Manantial Espejo	2.5 – 3.0
Sustaining Capital Sub-total	**100.0 - 105.0**
Morococha projects	0
Mexico projects	15.5
Joaquin and COSE projects	24.5
Project Capital Sub-total	**40.0**
Total Capital	**140.0 – 145.0**

PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's major projects in Q3 2018 and YTD 2018 as compared with Q3 2017 and YTD 2017.

Project Development Investment (thousands of USD)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Dolores projects (1)	**1,633**	14,040	**8,324**	40,904
La Colorada projects (2)	**1,460**	3,276	**4,740**	6,267
Joaquin and COSE projects (3)	**5,253**	607	**16,380**	607
Total	**8,346**	17,923	**29,444**	47,778

(1) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q3 2018 and YTD 2018 were $0.1 million and $2.0 million less than the project cash outflows, respectively (Q3 and YTD 2017: $1.5 million and $0.6 million more, respectively).

(2) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q3 2018 and YTD 2018 were $0.4 million and $0.5 million more than the project cash outflows, respectively (Q3 and YTD 2017: $1.3 million more and $1.2 million less, respectively).

(3) As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during Q3 2018 and YTD 2018 were $0.7 million and $0.7 million less than the project cash outflows, respectively (Q3 and YTD 2017: $2.0 million and $2.0 million less, respectively). Amounts in 2017 exclude: 2017 acquisition costs for the Joaquin and COSE assets which had cash components of $15.0 million and $7.5 million respectively; exploration expenditures included in Q3 2017 and YTD 2017 "Exploration and project development expense" of $2.6 million and $3.7 million, respectively; and a $2.0 million prepaid deposit on mining equipment included in "Prepaid expenses and other current assets " as of September 30, 2017.

During Q3 2018, the Company achieved the following progress on its projects:

Mexico:

The Company invested $1.6 million on completing the Dolores expansion projects, the majority of which was spent on the construction of the underground mine maintenance shop and the acquisition of additional underground mobile equipment units. The underground mine crews were remobilized following the 10-week suspension of underground mining, and the mine is currently being prepared to recommence production and ramp-up in the fourth quarter of 2018.

The Company invested $1.5 million on the La Colorada projects, primarily relating to the construction of a tailings storage facility raise and commissioning of a neutralization plant.

Joaquin and COSE:

The Company invested $3.7 million on the Joaquin project, primarily on the surface facilities and the initial fleet of development mining equipment. Approximately 145 metres of development were completed on the decline access for the underground mine, which was less than plan due to difficult ground being unexpectedly encountered close to surface. Subsequent to Q3 2017, the ramp passed successfully through the difficult ground conditions. The delay in developing the decline access may result in extending completion of the Joaquin project by approximately two months. The Joaquin project remains on budget.

During Q3 2018, the Company invested $1.6 million at COSE, primarily on the decline access to the underground mine. During the quarter, 308 metres of ramp development were completed for a total of 1125 metres to date. Construction commenced on the first underground electrical substation and the fresh air raise bore. The COSE project remains on budget.

OVERVIEW OF Q3 2018 FINANCIAL RESULTS

Selected Annual and Quarterly Information

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

2018	Quarter Ended		
(In thousands of USD, other than per share amounts)	March 31	June 30	September 30
Revenue	$ 206,961	$ 216,460	$ 187,717
Mine operating earnings (loss)	$ 55,124	$ 54,851	$ (4,412)
Earnings (loss) for the period attributable to equity holders	$ 47,376	$ 36,187	$ (9,460)
Basic earnings (loss) per share	$ 0.31	$ 0.24	$ (0.06)
Diluted earnings (loss) per share	$ 0.31	$ 0.24	$ (0.06)
Cash flow from operating activities	$ 34,400	$ 66,949	$ 41,699
Cash dividends paid per share	$ 0.035	$ 0.035	$ 0.035
Other financial information			
Total assets			**$ 2,004,187**
Total long-term financial liabilities[1]			**$ 84,946**
Total attributable shareholders' equity			**$ 1,576,698**

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

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

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

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

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

Income Statement: Q3 2018 vs. Q3 2017

A net loss of $9.2 million was recorded in Q3 2018 compared to net earnings of $17.8 million in Q3 2017, which corresponds to a basic loss per share of $0.06 and basic earnings per share of $0.11, respectively.

The following table highlights the key items driving the difference between net loss in Q3 2018 compared with net earnings in Q3 2017:

Net earnings, three months ended September 30, 2017 (in thousands of USD)			**$**	**17,826**	**Note**
Revenue:					
Decreased realized metal prices	$	(23,836)			
Higher quantities of metal sold		31,241			
Decreased direct selling costs		5,301			
Increased negative settlement adjustments		(15,780)			
Total decrease in revenue				**(3,074)**	**(1)**
Cost of sales:					
Increased production costs and decreased royalty charges	$	(39,870)			**(2)**
Increased depreciation and amortization		(9,286)			**(3)**
Total increase in cost of sales				**(49,156)**	
Total decrease in mine operating earnings				**(52,230)**	
Decreased income tax expense				18,409	**(4)**
Decreased exploration and project development expense				4,520	**(5)**
Increased investment income and other expense				2,762	**(6)**
Increased net gain on asset sales, commodity contracts and derivatives				1,410	**(7)**
Increased foreign exchange loss				(1,288)	**(8)**
Decreased dilution gain, net of share of income from associate				(784)	
Decreased interest and finance expense				203	
Increased general and administrative expense				(62)	
Net loss, three months ended September 30, 2018			**$**	**(9,234)**	

1. ***Revenue*** for Q3 2018 was $3.1 million lower than in Q3 2017. The major drivers for the decrease were a $23.8 million negative variance from lower metal prices, attributable to decreased precious and base metal prices, and a $15.8 million negative variance from provisional and final settlement adjustments for open concentrate shipments. These decreases were largely offset by increased quantities of metal sold for all metals except copper. 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 September 30,				**Three months ended September 30,**	
		2018		2017	**2018**	2017
Silver[1]	**$**	**14.88**	$	16.68	**6,366**	5,255
Gold[1]	**$**	**1,212**	$	1,277	**44.6**	35.2
Zinc[1]	**$**	**2,472**	$	2,974	**13.6**	11.6
Lead[1]	**$**	**2,072**	$	2,421	**5.8**	4.9
Copper[1]	**$**	**6,105**	$	6,351	**2.5**	3.6

(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. Metal quantities stated as koz for silver and gold and kt for zinc, lead and copper.

2. ***Production costs*** in Q3 2018 were $40.8 million higher than in Q3 2017. The increase was mainly the result of negative NRV adjustments and higher costs due to the expanded operations at both Mexican mines. The NRV inventory adjustments increased Q3 2018 production costs by $23.4 million compared to a $1.3 million increase in Q3 2017. ***Royalty expense*** decreased by $0.9 million over Q3 2017, mainly attributable to the timing of royalty payments at San Vicente.

3. ***Depreciation and amortization ("D&A") expense*** was $9.3 million higher than in Q3 2017, largely because of increased D&A at Dolores and La Colorada from increased metal production and sales volumes, and a higher capital base attributable to the expansions at both operations.

4. ***Income tax recovery*** of $7.9 million in Q3 2018 was $18.4 million lower than the $10.5 million income tax expense in Q3 2017. The lower taxes were largely attributable to the decrease in net earnings before tax, as well as the appreciation of the MXN during the quarter, which increased the MXN denominated tax assets.

5. ***Exploration and project development*** expenses were $3.0 million in Q3 2018 compared to $7.5 million in Q3 2017. The decrease was primarily related to the capitalization of expenditures for the COSE and Joaquin projects in Q3 2018, which were expensed in the comparable period, and a non-recurring $1.9 million non-cash write-down of certain project development costs, which was recognized in Q3 2017. The remaining expenses recorded in each quarter primarily related to exploration and project development activities near the Company's existing mines and at select greenfield projects, and the holding and maintenance costs associated with the Navidad project. Approximately $1.0 million was spent on the Navidad project in Q3 2018 compared to approximately $0.5 million in Q3 2017 due to increased permitting and community relations activities.

6. ***Other expense*** *f*or Q3 2018 was $0.3 million compared to $3.3 million in Q3 2017. The expenses recorded in each quarter were primarily related to adjustments in the closure and decommissioning liability for the Alamo Dorado property.

7. **Gain on commodity and foreign currency contracts** for Q3 2018 was $1.8 million compared to a $0.3 million loss in Q3 2017. The gain in Q3 2018 reflects the impact of lower base metal prices on commodity contracts.

8. ***Foreign exchange ("FX") losses*** in Q3 2018 were $3.1 million compared to $1.9 million in Q3 2017. Losses in Q3 2018 resulted primarily from the effect of the approximately 43% depreciation of the Argentine peso ("ARS") on the Company's ARS denominated monetary assets. FX losses in Q3 2017 resulted primarily from the effect of the approximately 4% depreciation of the ARS on ARS denominated monetary assets.

Statement of Cash Flows: Q3 2018 vs. Q3 2017

Cash flow from operations in Q3 2018 totaled $41.7 million, $22.1 million less than the $63.8 million generated in Q3 2017. The reduction was largely from an approximately $20.8 million decrease in cash flows from lower mine operating earnings and a $7.1 million increase in income tax payments, partially offset by decreased exploration and project development costs.

Working capital changes in Q3 2018 resulted in a $4.2 million source of cash compared with a $6.9 million source of cash in Q3 2017. The Q3 2018 changes were comprised mainly of a reduction in accounts receivables, partially offset by inventory build-ups.

Investing activities utilized $35.3 million in Q3 2018, inclusive of $3.5 million for the net purchase of short-term investments. The balance related primarily to $33.6 million on mineral properties, plant and equipment at the Company's mines and projects, as previously described in the "Operating Performance" section of this MD&A. Investing cash flows in Q3 2018 included $1.5 million in proceeds from commodity derivative contracts. In Q3 2017, investing activities utilized $44.9 million inclusive of $12.5 million used for the net purchase of short-term investments, with $32.0 million spent on mineral properties, plant and equipment at the Company's mines and projects.

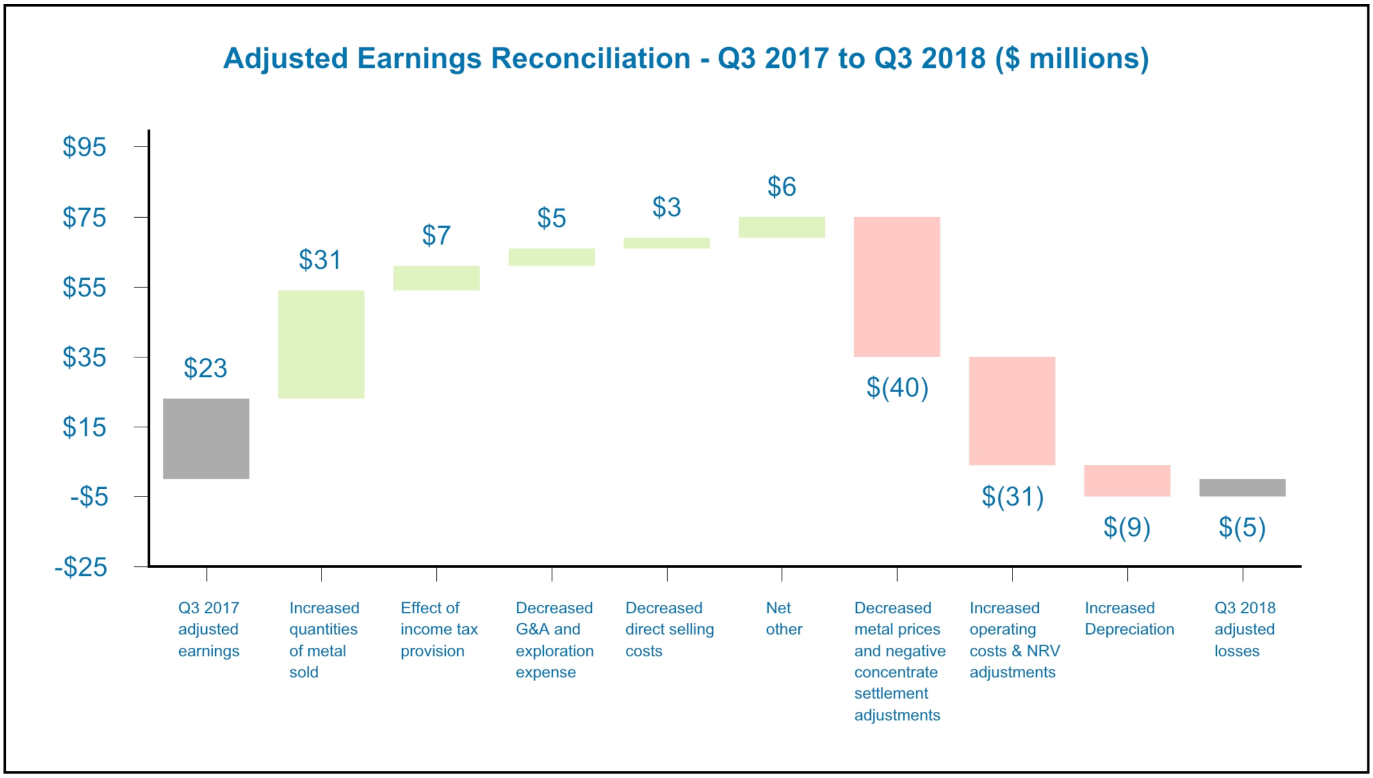
Financing activities in Q3 2018 used $7.4 million compared to $43.7 million in Q3 2017. Cash used in Q3 2018 mainly consisted of $5.4 million paid as dividends to shareholders and $2.2 million of lease repayments. In Q3 2017, cash used in financing activities consisted primarily of $38.7 million in repayments of short-term debt and $3.8 million in dividends to shareholders.

Adjusted Earnings (Loss): Q3 2018 vs Q3 2017

Adjusted earnings (loss) is a non-GAAP measure. Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "adjusted earnings", and a reconciliation of these measures to the Q3 2018 Financial Statements.

Adjusted Loss in Q3 2018 was $4.7 million, representing basic adjusted loss per share of $0.03, which was $28.0 million, or $0.18 per share, lower than Q3 2017 adjusted earnings of $23.3 million, and basic adjusted earnings per share of $0.15, respectively.

The following chart illustrates the key factors leading to the change in adjusted earnings from Q3 2017 to Q3 2018:



Income Statement: YTD 2018 vs. YTD 2017

Net earnings of $75.6 million were recorded in YTD 2018 compared to $73.8 million in YTD 2017, which corresponds to basic earnings per share of $0.48 and $0.47, respectively.

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

Net earnings, nine months ended September 30, 2017 (in thousands of USD)			**$ 73,787**	**Note**
Revenue:				
Decreased realized metal prices	$	(4,681)		
Higher quantities of metal sold		33,146		
Decreased direct selling costs		11,431		
Increased negative settlement adjustments		(19,555)		
Total increase in revenue			**20,341**	**(1)**
Cost of sales:				
Increased production costs and increased royalty charges	$	(18,857)		**(2)**
Increased depreciation and amortization		(21,396)		**(3)**
Total increase in cost of sales			**(40,253)**	
Total decrease in mine operating earnings			**(19,912)**	
Increased foreign exchange loss			(10,503)	**(4)**
Increased dilution gain, net of share of loss from associate			12,068	**(5)**
Increased net gain on asset sales, commodity contracts and derivatives			7,985	**(6)**
Decreased exploration and project development expense			7,857	**(7)**
Decreased income tax expense			4,717	**(8)**
Increased investment income and other expense			1,155	
Increased interest and finance expense			(1,002)	
Increased general and administrative expense			(534)	
Net earnings, nine months ended September 30, 2018			**$ 75,618**	

1. ***Revenue*** for YTD 2018 was $20.3 million higher than in YTD 2017. The major factor for the increase was a $33.1 million quantity variance, which was attributable to increased gold, zinc, and silver sales volumes, partially offset by lower copper sales. Decreased direct selling costs of $11.4 million, primarily from favorable changes in contract terms relating to concentrate treatment and refining charges, also contributed to the increase in revenues. Partially offsetting these factors were a $19.6 million increase in negative provisional and final settlement adjustments on concentrate shipments, and a $4.7 million decrease to revenue from lower metal prices. The following table reflects the metal prices realized by the Company and the quantities of metal sold during each period:

	Realized Metal Prices		**Quantities of Metal Sold**	
	Nine months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Silver[1]	**$ 15.98**	$ 17.12	**17,860**	17,552
Gold[1]	**$ 1,283**	$ 1,250	**137.3**	111.9
Zinc[1]	**$ 2,981**	$ 2,801	**39.1**	34.8
Lead[1]	**$ 2,286**	$ 2,309	**15.2**	15.5
Copper[1]	**$ 6,641**	$ 5,992	**7.1**	9.7

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

2. ***Production and royalty costs*** in YTD 2018 were $18.5 million and $0.4 million higher, respectively, than in YTD 2017. The higher production costs were mainly the result of: (i) a $14.2 million increase in direct operating costs from higher sales volumes and the addition of the pulp agglomeration plant at Dolores, partially offset

by a decrease in production costs from the cessation of Alamo Dorado production, and lower costs at Manantial Espejo driven by the devaluation of the Argentine peso; and (ii) a $4.3 million increase in negative NRV inventory adjustments at Manantial Espejo and Dolores. The NRV inventory adjustments increased production costs in YTD 2018 by $11.1 million compared with a $6.8 million increase in YTD 2017.

3. ***D&A expense*** was $21.4 million higher than in YTD 2017, largely the result of increased D&A at Dolores and La Colorada, due to increased metal production and sales volumes, and at Morococha on account of the impairment reversal in the fourth quarter of 2017, which increased the mine's depreciable assets.

4. ***FX losses*** in YTD 2018 were $9.7 million compared to FX gains of $0.8 million in YTD 2017. Losses in YTD 2018 resulted primarily from the effect of the devaluation of the ARS on the Company's ARS denominated monetary assets. The YTD 2017 gains were driven largely by the appreciation of the MXN on the Company's MXN denominated cash and tax receivables.

5. ***Share of income from associate and dilution gain*** *f*or YTD 2018 was $12.1 million higher than in YTD 2017. The increase was driven primarily by a $13.4 million dilution gain recognized in relation to Maverix Metals Inc. issuing common shares to acquire certain royalty assets in Q2 2018.

6. ***Gain on sale of mineral properties, plant and equipment*** was $7.0 million higher in YTD 2018 than in YTD 2017. The YTD 2018 gain was attributable to the Q1 2018 sale of 100% of the Company's shares in Minera Aquiline Argentina SA, which owned the Calcatreu project in Argentina.

7. ***Exploration and project development*** expenses for YTD 2018 were $7.6 million compared to $15.5 million in YTD 2017. The reduction was primarily the result of the following: (i) reduced greenfield exploration in response to decreased metal prices; (ii) expenditures at the COSE and Joaquin projects, which were expensed in the comparable period and are now being capitalized; and (ii) a non-recurring $1.9 million non-cash write-down of certain project development costs, which impacted the prior period.

8. ***Income tax expense*** in YTD 2018 was $4.7 million lower than in YTD 2017. The decrease was largely attributable to deferred tax assets of approximately $11.7 million recorded in Q2 2018 as a result of the restructuring of certain inter-company debts. This decrease was partially offset by fluctuations in the MXN, which appreciated significantly more in the first nine months of 2017 than during the same period in 2018, thus the corresponding future income tax expense resulting from the increased MXN denominated tax asset base in 2018 was significantly less than in 2017.

Statement of Cash Flows: YTD 2018 vs. YTD 2017

Cash flow from operations in YTD 2018 totaled $143.0 million, $2.2 million less than the $145.3 million generated in YTD 2017. The decrease was mainly due to a $22.4 million increase in income tax payments, largely offset by a $4.1 million increase in cash flows from working capital changes, a $7.9 million reduction in exploration and project development expenditures, and an approximately $5.7 million increase in cash mine operating earnings from higher revenues net of increased operating costs.

Working capital changes in YTD 2018 resulted in a $0.6 million source of cash, comprised mainly of a reduction in accounts receivable balances, largely offset by accounts payable and accrued liability pay-downs, reclamation expenditures at Alamo Dorado, and a build-up in inventories. Comparatively, working capital changes reduced operating cash flows by $3.5 million in YTD 2017, comprised mainly of inventory build-ups and reclamation expenditures being partially offset by a build-up in accounts payable and accrued liabilities.

Investing activities utilized $108.1 million in YTD 2018, inclusive of $15.5 million for the net purchase of short-term investments. The balance related primarily to $102.0 million on mineral properties, plant and equipment additions at the Company’s mines and projects, $7.5 million disbursed for the final payment for the acquisition of the COSE project, partially offset by $15.8 million in proceeds received from asset sales (the majority from the sale of the Company's shares in Minera Aquiline SA, which owned the Calcatreu project). In YTD 2017, investing activities utilized $141.0 million inclusive of $13.6 million for the net purchase of short-term investments, $105.8 million spent on mineral properties, plant and equipment at the Company’s mines and projects, and $20.2 million for the acquisition of the COSE and Joaquin projects.

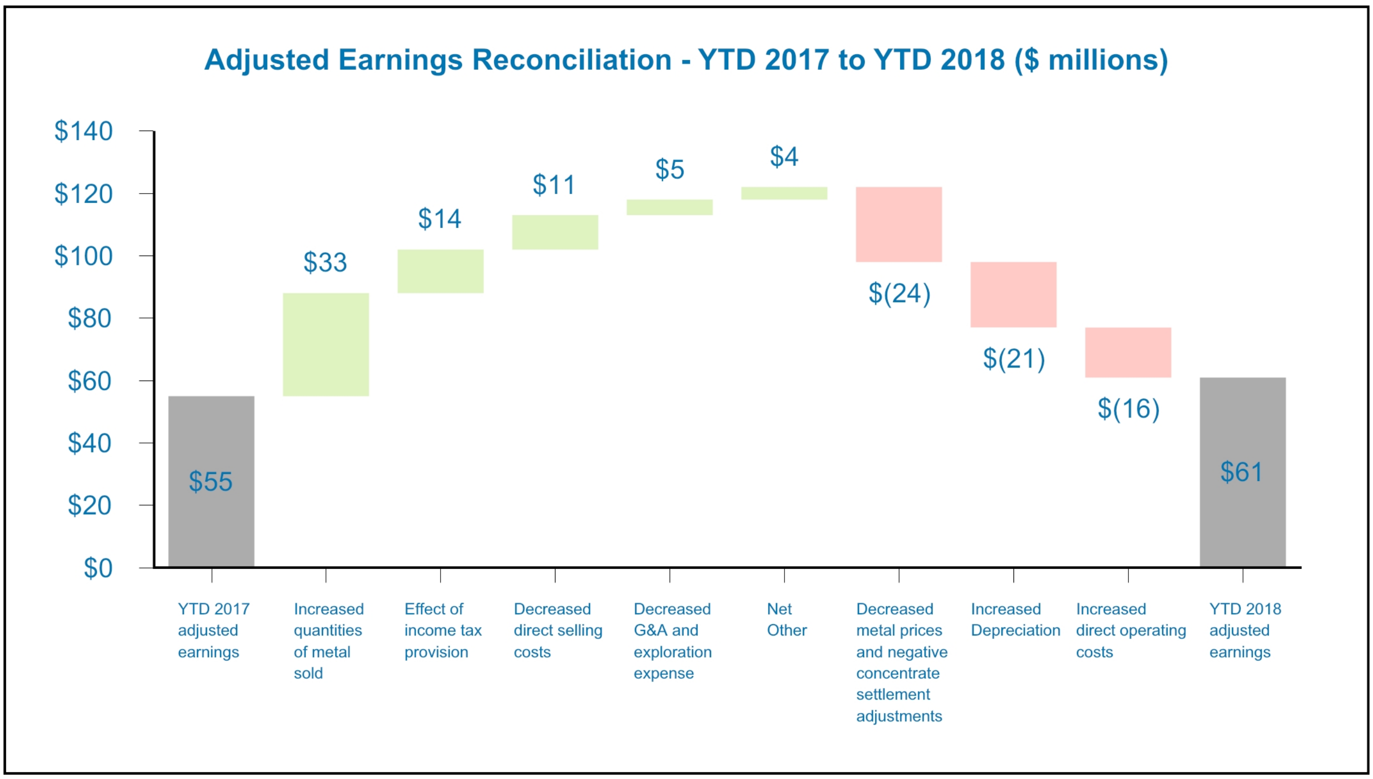
Financing activities in YTD 2018 used $24.4 million compared to $49.0 million in YTD 2017. Cash used in YTD 2018 consisted of $15.9 million paid as dividends to shareholders, $5.7 million of lease repayments and $3.0 million used to repay short-term loans, partially offset by $1.1 million generated on the issuance of shares related to the exercise of stock options. In YTD 2017, cash used in financing activities consisted of a $36.2 million repayment of the revolving credit facility, $11.5 million in dividends to shareholders and $3.2 million of lease repayments, partially offset by $2.6 million generated on the issuance of shares related to the exercise of stock options.

Adjusted Earnings: YTD 2018 vs YTD 2017

Adjusted earnings is a non-GAAP measure. Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "adjusted earnings", and a reconciliation of these measures to the Q3 2018 Financial Statements.

Adjusted Earnings in YTD 2018 were $61.5 million, representing basic adjusted earnings per share of $0.40, which was $6.8 million, or $0.04 per share, higher than YTD 2017 adjusted earnings of $54.6 million, and basic adjusted earnings per share of $0.36.

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



LIQUIDITY AND CAPITAL POSITION

Liquidity and Capital Measures (in $000s)	September 30, 2018	June 30, 2018	Dec 31, 2017	Q3 2018 Change	YTD 2018 Change
Cash and cash equivalents ("Cash")	**186,424**	187,403	175,953	(979)	10,471
Short-term Investments ("STI")	**66,233**	62,845	51,590	3,388	14,643
Cash and STI	**252,657**	250,248	227,543	2,409	25,114
Working Capital	**443,586**	463,096	410,756	(19,510)	32,830
Revolving Credit Facility ("RCF")	**300,000**	300,000	300,000	—	—
Amount drawn on RCF	**—**	—	—	—	—
Total debt (1)	**8,439**	9,700	10,559	(1,261)	(2,120)

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

The Company's net liquidity position increased by $2.4 million during Q3 2018. Operating cash flows of $41.7 million, which included $12.9 million in tax payments and a $4.2 million source of cash from working capital changes, more than funded the Company's investing and financing activities in the quarter.

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize returns. The Company's strategy to achieve these objectives is to invest excess cash balances in a portfolio of primarily fixed income instruments with specified credit rating targets established by the Board of Directors of the Company (the "Board of Directors"), and by diversifying the currencies in which it maintains its cash balances. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

Working capital at September 30, 2018 decreased by $19.5 million from June 30, 2018 working capital of $463.1 million. The decrease was mainly attributable to a decrease in inventories, which were negatively impacted by $23.4 million in negative NRV adjustments in the quarter.

The Company's four-year, $300.0 million secured revolving credit facility that matures on April 15, 2020 (the "RCF") remained undrawn as of September 30, 2018, and the Company was in compliance with all covenants required by the RCF.

The Company's financial position at September 30, 2018, and the operating cash flows that are expected over the next twelve months, lead management to believe that the Company's liquid assets are sufficient to satisfy our 2018 working capital requirements, fund currently planned capital expenditures, and to discharge liabilities as they come due. The Company remains well positioned to take advantage of strategic opportunities as they become available. Liquidity risks are discussed further in the "Risks and Uncertainties" section of this MD&A.

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

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

CLOSURE AND DECOMMISSIONING COST PROVISION

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

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs as of September 30, 2018 was $126.6 million (December 31, 2017 - $142.2 million) using inflation rates of between 2% and 29% (2017 - between 2% and 25%). The inflated and discounted provision on the statement of financial position as at September 30, 2018, using discount rates between 3% and 29% (December 31, 2017 - between 2% and 24%), was $57.9 million (December 31, 2017 - $65.4 million). Spending with respect to decommissioning obligations at Alamo Dorado and Manantial Espejo began in 2016, while the remainder of the obligations are expected to be paid through 2040, or later if the mine lives are extended. Revisions made to the reclamation obligations in Q3 2018 were primarily a result of increased site disturbance from the ordinary course of operations at the mines, reclamation activities at Alamo Dorado, as well as revisions to the estimates based on periodic reviews of closure plans and related costs, actual expenditures incurred, and closure activities completed. These obligations will be funded from operating cash flows, reclamation deposits, and cash on hand.

The accretion of the discount charged in Q3 2018 and YTD 2018 as finance expense was $1.6 million and $4.9 million, respectively (Q3 2017 and YTD 2017, $1.5 million and $4.5 million, respectively). Reclamation expenditures incurred during Q3 2018 and YTD 2018 were $1.3 million and $5.8 million, respectively (Q3 2017 and YTD 2017, $0.9 million and $4.1 million, respectively).

RELATED PARTY TRANSACTIONS

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

Related party transactions with Maverix Metals Inc. have been disclosed in Note 9 of the Q3 2018 Financial Statements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- **AISCSOS**

AISCSOS is a non-GAAP financial measure. AISCSOS does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. We believe that AISCSOS reflects a comprehensive measure of the full cost of operating our consolidated business, given it includes the cost of replacing silver ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated cash flow. To facilitate a better understanding of this measure as calculated by the Company, the following table provides the detailed reconciliation of this measure to the applicable cost items, as reported in the consolidated income statements for the respective periods:

		Three months ended September 30,		Nine months ended September 30,	
(In thousands of USD, except as noted)		**2018**	2017	**2018**	2017
Direct operating costs		**$ 127,165**	$ 108,493	**$ 368,392**	$ 354,161
NRV inventory adjustments	**A**	**23,432**	1,336	**11,067**	6,812
Production costs		**$ 150,597**	$ 109,829	**$ 379,459**	$ 360,973
Royalties		**3,652**	4,550	**16,072**	15,701
Direct selling costs (1)		**12,434**	17,735	**38,505**	49,936
Less by-product credits (1)		**(115,177)**	(114,620)	**(375,857)**	(330,984)
Cash cost of sales net of by-products (2)		**$ 51,506**	$ 17,494	**$ 58,179**	$ 95,626
Sustaining capital (3)		**$ 25,610**	$ 15,424	**$ 76,653**	$ 58,642
Exploration and project development		**3,008**	5,630	**7,629**	13,588
Reclamation cost accretion		**1,631**	1,493	**4,893**	4,480
General and administrative expense		**5,675**	5,613	**17,199**	16,665
All-in sustaining costs (2)	**B**	**$ 87,430**	$ 45,654	**$ 164,553**	$ 189,001
Payable ounces sold (in thousands)	**C**	**6,366**	5,255	**17,860**	17,552
All-in sustaining cost per silver ounce sold, net of by-products	**B/C**	**$ 13.73**	$ 8.69	**$ 9.21**	$ 10.77
All-in sustaining cost per silver ounce sold, net of by-products (excludes NRV inventory adjustments)	**(B-A)/C**	**$ 10.05**	$ 8.43	**$ 8.59**	$ 10.38

(1) Included in the revenue line of the consolidated income statements. By-product credits are reflective of realized metal prices for the applicable periods.
(2) Totals may not add due to rounding.
(3) Please refer to the table below. Further, Q3 2018 and YTD 2018 sustaining capital cash outflows included in this table were $1.3 million and $2.8 million more than the $24.3 million and $73.9 million capitalized in Q3 2018 and YTD 2018, respectively, as shown in the Capital Expenditures table included in the "2018 Operating Outlook" Section of this MD&A. The difference is due to the timing between the cash payment of capital investments compared with the period in which investments are capitalized.

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

Reconciliation of payments for mineral properties, plant and equipment and sustaining capital	Three months ended September 30,		Nine months ended September 30,	
(in thousands of USD)	**2018**	2017	**2018**	2017
Payments for mineral properties, plant and equipment(1)	**$ 33,555**	$ 31,999	**$ 102,046**	$ 105,759
Add/(Subtract)				
Assets acquired by finance lease	**920**	745	**6,578**	3,615
Investment (non-sustaining) capital	**(8,865)**	(17,320)	**(31,971)**	(50,732)
Sustaining Capital(2)	**$ 25,610**	$ 15,424	**$ 76,653**	$ 58,642

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

Three months ended September 30, 2018								
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	22,255	36,817	19,700	17,953	10,054	20,389		127,165
NRV inventory adjustments	—	16,301	—	—	—	7,130		23,432
Production costs	22,255	53,118	19,700	17,953	10,054	27,519		150,597
Royalties	150	1,897	—	—	1,207	398		3,652
Direct selling costs	2,168	32	5,537	3,274	1,152	271		12,434
Less by-product credits	(14,505)	(41,512)	(22,449)	(21,891)	(4,475)	(10,344)		(115,177)
Cash cost of sales net of by-products[1]	**10,068**	**13,535**	**2,788**	**(664)**	**7,938**	**17,844**		**51,506**
Sustaining capital	3,902	9,971	5,733	3,509	1,731	763		25,610
Exploration and project development	74	384	14	174	—	749	1,613	3,008
Reclamation cost accretion	114	351	152	87	63	708	156	1,631
General & administrative expense	—	—	—	—	—	—	5,675	5,675
All-in sustaining costs[1]	14,158	24,241	8,687	3,106	9,732	20,064	7,444	87,430
Payable ounces sold (thousand)	**2,258**	**950**	**785**	**688**	**876**	**810**		**6,366**
AISCSOS	**$ 6.27**	**$ 25.52**	**$ 11.07**	**$ 4.52**	**$ 11.11**	**$ 24.78**		**$ 13.73**
AISCSOS (excludes NRV inventory adjustments)	**$ 6.27**	**$ 8.36**	**$ 11.07**	**$ 4.52**	**$ 11.11**	**$ 15.97**		**$ 10.05**

(1) Totals may not add due to rounding.

Nine months ended September 30, 2018								
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
Direct operating costs	53,301	114,934	55,673	51,971	26,479	66,034		368,392
NRV inventory adjustments		13,127				(2,060)		11,067
Production costs	53,301	128,061	55,673	51,971	26,479	63,974		379,459
Royalties	486	6,349	—	—	7,388	1,848		16,072
Direct selling costs	6,487	97	15,266	10,789	5,635	231		38,505
Less by-product credits	(48,693)	(134,475)	(67,459)	(74,129)	(14,598)	(36,503)		(375,857)
Cash cost of sales net of by-products[1]	**11,580**	**32**	**3,480**	**(11,368)**	**24,904**	**29,550**		**58,179**
Sustaining capital	10,097	35,587	11,456	11,801	5,321	2,391		76,653
Exploration and project development	168	1,353	653	475	—	694	4,286	7,629
Reclamation cost accretion	343	1,054	457	260	189	2,124	467	4,893
General & administrative expense	—	—	—	—	—	—	17,199	17,199
All-in sustaining costs[1]	22,189	38,026	16,046	1,168	30,414	34,759	21,952	164,553
Payable ounces sold (thousand)	**5,289**	**3,335**	**2,236**	**1,978**	**2,551**	**2,471**		**17,860**
AISCSOS	**$ 4.20**	**$ 11.40**	**$ 7.18**	**$ 0.59**	**$ 11.92**	**$ 14.07**		**$ 9.21**
AISCSOS (excludes NRV inventory adjustments)	**$ 4.20**	**$ 7.47**	**$ 7.18**	**$ 0.59**	**$ 11.92**	**$ 14.90**		**$ 8.59**

(1) Totals may not add due to rounding.

(In thousands of USD, except as noted)	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
				Three months ended September 30, 2017					
Direct operating costs	15,821	27,402	2,150	20,035	16,165	7,255	19,664		108,493
NRV inventory adjustments	—	2,810	(1,268)	—	—	—	(205)		1,336
Production costs	15,821	30,212	881	20,035	16,165	7,255	19,458		109,829
Royalties	133	1,467	16	—	—	2,156	779		4,550
Direct selling costs	2,267	17	24	7,813	4,814	2,628	172		17,735
Less by-product credits	(16,371)	(29,068)	(427)	(27,439)	(24,738)	(2,722)	(13,856)		(114,620)
Cash cost of sales net of by-products(1)	**1,850**	**2,628**	**494**	**410**	**(3,759)**	**9,316**	**6,553**		**17,494**
Sustaining capital	3,680	3,812	—	1,512	2,995	2,400	1,025		15,424
Exploration and project development	79	757	—	326	395	—	2,617	1,457	5,630
Reclamation cost accretion	112	297	89	162	105	56	619	54	1,493
General & administrative expense	—	—	—	—	—	—	—	5,613	5,613
All-in sustaining costs(1)	5,721	7,493	583	2,409	(263)	11,773	10,814	7,124	45,654
Payable ounces sold (thousand)	**1,642**	**933**	**91**	**818**	**576**	**632**	**562**		**5,255**
AISCSOS	**$ 3.48**	**$ 8.03**	**$ 6.38**	**$ 2.94**	**$ (0.46)**	**$ 18.62**	**$ 19.25**		**$ 8.69**
AISCSOS (excludes NRV inventory adjustments)	**$ 3.48**	**$ 5.02**	**$ 20.25**	**$ 2.94**	**$ (0.46)**	**$ 18.62**	**$ 19.61**		**$ 8.43**

(1) Totals may not add due to rounding.

(In thousands of USD, except as noted)	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PASCORP	Consolidated
				Nine months ended September 30, 2017					
Direct operating costs	50,590	80,365	16,520	56,001	47,036	24,247	79,402		354,161
NRV inventory adjustments		2,749	(682)				4,745		6,812
Production costs	50,590	83,114	15,838	56,001	47,036	24,247	84,147	—	360,973
Royalties	370	4,534	79	—	—	8,216	2,502		15,701
Direct selling costs	8,169	62	231	19,579	13,757	7,357	781		49,936
Less by-product credits	(45,817)	(89,034)	(3,406)	(73,062)	(67,466)	(9,310)	(42,890)		(330,984)
Cash cost of sales net of by-products(1)	**13,312**	**(1,324)**	**12,742**	**2,518**	**(6,674)**	**30,510**	**44,539**		**95,626**
Sustaining capital	11,394	22,768	—	6,719	9,266	6,207	2,288		58,642
Exploration and project development	179	1,880	—	1,285	1,086	—	3,652	5,506	13,588
Reclamation cost accretion	336	889	268	485	315	169	1,856	162	4,480
General & administrative expense	—	—	—	—	—	—	—	16,665	16,665
All-in sustaining costs(1)	25,221	24,213	13,010	11,007	3,994	36,886	52,336	22,334	189,001
Payable ounces sold (thousand)	**5,006**	**2,864**	**734**	**2,368**	**1,791**	**2,384**	**2,405**		**17,552**
AISCSOS	**$ 5.04**	**$ 8.45**	**$ 17.73**	**$ 4.65**	**$ 2.23**	**$ 15.47**	**$ 21.76**		**$ 10.77**
AISCSOS (excludes NRV inventory adjustments)	**$ 5.04**	**$ 7.49**	**$ 18.66**	**$ 4.65**	**$ 2.23**	**$ 15.47**	**$ 19.79**		**$ 10.38**

(1) Totals may not add due to rounding.

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

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

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

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

Total Cash Costs per ounce of Payable Silver, net of by-product credits		Three months ended September 30,		Nine months ended September 30,	
(in thousands of USD except as noted)		**2018**	2017	**2018**	2017
Production costs		**$ 150,597**	$ 109,829	**$ 379,459**	$ 360,973
Add/(Subtract)					
Royalties		**3,652**	4,550	**16,072**	15,701
Smelting, refining, and transportation charges		**14,202**	19,025	**42,400**	54,754
Workers' participation and voluntary payments		**(545)**	(1,351)	**(2,890)**	(3,693)
Change in inventories		**4,056**	7,004	**10,659**	(3,235)
Other		**(2,826)**	716	**(7,776)**	1,004
Non-controlling interests (1)		**(441)**	(210)	**(419)**	(1,062)
NRV inventory adjustments		**(23,432)**	(1,336)	**(11,067)**	(6,812)
Cash Operating Costs before by-product credits(2)		**145,263**	138,229	**426,437**	417,630
Less gold credit		**(50,709)**	(50,986)	**(180,107)**	(142,000)
Less zinc credit		**(36,831)**	(35,916)	**(120,376)**	(97,000)
Less lead credit		**(11,442)**	(11,613)	**(35,019)**	(34,261)
Less copper credit		**(15,540)**	(22,492)	**(47,999)**	(57,322)
Cash Operating Costs net of by-product credits (2)	**A**	**30,741**	17,221	**42,936**	87,046
Payable Silver Production (koz)	**B**	**5,867**	5,521	**17,548**	17,272
Cash Costs per ounce net of by-product credits	**A/B**	**$ 5.24**	$ 3.12	**$ 2.45**	$ 5.04

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

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

Three months ended September 30, 2018 (1)
(in thousands of USD except as noted)

		La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	**A**	**$ 21,464**	**$ 41,132**	**$ 25,635**	**$ 19,760**	**$ 14,917**	**$ 20,355**	**$ 143,263**
Less gold credit	b1	(1,205)	(40,170)	(3)	(667)	(65)	(8,540)	**(50,650)**
Less zinc credit	b2	(9,300)	—	(9,265)	(12,376)	(4,610)	—	**(35,552)**
Less lead credit	b3	(4,273)	—	(4,599)	(2,248)	(127)	—	**(11,247)**
Less copper credit	b4	—	—	(9,121)	(4,892)	(1,061)	—	**(15,074)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (14,779)**	**$ (40,170)**	**$ (22,987)**	**$ (20,183)**	**$ (5,863)**	**$ (8,540)**	**$ (112,523)**
Cash Costs net of by-product credits	C=(A+B)	$ 6,686	$ 962	$ 2,646	$ (423)	$ 9,055	$ 11,815	**$ 30,741**
Payable ounces of silver (thousand)	D	1,910	966	813	649	813	716	**5,867**
Cash cost per ounce net of by-products	**C/D**	**$ 3.50**	**$ 1.00**	**$ 3.25**	**$ (0.65)**	**$ 11.14**	**$ 16.50**	**$ 5.24**

(1) Totals may not add due to rounding.

Nine months ended September 30, 2018 [1] (in thousands of USD except as noted)		La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	**A**	**$ 61,130**	**$ 124,176**	**$ 70,743**	**$ 57,690**	**$ 41,551**	**$ 64,548**	**$ 419,838**
Less gold credit	b1	(3,579)	(137,591)	(3)	(1,971)	(222)	(36,564)	**(179,930)**
Less zinc credit	b2	(32,434)	—	(30,996)	(41,547)	(11,322)	—	**(116,300)**
Less lead credit	b3	(13,967)	—	(12,795)	(7,226)	(405)	—	**(34,393)**
Less copper credit	b4	—	—	(24,262)	(18,041)	(3,975)	—	**(46,278)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (49,981)**	**$ (137,591)**	**$ (68,055)**	**$ (68,785)**	**$ (15,924)**	**$ (36,564)**	**$ (376,901)**
Cash Costs net of by-product credits	C=(A+B)	$ 11,150	$ (13,415)	$ 2,687	$ (11,096)	$ 25,627	$ 27,984	**$ 42,938**
Payable ounces of silver (thousand)	D	5,242	3,252	2,267	1,831	2,456	2,500	**17,548**
Cash cost per ounce net of by-products	**C/D**	**$ 2.13**	**$ (4.12)**	**$ 1.19**	**$ (6.06)**	**$ 10.44**	**$ 11.19**	**$ 2.45**

(1) Totals may not add due to rounding.

Three months ended September 30, 2017 [1] (in thousands of USD except as noted)		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	**A**	**$ 19,284**	**31,357**	**$ —**	**$ 27,120**	**$ 19,274**	**$ 13,237**	**$ 25,798**	**$ 136,070**
Less gold credit	b1	(1,307)	(31,911)	—	—	(883)	(82)	(16,723)	**(50,908)**
Less zinc credit	b2	(9,853)	—	—	(12,143)	(10,423)	(2,493)	—	**(34,912)**
Less lead credit	b3	(5,155)	—	—	(4,437)	(1,645)	(227)	—	**(11,463)**
Less copper credit	b4	—	—	—	(10,291)	(10,664)	(612)	—	**(21,567)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (16,315)**	**$ (31,911)**	**$ —**	**$ (26,871)**	**$ (23,615)**	**$ (3,414)**	**$ (16,723)**	**$ (118,850)**
Cash Costs net of by-product credits	C=(A+B)	$ 2,969	$ (554)	$ —	$ 249	$ (4,341)	$ 9,823	$ 9,075	**$ 17,220**
Payable ounces of silver (thousand)	D	1,735	972	—	812	532	756	713	**5,521**
Cash cost per ounce net of by-products	**C/D**	**$ 1.71**	**$ (0.57)**	**NA**	**$ 0.31**	**$ (8.16)**	**$ 12.99**	**$ 12.73**	**$ 3.12**

(1) Totals may not add due to rounding.

Nine months ended September 30, 2017 [1] (in thousands of USD except as noted)		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Total
Cash Costs before by-product credits	**A**	**$ 56,700**	**87,754**	**$ 12,530**	**$ 75,149**	**$ 55,809**	**$ 39,987**	**$ 83,926**	**$ 411,854**
Less gold credit	b1	(3,100)	(89,795)	(2,407)	(139)	(2,015)	(227)	(44,137)	**(141,820)**
Less zinc credit	b2	(26,630)	—	—	(33,785)	(27,197)	(6,755)	—	**(94,366)**
Less lead credit	b3	(13,761)	—	—	(14,281)	(5,212)	(541)	—	**(33,796)**
Less copper credit	b4	—	—	(46)	(24,388)	(28,730)	(1,664)	—	**(54,828)**
Sub-total by-product credits	**B=(b1+ b2+ b3+ b4)**	**$ (43,491)**	**$ (89,795)**	**$ (2,453)**	**$ (72,593)**	**$ (63,154)**	**$ (9,187)**	**$ (44,137)**	**$ (324,810)**
Cash Costs net of by-product credits	C=(A+B)	$ 13,209	$ (2,041)	$ 10,077	$ 2,555	$ (7,345)	$ 30,800	$ 39,789	**$ 87,045**
Payable ounces of silver (thousand)	D	4,932	2,971	592	2,343	1,612	2,350	2,472	**17,272**
Cash cost per ounce net of by-products	**C/D**	**$ 2.68**	**$ (0.69)**	**$ 17.03**	**$ 1.09**	**$ (4.56)**	**$ 13.11**	**$ 16.10**	**$ 5.04**

(1) Totals may not add due to rounding.

- **Adjusted (Loss) Earnings and Basic Adjusted (Loss) Earnings Per Share**

Adjusted (loss) earnings and basic adjusted (loss) earnings per share are non-GAAP measures that the Company considers to better reflect normalized earnings because it eliminates items that in management's judgment are subject to volatility as a result of factors, which are unrelated to operations in the period, and/or relate to items that will settle in future periods. Certain items that become applicable in a period may be adjusted for, with the Company retroactively presenting comparable periods with an adjustment for such items and conversely, items no longer applicable may be removed from the calculation. The Company adjusts certain items in the periods that they occurred, but does not reverse or otherwise unwind the effect of such items in future periods. Neither adjusted earnings nor basic adjusted earnings per share have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

The following table shows a reconciliation of adjusted earnings for the three and nine months ended September 30, 2018 and 2017, to the net earnings for each period.

	Three months ended September 30,		Nine months ended September 30,	
(In thousands of USD, except as noted)	**2018**	2017	**2018**	2017
Net (loss) earnings for the period	**$ (9,234)**	$ 17,826	**$ 75,618**	$ 73,787
Adjust for:				
- Derivative losses	**238**	—	**1,018**	—
- Write-down of project development costs	**—**	1,898	**—**	1,898
- Unrealized foreign exchange losses (gains)	**4,538**	373	**10,685**	(745)
- Net realizable value adjustments to heap inventory	**11,766**	3,023	**11,105**	5,124
- Unrealized (gains) losses on commodity contracts	**(289)**	2,168	**(3,246)**	(3,099)
- Loss (income) from associate, net of dilution gain	**411**	(373)	**(13,861)**	(1,793)
- Mine operation severance costs	**—**	—	**—**	3,509
- Reversal of previously accrued tax liabilities	**—**	—	**(1,188)**	(2,793)
- Gain on sale of assets	**(225)**	(651)	**(8,029)**	(985)
Adjust for effect of taxes relating to the above	**$ (3,731)**	$ (1,566)	**$ (4,082)**	$ (3,773)
Adjust for effect of foreign exchange on taxes	**$ (8,147)**	$ 620	**$ (6,564)**	$ (16,517)
Adjusted (loss) earnings for the period	**$ (4,673)**	$ 23,318	**$ 61,456**	$ 54,613
Weighted average shares for the period	**153,301**	153,173	**153,302**	153,024
Adjusted (loss) earnings per share for the period	**$ (0.03)**	$ 0.15	**$ 0.40**	$ 0.36

- **Total Debt**

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

- **Working Capital**

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

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

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

RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver, zinc, lead, copper, and gold; credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD whereas the Company operates in jurisdictions that utilize other currencies; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in foreign jurisdictions such as Peru, Mexico, Argentina and Bolivia; environmental risks; and risks related to its relations with employees. Certain of these risks are described below, and are more fully described in Pan American's Annual Information Form (available on SEDAR at www.sedar.com) and Form 40-F filed with the United States Securities and Exchange Commission (the "SEC"), and in the Risks and Uncertainties section of the Company's 2017 Annual MD&A, and the 2017 Financial Statements. Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to Pan American's business.

Financial Instruments Risk Exposure

The Company's is exposed to financial risks, including metal price risk, credit risk, interest rate risk, foreign currency exchange rate risk, and liquidity risk. The Company's exposures and management of each of those risks is described in Note 7(d) to the Company's 2017 Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended September 30, 2018. The following provides an update to certain relevant financial instrument risks for the quarter:

Metal Price Risk

A decrease in the market price of silver, gold and other metals could affect our profitability, along with the commercial viability of our mines and production from some of our mining properties. From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts. However, decisions relating to hedging may have material adverse effects on our financial performance, financial position, and results of operations. The Board of Directors continually assesses Pan American's strategy towards our base metal exposure, depending on market conditions. As at September 30, 2018, the Company had outstanding collars made up of put and call contracts for its exposure to zinc (3,300 tonnes), lead (1,425 tonnes) and copper (975 tonnes); settlement dates on these positions are between September 2018 and December 2018. The outstanding contracts have respective weighted average floor and cap prices per tonne of: $2,850 and $3,835 for zinc; $2,200 and $2,905 for lead; and, $6,400 and $7,452 for copper. The Company recorded total gains on these positions of $1.7 million and $4.3 million in Q3 2018 and YTD 2018, respectively (Q3 2017 and YTD 2017, losses of $0.9 million and $2.1 million, respectively).

Trading and Credit Risk

As at September 30, 2018, we had receivable balances associated with buyers of our concentrates of $38.6 million (December 31, 2017 - $52.0 million). The vast majority of the receivable balance is owed by five well-known concentrate buyers.

Silver doré production is refined under long-term agreements with fixed refining terms at three separate refineries worldwide. We generally retain the risk and title to the precious metals throughout the process of refining and therefore are exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that we may not be able to fully recover our precious metals in such circumstances. As at September 30, 2018, we had approximately $26.5 million contained in precious metal inventory at refineries (December 31, 2017 - $21.9 million). On November 2, 2018 a refinery used by the Company filed for bankruptcy protection. The Company has approximately $4.8 million of precious metal inventory held with this refinery, approximately $1.3 million of which was held by the refinery as at September 30, 2018.

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which the Company operates. These advances represent a credit risk to the Company to the extent that suppliers do not deliver products or perform services as expected. As at September 30, 2018, the Company had made $12.7 million of supplier advances (December 31, 2017 - $14.3 million), which are reflected in “Trade and other receivables” on the Company’s balance sheet.

Foreign currency exchange rate risk

A part of the Company’s operating and capital expenditures is denominated in local currencies other than USD. These expenditures are exposed to fluctuations in USD exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit the Company’s exposure to changes in the value of local currencies relative to the USD, or assuming liability positions to offset financial assets subject to currency risk. At September 30, 2018, the Company held cash and short-term investments of $23.8 million in Canadian dollars, $2.1 million in Mexican pesos, $2.5 million in Peruvian nuevo soles, $1.4 million in Argentine pesos, and $2.2 million in Bolivian bolivianos.

Taxation Risks

Pan American is exposed to tax related risks. The nature of these taxation risks and how the risks are managed are described in the Risks and Uncertainties section of the 2017 Annual MD&A, and in Note 29(d) to the Company's 2017 Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended September 30, 2018.

Claims and Legal Proceedings

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. The nature, assessment and management of such claims is described in the Risks and Uncertainties section of the 2017 Annual MD&A, and in Note 21 to the Company's Q3 2018 Financial Statements. There were no significant changes to these claims and legal proceedings during the three months ended September 30, 2018.

Foreign Jurisdiction Risk

Pan American currently conducts operations in Peru, Mexico, Argentina and Bolivia. All of these jurisdictions are potentially subject to a number of political and economic risks. The nature of the foreign jurisdiction risks and the Company's exposures to and management of those risks are described in the Risks and Uncertainties section of the 2017 Annual MD&A. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended September 30, 2018.

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

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

Readers should also refer to Note 2 of the 2017 Financial Statements, for the Company’s summary of significant accounting policies.

CHANGES IN ACCOUNTING STANDARDS

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

Financial Instruments

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

Under IFRS 9, subsequent to initial recognition, financial assets are classified and measured at either: amortized cost, fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"). The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

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

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

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

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

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

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

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

Revenue Recognition

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

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

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer, and introduces a revenue recognition model under which an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new framework did not result in a change in the way the Company recognizes or measures revenue. Further, the standard introduces the concept of performance obligations that are defined as 'distinct' promised goods or services, and requires entities to apportion revenue earned to the distinct performance obligations on a relative stand-alone selling price basis. The Company may from time to time enter into concentrate contracts where the Company is responsible for shipping and insurance costs necessary to bring the goods to a named destination after the date on which control of the goods is transferred to the customer. Accordingly, under IFRS 15, a portion of the revenue earned under such contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over the time the obligations are fulfilled. There were no such contracts in 2017, nor in the nine month period ended September 30, 2018.

Other Narrow Scope Amendments

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

Changes in accounting standards not yet effective

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

IFRS 16, *Leases* ("IFRS 16") In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases (less than 12 months duration) or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company plans to apply IFRS 16 at the date it becomes effective and has selected the modified retrospective transition approach, which does not require restatement of comparative periods; instead, the cumulative impact of applying IFRS 16 will be accounted for as an adjustment to equity at the start of the accounting period in which it is first applied.

The Company anticipates that the adoption of IFRS 16 will result in an increase in the recognition of lease assets and liabilities in the Statement of Financial Position at January 1, 2019. IFRS 16 will further result in increased depreciation and amortization on these lease assets and increased interest on these additional lease liabilities. These lease payments will be recorded as financing outflows in the Consolidated Statements of Cash Flows.

During the third quarter, the Company continued to progress its IFRS 16 adoption impact analysis. The company-wide compilation and detailed review of contracts and supplier agreements to identify arrangements that may contain leases under IFRS 16 has been substantially completed. These agreements include, among others: equipment and other rental agreements, transportation contracts, and other service contracts. The Company is beginning its development of calculation methodologies and commencing the quantitative analysis for arrangements identified that represent additional finance leases under IFRS-16. The Company expects to complete this process in the fourth quarter of 2018. As such, it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard at this time.

DISCLOSURE CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

Changes in Internal Controls over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three and nine month periods ended September 30, 2018 that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

TECHNICAL INFORMATION

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

For more detailed information regarding the Company's material mineral properties and technical information related thereto, including a complete list of current technical reports applicable to such properties, please refer to the Company's Annual Information Form dated March 22, 2018, filed at www.sedar.com or the Company's most recent Form 40-F filed with the SEC.

Cautionary Note Regarding Forward-Looking Statements and Information

Certain of the statements and information in this MD&A constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws relating to the Company and its operations. All statements, other than statements of historical fact, are forward-looking statements. When used in this MD&A, the words, "will", "believes", "expects", "intents", "plans", "forecast", "objective", "guidance", "outlook", "potential", "anticipated", "budget", and other similar words and expressions, identify forward-looking statements or information. These forward-looking statements or information relate to, among other things: future financial and operational performance; future production of silver, gold and other metals produced by the Company; future cash costs per ounce of silver and all-in sustaining costs per silver ounce sold; the sufficiency of the Company's current working capital, anticipated operating cash flow or its ability to raise necessary funds; timing of production and the cash costs of production at each of the Company's properties; the estimated cost of and availability of funding necessary for sustaining capital; forecast capital and non-operating spending; and the Company's plans and expectations for its properties and operations.

These forward-looking statements and information reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic, competitive, political, regulatory, and social uncertainties and contingencies. These assumptions include: tonnage of ore to be mined and processed; ore grades and recoveries; prices for silver, gold and base metals remaining as estimated; currency exchange rates remaining as estimated; capital, decommissioning and reclamation estimates; our mineral reserve and mineral resource estimates and the assumptions upon which they are based; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions at any of our operations; no unplanned delays or interruptions in scheduled production; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner; and our ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive.

The Company cautions the reader that forward-looking statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements or information contained in this MD&A and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: fluctuations in silver, gold, and base metal prices; fluctuations in prices for energy inputs; fluctuations in currency markets (such as the PEN, MXN, ARS, BOL and CAD versus the USD); risks related to the technological and operational nature of the Company's business; changes in national and local government, legislation, taxation, controls or regulations and political, legal or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia or other countries where the Company may carry on business, including the risk of expropriation relative to certain of our operations, particularly in Argentina and Bolivia; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relationships with and claims by the local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the Company's ability to secure our mine sites or maintain access to our mine sites due to criminal activity and violence; the speculative nature of mineral exploration and development, including the risk of obtaining necessary licenses and permits and the presence of laws and regulations that may impose restrictions on mining, including those currently in the province of Chubut, Argentina; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; the Company's ability to complete and successfully integrate acquisitions and to mitigate other business combination risks; challenges to, or difficulty in maintaining, the Company's title to properties and continued ownership thereof; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; increased competition in the mining industry for properties, equipment, qualified personnel, and their costs; having sufficient cash to pay obligations as they come due; and those factors identified under the caption "Risks Related to Pan American's Business" in the Company's most recent Form 40-F and

Annual Information Form filed with the United States Securities and Exchange Commission and Canadian provincial securities regulatory authorities, respectively. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described, or intended. Investors are cautioned against attributing undue certainty or reliance on forward-looking statements or information. Forward-looking statements and information are designed to help readers understand management's current views of our near and longer term prospects and may not be appropriate for other purposes. The Company does not intend, and does not assume any obligation, to update or revise forward-looking statements or information to reflect changes in assumptions or in circumstances or any other events affecting such statements or information, other than as required by applicable law.

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

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

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

Unaudited Condensed Interim Consolidated Financial Statements and Notes

FOR THE THREE AND NINE MONTHS ENDING SEPTEMBER 30, 2018

(unaudited, in thousands of U.S. dollars)

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents (Note 18)	**$ 186,424**	$ 175,953
Short-term investments (Note 5)	**66,233**	51,590
Trade and other receivables	**86,666**	109,746
Income taxes receivable	**26,664**	16,991
Inventories (Note 6)	**220,014**	218,715
Derivative financial instruments (Note 4a)	**1,414**	1,092
Assets held for sale	**—**	7,949
Prepaid expenses and other current assets	**11,616**	13,434
	599,031	595,470
Non-current assets		
Mineral properties, plant and equipment (Note 7)	**1,314,881**	1,336,683
Long-term refundable tax	**582**	80
Deferred tax assets	**13,575**	2,679
Investment in associates (Note 9)	**70,748**	55,017
Other assets	**2,313**	346
Goodwill	**3,057**	3,057
Total Assets	**$ 2,004,187**	$ 1,993,332
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 121,580**	$ 139,698
Loans payable	**—**	3,000
Derivative financial instruments (Note 4a)	**—**	1,906
Current portion of provisions (Note 11)	**4,774**	8,245
Current portion of finance lease (Note 12)	**6,353**	5,734
Income tax payable	**22,738**	26,131
	155,445	184,714
Non-current liabilities		
Long-term portion of provisions (Note 11)	**57,432**	61,248
Deferred tax liabilities	**154,122**	171,228
Long-term portion of finance lease (Note 12)	**2,086**	1,825
Deferred revenue (Note 9)	**13,501**	12,017
Other long-term liabilities (Note 13)	**25,428**	26,954
Share purchase warrants (Note 9)	**14,571**	14,295
Total Liabilities	**422,585**	472,281
Equity		
Capital and reserves (Note 14)		
Issued capital	**2,319,801**	2,318,252
Share option reserve	**22,460**	22,463
Investment revaluation reserve	**170**	1,605
Deficit	**(765,733)**	(825,470)
Total Equity attributable to equity holders of the Company	**1,576,698**	1,516,850
Non-controlling interests	**4,904**	4,201
Total Equity	**1,581,602**	1,521,051
Total Liabilities and Equity	**$ 2,004,187**	$ 1,993,332

Commitments and Contingencies (Notes 4, 21)
See accompanying notes to the condensed interim consolidated financial statements
APPROVED BY THE BOARD ON NOVEMBER 6, 2018

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Revenue (Note 19)	**$ 187,717**	$ 190,791	**$ 611,138**	$ 590,797
Cost of sales				
Production costs (Note 15)	**(150,597)**	(109,829)	**(379,459)**	(360,973)
Depreciation and amortization	**(37,880)**	(28,594)	**(110,044)**	(88,648)
Royalties	**(3,652)**	(4,550)	**(16,072)**	(15,701)
	(192,129)	(142,973)	**(505,575)**	(465,322)
Mine operating (loss) earnings	**(4,412)**	47,818	**105,563**	125,475
General and administrative	**(5,675)**	(5,613)	**(17,199)**	(16,665)
Exploration and project development	**(3,008)**	(7,528)	**(7,629)**	(15,486)
Foreign exchange (losses) gains	**(3,140)**	(1,852)	**(9,732)**	771
Gains (losses) on commodity and foreign currency contracts (Note 4d)	**1,767**	(307)	**4,406**	2,447
Gains on sale of mineral properties, plant and equipment	**225**	651	**8,029**	985
Share of (loss) income from associate and dilution gain (Note 9)	**(411)**	373	**13,861**	1,793
Other expense	**(273)**	(3,258)	**(864)**	(1,494)
(Loss) earnings from operations	**(14,927)**	30,284	**96,435**	97,826
Loss on derivatives (Note 4d)	**(238)**	—	**(1,018)**	—
Investment income	**317**	540	**1,144**	619
Interest and finance expense (Note 16)	**(2,301)**	(2,504)	**(5,834)**	(4,832)
(Loss) earnings before income taxes	**(17,149)**	28,320	**90,727**	93,613
Income tax recovery (expense) (Note 20)	**7,915**	(10,494)	**(15,109)**	(19,826)
Net (loss) earnings for the period	**$ (9,234)**	$ 17,826	**$ 75,618**	$ 73,787
Attributable to:				
Equity holders of the Company	**$ (9,460)**	$ 17,256	**$ 74,103**	$ 72,099
Non-controlling interests	**226**	570	**1,515**	1,688
	$ (9,234)	$ 17,826	**$ 75,618**	$ 73,787
(Loss) earnings per share attributable to common shareholders (Note 17)				
Basic (loss) earnings per share	**$ (0.06)**	$ 0.11	**$ 0.48**	$ 0.47
Diluted (loss) earnings per share	**$ (0.06)**	$ 0.11	**$ 0.48**	$ 0.47
Weighted average shares outstanding (in 000's) Basic	**153,301**	153,173	**153,302**	153,024
Weighted average shares outstanding (in 000's) Diluted	**153,485**	153,422	**153,515**	153,324

See accompanying notes to the condensed interim consolidated financial statements.

(unaudited, in thousands of U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Net (loss) earnings for the period	**$ (9,234)**	$ 17,826	**$ 75,618**	$ 73,787
Items that may be reclassified subsequently to net earnings:				
Unrealized net gains (losses) on short-term investments (net of $nil tax in 2018 and 2017) (Note 2b)	**318**	(434)	**661**	(566)
Reclassification adjustment for realized (gains) losses on short-term investments to earnings (Note 2b)	**(164)**	151	**(494)**	111
Total comprehensive (loss) earnings for the period	**$ (9,080)**	$ 17,543	**$ 75,785**	$ 73,332
Total comprehensive (loss) earnings attributable to:				
Equity holders of the Company	**$ (9,306)**	$ 16,973	**$ 74,270**	$ 71,644
Non-controlling interests	**226**	570	**1,515**	1,688
	$ (9,080)	$ 17,543	**$ 75,785**	$ 73,332

See accompanying notes to the condensed interim consolidated financial statements.

(unaudited, in thousands of U.S. dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flow from operating activities				
Net (loss) earnings for the period	**$ (9,234)**	$ 17,826	**$ 75,618**	$ 73,787
Current income tax expense (Note 20)	**8,160**	12,615	**43,902**	36,171
Deferred income tax recovery (Note 20)	**(16,075)**	(2,121)	**(28,793)**	(16,345)
Interest expense (recovery) (Note 16)	**118**	855	**(795)**	(1,463)
Depreciation and amortization	**37,880**	28,594	**110,044**	88,648
Accretion on closure and decommissioning provision (Note 11)	**1,631**	1,493	**4,893**	4,480
Unrealized losses (gains) on foreign exchange	**4,538**	373	**10,685**	(745)
Gain on sale of mineral properties, plant and equipment	**(225)**	(651)	**(8,029)**	(985)
Project development write-down	**—**	1,898	**—**	1,898
Other operating activities (Note 18)	**23,565**	2,045	**(2,100)**	4,966
Changes in non-cash operating working capital (Note 18)	**4,184**	6,915	**636**	(3,484)
Operating cash flows before interest and income taxes	**$ 54,542**	$ 69,842	**$ 206,061**	$ 186,928
Interest paid	**(424)**	(682)	**(1,267)**	(1,954)
Interest received	**437**	393	**1,383**	1,048
Income taxes paid	**(12,856)**	(5,760)	**(63,129)**	(40,754)
Net cash generated from operating activities	**$ 41,699**	$ 63,793	**$ 143,048**	$ 145,268
Cash flow from investing activities				
Payments for mineral properties, plant and equipment	**$ (33,555)**	$ (31,999)	**$ (102,046)**	$ (105,759)
Acquisition of mineral interests	**—**	—	**(7,500)**	(20,219)
Net purchase of short-term investments	**(3,520)**	(12,497)	**(15,534)**	(13,564)
Proceeds from sale of mineral properties, plant and equipment	**298**	251	**15,777**	1,638
Purchase of shares in associate (Note 9)	**—**	(2,473)	**—**	(2,473)
Net proceeds (payments) from commodity, diesel fuel swaps, and foreign currency contracts	**1,478**	1,861	**1,160**	(652)
Net cash used in investing activities	**$ (35,299)**	$ (44,857)	**$ (108,143)**	$ (141,029)
Cash flow from financing activities				
Proceeds from issue of equity shares	**$ 455**	$ 85	**$ 1,081**	$ 2,578
Distributions to non-controlling interests	**(306)**	—	**(862)**	(738)
Dividends paid	**(5,367)**	(3,830)	**(15,918)**	(11,484)
Repayment of credit facility	**—**	(36,200)	**—**	(36,200)
Repayment of short-term loans	**—**	(2,500)	**(3,000)**	—
Payment of equipment leases	**(2,171)**	(1,275)	**(5,688)**	(3,198)
Net cash used in financing activities	**$ (7,389)**	$ (43,720)	**$ (24,387)**	$ (49,042)
Effects of exchange rate changes on cash and cash equivalents	**10**	(130)	**(47)**	(84)
Net (decrease) increase in cash and cash equivalents	**(979)**	(24,914)	**10,471**	(44,887)
Cash and cash equivalents at the beginning of the period	**187,403**	160,908	**175,953**	180,881
Cash and cash equivalents at the end of the period	**$ 186,424**	$ 135,994	**$ 186,424**	$ 135,994

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

(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, 2016	**152,334,652**	**$ 2,303,978**	**$ 22,946**	**$ 434**	**$ (931,060)**	**$ 1,396,298**	**$ 2,706**	**$ 1,399,004**
Total comprehensive earnings								
Net earnings for the year	—	—	—	—	120,991	120,991	2,460	123,451
Other comprehensive income	—	—	—	1,171	—	1,171	—	1,171
	—	—	—	1,171	120,991	122,162	2,460	124,622
Shares issued on the exercise of stock options	307,266	3,604	(998)	—	—	2,606	—	2,606
Shares issued as compensation	135,404	2,020	—	—	—	2,020	—	2,020
Share-based compensation on option grants	—	—	515	—	—	515	—	515
Acquisition of mineral interests	525,654	8,650	—	—	—	8,650	—	8,650
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(87)	(87)	(965)	(1,052)
Dividends paid	—	—	—	—	(15,314)	(15,314)	—	(15,314)
Balance, December 31, 2017	**153,302,976**	**$ 2,318,252**	**$ 22,463**	**$ 1,605**	**$ (825,470)**	**$ 1,516,850**	**$ 4,201**	**$ 1,521,051**
Impact of adopting IFRS 9 (Note 2b)	—	—	—	(1,602)	1,602	—	—	—
Balance, January 1, 2018 (restated)	**153,302,976**	**$ 2,318,252**	**$ 22,463**	**$ 3**	**$ (823,868)**	**$ 1,516,850**	**$ 4,201**	**$ 1,521,051**
Total comprehensive earnings								
Net earnings for the period	—	—	—	—	74,103	74,103	1,515	75,618
Other comprehensive income	—	—	—	167	—	167	—	167
	—	—	—	167	74,103	74,270	1,515	75,785
Cancellation of expired shares	(121,439)	—	—	—	178	178	—	178
Shares issued on the exercise of stock options	125,762	1,367	(286)	—	—	1,081	—	1,081
Shares issued as compensation	10,338	182	—	—	—	182	—	182
Share-based compensation on option grants	—	—	283	—	—	283	—	283
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(50)	(50)	(812)	(862)
Dividends paid	—	—	—	—	(16,096)	(16,096)	—	(16,096)
Balance, September 30, 2018	**153,317,637**	**$ 2,319,801**	**$ 22,460**	**$ 170**	**$ (765,733)**	**$ 1,576,698**	**$ 4,904**	**$ 1,581,602**

(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, 2016	**152,334,652**	**$ 2,303,978**	**$ 22,946**	**$ 434**	**$ (931,060)**	**$ 1,396,298**	**$ 2,706**	**$ 1,399,004**
Total comprehensive earnings								
Net earnings for the period	—	—	—	—	72,099	72,099	1,688	73,787
Other comprehensive loss	—	—	—	(455)	—	(455)	—	(455)
	—	—	—	(455)	72,099	71,644	1,688	73,332
Shares issued on exercise of stock options	303,668	3,571	(993)	—	—	2,578	—	2,578
Shares issued as compensation	12,291	217	—	—	—	217	—	217
Share-based compensation on option grants	—	—	415	—	—	415	—	415
Acquisition of mineral interests	525,654	8,650	—	—	—	8,650	—	8,650
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(27)	(27)	(711)	(738)
Dividends paid	—	—	—	—	(11,484)	(11,484)	—	(11,484)
Balance, September 30, 2017	**153,176,265**	**$ 2,316,416**	**$ 22,368**	**$ (21)**	**$ (870,472)**	**$ 1,468,291**	**$ 3,683**	**$ 1,471,974**

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 - *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). As a result, these unaudited condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed with certain disclosures from the Annual Financial Statements omitted. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

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

b. Changes in Accounting Policies

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

Financial Instruments

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

Under IFRS 9, subsequent to initial recognition, financial assets are classified and measured at either: amortized cost, fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"). The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

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

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

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

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

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

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

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

Additional disclosures have been presented in Note 4a as a result of adopting IFRS 9.

Revenue Recognition

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

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

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer, and introduces a revenue recognition model under which an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new framework did not result in a change in the way the Company recognizes or measures revenue. Further, the standard introduces the concept of performance obligations that are defined as 'distinct' promised goods or services, and requires entities to apportion revenue earned to the distinct performance obligations on a relative stand-alone selling price basis. The Company may from time to time enter into concentrate contracts where the Company is responsible for shipping and insurance costs necessary to bring the goods to a named destination after the date on which control of the goods is transferred to the customer. Accordingly, under IFRS 15, a portion of the revenue earned under such contracts, representing the obligation to fulfill the shipping and insurance services, will be deferred and recognized over the time the obligations are fulfilled. There were no such contracts in 2017, nor in the three and nine months ended September 30, 2018.

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

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

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

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

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

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

Other Narrow Scope Amendments

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

c. Accounting Standards Issued But Not Yet Effective

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

IFRS 16, *Leases* (“IFRS 16”) In January 2016, the IASB issued IFRS 16 - *Leases* which replaces IAS 17 - *Leases* and its associated interpretative guidance, including IFRIC 4 and SIC 15. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a non-lease component on the basis of whether the customer controls the specific asset. For those contracts that are or contain a lease, IFRS 16 introduces significant changes for lessees to the accounting for contracts that are or contain a lease, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases less than 12 months in duration or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

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

The Company plans to apply IFRS 16 at the date it becomes effective and has selected the modified retrospective transition approach, which does not require restatement of comparative periods; instead, the cumulative impact of applying IFRS 16 will be accounted for as an adjustment to equity at the start of the accounting period in which it is first applied.

The Company anticipates that the adoption of IFRS 16 will result in an increase in the recognition of lease assets and liabilities in the Statement of Financial Position at January 1, 2019. IFRS 16 will further result in increased depreciation and amortization on these lease assets and increased interest on these additional lease liabilities. These lease payments will be recorded as financing outflows in the Consolidated Statements of Cash Flows.

During the third quarter, the Company continued to progress its IFRS 16 adoption impact analysis. The company-wide compilation and detailed review of contracts and supplier agreements to identify arrangements that may contain leases under IFRS 16 has been substantially completed. These agreements include, among others: equipment and other rental agreements, transportation contracts, and other service contracts. The Company is beginning its development of calculation methodologies and commencing the quantitative analysis for arrangements identified to represent additional finance leases under IFRS 16. The Company expects to complete this process in the fourth quarter of 2018. As such, it is not possible for the Company to make reasonable quantitative estimates of the effects of the new standard at this time.

d. Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the wholly-owned and partially-owned subsidiaries of the Company; the most significant at September 30, 2018 and December 31, 2017 are presented in the following table:

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

3. MANAGEMENT OF CAPITAL

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus share option reserve plus deficit, plus investment revaluation reserve) with a balance of $1.6 billion as at September 30, 2018 (December 31, 2017 - $1.5 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

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

4. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities by categories

September 30, 2018 [1]	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	$ 186,424	$ —	$ —	$ 186,424
Trade receivables from provisional concentrates sales[2]	—	38,592	—	38,592
Receivable not arising from sale of metal concentrates[2]	35,356	—	—	35,356
Short-term investments, equity securities	—	21,467	—	21,467
Short-term investments, other than equity securities	—	—	44,766	44,766
Derivative financial assets	—	1,414	—	1,414
	$ 221,780	$ 61,473	$ 44,766	$ 328,019
Financial Liabilities:				
Derivative financial liabilities	$ —	$ —	$ —	$ —
	$ —	$ —	$ —	$ —

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

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

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

b) Financial assets recorded at FVTPL

The Company's short-term investments in equity securities are recorded at FVTPL. The losses from short-term investments in equity securities were recorded at FVTOCI for the three and nine months ended September 30, 2017 but were recorded at FVTPL for the three and nine months ended September 30, 2018 as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Unrealized net losses on short-term investments, equity securities[1]	**$ (287)**	$ —	**$ (1,010)**	$ —
Realized net losses on short-term investments, equity securities[1]	**—**	—	**(49)**	—
	$ (287)	$ —	**$ (1,059)**	$ —

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

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

c) Financial assets recorded at FVTOCI

The Company's short-term investments other than equity securities are recorded at fair value through other comprehensive income. The unrealized (losses) gains from short-term investments other than equity securities for the three and nine months ended September 30, 2018 and 2017 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Unrealized net gains (losses) on short-term investments, other than equity securities	**$ 318**	$ (434)	**$ 661**	$ (566)
Reclassification adjustment for realized (gains) losses on short-term investments, other than equity securities	**(164)**	151	**(494)**	111
	$ 154	$ (283)	**$ 167**	$ (455)

d) Derivative instruments

The Company's derivative financial instruments are comprised of foreign currency and commodity contracts. The net gains (losses) on derivatives for the three and nine months ended September 30, 2018 and 2017 were comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Gains (losses) on foreign currency and commodity contracts:				
Realized gains (losses) on foreign currency and commodity contracts	**$ 1,478**	$ 1,862	**$ 1,160**	$ (651)
Unrealized gains (losses) on foreign currency and commodity contracts	**289**	(2,169)	**3,246**	3,098
	$ 1,767	$ (307)	**$ 4,406**	$ 2,447
Loss on derivatives:				
Loss on warrants	**(238)**	—	**$ (1,018)**	**$** —
	$ (238)	$ —	**$ (1,018)**	$ —

e) Fair value information

i) Fair Value Measurement

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

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

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

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

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

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

	At September 30, 2018		At December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	$ 66,233	$ —	$ 51,590	$ —
Trade receivables from provisional concentrate sales	—	38,592	—	51,952
Derivative financial assets	—	1,414	—	1,092
Derivative financial liabilities	—	—	—	(1,906)
	$ 66,233	$ 40,006	$ 51,590	$ 51,138

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

ii) Valuation Techniques

Short-term investments and other investments

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

Derivative assets and liabilities

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

Receivables from Provisional Concentrate Sales

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

f) Financial Instruments and related risks

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principle financial risks to which the Company is exposed are:

i) Credit risk
ii) Liquidity risk
iii) Market risk
   1. Currency risk
   2. Interest rate risk
   3. Price risk

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

i) Credit Risk

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

The Company has long-term concentrate contracts to sell the zinc, lead and copper concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At September 30, 2018, the Company had receivable balances associated with buyers of its concentrates of $38.6 million (2017 - $52.0 million). The vast majority of the Company's concentrate is sold to five well-known concentrate buyers.

Silver doré production from La Colorada, Dolores and Manantial Espejo is refined under long term agreements with fixed refining terms at three separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At September 30, 2018, the Company had approximately $26.5 million (2017 - $21.9 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at the Company's mine sites, in-transit to refineries and whilst at the refineries.

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

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

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

The Company invests its cash and cash equivalents, which also has credit risk, with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations.

ii) Liquidity Risk

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

There was no significant change to the Company's exposure to liquidity risk during the three and nine months ended September 30, 2018.

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

iii) Market Risk

1. Currency Risk

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

At September 30, 2018, the Company had no outstanding positions on its foreign currency exposure of MXN purchases. The Company recorded gains of $nil and $0.1 million, respectively on MXN derivative contracts for the three and nine months ended September 30, 2018 (2017 - gains of $0.4 million, and $4.6 million, respectively).

2. Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. At September 30, 2018, the Company has $8.4 million in lease obligations (2017 - $7.6 million), that are subject to an annualized interest rate of 2.2%.

The average interest rate earned by the Company during the three and nine months ended September 30, 2018 on its cash and short-term investments was 0.99% and 0.87%, respectively (2017 - 0.77%, and 0.68%, respectively).

3. Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, gold, lead, copper, and zinc. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in silver prices, the Company's current policy is to not hedge the price of silver.

The Company mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production from time to time under forward sales and option contracts. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions. At September 30, 2018, the Company had outstanding contracts to sell some of its base metals production.

5. SHORT-TERM INVESTMENTS

	September 30, 2018			December 31, 2017		
Available for Sale	Fair Value	Cost	Accumulated unrealized holding gains	Fair Value	Cost	Accumulated unrealized holding gains
Short-term investments	$ 66,233	$ 65,501	$ 732	$ 51,590	$ 49,985	$ 1,605

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

6. INVENTORIES

Inventories consist of:

	September 30, 2018	December 31, 2017
Concentrate inventory	$ 13,943	$ 11,582
Stockpile ore (1)	6,572	16,209
Heap leach inventory and in process (2)	117,200	108,509
Doré and finished inventory (3)	34,305	35,054
Materials and supplies	47,994	47,361
	$ 220,014	$ 218,715

(1) Includes an impairment charge of $9.5 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at September 30, 2018 (December 31, 2017 – $10.0 million at Manantial Espejo mine).

(2) Includes an impairment charge of $18.5 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at September 30, 2018 (December 31, 2017 - $10.3 million at Manantial Espejo and Dolores mines).

(3) Includes an impairment charge of $6.3 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at September 30, 2018. (December 31, 2017 - $2.9 million at Manantial Espejo mine).

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment consist of:

	September 30, 2018			December 31, 2017		
	Cost	Accumulated Depreciation and Impairment	Carrying Value	Cost	Accumulated Depreciation and Impairment	Carrying Value
Huaron mine, Peru	$ 205,468	$ (117,209)	$ 88,259	$ 196,111	$ (107,970)	$ 88,141
Morococha mine, Peru	239,503	(145,550)	93,953	230,932	(135,868)	95,064
Alamo Dorado mine, Mexico	183,190	(183,190)	—	194,023	(194,023)	—
La Colorada mine, Mexico	291,767	(116,150)	175,617	279,541	(100,970)	178,571
Dolores mine, Mexico	1,508,562	(956,253)	552,309	1,485,200	(908,651)	576,549
Manantial Espejo mine, Argentina	366,385	(358,430)	7,955	367,573	(353,322)	14,251
San Vicente mine, Bolivia	135,332	(84,963)	50,369	131,038	(79,595)	51,443
Other	24,275	(16,734)	7,541	24,174	(16,447)	7,727
Total	$ 2,954,482	$ (1,978,479)	$ 976,003	$ 2,908,592	$ (1,896,846)	$ 1,011,746
Land and Non-Producing Properties:						
Land	$ 4,678	$ (922)	$ 3,756	$ 4,990	$ (1,234)	$ 3,756
Navidad project, Argentina	566,577	(376,101)	190,476	566,577	(376,101)	190,476
Minefinders projects, Mexico	91,362	(36,975)	54,387	73,956	(16,929)	57,027
Morococha, Peru	9,674	—	9,674	9,674	—	9,674
Argentine projects	60,752	—	60,752	44,376	—	44,376
Other	31,089	(11,256)	19,833	30,885	(11,257)	19,628
Total non-producing properties	$ 764,132	$ (425,254)	$ 338,878	$ 730,458	$ (405,521)	$ 324,937
Total mineral properties, plant and equipment	$ 3,718,614	$ (2,403,733)	$ 1,314,881	$ 3,639,050	$ (2,302,367)	$ 1,336,683

Disposals

On January 31, 2018, the Company completed the sale of 100% of the shares of Minera Aquiline Argentina SA, which owns the Calcatreu project ("Calcatreu"), to Patagonia Gold Canada Inc. for total consideration of $15 million in cash. The Company received $5 million at the date of sale with the remaining $10 million received on May 18, 2018. During the three and nine months ended September 30, 2018 the Company recorded $nil and a gain of $8.0 million ($6 million, net of tax expense), respectively, on the sale of Calcatreu included in gain on sale of mineral properties, plant and equipment.

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

8. IMPAIRMENT OF MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

Based on the Company's assessment with respect to possible indicators of either impairment or reversal of previous impairments to its mineral properties, the Company concluded that as of September 30, 2018 no such indicators were noted, and no impairment charges or impairment charge reversals were required.

9. INVESTMENT IN ASSOCIATES

Investment in associates consist of:

		September 30, 2018		December 31, 2017
Investment in Maverix [(1)]	**$**	**69,298**	$	53,567
Investment in other		**1,450**		1,450
	$	**70,748**	$	55,017

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

		2018		2017
Balance of investment in Maverix, January 1,	**$**	**53,567**	$	48,284
Investment in associate		—		2,473
Dilution gain		13,288		2,273
Adjustment for change in ownership interest		1,870		758
Income (loss) in associate		573		(480)
Balance of investment in Maverix, September 30,	**$**	**69,298**	$	53,308

Investment in Maverix:

The Company's warrant liability representing in substance ownership interest in Maverix was $14.6 million as at September 30, 2018 (December 31, 2017 - $14.3 million). The Company's share of Maverix income or loss was recorded, based on its 29% interest for the nine months ended September 30, 2018 representing the Company's fully diluted ownership.

On June 29, 2018, Maverix closed a transaction with Newmont Mining Corp. and its affiliates ("Newmont") where Maverix acquired a portfolio of fifty (50) royalties from Newmont, for which Maverix issued to Newmont a total of 60 million common shares, 10 million common share purchase warrants, exercisable for five years at $1.64 per common share, and made a cash payment of $17 million (collectively, the "Newmont Transaction").

Deferred Revenue:

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

The deferred revenue related to the Streams will be recognized as revenue by Pan American as the gold ounces are delivered to Maverix. On June 29, 2018, the Company recorded an additional $1.9 million of deferred revenue, as a result of the diluted ownership in Maverix that arose on the Newmont transaction. As at September 30, 2018, the deferred revenue liability was $13.5 million (December 31, 2017 - $12.0 million).

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

During the three and nine months ended September 30, 2018, $0.1 million and $0.4 million, respectively (2017 - $nil and $0.1 million, respectively) was recognized for the delivery of 1,224 and 2,859 ounces of gold, respectively (2017 - 563 ounces and 1,556 ounces, respectively) from La Colorada to Maverix. All transactions with Maverix were in the normal course and measured at exchange amounts, which were the amounts of consideration established and agreed to by the Company and Maverix.

Income Statement Impacts:

The Company recognized dilution losses of $0.1 million and gains of $13.3 million for the three and nine months ended September 30, 2018 (2017 - gains of $0.4 million and $2.3 million, respectively). Dilution gains are recorded in share of loss from associate and dilution gain.

For the three and nine months ended September 30, 2018 the Company also recognized its share of income from associate of $0.2 million loss and $0.6 million income, respectively (2017 - $nil and $0.5 million loss, respectively) which represents the Company's proportionate share of Maverix's income (loss) during the period.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	September 30, 2018	December 31, 2017
Trade accounts payable[(1)]	$ 43,634	$ 47,138
Royalties payable	8,016	4,896
Other accounts payable and trade related accruals	21,924	29,690
Payroll and related benefits	31,202	29,329
Severance accruals	2,113	1,092
Other taxes payable	2,555	3,439
Other	12,136	24,114
	$ 121,580	$ 139,698

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

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

11. PROVISIONS

	Closure and Decommissioning	Litigation	Total
December 31, 2017	$ 65,396	$ 4,097	$ 69,493
Revisions in estimates and obligations incurred	**(6,679)**	**—**	**(6,679)**
Charged (credited) to earnings:			
-new provisions	**—**	**852**	**852**
-change in estimate	**—**	**(28)**	**(28)**
-exchange gains on provisions	**—**	**(233)**	**(233)**
Charged in the year	**—**	**(333)**	**(333)**
Reclamation expenditures	**(5,759)**	**—**	**(5,759)**
Accretion expense (Note 16)	**4,893**	**—**	**4,893**
September 30, 2018	**$ 57,851**	**$ 4,355**	**$ 62,206**

Maturity analysis of total provisions:	September 30, 2018	December 31, 2017
Current	**$ 4,774**	$ 8,245
Non-Current	**57,432**	61,248
	$ 62,206	$ 69,493

12. FINANCE LEASE OBLIGATIONS

The following table presents a reconciliation of the total future minimum lease payments at September 30, 2018 and December 31, 2017 to their present value for equipment lease obligations at several of the Company's subsidiaries:

	September 30, 2018	December 31, 2017
Less than a year	**$ 6,510**	$ 5,879
2 years	**2,119**	1,845
	8,629	7,724
Less future finance charges	**(190)**	(165)
Present value of minimum lease payments	**$ 8,439**	$ 7,559
Less: current portion of finance lease obligation	**(6,353)**	(5,734)
Non-current portion of finance lease obligation	**$ 2,086**	$ 1,825

13. OTHER LONG TERM LIABILITIES

Other long term liabilities consist of:

	September 30, 2018	December 31, 2017
Deferred credit(1)	**$ 20,788**	$ 20,788
Other income tax payable	**302**	2,082
Severance accruals	**4,338**	4,084
	$ 25,428	$ 26,954

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

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

the alternative is being discussed and pending the final resolution of this discussion, the Company continues to classify the fair value calculated at the acquisition of this alternative, as a deferred credit.

14. SHARE CAPITAL AND EMPLOYEE COMPENSATION PLANS

Transactions concerning stock options are summarized as follows in Canadian dollars ("CAD"):

	Stock Options		
	Shares		Weighted Average Exercise Price CAD$
As at December 31, 2016	**1,310,864**	**$**	**16.81**
Granted	91,945	$	18.64
Exercised	(307,266)	$	11.24
Expired	(61,891)	$	40.22
Forfeited	(97,529)	$	23.60
As at December 31, 2017	**936,123**	**$**	**16.56**
Granted	—		—
Exercised	(125,762)	$	11.14
Expired	—		—
Forfeited	(13,875)	$	24.90
As at September 30, 2018	**796,486**	**$**	**17.27**

Long Term Incentive Plan

During the three months ended September 30, 2018, 53,666 common shares were issued in connection with the exercise of options (2017 – 7,488 common shares), nil options expired (2017 - nil) and 13,875 options were forfeited (2017 – 11,380).

During the nine months ended September 30, 2018, 125,762 common shares were issued in connection with the exercise of options (2017 – 303,668 common shares), nil options expired (2017 - nil) and 13,875 options were forfeited (2017 – 97,529).

During the three and nine months ended September 30, 2018, nil and 10,338 common shares were issued to Directors in lieu of Directors fees of $nil and $0.2 million (2017 - nil and 12,291 common shares in lieu of fees of $nil and $0.2 million).

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at September 30, 2018. The underlying option agreements are specified in Canadian dollar amounts.

	Options Outstanding				Options Exercisable		
Range of Exercise Prices CAD$	Number Outstanding as at September 30, 2018	Weighted Average Remaining Contractual Life (months)		Weighted Average Exercise Price CAD$	Number Outstanding as at September 30, 2018		Weighted Average Exercise Price CAD$
$9.76 - $11.57	**243,917**	46.29	$	10.05	**243,917**	$	10.05
$11.58 - $17.01	**84,798**	42.65	$	11.85	**84,798**	$	11.85
$17.02 - $18.53	**109,758**	17.87	$	18.36	**109,758**	$	18.36
$18.54 - $24.90	**358,013**	28.45	$	23.13	**243,218**	$	24.78
	796,486	33.97	$	17.27	**681,691**	$	16.87

For the three and nine months ended September 30, 2018 the total employee share-based compensation expense recognized in the income statement was $1.0 million and $3.1 million, respectively (2017 - $0.8 million, and $2.4

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

million, respectively).

Performance Share Units ("PSU")

Compensation expense for PSU was $0.5 million and $1.2 million, respectively, for the three and nine months ended September 30, 2018 (2017 - $0.4 million and $0.9 million, respectively) and is presented as a component of general and administrative expense.

At September 30, 2018, the following PSU were outstanding:

PSU	Number Outstanding	Fair Value
As at December 31, 2016	**141,790**	**$ 2,152**
Granted	54,962	823
Paid out	(30,408)	(875)
Forfeited	—	—
Change in value	—	511
As at December 31, 2017	**166,344**	**$ 2,611**
Granted	—	—
Paid out	—	—
Forfeited	—	—
Change in value	—	(132)
As at September 30, 2018	**166,344**	**$ 2,479**

Restricted Share Units ("RSU")

Compensation expense for RSU was $nil and $1.3 million, respectively, for the three and nine months ended September 30, 2018 (2017 – $0.6 million and $2.0 million, respectively) and is presented as a component of general and administrative expense.

At September 30, 2018, the following RSU were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2016	**315,423**	**$ 4,764**
Granted	184,187	2,698
Paid out	(222,006)	(3,257)
Forfeited	(15,591)	(243)
Change in value	—	136
As at December 31, 2017	**262,013**	**$ 4,098**
Granted	—	—
Paid out	—	—
Forfeited	(15,559)	(229)
Change in value	—	(210)
As at September 30, 2018	**246,454**	**$ 3,659**

Issued share capital

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

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

Dividends

The Company declared the following dividends for the nine months ended September 30, 2018 and 2017:

Declaration Date	Record Date	Dividend per common share
November 6, 2018 [1]	November 19, 2018	$ 0.0350
August 8, 2018	August 20, 2018	$ 0.0350
May 9, 2018	May 22, 2018	$ 0.0350
February 20, 2018	March 5, 2018	$ 0.0350
August 9, 2017	August 21, 2017	$ 0.0250
May 9, 2017	May 23, 2017	$ 0.0250
February 14, 2017	February 27, 2017	$ 0.0250

(1) These dividends were declared subsequent to the quarter ended September 30, 2018 and have not been recognized as distributions to owners during the period presented.

15. PRODUCTION COSTS

Production costs are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Consumption of raw materials and consumables	**$ 48,265**	$ 41,063	**$ 136,042**	$ 122,181
Employee compensation and benefits expense	**45,151**	42,036	**128,029**	123,649
Contractors and outside services	**20,636**	20,159	**65,354**	62,655
Utilities	**7,659**	6,140	**18,449**	18,388
Severance costs related to mine operations	**—**	—	**—**	3,509
Other expenses	**6,929**	9,956	**23,830**	29,065
Changes in inventories [1]	**21,957**	(9,525)	**7,755**	1,526
	$ 150,597	$ 109,829	**$ 379,459**	$ 360,973

(1) Includes NRV adjustments to inventory to increase production costs by $23.4 million and $11.1 million for the three and nine months ended September 30, 2018, respectively (2017 - increase by $1.3 million and increase by $6.8 million, respectively).

16. INTEREST AND FINANCE EXPENSE (RECOVERY)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Interest expense (recovery)	**$ 118**	$ 855	**$ (795)**	$ (1,463)
Finance fees	**552**	156	**1,736**	1,815
Accretion expense (Note 11)	**1,631**	1,493	**4,893**	4,480
	$ 2,301	$ 2,504	**$ 5,834**	$ 4,832

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

17. EARNINGS PER SHARE (BASIC AND DILUTED)

For the three months ended September 30,	2018			2017		
	Loss (Numerator)	Shares (000's) (Denominator)	Per-Share Amount	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net (loss) earnings [1]	$ (9,460)			$ 17,256		
Basic (loss) earnings per share	$ (9,460)	153,301	$ (0.06)	$ 17,256	153,173	$ 0.11
Effect of Dilutive Securities:						
Stock Options	—	184		—	249	
Diluted (loss) earnings per share	$ (9,460)	153,485	$ (0.06)	$ 17,256	153,422	$ 0.11

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

For the nine months ended September 30,	2018			2017		
	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net earnings [1]	$ 74,103			$ 72,099		
Basic earnings per share	$ 74,103	153,302	$ 0.48	$ 72,099	153,024	$ 0.47
Effect of Dilutive Securities:						
Stock Options	—	213		—	300	
Diluted earnings per share	$ 74,103	153,515	$ 0.48	$ 72,099	153,324	$ 0.47

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

Potentially dilutive securities excluded in the diluted earnings per share calculation for the three and nine months ended September 30, 2018 were 266,068 and 266,068 out-of-the-money options, respectively (2017 – 341,843 and 341,843, respectively).

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
Other operating activities	**2018**	2017	**2018**	2017
Adjustments for non-cash income statement items:				
Share-based compensation expense	$ 964	$ 775	$ 3,072	$ 2,394
Loss on securities held	287	—	1,010	—
(Gains) losses on commodity and foreign currency contracts (Note 4d)	(1,767)	307	(4,406)	(2,447)
Loss on derivatives (Note 4d)	238	—	1,018	—
Share of loss (income) from associate and dilution gain (Note 9)	411	(373)	(13,861)	(1,793)
Net realizable value adjustment for inventories	23,432	1,336	11,067	6,812
	$ 23,565	$ 2,045	$ (2,100)	$ 4,966

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

	Three months ended September 30,		Nine months ended September 30,	
Changes in non-cash operating working capital items:	**2018**	2017	**2018**	2017
Trade and other receivables	**$ 91**	$ 8,976	**$ 6,523**	$ 576
Inventories	**(2,859)**	(9,461)	**(4,030)**	(5,908)
Prepaid expenses	**476**	(431)	**1,818**	(1,068)
Accounts payable and accrued liabilities	**7,574**	9,926	**2,357**	7,961
Provisions	**(1,098)**	(2,095)	**(6,032)**	(5,045)
	$ 4,184	$ 6,915	**$ 636**	$ (3,484)

	Three months ended September 30,		Nine months ended September 30,	
Significant non-cash items:	**2018**	2017	**2018**	2017
Assets acquired by finance lease	**$ 920**	$ 745	**$ 6,578**	$ 3,615
Shares issued as compensation	**$ —**	$ —	**$ 182**	$ 217
Shares issued as consideration for Joaquin	**$ —**	$ —	**$ —**	$ 8,650

Cash and Cash Equivalents	**September 30, 2018**	December 31, 2017
Cash in banks	**$ 114,185**	$ 160,001
Short-term money markets investments	**72,239**	15,952
Cash and cash equivalents	**$ 186,424**	$ 175,953

19. SEGMENTED INFORMATION

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

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

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

	Three months ended September 30, 2018										
	Peru		Mexico			Argentina		Bolivia	Canada		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	Total
Revenue	$ 26,415	$ 26,314	$ 55,639	$ —	$ 43,065	$ 22,194	$ —	$ 14,090	$ —	$ —	$ 187,717
Depreciation and amortization	(3,351)	(3,688)	(20,938)	—	(6,945)	(1,231)	(22)	(1,604)	(41)	(60)	(37,880)
Exploration and project development	(14)	(174)	(350)	—	(75)	(780)	(964)	—	(330)	(321)	(3,008)
Interest income	9	29	—	1	—	43	33	—	241	81	437
Interest and financing expense	(197)	(144)	(349)	(127)	(120)	(737)	(24)	(64)	(527)	(12)	(2,301)
(Loss) gain on disposition of assets	—	(22)	—	268	(23)	—	—	—	—	2	225
Share of loss from associate and dilution gain	—	—	—	—	—	—	—	—	(411)	—	(411)
Loss on derivatives	—	—	—	—	—	—	—	—	(238)	—	(238)
Foreign exchange gains (losses)	59	63	1,519	75	(88)	(2,259)	(1,180)	249	(1,871)	293	(3,140)
Gain on commodity and foreign currency contracts	—	—	—	—	—	—	—	—	1,767	—	1,767
Earnings (loss) before income taxes	3,041	4,567	(19,774)	(482)	13,052	(10,730)	(2,348)	1,440	(7,079)	1,164	(17,149)
Income tax (expense) recovery	(183)	(1,765)	15,961	109	(1,815)	(713)	63	(583)	(849)	(2,310)	7,915
Net earnings (loss) for the period	2,858	2,802	(3,813)	(373)	11,237	(11,443)	(2,285)	857	(7,928)	(1,146)	(9,234)
Capital expenditures	$ 4,813	$ 3,509	$ 11,735	$ —	$ 4,974	$ 6,728	$ 5	$ 1,730	$ 54	$ 7	$ 33,555

	Nine months ended September 30, 2018										
	Peru		Mexico			Argentina		Bolivia	Canada		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	Total
Revenue	$ 85,059	$ 91,234	$ 188,320	$ —	$ 122,713	$ 76,100	$ —	$ 47,712	$ —	$ —	$ 611,138
Depreciation and amortization	(9,516)	(11,735)	(61,810)	—	(17,137)	(4,566)	(65)	(4,934)	(105)	(176)	(110,044)
Exploration and project development	(653)	(475)	(1,253)	—	(168)	(781)	(1,944)	—	(1,371)	(984)	(7,629)
Interest income	35	68	—	4	—	267	102	—	710	197	1,383
Interest and financing (expense) recovery	(592)	(442)	140	(381)	(357)	(2,267)	(72)	(192)	(1,641)	(30)	(5,834)
(Loss) gain on disposition of assets	(2)	(22)	(72)	624	—	—	—	(518)	195	7,824	8,029
Share of income from associate and dilution gain	—	—	—	—	—	—	—	—	13,861	—	13,861
Loss on derivatives	—	—	—	—	—	—	—	—	(1,018)	—	(1,018)
Foreign exchange gains (losses)	104	92	1,750	(340)	(151)	(1,834)	(2,957)	675	(6,613)	(458)	(9,732)
Gain on commodity and foreign currency contracts	—	—	—	—	—	—	—	—	4,406	—	4,406
Earnings (loss) before income taxes	18,197	27,012	(7,707)	(2,771)	50,026	961	(5,561)	8,340	(8,378)	10,608	90,727
Income tax (expense) recovery	(7,427)	(9,537)	15,664	8,377	(13,210)	(1,134)	(23)	(2,879)	(2,984)	(1,956)	(15,109)
Net earnings (loss) for the period	10,770	17,475	7,957	5,606	36,816	(173)	(5,584)	5,461	(11,362)	8,652	75,618
Capital expenditures	$ 9,348	$ 7,331	$ 45,889	$ —	$ 14,315	$ 19,422	$ 30	$ 5,320	$ 289	$ 102	$ 102,046

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

	As at September 30, 2018										
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Pas Corp	Other	**Total**
Total assets	$ 111,986	$ 135,870	$ 807,767	$ 20,583	$ 245,985	$ 57,717	$ 195,464	$ 87,065	$ 232,319	$ 109,431	$ 2,004,187
Total liabilities	$ 40,868	$ 37,917	$ 145,885	$ 3,446	$ 62,723	$ 27,282	$ 1,572	$ 42,226	$ 28,588	$ 32,078	$ 422,585

	Three months ended September 30, 2017									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue	$ 35,356	$ 31,558	$ 44,729	$ 2,006	$ 42,352	$ 23,093	$ —	$ 11,697	$ —	$ 190,791
Depreciation and amortization	(3,530)	(2,811)	(15,176)	—	(4,508)	(1,034)	(22)	(1,433)	(80)	(28,594)
Exploration and project development	(326)	(394)	(728)	—	(1,976)	(2,616)	(469)	—	(1,019)	(7,528)
Interest income (expense)	18	24	—	1	—	198	34	(6)	124	393
Interest and financing expenses	(206)	(151)	(295)	(89)	(116)	(742)	(25)	(58)	(822)	(2,504)
Gain on disposition of assets	—	14	1	4	—	—	—	36	596	651
Share of income from associate and dilution gain	—	—	—	—	—	—	—	—	373	373
Foreign exchange gains (losses)	18	5	1,049	(782)	(1,179)	(716)	(382)	195	(60)	(1,852)
Loss on commodity and foreign currency contracts	—	—	—	—	—	—	—	—	(307)	(307)
Earnings (loss) before income taxes	11,484	10,881	(2,535)	(2,205)	18,175	(4,609)	(2,316)	1,603	(2,158)	28,320
Income tax (expense) recovery	(5,033)	(1,886)	3,993	(2)	(6,181)	—	(11)	(407)	(967)	(10,494)
Net earnings (loss) for the period	6,451	8,995	1,458	(2,207)	11,994	(4,609)	(2,327)	1,196	(3,125)	17,826
Capital expenditures	$ 1,512	$ 2,251	$ 16,333	$ —	$ 5,724	$ 3,645	$ 22	$ 2,400	$ 112	$ 31,999

	Nine months ended September 30, 2017									
	Peru		Mexico			Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue	$ 96,939	$ 86,980	$ 138,090	$ 15,678	$ 125,375	$ 83,281	$ —	$ 44,454	$ —	$ 590,797
Depreciation and amortization	(10,130)	(8,401)	(46,852)	(10)	(14,096)	(3,741)	(64)	(5,108)	(246)	(88,648)
Exploration and project development	(1,285)	(1,086)	(1,780)	—	(2,076)	(3,652)	(2,354)	—	(3,253)	(15,486)
Interest income	42	37	—	2	—	406	62	(1)	500	1,048
Interest and financing expense	(632)	(429)	1,909	(269)	(350)	(2,130)	(75)	(174)	(2,682)	(4,832)
(Loss) gain on disposition of assets	(154)	(114)	11	504	(319)	—	—	70	987	985
Share of loss from associate and dilution gain	—	—	—	—	—	—	—	—	1,793	1,793
Foreign exchange (losses) gains	(67)	(11)	1,621	(578)	(920)	(1,231)	(571)	666	1,862	771
Gain on commodity and foreign currency contracts	—	—	—	—	—	—	—	—	2,447	2,447
Earnings (loss) before income taxes	28,746	28,701	4,622	(3,650)	55,218	(16,713)	(4,458)	9,863	(8,716)	93,613
Income tax (expense) recovery	(11,128)	(5,579)	17,798	402	(11,102)	294	(41)	(3,064)	(7,406)	(19,826)
Net earnings (loss) for the period	17,618	23,122	22,420	(3,248)	44,116	(16,419)	(4,499)	6,799	(16,122)	73,787
Capital expenditures	$ 5,779	$ 6,591	$ 63,095	$ —	$ 18,816	$ 4,909	$ 22	$ 6,207	$ 340	$ 105,759

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

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

	Three months ended September 30,		Nine months ended September 30,	
Product Revenue	**2018**	2017	**2018**	2017
Refined silver and gold	**$ 84,492**	$ 75,456	**280,845**	251,314
Zinc concentrate	**31,422**	36,018	**113,338**	98,743
Lead concentrate	**39,557**	37,876	**112,669**	120,087
Copper concentrate	**21,103**	31,547	**67,292**	84,311
Silver concentrate	**$ 11,143**	$ 9,894	**36,994**	36,342
Total	**$ 187,717**	$ 190,791	**611,138**	590,797

20. INCOME TAXES

Components of Income Tax Expense

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Current income tax expense	**$ 8,160**	$ 12,615	**$ 43,902**	$ 36,171
Deferred income tax recovery	**(16,075)**	(2,121)	**(28,793)**	(16,345)
Income tax (recovery) expense	**$ (7,915)**	$ 10,494	**$ 15,109**	$ 19,826

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the items shown on the following table which results in an effective tax rate that varies considerably from the comparable period. The main factors that affected the effective tax rate for the three and nine months ended September 30, 2018 and the comparable period of 2017 were foreign exchange fluctuations, changes in the recognition of certain deferred tax assets, mining taxes paid, and withholding taxes on payments from foreign subsidiaries. The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

Reconciliation of Effective Income Tax Rate

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
(Loss) earnings before taxes and non-controlling interest	**$ (17,149)**	$ 28,320	**$ 90,727**	$ 93,613
Statutory Canadian income tax rate	**27.00%**	26.00%	**27.00%**	26.00%
Income tax (recovery) expense based on above rates	**$ (4,631)**	$ 7,363	**$ 24,496**	$ 24,339
Increase (decrease) due to:				
Non-deductible expenditures	**1,134**	811	**3,009**	3,153
Foreign tax rate differences	**(3,447)**	1,026	**(439)**	(966)
Change in net deferred tax assets not recognized:				
- Argentina exploration expenditures	**946**	463	**2,478**	1,561
- Other deferred tax assets	**1,060**	435	**(15,496)**	(2,298)
Non-taxable portion of net earnings of affiliates	**(873)**	(1,300)	**(2,637)**	(3,752)
Tax on sale of royalty	**—**	—	**—**	1,400
Effect of other taxes paid (mining and withholding)	**1,425**	3,278	**10,755**	10,417
Effect of foreign exchange on tax expense	**(8,147)**	620	**(6,564)**	(16,517)
Non-taxable impact of foreign exchange	**4,840**	(400)	**2,442**	7,562
Change in current tax expense estimated for prior years	**—**	—	**(2,030)**	(3,503)
Other	**(222)**	(1,802)	**(905)**	(1,570)
Income tax (recovery) expense	**$ (7,915)**	$ 10,494	**$ 15,109**	$ 19,826
Effective income tax rate	**46.15%**	37.06%	**16.65%**	21.18%

21. CONTINGENCIES

The Company is subject to various legal, tax, environmental and regulatory matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. In the opinion of management none of these matters are expected to have a material adverse effect on the results of operations or financial conditions of the Company. There have been no significant changes to contingencies from those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017.

22. RELATED PARTY TRANSACTIONS

The Company’s related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. All related party transactions for the three and nine months ended September 30, 2018 and 2017 have been disclosed in these condensed interim consolidated financial statements. Transactions with Maverix, an associate of the Company, have been disclosed in Note 9 of these condensed interim consolidated financial statements.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

PAN AMERICAN
SILVER

Suite 1500 - 625 Howe St.
Vancouver, BC
Canada, V6C 2T6
604-684-1175

www.panamericansilver.com