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PAN AMERICAN SILVER

SECOND QUARTER REPORT TO SHAREHOLDERS

For the period ending June 30, 2019

Pan American Silver Reports Earnings per Share of $0.09 for the Second Quarter of 2019

Vancouver, B.C. - August 7, 2019 - Pan American Silver Corp. (NASDAQ: PAAS) (TSX: PAAS) today reported unaudited results for the second quarter ended June 30, 2019 ("Q2 2019"). Pan American's unaudited condensed interim consolidated financial statements and notes ("financial statements"), as well as Pan American's Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2019, are available on Pan American's website at panamericansilver.com and on SEDAR at www.sedar.com.

Pan American's Q2 2019 results include the performance of the mines acquired (the "Acquired Mines") from Tahoe Resources Inc. ("Tahoe"), following the completion of that transaction on February 22, 2019 (the "Completion Date"). The Bell Creek and Timmins mines (together, "Timmins") acquired from Tahoe remain classified as assets held for sale and discontinued operations, and thus are not included in Pan American's revenue or mine operating earnings for Q2 2019.

"We delivered strong operating performance in Q2, resulting in cash flow from operations of $83.5 million," said Michael Steinmann, President and Chief Executive Officer. "The integration of the Tahoe assets is progressing well, and the associated transaction costs are now substantially behind us. Combined with the recent strengthening in precious metal prices and an outlook for lower costs, we should see operating margins improve over the remainder of the year."

Consolidated Q2 2019 Highlights:

- Net income of $18.5 million, equivalent to $0.09 basic earnings per share.
- Adjusted income of $9.0 million, equivalent to $0.04 basic adjusted income per share.
- Revenue of $282.9 million (excluding $57.5 million of revenue from the Timmins mines).
- Net cash generated from operations of $83.5 million.
- Silver production of 6.5 million ounces and gold production of 154.6 thousand ounces.
- Zinc, lead and copper production of 17.4 thousand tonnes, 6.8 thousand tonnes, and 2.1 thousand tonnes, respectively.
- Silver Segment Cash Costs and All-in Sustaining Costs ("AISC") were $6.67 and $10.67 per silver ounce sold, respectively, and relate to the Company's operations other than the Acquired Mines.
- Gold Segment Cash Costs and AISC were $700 and $980 per gold ounce sold, respectively, and relate to the Acquired Mines.
- Consolidated Cash Costs and AISC were ($4.19) and $6.12 per silver ounce sold, respectively, which include by-product credits from the Acquired Mines' gold production.
- Guidance for 2019 annual Cash Costs and AISC on a consolidated silver basis has been reduced to between ($3.30) and ($1.80) per ounce and between $7.00 and $9.00 per ounce, respectively.
- Guidance for 2019 annual consolidated silver and gold production has been slightly reduced to between 25.3 and 26.3 million ounces and between 550.0 and 600.0 thousand ounces, respectively, primarily due to postponement of commercial production from the COSE and Joaquin projects by about three months. The revision is not expected to have a significant adverse impact on 2019 financial results.
- Guidance for project capital expenditures has been slightly increased to $45 million, primarily as a result of the delay in development of the COSE and Joaquin projects.
- At June 30, 2019, the Company had a cash and short-term investment balance of $138.8 million and working capital of $793.1 million. Total debt was $378.8 million (including $43.8 million of lease liabilities).
- Drilling at the La Colorada mine has further defined the skarn mineralization, indicating a high concentration of base metal and silver mineralization over large widths, as reported in Pan American's news release dated August 1, 2019.

- The Board of Directors has approved a cash dividend of $0.035 per common share, or approximately $7.3 million in aggregate cash dividends, payable on or about August 30, 2019, to holders of record of Pan American's common shares as of the close on August 19, 2019. Pan American's dividends are designated as eligible dividends for the purposes of the *Income Tax Act* (Canada). As is standard practice, the amounts and specific distribution dates of any future dividends will be evaluated and determined by the Board of Directors on an ongoing basis.

Cash Costs, AISC, adjusted earnings, basic adjusted earnings per share, working capital and total debt 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.

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

CONSOLIDATED FINANCIAL RESULTS

	June 30, 2019	December 31, 2018
Weighted average shares during period (millions)	209.5	153.3
Shares outstanding end of period (millions)	209.5	153.4

	Three months ended June 30,	
	2019	2018
Revenue	$282,948	$216,460
Mine operating earnings	$36,140	$54,851
Net earnings	$18,499	$36,696
Basic earnings per share (1)	$0.09	$0.24
Adjusted earnings (2)	$9,037	$35,427
Basic adjusted earnings per share (1)	$0.04	$0.23
Net cash generated from operating activities	$83,518	$66,949
Net cash generated from operating activities before changes in working capital (2)	$63,378	$59,177
Sustaining capital expenditures	$55,911	$25,000
Project capital expenditures	$13,455	$12,675
Cash dividend per share	$0.035	$0.035
Average realized prices		
Silver ($/ounce) (3)	14.90	16.40
Gold ($/ounce) (3)	1,314	1,304
Zinc ($/tonne) (3)	2,783	3,045
Lead ($/tonne) (3)	1,875	2,378
Copper ($/tonne) (3)	6,100	6,840

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

(2) Non- GAAP measures: adjusted earnings, basic adjusted earnings per share, net cash generated from operating activities before changes in working capital are non-GAAP financial measures. Please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

(3) Metal prices stated are inclusive of final settlement adjustments on concentrate sales.

OPERATING PERFORMANCE

Silver and Gold Production

The following table provides silver and gold production at each of Pan American's operations for Q2 2019 and Q2 2018:

	Silver Production (ounces '000s)		Gold Production (ounces '000s)	
	Three months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Silver Segment:				
La Colorada	**2,045**	1,873	**1.1**	1.1
Dolores	**1,226**	1,088	**28.5**	39.8
Huaron	**948**	742	**0.2**	0.1
Morococha(1)	**615**	652	**0.3**	0.7
San Vicente(2)	**940**	976	**0.1**	0.1
Manantial Espejo	**652**	962	**5.4**	11.6
Gold Segment:				
La Arena	**6**	—	**28.4**	—
Shahuindo	**35**	—	**46.8**	—
Assets held for sale:				
Timmins(3)	**5**	—	**43.8**	—
Total(4)	**6,474**	6,294	**154.6**	53.4

(1) Morococha data represents Pan American 92.3% interest in the mine's production.
(2) San Vicente data represents Pan American 95.0% interest in the mine's production.
(3) Reflects production results subsequent to the February 22, 2019 closing date of the Acquisition as described in the "Acquisition of Tahoe" section of the MD&A for the period ended June 30, 2019. The Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in the Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of the MD&A for the period ended June 30, 2019.
(4) Totals may not add due to rounding.

Base Metal Production

The following table provides consolidated base metal production at Pan American Silver's operations for Q2 2019 and Q2 2018:

	Base Metal Production (tonnes '000s)	
	Three months ended June 30,	
	2019	2018
Zinc	**17.4**	14.9
Lead	**6.8**	5.1
Copper	**2.1**	2.0

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

Cash Costs and AISC

The following table reflects the Cash Costs and AISC, net of by-product credits, at each of Pan American's operations for Q2 2019 compared with Q2 2018:

	Cash Costs(1) ($ per ounce)		AISC(1) ($ per ounce)	
	Three months ended June 30,		Three months ended June 30,	
	2019	2018(2)	**2019**	2018(3)
La Colorada	**2.82**	1.13	**5.07**	3.46
Dolores	**6.87**	(6.70)	**22.30**	1.18
Huaron	**1.64**	2.27	**4.45**	7.88
Morococha	**3.69**	(6.19)	**10.47**	0.57
San Vicente	**10.18**	10.69	**10.60**	13.16
Manantial Espejo	**18.35**	9.46	**14.01**	7.08
Silver Segment Consolidated	**6.67**	1.84	**10.67**	5.33
Shahuindo	**546**	—	**719**	—
La Arena	**652**	—	**1,441**	—
Timmins(4)	**884**	—	**946**	—
Gold Segment Consolidated(5)	**700**	—	**980**	—
Consolidated metrics per silver ounce sold(6):				
All Operations	**(4.19)**	1.84	**6.12**	6.50
All Operations before NRV inventory adjustments	**(4.19)**	1.84	**6.46**	7.72

(1) Cash Costs and AISC are non-GAAP measures. Please refer to the section "Alternative Performance (Non-GAAP) Measures" of the MD&A for the period ended June 30, 2019 for a detailed description of these measures and where appropriate a reconciliation of the measures to the Q2 2019 Financial Statements.

(2) Silver Segment Cash Costs and AISC are calculated net of credits for realized revenues from all metals other than silver ("by-product credits"), divided by per ounce of silver sold. Cash Costs are therefore different from previously reported Q2 2018 "Cash Costs", which were calculated based on Cash Costs net of by-product credits divided by payable silver ounces produced. The Q2 2018 Cash Costs per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the Q2 2019 Cash Costs per ounce sold.

(3) 2018 AISC per ounce sold in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, with sustaining capital now including lease payments. Previously, leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

(4) The Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in the Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of the MD&A for the period ended June 30, 2019.

(5) Gold Segment Cash Costs and AISC are calculated net of credits for realized silver revenues divided by per ounce of gold sold.

(6) Calculated per silver ounce sold with gold revenues included within by-product credits. G&A costs are included in the consolidated AISC, but are not allocated in calculating AISC for each operation.

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

2019 GUIDANCE

The following tables provides our guidance for 2019, revised as at August 7, 2019. Relative to the guidance provided on May 8, 2019, management has reduced the estimate for consolidated Cash Costs and AISC to between ($3.30) and ($1.80) per ounce and between $7.00 and $9.00 per ounce, respectively, reflecting actual Cash Costs and AISC for the six months ended June 30, 2019 ("H1 2019"), a higher gold price assumption and the expected results for the remainder of 2019.

Management has also revised its guidance for consolidated silver production slightly to between 25.3 to 26.3 million ounces and gold production to between 550.0 and 600.0 thousand ounces, reflecting the postponement of commercial production from the COSE and Joaquin projects by about three months, mine scheduling adjustments at Morococha and better than expected performance at Shahuindo during H1 2019. The production in 2019 reflects a full year of production for the Silver Segment mines and from February 22, 2019, to December 31, 2019, for the Gold Segment mines.

These estimates are forward-looking statements and information that are subject to the cautionary note associated with forward-looking statements and information at the end of this news release.

	Silver Production (million ounces)	Gold Production (thousand ounces)	Cash Costs ($ per ounce)(1)	AISC ($ per ounce)(1)
Silver Segment				
La Colorada	8.0 - 8.2	4.1 - 4.8	2.50 - 3.50	3.50- 4.50
Dolores	5.2 - 5.5	114.5 - 120.0	2.80 - 3.40	15.00 - 17.00
Huaron	3.6 - 3.7	0.5	6.00 - 7.00	7.50 - 9.25
Morococha (92.3%)(2)	2.5 - 2.6	1.2 - 1.5	3.10 - 4.00	7.00 - 9.00
San Vicente (95.0%)(3)	3.5 - 3.7	0.3	10.60 - 11.50	12.25 - 13.50
Manantial Espejo/COSE/Joaquin	2.4 - 2.5	20.0 - 25.0	21.70 - 22.60	22.00 - 24.00
Total(4)	**25.2 - 26.2**	**140.5 - 152.5**	**6.50 - 7.50**	**9.75 - 11.25**
Gold Segment:				
Shahuindo	0.1	137.0 - 165.0	550 - 625	875 - 1,000
La Arena	—	117.5 - 122.5	800 - 850	1,275 - 1,325
Timmins(5)	—	155.0 - 160.0	890 - 940	1,025 - 1,075
Total(4)	**0.1**	**409.5 - 447.5**	**740 - 810**	**1,025 - 1,125**
Total Production(6)	**25.3 - 26.3**	**550.0 - 600.0**	**—**	**—**
Consolidated Silver Basis(4)	**—**	**—**	**(3.30) - (1.80)**	**7.00 - 9.00**

(1) Cash Costs and AISC are non-GAAP measures. Please refer to the section “Alternative Performance (Non-GAAP) Measures” of the MD&A for the period ended June 30, 2019, for a detailed description of these measures and where appropriate a reconciliation of the measure to the Q2 2019 Financial Statements. The Cash Costs and AISC forecasts assume realized metal prices for H1 2019 and the following metal prices for the remainder of 2019 of $15.00/oz for silver, $2,400/tonne ($1.09/lb) for zinc, $1,950/tonne ($0.88/lb) for lead, $6,000/tonne ($2.72/lb) for copper, and $1,375/oz for gold; and average annual exchange rates relative to 1 USD of 19.50 for the Mexican peso ("MXN"), 3.33 of the Peruvian sol ("PEN"), 41.80 for the Argentine peso ("ARS"), 6.91 for the Bolivian boliviano ("BOL"), and $1.30 for the Canadian dollar ("CAD").

(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) As shown in the detailed quantification of consolidated AISC, included in the “Alternative Performance (Non-GAAP) Measures” section of the MD&A for the period ended June 30, 2019, corporate G&A costs, and exploration and project development expense are included in Consolidated Silver Basis AISC, but are not allocated in calculating AISC for each operation.

(5) The Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of the MD&A for the period ended June 30, 2019. The gold production from the Timmins operations is included in the consolidated guidance, pending resolution from the sale process.

(6) Totals may not add due to rounding.

Management's guidance for zinc, lead and copper production remains unchanged, as provided in the following table.

	Consolidated Base Metal Production (tonnes '000s)
Zinc	65.0 - 67.0
Lead	24.0 - 25.0
Copper	9.8 - 10.3

Capital Expenditures

The following table summarizes the capital expenditures for H1 2019 and the revised guidance for 2019. The guidance for project capital has increased to $45 million from $40 million, as a result of the delayed development of the COSE and Joaquin projects.

(in millions of USD)	H1 2019 Actual	Revised 2019 Guidance
La Colorada	5.8	6.5 – 7.0
Dolores	28.0	53.0 – 54.0
Huaron	5.4	6.5 – 7.5
Morococha	5.6	11.0 – 12.0
San Vicente	1.4	6.5 – 7.5
Manantial Espejo	1.4	1.5 – 2.0
Shahuindo	7.1	47.5 - 49.0
La Arena	31.9	54.0 - 56.0
Timmins(1)	4.0	16.5 - 18.0
Sustaining Capital Sub-total(1)	**90.6**	**203.0 - 213.0**
Morococha projects	0.7	2.5
Mexico projects	4.8	7.5
Joaquin and COSE projects	12.9	25.0
Acquired Mines projects(1)	5.0	10.0
Project Capital Sub-total(1)	**23.4**	**45.0**
Total Capital	**114.0**	**248.0 - 258.0**

(1) The Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of the MD&A for the period ended June 30, 2019. The capital expenditures for the Timmins' operations are included in the consolidated guidance pending resolution from the sale process.

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

Second Quarter 2019 Unaudited Results Conference Call and Webcast

Date:	August 8, 2019
Time:	11:00 am ET (8:00 am PT)
Dial-in numbers:	1-800-319-4610 (toll-free in Canada and the U.S.)
	+1-604-638-5340 (international participants)
Webcast:	panamericansilver.com

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 panamericansilver.com. An archive of the webcast will also be available for three months.

About Pan American Silver

Pan American Silver 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 mines in Mexico, Peru, Canada, Argentina and Bolivia. In addition, we own the Escobal mine in Guatemala that is currently not operating. In 2019, we celebrate our silver anniversary: 25 years of operating in Latin America, earning an industry-leading reputation for operational excellence and corporate social responsibility. We are headquartered in Vancouver, B.C. and our shares trade on NASDAQ and the Toronto Stock Exchange under the symbol "PAAS”.
Learn more at panamericansilver.com.

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Technical Information
Scientific and technical information contained in this news release have been reviewed and approved by Martin Wafforn, P.Eng., Senior Vice President Technical Services and Processing Optimization, and Christopher Emerson, FAusIMM, Vice President Business Development and Geology, each of whom are 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 as at December 31, 2018, 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 12, 2019, 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. 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 or gold ounce sold, net of by-product credits ("AISC"). The Company has adopted AISC 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 June 30, 2019, 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 2019, our estimated Cash Costs and AISC in 2019, and our expectations with respect to operating margins and future metal prices and exchange rates; the ability of the Company to successfully complete any capital projects, the expected economic or operational results derived from those projects, and the impacts of any such projects on the Company; the approval or the amount of any future cash dividends; the ability of the Company to successfully put COSE and Joaquin mines into production and the timing thereof; the future results of exploration activities, including with respect to the skarn exploration program at La Colorada, and the timing of any subsequent disclosure on such results; our growth profile and opportunities as results of the acquisition of Tahoe; and our ability to successfully integrate Tahoe’s operations and realize synergies and cost savings.

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: our ability to realize the anticipated benefits and opportunities as a result of the acquisition of Tahoe; tonnage of ore to be mined and processed; ore grades and recoveries; prices for silver, gold and base metals remaining as estimated; currency exchange rates remaining as estimated; capital, decommissioning and reclamation estimates; our mineral reserve and resource estimates and the assumptions upon which they are based; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions at any of our operations; no unplanned delays or interruptions in scheduled production; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner; our ability to secure and maintain title and ownership to properties and the surface rights necessary for our operations; and our ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive.

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 PEN, MXN, ARS, BOL, GTQ and CAD versus the USD); 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; changes in national and local government, legislation, taxation, controls or regulations and political, legal or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia, Guatemala or other countries where the Company may carry on business, including legal restrictions relating to mining, including in Chubut, Argentina, risks relating to expropriation, and risks relating to the constitutional court-mandated ILO 169 consultation process in Guatemala; 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, as well as those factors identified in the section entitled “Risk Factors” in the Company’s management information circular dated December 4, 2018 with respect to the Arrangement, each 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 SIX MONTHS ENDED JUNE 30, 2019

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

August 7, 2019

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, 2018 (the "2018 Financial Statements"), and the related notes contained therein, and the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019 (the "Q2 2019 Financial Statements"), and the related notes contained therein. All amounts in this MD&A, the 2018 Financial Statements, and the Q2 2019 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 3 of the 2018 Financial Statements.

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining costs per ounce sold", "cash costs per ounce sold", "adjusted earnings" and "basic adjusted earnings per share", "total debt", "capital", and "working capital", which are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the mining industry as benchmarks for performance, 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 ounce sold", "cash costs per ounce sold", "adjusted earnings" and "basic adjusted earnings per share", "total debt", "capital", and "working capital" as well as details of the Company's by-product credits and a reconciliation, where appropriate, of these measures to the Q2 2019 Financial Statements.

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

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

CORE BUSINESS AND STRATEGY

Pan American engages in silver and gold mining and related activities, including exploration, mine development, extraction, processing, refining and reclamation. The Company owns and operates silver and gold mines located in Peru, Mexico, Argentina, Bolivia, and Canada. We also own the Escobal mine in Guatemala that is currently not operating. In addition, the Company is exploring for new silver deposits and opportunities throughout the Americas. The Company is listed on the Toronto Stock Exchange (Symbol: PAAS) and on the Nasdaq Global Select Market ("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.

Q2 2019 HIGHLIGHTS

Integration of Tahoe Resources Inc. ("Tahoe")

On February 22, 2019, the Company completed the previously announced transaction whereby Pan American acquired all of the issued and outstanding shares of Tahoe (the "Acquisition"). Tahoe was a mid-tier publicly traded precious metals mining company with ownership interests in a diverse portfolio of mines and projects including the following principal mines: La Arena and Shahuindo in Peru; Timmins West and Bell Creek in Canada (together "Timmins"); and Escobal in Guatemala, where operations have been suspended since June 2017 (together the "Acquired Mines"). The Company now operates three gold mines as a result of the Acquisition. Consequently, the Company's operations have been divided into silver and gold segments for the purposes of reporting in this MD&A.

All production, operating and financial results of the Acquired Mines (including Cash Costs and AISC amounts) reported in this MD&A and included in the Company's consolidated results and updated guidance, reflect only the results from February 22, 2019 onwards. Further details of the Acquisition are provided in the "Acquisition of Tahoe" section of this MD&A.

Assets Held for Sale

As described in the "Acquisition of Tahoe" section of this MD&A, the Timmins assets and liabilities have been classified as held for sale and are presented separately under current assets and current liabilities on the Company's consolidated balance sheet. Further, the Timmins' net income after tax has been presented as a single and separate item on the Company's consolidated income statement. As such, the consolidated revenue for the three and six months ended June 30, 2019 excludes $57.5 million and $78.6 million of Timmins' revenue.

Operations

- **Silver production of 6.47 million ounces**

Consolidated silver production for the three months ended June 30, 2019 ("Q2 2019") of 6.47 million ounces was comparable to the 6.29 million ounces produced in the three months ended June 30, 2018 ("Q2 2018"). Total production for the six months ended June 30, 2019 ("H1 2019") of 12.60 million was similar to the 12.40 million produced for the six months ended June 30, 2018 ("H1 2018").

- **Gold production of 154.6 thousand ounces**

Consolidated gold production for Q2 2019 of 154.6 thousand ounces was 190% higher than the 53.4 thousand ounces produced in Q2 2018, reflecting additional production from the Acquired Mines. H1 2019 gold production of 235.1 thousand ounces was 135.5 thousand ounces higher than the comparable period in 2018.

- **Base metal production**

Zinc production in Q2 2019 was 17.4 thousand tonnes, 17% higher than in the comparable quarter of 2018. Lead production was 6.8 thousand tonnes, 33% more than Q2 2018 production, while copper production of 2.1 thousand tonnes was 5% higher than in Q2 2018. Production in the quarter brought H1 2019 production to 34.2 thousand, 13.4 thousand, and 4.1 thousand for zinc, lead and copper, respectively, in-line with expectations and on-track to achieve Management's 2019 production guidance of 65.0 thousand to 67.0 thousand tonnes of zinc, 24.0 thousand to 25.0 thousand tonnes of lead, and 9.8 thousand to 10.3 thousand tonnes of copper.

Financial

- **Revenue and net income**

Revenue in Q2 2019 of $282.9 million (excluding revenue from the Timmins mine of $57.5 million) was up 31% from Q2 2018, primarily due to higher gold sales from the Shahuindo and La Arena mines, partially offset by lower metal prices.

Net income for Q2 2019 was $18.5 million ($0.09 basic earnings per share) compared with earnings of $36.7 million ($0.24 basic earnings per share) in Q2 2018. The quarter-over-quarter decrease mainly reflects: (i) an $18.7 million decrease in mine operating earnings primarily from lower silver and base metal prices, lower grades from mine sequencing and NRV adjustments that increased costs at Dolores and Manantial Espejo, partially offset by positive mine operating earnings from Shahuindo and La Arena; (ii) a non-recurring dilution gain of $13.4 million recognized in Q2 2018; (iii) Escobal mine care and maintenance costs, and transaction and integration costs associated with the Acquisition, which totaled $9.3 million $10.5 million; and (iv) a $6.8 million increase in interest and financing costs, reflecting interest on the amounts drawn on the Company's $500 million revolving credit facility (the "Credit Facility"); which was partially offset by $14.6 million of net income generated by the Timmins' mines, classified as income from discontinued operations.

Adjusted income in Q2 2019 was $9.0 million ($0.04 basic adjusted earnings per share) compared with $35.4 million ($0.23 basic adjusted earnings per share) in Q2 2018, due primarily to the lower mine operating earnings described above.

- **Liquidity and working capital position**

As at June 30, 2019, the Company had cash and short-term investment balances of $138.8 million, working capital of $793.1 million, and $165.0 million available under its $500.0 million revolving credit facility. Total debt of $378.8 million was related to the drawn portion of the Credit Facility ($335.0 million) and to the financing of lease liabilities ($43.8 million), which were partially attributable to the new lease accounting standard (IFRS-16) adopted on January 1, 2019.

- **Cash Costs per ounce sold**

Silver Segment Cash Costs relate to the Company's operations other than the Acquired Mines and were $6.67 per silver ounce sold for Q2 2019. H1 2019 Silver Segment Cash Costs of $6.08 per ounce were lower than the annual forecast range of $6.50 to $7.50 per ounce.

Gold Segment Cash Costs related to the Acquired Mines were $700 and $718 per gold ounce sold in Q2 2019 and H1 2019, respectively, lower than the annual forecast range of $740 to $810 per gold ounce sold.

Consolidated Negative Cash Costs per silver ounce sold for Q2 2019 and H1 2019 were $(4.19) and $(1.30), respectively, including by-product credits from the Acquired Mines' gold production, and were lower than and within the forecast of ($2.25) to $0.50 per ounce of silver sold, respectively.

Cash Costs is a non-GAAP measure, please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to the Q2 2019 Financial Statements.

- **All-In Sustaining Costs per ounce sold ("AISC")**

Silver Segment AISC for Q2 2019 and H1 2019 were $10.67 and $10.75 per silver ounce sold, respectively, in line with the 2019 Forecast of $9.75 to $11.25 per ounce.

Gold Segment AISC for Q2 2019 and H1 2019 were $980 and $1,007 per gold ounce sold, respectively, lower than the 2019 forecast of $1,025 to $1,125 per ounce.

Consolidated AISC for Q2 2019 and H1 2019 were $6.12 and $8.21 per silver ounce sold, respectively, which included by-product credits from the Acquired Mines' gold production, compared to the forecast range of $7.75 to $10.75 per silver ounce sold.

AISC is a non-GAAP measure, please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of this measure to the Q2 2019 Financial Statements.

Annual Forecast

- **Revised Cash Costs, AISC and Production Forecasts**

Based on results to date and those expected for the remainder of the year, Management has revised the 2019 annual forecasts for consolidated Cash Costs, AISC and silver and gold production as discussed in the "Annual Operating Outlook" section of this MD&A. The revised 2019 annual Cash Cost and AISC ranges have been lowered to ($3.30) to ($1.80), and $7.00 to $9.00 per ounce of silver sold, respectively.

Due to delays in the completion of the projects at COSE and Joaquin, Management has slightly reduced the annual guidance for 2019 silver production to 25.3 million to 26.3 million ounces and gold production to 550 thousand to 600 thousand ounces.

OPERATING PERFORMANCE

Silver and Gold Production

The following table provides silver and gold production at each of Pan American's operations for the three and six month periods ended June 30, 2019 and 2018, except for the Acquired Mines, which for the six months ended June 30, 2019 only include production from the February 22, 2019 acquisition date:

	Silver Production (ounces '000s)				Gold Production (ounces '000s)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	**2018**	**2019**	2018	**2019**	**2018**
Operations:								
La Colorada	**2,045**	1,873	**4,035**	3,523	**1.1**	1.1	**2.1**	2.1
Dolores	**1,226**	1,088	**2,339**	2,290	**28.5**	39.8	**58.5**	74.1
Huaron	**948**	742	**1,885**	1,673	**0.2**	0.1	**0.5**	0.4
Morococha[1]	**615**	652	**1,313**	1,383	**0.3**	0.7	**0.9**	1.5
San Vicente[2]	**940**	976	**1,790**	1,740	**0.1**	0.1	**0.2**	0.3
Manantial Espejo	**652**	962	**1,176**	1,787	**5.4**	11.6	**10.3**	21.3
La Arena[3]	**6**	—	**9**	—	**28.4**	—	**43.1**	—
Shahuindo[3]	**35**	—	**45**	—	**46.8**	—	**61.3**	—
Assets held for sale:								
Timmins [3]	**5**	—	**7**	—	**43.8**	—	**58.2**	—
Total [4]	**6,474**	6,294	**12,599**	12,396	**154.6**	53.4	**235.1**	99.6

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

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

(3) Reflects production results subsequent to the February 22, 2019 closing date of the Acquisition as described in the "Acquisition of Tahoe" section of this MD&A. The Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements and in the "Acquisition of Tahoe" section of this MD&A.

(4) Totals may not add due to rounding.

Silver Production

Consolidated silver production in Q2 2019 of 6.47 million ounces was 3% higher than the 6.29 million ounces produced in Q2 2018. The higher production was driven from increased production at Huaron, La Colorada, and Dolores. The increases at Huaron and La Colorada were primarily related to increased throughput, whereas at Dolores, the increase was from higher recoveries due to leach pad kinetics. These increases were partially offset by decreased production at Manantial Espejo, due to anticipated lower grades and throughput. Each operation's silver production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Gold Production

Consolidated gold production in Q2 2019 of 154.6 thousand ounces was 190% higher than the 53.4 thousand ounces produced in Q2 2018. The increase was attributable to the production from the Acquired Mines during the quarter, which totaled 119.0 thousand ounces, partially offset by lower production at Dolores and Manantial Espejo as a result of anticipated lower grades and throughput. Each operation's production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Base Metal Production

The following table provides the Company's base metal production for the three-month and six-month periods ended June 30, 2019 and 2018:

	By-Product Production			
	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Zinc – kt	**17.4**	14.9	**34.2**	29.6
Lead – kt	**6.8**	5.1	**13.4**	10.4
Copper – kt	**2.1**	2.0	**4.1**	4.9

Zinc production in Q2 2019 was 17% higher than Q2 2018, driven primarily by higher throughput at the expanded La Colorada mine, higher throughput at Huaron, and higher grades at Morococha from mine sequencing.

Lead production in Q2 2019 was 33% higher than Q2 2018, resulting primarily from higher throughput at the expanded La Colorada mine, higher grades at Morococha from mine sequencing, and higher throughput at Huaron.

Copper production in Q2 2019 was 5% higher than Q2 2018, driven from higher throughput and grades at Huaron, partially offset by lower grades at San Vicente and Morococha from mine sequencing. Each operation's by-product production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

Cash Cost and AISC

The Company currently operates three gold mines as a result of the Tahoe Acquisition. Consequently, the Company's operations have been divided into silver and gold segments for the purposes of reporting Cash Costs and AISC, as set out in the table below. Based on the increased gold production, the Company has determined it necessary to adjust certain components of how cash costs per ounce and all-in-sustaining costs per ounce are calculated and reported. The quantification of both the current Cash Costs and AISC measures are described in detail, and where appropriate reconciled to the Q2 2019 financial statements, in the "Alternative (Non-GAAP) Performance Measures" section of this MD&A.

The following table reflects the Cash Costs and AISC net of by-product credits at each of Pan American's operations for the three and six months ended June 30, 2019, as compared to the same periods in 2018 for the Silver Segment mines and since February 22, 2019 for the newly acquired Gold Segment mines:

	Cash Costs[(1)] ($ per ounce)				AISC[(1)] ($ per ounce)			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2019	2018[(2)]	**2019**	2018[(2)]	**2019**	2018[(3)]	**2019**	2018[(3)]
La Colorada	**2.82**	1.13	**2.48**	0.50	**5.07**	3.46	**4.20**	2.65
Dolores	**6.87**	(6.70)	**5.24**	(4.33)	**22.30**	1.18	**24.21**	5.78
Huaron	**1.64**	2.27	**3.00**	0.48	**4.45**	7.88	**6.48**	5.24
Morococha	**3.69**	(6.19)	**1.11**	(8.30)	**10.47**	0.57	**5.92**	(3.37)
San Vicente	**10.18**	10.69	**10.21**	10.12	**10.60**	13.16	**10.90**	12.35
Manantial Espejo	**18.35**	9.46	**21.47**	12.58	**14.01**	7.08	**18.74**	8.84
Silver Segment Consolidated	**6.67**	1.84	**6.08**	1.66	**10.67**	5.33	**10.75**	5.26
Shahuindo	**546**	—	**557**	—	**719**	—	**709**	—
La Arena	**652**	—	**648**	—	**1,441**	—	**1,374**	—
Timmins[(4)]	**884**	—	**910**	—	**946**	—	**992**	—
Gold Segment Consolidated	**700**	—	**718**	—	**980**	—	**1,007**	—
Consolidated metrics per silver ounce sold[(5)]:								
All Operations	**(4.19)**	1.84	**(1.30)**	1.66	**6.12**	6.50	**8.21**	6.52
All Operations before NRV inventory adjustments	**(4.19)**	1.84	**(1.30)**	1.66	**6.46**	7.72	**7.75**	7.60

(1) Cash Costs and AISC are non-GAAP measures. Please refer to the section "Alternative Performance (Non-GAAP) Measures" of this MD&A for a detailed description of these measures and where appropriate a reconciliation of the measure to the Q2 2019 Financial Statements.

(2) Silver Segment Cash Costs per ounce sold are calculated based on Cash Costs, net of by-product credits divided by per ounce of silver sold and they are therefore different from previously reported Q2 2018 "Cash Costs" which were calculated based on cash costs net of by-product credits divided by payable silver ounces produced. The Q2 2018 cash costs per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the Q2 2019 Cash Cost per ounce sold.

(3) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and sustaining capital now includes lease payments. Previously, leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

(4) The Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in the "Acquisition of Tahoe" section of this MD&A.

(5) Consolidated silver basis total is calculated per silver ounce sold with total gold revenues included within by-product credits. G&A costs are included in the consolidated AISC, but not allocated in calculating AISC for each operation.

Cash Costs

Consolidated Cash Costs on a silver basis were $(4.19) per ounce for Q2 2019, down $6.03 from Q2 2018, as a result of the increase in gold by-product credits from the newly acquired Gold Segment mines, which was only partially offset by increased Silver Segment cash costs due to a combination of lower by-product credits and higher smelting and refining charges on a per ounce basis. Consolidated Cash Costs are based on total silver ounces sold and are net of by-product credits from all metals other than silver.

AISC

Consolidated AISC on a silver basis for Q2 2019 were $6.12 per ounce, a $0.38 decrease from Q2 2018. The quarter-over-quarter increase was primarily the result of the aforementioned increase in Silver Segment cash costs, combined with increased NRV adjustments, and the addition of the Gold Segment capital expenditures, largely offset by the increase in gold by-product credits from the newly acquired Gold Segment mines. Consolidated AISC are based on total silver ounces sold and are net of by-product credits from all metals other than silver.

Individual Mine Performance

An analysis of performance at each operation in Q2 2019 compared with Q2 2018 follows. The project capital amounts invested in Q2 2019 are further discussed in the "Project Development Update" section of this MD&A.

La Colorada mine

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	**2018**
Tonnes milled – kt	**193.9**	176.9	**380.7**	347.3
Average silver grade – grams per tonne	**357**	361	**359**	347
Average zinc grade - %	**3.21**	2.77	**3.14**	2.80
Average lead grade - %	**1.68**	1.36	**1.64**	1.39
Production:				
Silver – koz	**2,045**	1,873	**4,035**	3,523
Gold – koz	**1.09**	1.05	**2.10**	2.10
Zinc – kt	**5.51**	4.23	**10.61**	8.37
Lead – kt	**2.86**	2.11	**5.49**	4.23
Cash Costs(1)	**$ 2.82**	$ 1.13	**$ 2.48**	$ 0.50
Sustaining capital - ('000s)(2)	**$ 3,631**	$ 3,309	**$ 5,843**	$ 6,195
AISC(1)	**$ 5.07**	$ 3.46	**$ 4.20**	$ 2.65
Payable silver sold - koz	**1,965**	1,486	**4,012**	3,030

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

(2) Sustaining capital expenditures exclude $2.8 million and $4.4 million investing activity cash outflows for Q2 2019 and H1 2019, respectively (Q2 2018 and H1 2018: $1.5 million and $3.1 million respectively) related to investment capital incurred on the La Colorada projects, as disclosed in the "Project Development Update" section of this MD&A.

Q2 2019 vs. Q2 2018

Production:

- Silver: 9% increase, driven primarily from higher sulphide ore throughput.
- By-products: 30% and 36% increases in zinc and lead production, respectively, resulting from increased sulphide ore throughput.

Cash Costs: the $1.69 per ounce increase was primarily the result of lower by-product credits per ounce sold from lower base metal prices and higher treatment and refining charges, partially offset by higher silver and base metal production.

Sustaining Capital: primarily related to investments in equipment replacements and rehabilitation, lease payments for equipment and office leases, and near-mine exploration activities.

AISC: the increase was due to the same factors affecting Cash Costs.

Dolores mine

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	**2018**
Tonnes placed – kt	**1,593.5**	1,664.0	**3,433.9**	3,561.9
Average silver grade – grams per tonne	**32**	31	**30**	33
Average gold grade – grams per tonne	**0.52**	1.03	**0.51**	0.94
Production:				
Silver – koz	**1,226**	1,088	**2,339**	2,290
Gold – koz	**28.5**	39.8	**58.5**	74.1
Cash Costs[(1)]	**$ 6.87**	$ (6.70)	**$ 5.24**	$ (4.33)
Sustaining capital - ('000s)[(2)]	**14,965**	11,245	**28,032**	25,616
AISC[(1)]	**$ 22.30**	$ 1.18	**$ 24.21**	$ 5.78
Payable silver sold - koz	**1,183**	1,145	**2,194**	2,385

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

(2) Sustaining capital expenditures exclude $nil and $0.4 million of investing activity cash outflow for Q2 2019 and H1 2019, respectively (Q2 and H1 2018: $4.1 million and $8.5 million, respectively) related to investment capital incurred on Dolores expansion projects, as disclosed in the "Project Development Update" section of this MD&A.

Q2 2019 vs. Q2 2018

Production:

- Silver: 13% higher due to improved leach kinetics from better than expected recovery of partially leached pad 1 materials and increased pulp agglomeration throughput, partially offset by lower heap leach stacking rates.
- Gold: 28% lower due to lower grades from mine sequencing, partially offset by the previously discussed improvement in leach kinetics from the pad 1 material.

Cash Costs: increased $13.57 per ounce due primarily to lower grades from mine sequencing, which resulted in a 26% drop in gold by-product credits. Additionally, open pit mining activities were higher in Q2 2019 than in Q2 2018, reflecting the temporary mine suspension in Q2 2018 to address access road security issues.

Sustaining Capital: comprised mainly of pre-stripping expenditures and leach pad expansions.

AISC: increased $21.12 per ounce, due to the same factors affecting Cash Costs, as well as a $5.3 million ($4.54 per ounce) increase in quarter-over-quarter cost increasing non-cash NRV adjustments and a $3.7 million increase in sustaining capital expenditures due to higher pre-stripping activities following the mine suspension in Q2 2018.

Huaron mine

	Three months ended June 30,		Six months ended June 30,	
	2019	2018[(2)]	**2019**	2018[(2)]
Tonnes milled - kt	**250.2**	203.6	**490.2**	438.3
Average silver grade – grams per tonne	**139**	137	**141**	143
Average zinc grade - %	**2.54**	2.58	**2.41**	2.44
Average lead grade - %	**1.19**	1.15	**1.18**	1.10
Average copper grade - %	**0.79**	0.57	**0.76**	0.72
Production:				
Silver – koz	**948**	742	**1,885**	1,673
Gold – koz	**0.24**	0.14	**0.48**	0.36
Zinc – kt	**4.89**	4.01	**9.02**	8.11
Lead – kt	**2.31**	1.75	**4.40**	3.56
Copper – kt	**1.50**	0.78	**2.79**	2.35
Cash Costs[(1)]	**$ 1.64**	$ 2.27	**$ 3.00**	$ 0.48
Sustaining capital - ('000s)	**$ 2,144**	$ 3,359	**$ 5,362**	$ 5,973
AISC[(1)]	**$ 4.45**	$ 7.88	**$ 6.48**	$ 5.24
Payable silver sold – koz	**829**	674	**1,648**	1,452

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

(2) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and sustaining capital now includes lease payments. Previously leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

Q2 2019 vs. Q2 2018

Production:

- Silver: 28% higher, primarily due to higher throughput relative to Q2 2018 when processing activities were impacted by a roadblock.
- By-products: 22%, 32% , and 93% increases in zinc, lead and copper production, respectively, primarily as a result of increased throughput. Copper production also benefited from higher grades due to mine sequencing.

Cash Costs: consistent with the prior period, as the decrease in base metal prices and increased treatment and refining charges were largely offset by higher production of all metals.

Sustaining Capital: related primarily to payments for equipment leases, near mine exploration, and equipment replacements and refurbishments. The decrease from Q2 2018 was related primarily to the completion of the tailings storage facility construction and mine deepening projects, both of which began in Q2 2018.

AISC: a decrease of $3.43 per ounce, primarily the result of the decrease in sustaining capital and exploration costs.

Morococha mine[1]

	Three months ended June 30,		Six months ended June 30,	
	2019	2018[2]	**2019**	2018[2]
Tonnes milled – kt	**170.3**	171.3	**339.7**	339.5
Average silver grade – grams per tonne	**127**	136	**136**	143
Average zinc grade - %	**3.66**	3.50	**3.83**	3.64
Average lead grade - %	**1.15**	0.83	**1.24**	0.85
Average copper grade - %	**0.37**	0.68	**0.44**	0.77
Production:				
Silver – koz	**615**	652	**1,313**	1,383
Gold – koz	**0.27**	0.66	**0.90**	1.46
Zinc – kt	**5.48**	5.18	**11.26**	10.60
Lead – kt	**1.57**	1.04	**3.34**	2.15
Copper – kt	**0.34**	0.88	**0.91**	2.01
Cash Costs[3]	**$ 3.69**	$ (6.19)	**$ 1.11**	$ (8.30)
Sustaining capital (100%) - ('000s)[4]	**$ 3,715**	$ 3,853	**$ 5,649**	$ 5,884
AISC[3]	**$ 10.47**	$ 0.57	**$ 5.92**	$ (3.37)
Payable silver sold (100%) - koz	**565**	609	**1,257**	1,290

(1) Production figures are for Pan American's 92.3% share only, unless otherwise noted.
(2) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and sustaining capital now includes lease payments. Previously leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.
(3) Cash Costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed reconciliation of these measures to cost of sales.
(4) Sustaining capital expenditures exclude $0.5 million and $0.7 million of investing activity cash outflow for Q2 2019 and H1 2019, respectively (Q2 and H1 2018: $nil) related to investment capital incurred on Morococha plant studies, as disclosed in the "Project Development Update" section of this MD&A.

Q2 2019 vs. Q2 2018

Production:

- Silver: 6% lower due to lower grades from mine sequencing.
- By-products: a 51% and 6% increase in lead and zinc production, respectively, and a 61% decrease in copper production, all related to grades variances from mine sequencing.

Cash Costs: $9.88 per ounce higher, primarily because of lower by-product metal prices, lower silver and copper production, and higher treatment and refining charges.

Sustaining Capital: primarily related to near-mine exploration, equipment replacements and refurbishments, and equipment and office leases.

AISC: $9.90 per ounce higher due to the same factors affecting quarter-over-quarter cash costs.

San Vicente mine (1)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018(2)	**2019**	2018(2)
Tonnes milled – kt	**87.2**	86.0	**170.5**	161.8
Average silver grade – grams per tonne	**371**	374	**363**	361
Average zinc grade - %	**2.22**	2.34	**2.42**	2.10
Average lead grade - %	**0.13**	0.33	**0.10**	0.33
Average copper grade - %	**0.31**	0.41		
Production:				
Silver – koz	**940**	976	**1,790**	1,740
Gold – koz	**0.13**	0.14	**0.22**	0.27
Zinc – kt	**1.50**	1.43	**3.30**	2.49
Lead – kt	**0.08**	0.22	**0.12**	0.42
Copper – kt	**0.22**	0.30	**0.40**	0.59
Cash Costs (3)	**$ 10.18**	$ 10.69	**10.21**	10.12
Sustaining capital (100%) - ('000s)	**$ 414**	$ 2,140	**$ 1,404**	$ 3,606
AISC(3)	**$ 10.60**	$ 13.16	**$ 10.90**	$ 12.35
Payable silver sold (100%) - koz	**1,152**	893	**2,273**	1,676

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

(2) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the Company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and sustaining capital now includes lease payments. Previously leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

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

Q2 2019 vs. Q2 2018

Production:

- Silver: 4% lower primarily from a decrease in recoveries due to ore characteristics.
- By-products: the 5% increase in zinc and 62% and 27% decreases in lead and copper production, respectively, were the result of mine sequencing, as well as a reduction in the payability of lead in the silver concentrate sales contracts.

Cash Costs: $0.51 per ounce lower due largely to the timing of royalty expense recognition, which was partially offset by higher direct operating costs per ounce due to inflation in labour costs and consumables.

Sustaining Capital: Q2 2019 expenditures primarily relate to mine equipment replacements and rehabilitation, and near-mine exploration.

AISC: the $2.56 per ounce decrease was due primarily to lower sustaining capital expenditures, in addition to the factors that reduced cash costs.

Manantial Espejo mine

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	**2018**
Tonnes milled - kt	**152.6**	197.1	**341.2**	399.9
Average silver grade – grams per tonne	**139**	177	**119**	163
Average gold grade – grams per tonne	**1.19**	1.91	**1.04**	1.79
Production:				
Silver – koz	**652**	962	**1,176**	1,787
Gold – koz	**5.37**	11.62	**10.30**	21.31
Cash Costs(1)	**$ 18.35**	$ 9.46	**$ 21.47**	12.58
Sustaining capital - ('000s)	**$ 664**	$ 1,094	**$ 1,385**	$ 1,627
AISC(1)	**$ 14.01**	$ 7.08	**$ 18.74**	$ 8.84
Payable silver sold - koz	**782**	987	**1,184**	1,661

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

Q2 2019 vs. Q2 2018

Production:

- Silver and Gold: 32% and 54% decreases, respectively, primarily from lower throughput due to a temporary suspension of operations and the planned decrease in grades from processing of stockpiled ore. As previously announced on June 17, 2019 operations at Manantial Espejo were suspended for approximately 13 days during Q2 2019 following a fatal accident at the COSE project, operations recommenced in the last week of June.

Cash Costs: an $8.89 per ounce increase, primarily as a result of the following factors: (i) lower silver and gold sales due to lower throughput and grades; and, (ii) higher direct selling costs due to the introduction of an export tax in late 2018. Partially offsetting these factors were lower production costs due to the steep devaluation of the Argentine peso.

Sustaining Capital: Q2 2019 expenditures were primarily related to lease payments for diesel generators on site.

AISC: the $6.93 per ounce increase was due to the same factors described in cash costs, partially offset by an increase in non-cash NRV inventory adjustments.

Gold Segment Mines

The Gold Segment Mines were acquired on February 22, 2019, as such, the financial and operating results of these mines have only been reported, and included in the Company's consolidated results, from this date forward. All comparative 2018 period amounts for the Acquired Mines will be nil.

	Three months ended June 30,			Six months ended June 30,		
	Shahuindo	La Arena	Timmins(1)	Shahuindo	La Arena	Timmins(1)
Tonnes milled - kt	3,212.7	2,296.7	411.3	4,450.6	2,915.9	593.0
Average silver grade – grams per tonne	7.22	0.41	—	7.30	0.40	—
Average gold grade – grams per tonne	0.59	0.42	3.28	0.61	0.43	3.13
Production:						
Silver – koz	35.01	6.01	5.30	45.19	8.98	7.10
Gold – koz	46.83	28.42	43.78	61.29	43.13	58.17
Cash Costs(2)	$ 546	$ 652	$ 884	$ 557	$ 648	$ 910
Sustaining capital - ('000s)(3)	$ 6,835	$ 21,470	$ 2,074	$ 7,065	$ 31,926	$ 3,987
AISC(2)	$ 719	$ 1,441	$ 946	$ 709	$ 1,374	$ 992
Payable gold ounces sold	43,946	28,124	44,000	52,546	45,258	60,700

(1) The Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in the "Acquisition of Tahoe" section of this MD&A.

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

(3) Timmins sustaining capital expenditures exclude $0.9 million and $2.2 million of investing activity cash outflow for Q2 2019 and H1 2019, respectively, and related primarily to reduction in accounts payable balances from the Bell Creek shaft project completed prior to acquisition. Shahuindo sustaining capital expenditures exclude $1.8 million and $1.8 million of investing activity cash outflow for Q2 2019 and H1 2019, respectively, relating to project development.

Shahuindo

Production: gold production of 61.3 thousand ounces since the acquisition is consistent with Management's expectations and represents 41% of the midpoint of Management's 2019 annual forecast range of 135.0 thousand to 165.0 thousand ounces.

Cash Costs: were $557 per gold ounce in H1 2019, within Management's 2019 annual forecast range of $550 to $625 per ounce.

Sustaining Capital: sustaining capital was primarily comprised of leach pad construction and mining equipment, and was consistent with expectations.

AISC: in H1 2019 were $709, lower than Management's 2019 annual forecast range of $875 to $1,000, as a result of sustaining capital being back loaded into the second half of the year.

La Arena

Production: gold production of 43.1 thousand ounces since the acquisition is consistent with Management's expectations and represents 36% of the midpoint of Management's 2019 annual forecast range of 117.5 thousand to 122.5 thousand ounces.

Cash Costs: year-to-date were $648 per gold ounce, lower than Management's 2019 annual forecast range of $800 to $850 per ounce, due to the timing of capitalized pre-stripping activities.

Sustaining Capital: sustaining capital was primarily comprised of pre-stripping activities, leach pad construction, mine infrastructure, and land purchases, and was consistent with expectations.

AISC: year-to-date was $1,374, slightly higher than Management's 2019 annual forecast range of $1,275 to $1,325, due to the timing of capitalized pre-stripping activities.

Timmins

Production: gold production of 58.2 thousand ounces since the acquisition is consistent with Management's expectations and represents 37% of the midpoint of Management's 2019 annual forecast range of 155.0 thousand to 160.0 thousand ounces.

Cash Costs: year-to-date were $910 per gold ounce, and within Management's 2019 annual forecast range of $890 to $940 per ounce.

Sustaining Capital: sustaining capital was primarily comprised of exploration, equipment rebuilds and infrastructure upgrades, and was consistent with expectations.

AISC: year-to-date was $992, which is slightly below the lower end of Management's 2019 annual forecast range of $1,025 to $1,075.

2019 ANNUAL OPERATING OUTLOOK

These estimates are forward-looking statements and information that are subject to the cautionary note associated with forward-looking statements and information at the end of this MD&A. The following forecast amounts refer the updated annual 2019 forecasts as provided in the Company's Q1 2019 MD&A dated May 8, 2019, and include certain forecast amounts for the Acquired Mines from February 22, 2019 to December 31, 2019 (the "May 2019 Forecast" amounts).

Production Relative to Forecast:

The following table summarizes the H1 2019 metal production compared to the May 2019 Forecast amounts:

	H1 2019 Actual	May 2019 Forecast	% of 2019 Forecast [(1)]
Silver – Moz	12.60	26.6 - 27.6	46%
Gold[(2)] – koz	235.1	570.0 - 620.0	40%
Zinc – kt	34.2	65.0 - 67.0	52%
Lead – kt	13.4	24.0 - 25.0	55%
Copper – kt	4.1	9.8 - 10.3	41%

(1) Percentage calculated based on mid-point of the guidance ranges in the table above.

(2) Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of this MD&A. Gold production from the Timmins operations is included in the consolidated forecast pending resolution from the sale process.

Cash Costs and AISC Compared to Forecast:

The following table summarizes H1 2019 Cash Costs and AISC for each operation compared to the respective May 2019 Forecast amounts. These estimates are largely influenced by Management's assumptions and estimates for productivity, input costs, commodity prices and currency exchange rates.

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

- ✓✓ Actual results were better than May 2019 Forecast range
- ✓ Actual results met the May 2019 Forecast range
- ✗ Actual results were short of May 2019 Forecast range

	Cash Costs[1] ($ per ounce)			AISC[1] ($ per ounce)		
	May 2019 Forecast[2]	H1 2019 Actual		May 2019 Forecast[2]	H1 2019 Actual	
Silver Segment:						
La Colorada	2.50 - 3.50	$2.48	✓✓	3.50- 4.50	$4.20	✓
Dolores	4.50 - 5.50	5.24	✓	14.00 - 16.00	$24.21	✗
Huaron	6.00 - 7.00	3.00	✓✓	7.50 - 9.25	$6.48	✓✓
Morococha	3.10 - 4.00	1.11	✓✓	7.00 - 9.00	$5.92	✓✓
San Vicente	10.60 - 11.50	10.21	✓✓	12.25 - 13.50	$10.90	✓✓
Manantial Espejo	17.00 - 18.50	21.47	✗	17.75 - 19.50	$18.74	✓
Total[3]	**6.50 - 7.50**	6.08	✓✓	**9.75 - 11.25[3]**	$10.75	✓
Gold Segment:						
Shahuindo	550 - 625	557	✓	875 - 1,000	$709	✓✓
La Arena	800 - 850	648	✓✓	1,275 - 1,325	$1,374	✗
Timmins[4]	890 - 940	910	✓	1,025 - 1,075	$992	✓✓
Total	**740 - 810**	**$718**	✓✓	**1,025 - 1,125**	**$1,007**	✓✓
Consolidated Silver Basis[5]	**(2.25) - 0.50**	**$(1.30)**	✓	**7.75 - 10.75**	**$8.21**	✓

(1) Cash Costs and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed description of these calculations and a reconciliation of these measures to the Q2 2019 Financial Statements. The cash costs and AISC forecasts assume metal prices of $14.50/oz for silver, $1,250/oz for gold, $2,600/tonne ($1.18/lb) for zinc, $1,950/tonne ($0.88/lb) for lead, and $6,150/tonne ($2.79/lb) for copper; and average annual exchange rates relative to 1 USD of 19.50 for the MXN, 3.33 for the PEN, 41.80 for the ARS, 6.91 for the BOL, and $1.30 for the CAD.

(2) Consolidated total is calculated per silver ounce sold with gold revenues included in the by-product credits.

(3) As shown in the detailed quantification of consolidated AISC, included in the “Alternative Performance (Non-GAAP) Measures” section of this MD&A, corporate general and administrative expense, and exploration and project development expense are included in consolidated (silver basis) AISC, but are not allocated amongst the operations and thus are not included in either the silver or gold segment totals.

(4) Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of this MD&A. Gold production from the Timmins operations is included in the consolidated guidance pending resolution from the sale process.

(5) Consolidated silver basis is calculated by treating all revenues from metals other than silver, including gold, as a by-product credit.

Capital Expenditures Relative to Forecast:

The following table summarizes the H1 2019 capital expenditures compared to the May 2019 Forecast amounts:

	2019 Capital Expenditures ($ millions)		
	H1 2019 Actual	May 2019 Forecast	% of Annual Guidance [1]
La Colorada	5.8	6.5 – 7.0	86%
Dolores	28.0	53.0 – 54.0	52%
Huaron	5.4	6.5 – 7.5	77%
Morococha	5.6	11.0 – 12.0	49%
San Vicente	1.4	6.5 – 7.5	20%
Manantial Espejo	1.4	1.5 – 2.0	80%
Shahuindo	7.1	47.5 - 49.0	15%
La Arena	31.9	54.0 - 56.0	58%
Timmins[2]	4.0	16.5 - 18.0	23%
Sustaining Capital Sub-total[2]	**90.6**	**203.0 - 213.0**	**44%**
Morococha projects	0.7	2.50	28%
Mexico projects	4.8	7.50	64%
Joaquin and COSE projects	12.9	20.00	65%
Acquired Mines projects[2]	5.0	10.00	50%
Project Capital Sub-total[2]	**23.4**	**40.00**	**59%**
Total Capital[2]	**114.0**	**243.0 - 253.0**	**46%**

(1) Percentage calculated based on mid-point of the related 2019 guidance range.
(2) Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of this MD&A. The capital expenditures for the Timmins operations is included in the consolidated forecast pending resolution from the sale process.

August 2019 Forecast:

Based on cash costs and AISC achieved in H1 2019, increased gold price expectations and the expected results for the remainder of 2019, Management is reducing the consolidated silver basis cash costs and AISC to between ($1.80) and ($3.30) per ounce and between $7.00 and $9.00 per ounce, respectively. Please see the table below entitled "August 2019 Forecast" for a mine by mine breakdown.

Management is revising the full-year consolidated silver production estimate slightly to between 25.3 to 26.3 million ounces and annual gold production guidance to between 550.0 and 600.0 thousand ounces, as shown in the table below. The slight reduction is due to a postponement of commercial production from COSE and Joaquin by three months following the fatal ground fall accident, as disclosed on June 17, 2019, which is not expected to have a significant adverse impact on 2019 financial results. The Company is currently conducting an extensive evaluation of alternative mining methods to identify the optimal method for the ground conditions at COSE and the delay allows time for implementation and training. Also included in the revised guidance are mine scheduling adjustments at Morococha.

Based on H1 2019 capital expenditures and those expected for the remainder of the year, Management is increasing Project Capital by $5.0 million to $45.0 million as a result of the delayed development of the COSE and Joaquin projects.

The revised per mine 2019 annual forecast amounts for silver and gold production, cash costs and AISC ("Revised August 2019 Forecast") compared to the May 2019 Forecast amounts are set out in the following tables. The forecast for 2019 reflects a full year of production for the Silver Segment mines and from February 22, 2019, to December 31, 2019, for the Gold Segment mines:

	Silver Production (million ounces)		Gold Production (thousand ounces)	
	Revised August 2019 Forecast	May 2019 Forecast	Revised August 2019 Forecast	May 2019 Forecast
Silver Segment				
La Colorada	8.0 - 8.2	8.0 - 8.2	4.1 - 4.8	4.1 - 4.8
Dolores	5.2 - 5.5	5.2 - 5.5	114.5 - 120.0	114.5 - 120.0
Huaron	3.6 - 3.7	3.6 - 3.7	0.5	0.5
Morococha (92.3%)(2)	*2.5 - 2.6*	2.8 - 2.9	1.2 - 1.5	1.2 - 1.5
San Vicente (95.0%)(3)	3.5 - 3.7	3.5 - 3.7	0.3	0.3
Manantial Espejo, COSE & Joaquin	*2.4 - 2.5*	3.4 - 3.6	20.0 - 25.0	42.0 - 45.0
Total(4)	***25.2 - 26.2***	**26.5 - 27.5**	***140.5 - 152.5***	**162.5 - 172.5**
Gold Segment:				
Shahuindo	0.1	0.1	*137.0 - 165.0*	135.0 - 165.0
La Arena	—	—	117.5 - 122.5	117.5 - 122.5
Timmins(5)	—	—	155.0 - 160.0	155.0 - 160.0
Total(4)	**0.1**	**0.1**	***409.5 - 447.5***	**407.5 - 447.5**
Total Production(6)	***25.3 - 26.3***	**26.6 - 27.6**	***550.0 - 600.0***	**570.0 - 620.0**

	Cash Costs ($ per ounce)(1)		AISC ($ per ounce)(1)	
	Revised August 2019 Forecast	May 2019 Forecast	Revised August 2019 Forecast	May 2019 Forecast
Silver Segment				
La Colorada	2.50 - 3.50	2.50 - 3.50	3.50 - 4.50	3.50 - 4.50
Dolores	*2.80 - 3.40*	4.50 - 5.50	*15.00 - 17.00*	14.00 - 16.00
Huaron	6.00 - 7.00	6.00 - 7.00	7.50 - 9.25	7.50 - 9.25
Morococha (92.3%)(2)	3.10 - 4.00	3.10 - 4.00	7.00 - 9.00	7.00 - 9.00
San Vicente (95.0%)(3)	10.60 - 11.50	10.60 - 11.50	12.25 - 13.50	12.25 - 13.50
Manantial Espejo, COSE & Joaquin	*21.70 - 22.60*	17.00 - 18.50	*22.00 - 24.00*	17.75 - 19.50
Total(4)	**6.50 - 7.50**	**6.50 - 7.50**	**9.75 - 11.25**	**9.75 - 11.25**
Gold Segment:				
Shahuindo	550 - 625	550 - 625	875 - 1,000	875 - 1,000
La Arena	800 - 850	800 - 850	1,275 - 1,325	1,275 - 1,325
Timmins(5)	890 - 940	890 - 940	1,025 - 1,075	1,025 - 1,075
Total(4)	**740 - 810**	**740 - 810**	**1,025 - 1,125**	**1,025 - 1,125**
Consolidated Silver Basis	***(3.30) - (1.80)***	**(2.25) - 0.50**	***7.00 - 9.00***	**7.75 - 10.75**

(1) Cash Costs and AISC are non-GAAP measures. Please refer to the section “Alternative Performance (Non-GAAP) Measures” of this MD&A for a detailed description of these measures and where appropriate a reconciliation of the measure to the Q2 2019 Financial Statements. The cash costs and AISC forecasts assume realized metal prices for H1 2019 and the following metal prices for the remainder of 2019: of $15.00/oz for silver, $2,400/tonne ($1.09/lb) for zinc, $1,950/tonne ($0.88/lb) for lead, $6,000/tonne ($2.72/lb) for copper, and $1,375/oz for gold; and average annual exchange rates relative to 1 USD of 19.50 for the Mexican peso ("MXN"), 3.33 of the Peruvian sol ("PEN"), 41.80 for the Argentine peso ("ARS"), 6.91 for the Bolivian boliviano ("BOL"), and $1.30 for the Canadian dollar ("CAD").

(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) As shown in the detailed quantification of consolidated AISC, included in the “Alternative Performance (Non-GAAP) Measures” section of this MD&A, Corporate general and administrative expense, and Exploration and project development expense are included in Consolidated (silver basis) AISC, but are not allocated amongst the operations and thus are not included in either the silver or gold segment totals.

(5) Timmins mines are classified as assets held for sale in the Company's Q2 2019 Financial Statements, as described in Note 4 of the Company's Q2 2019 Financial Statements, and in the "Acquisition of Tahoe" section of this MD&A. The gold production from the Timmins operations is included in the consolidated guidance pending resolution from the sale process.

PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's major projects in Q2 2019 and H1 2019 as compared with Q2 2018 and H1 2018:

Project Development Capital (1) (thousands of USD)	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Mexico Projects	**2,754**	5,624	**4,756**	11,685
Joaquin and COSE projects	**7,047**	7,051	**12,901**	11,068
Morococha projects	**542**	—	**655**	—
Acquired Mines projects	**3,112**	—	**5,017**	—
Total	**13,455**	12,675	**23,329**	22,753

(1) Amounts provided in the table above, including prior year amounts, reflect cash-outflows for project capital in the respective periods, amounts provided in similar tables provided in previous MD&As represented amounts capitalized as part of the projects in the period reported. As a result of periodic changes in accounts payable balances, the amounts capitalized for the projects during the period may be different than the project investment cash outflows in the period.

During Q2 2019, the Company achieved the following progress on its projects:

Mexico Projects:

The Company spent $2.8 million in Q2 2019 for exploration drilling activities relating to the La Colorada skarn deposit discovery announced last year.

Joaquin and COSE Projects:

The Company spent a combined $7.0 million on the Joaquin and COSE projects during Q2 2019. Development at both projects has been suspended following a fatal ground fall accident that occurred at COSE, as previously disclosed on June 17th, 2019. Careful efforts are being taken by Management to redesign the mining methods to address the poor ground conditions encountered. Development of these projects will remain suspended until the mining method redesign is fully evaluated and implemented later this year. Current expectations are that COSE production in late 2019 will be limited to development material rather than from steady state mine production.

Morococha Project:

Project capital spending at Morococha during Q2 2019 related to the installation of a new powerline to the existing processing plant and preliminary engineering and design work for a future plant relocation.

Acquired Mines Projects:

The Company spent $3.1 million primarily related to completing the crushing and agglomeration plant at Shahuindo and the mine shaft project at Bell Creek.

OVERVIEW OF Q2 2019 FINANCIAL RESULTS

Selected Annual and Quarterly Information

The following tables set out selected quarterly results for the past ten 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.

2019	Quarter Ended	
(In thousands of USD, other than per share amounts)	March 31	June 30
Revenue	$ 232,643	$ 282,948
Mine operating earnings (loss)	$ 17,194	$ 36,140
Earnings (loss) for the period attributable to equity holders	$ 33,275	$ 18,371
Basic earnings (loss) per share	$ 0.19	$ 0.09
Diluted earnings (loss) per share	$ 0.19	$ 0.09
Cash flow from operating activities	$ (12,911)	$ 83,518
Cash dividends paid per share	$ 0.035	$ 0.035
Other financial information		
Total assets		**$ 3,422,095**
Total long-term financial liabilities(1)		**$ 535,369**
Total attributable shareholders' equity		**$ 2,413,388**

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

2018	Quarter Ended				Year Ended
(In thousands of USD, other than per share amounts)	March 31	June 30	Sept 30	Dec 31	Dec 31
Revenue	$ 206,961	$ 216,460	$ 187,717	$ 173,357	**$ 784,495**
Mine operating earnings (loss)	$ 55,124	$ 54,851	$ (4,412)	$ (4,666)	**$ 100,897**
Earnings (loss) for the period attributable to equity holders	$ 47,376	$ 36,187	$ (9,460)	$ (63,809)	**$ 10,294**
Basic earnings (loss) per share	$ 0.31	$ 0.24	$ (0.06)	$ (0.42)	**$ 0.07**
Diluted earnings (loss) per share	$ 0.31	$ 0.24	$ (0.06)	$ (0.42)	**$ 0.07**
Cash flow from operating activities	$ 34,400	$ 66,949	$ 41,699	$ 11,930	**$ 154,978**
Cash dividends paid per share	$ 0.035	$ 0.035	$ 0.035	$ 0.035	**$ 0.140**
Other financial information					
Total assets					**$ 1,937,476**
Total long-term financial liabilities(1)					**$ 96,828**
Total attributable shareholders' equity					**$ 1,508,212**

(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.

Income Statement: Q2 2019 vs. Q2 2018

Net earnings of $18.5 million were recorded in Q2 2019 compared to $36.7 million in Q2 2018, which corresponds to basic earnings per share of $0.09 and $0.24, respectively.

The following table highlights the differences between net earnings in Q2 2019 compared with Q2 2018:

Net earnings, three months ended June 30, 2018 (in thousands of USD)		**$ 36,696**	**Note**
Revenue:			
Decreased realized metal prices	$ (17,301)		
Higher quantities of metal sold	95,859		
Increased direct selling costs	(6,877)		
Increased negative settlement adjustments	(5,193)		
Total increase in revenue		**66,488**	**(1)**
Cost of sales:			
Increased production costs and decreased royalty charges	$ (65,212)		**(2)**
Increased depreciation and amortization	(19,987)		**(3)**
Total increase in cost of sales		**(85,199)**	
Total decrease in mine operating earnings		**(18,711)**	
Increased net income from discontinued operations		14,634	**(4)**
Decreased dilution gain, net of share of income from associate		(13,804)	**(5)**
Decreased income tax expense		7,577	**(6)**
Increased interest and finance expense		(6,770)	**(7)**
Increased care and maintenance costs		(5,842)	**(8)**
Decreased foreign exchange loss		5,614	**(9)**
Increased investment income and other expense		4,389	**(10)**
Increased transaction and integration costs		(3,446)	**(11)**
Increased net gain on asset sales, commodity contracts and derivatives		2,915	
Increased exploration and project development expense		(2,748)	
Increased general and administrative expense		(2,005)	
Net earnings, three months ended June 30, 2019		**$ 18,499**	

1. ***Revenue*** for Q2 2019 was $66.5 million higher than in Q2 2018. The major driver was an estimated $95.9 million increase from larger quantities of metal sold for all metals other than copper. The quantity of gold sold increased by 109% or 56.5 thousand ounces, attributable to the Shahuindo and La Arena mines. Increased quantities of silver and lead sold was largely from higher production along with the timing of sales at La Colorada. The increased quantity of zinc sales was attributable to increased production at Huaron, and the timing of sales at San Vicente. The higher quantities of metal sold was partially offset by lower realized metal prices, which decreased revenue by approximately $17.3 million, mainly from a 9% decrease in realized silver and zinc prices, and a 21% decrease in realized lead prices.

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

	Realized Metal Prices (1)		Quantities of Metal Sold (2)	
	Three months ended June 30,		Three months ended June 30,	
	2019	2018	**2019**	2018
Silver	**$ 14.90**	$ 16.40	**6,502**	5,795
Gold	**$ 1,314**	$ 1,304	**108.5**	52.0
Zinc	**$ 2,783**	$ 3,045	**15.3**	13.0
Lead	**$ 1,875**	$ 2,378	**6.6**	4.5
Copper	**$ 6,100**	$ 6,840	**1.7**	1.9

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

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

2. ***Production costs*** in Q2 2019 were $67.6 million higher than in Q2 2018. The increase was mainly the result of: (i) additional production costs from the newly acquired Shahuindo ($29.6 million) and La Arena ($23.2 million) mines; (ii) increased production costs at La Colorada and San Vicente attributable to higher sales volumes; (iii) higher production costs at Dolores; and (iv) $4.8 million lower cost-reducing NRV inventory adjustments.

3. ***Depreciation and amortization ("D&A") expense*** was $20.0 million higher than in Q2 2018, largely as a result of additional depreciation expense from the newly acquired Shahuindo ($11.7 million) and La Arena ($4.2 million) mines, and increased depreciation at Dolores due to a higher asset base.

4. ***Net income from assets held for sale*** reflects the net after-tax operating results of the Timmins mines acquired as part of the Tahoe Acquisition. As described in the "Acquisition of Tahoe" section of this MD&A, the Company has concluded that the Timmins assets meet the criteria to be classified as assets held for sale and discontinued operations, and therefore are presented as a single line on the Company's consolidated statement of income.

5. ***Share of income from associate and dilution gains*** relate to the Company's investment in Maverix Metals Inc. ("Maverix") which is accounted for using the equity method whereby the Company records its portion of Maverix's net income based on Pan American's fully diluted ownership interest. The $13.8 million quarter-over-quarter decrease was attributable to Maverix issuing common shares in Q2 2018 to acquire certain royalty assets which diluted Pan American's ownership in Maverix and resulted in the recognition of a $13.4 million dilution gain.

6. ***Income tax expense*** of $8.9 million in Q2 2019 was $7.6 million lower than the $16.5 million income tax expense in Q2 2018. The lower taxes were largely attributable to the decrease in net earnings before tax, partially offset by the tax expense in Q2 2018 including tax benefits recognized with respect to certain intercompany debt restructuring, whereas no such benefits were recognized in the current quarter.

7. ***Interest and finance costs*** increased $6.8 million from Q2 2018, primarily reflecting the interest expense relating to the increased debt drawn on the Company's Credit Facility to partially fund the Tahoe Acquisition.

8. ***Care and maintenance costs*** of $5.8 million in Q2 2019, related primarily to the Company's Escobal mine, where operations are currently suspended.

9. ***Foreign exchange ("FX") gains*** in Q2 2019 were $0.7 million compared to FX losses of $4.9 million in Q2 2018. The FX losses in Q2 2018 resulted primarily from the approximately 30% depreciation of the ARS and the approximately 8% devaluation of the MXN on the Company's ARS and MXN denominated monetary assets. Relatively stable currencies resulted in no such FX gains or losses in Q2 2019.

10. ***Investment income*** increased by $3.6 million from Q2 2018, reflecting the fair value mark-to-market adjustment of certain of the Company's equity investments, for which prices appreciated during the quarter.

11. ***Transaction and integration costs*** in Q2 2019 relate to costs incurred as part of the acquisition and integration of Tahoe.

Statement of Cash Flows: Q2 2019 vs. Q2 2018

Cash flow from operations in Q2 2019 totaled $83.5 million, $16.6 million more than the $66.9 million generated in Q2 2018. The increase was mainly driven by a $12.4 million increase in cash from working capital changes. Increased cash from mine operating earnings and from the Acquired Mines were largely offset by cash spent on care and maintenance costs, transaction and integration costs, and increased interest payments related to the Company's long-term debt.

Working capital changes in Q2 2019 resulted in a $20.1 million source of cash compared with a $7.8 million source of cash in Q2 2018. Inventory reductions drove the majority of the changes in both periods. A $17.5 million pay-down of working capital liabilities in Q2 2019 partially offset the source of cash from the working capital asset increases.

Investing activities utilized $69.3 million in Q2 2019, inclusive of $12.5 million for the net purchase of short-term investments. The balance related primarily to $64.7 million spent 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. Cash from the sale of certain non-core assets in Q2 2019 and Q2 2018 was comparable and totaled $9.1 million and $10.4 million, respectively. In Q2 2018, investing activities utilized $39.9 million inclusive of $6.9 million used for the net purchase of short-term investments, with $35.9 million spent on mineral properties, plant and equipment at the Company's mines and projects.

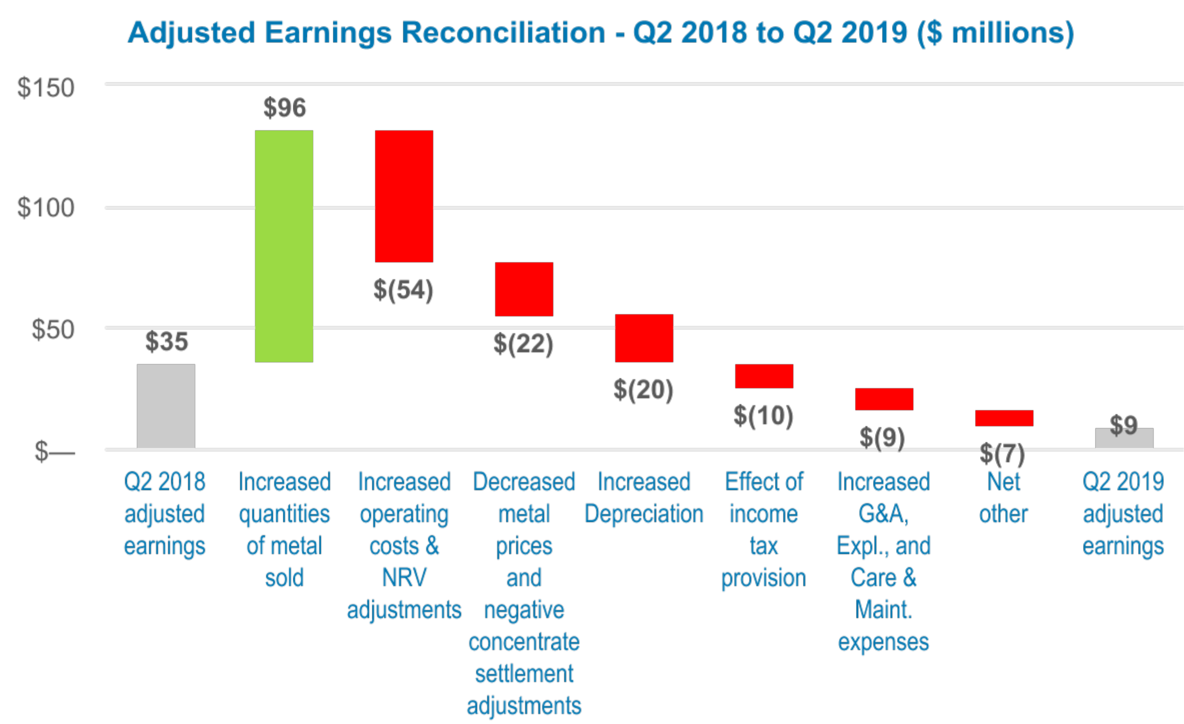
Financing activities in Q2 2019 used $12.3 million compared to $6.9 million in Q2 2018. Cash used in Q2 2019 mainly consisted of $7.3 million paid as dividends to shareholders and $4.9 million of lease repayments. In Q2 2018, cash used in financing activities consisted of $5.2 million in dividends to shareholders and $2.0 million of lease repayments.

Adjusted Earnings: Q2 2019 vs Q2 2018

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 Q2 2019 Financial Statements.

Adjusted Income in Q2 2019 was $9.0 million, representing basic adjusted earnings per share of $0.04, which was $26.4 million, or $0.19 per share, lower than Q2 2018 adjusted earnings of $35.4 million, and basic adjusted earnings per share of $0.23, respectively.

The following chart illustrates the key factors leading to the change in adjusted earnings from Q2 2018 to Q2 2019



Income Statement: H1 2019 vs. H1 2018

Net earnings of $52.3 million were recorded in H1 2019 compared to $84.9 million in H1 2018, which corresponds to basic earnings per share of $0.27 and $0.55, respectively.

The following table highlights the difference between net earnings in H1 2019 compared with H1 2018:

Net earnings, six months ended June 30, 2018 (in thousands of USD)		**$ 84,852**	**Note**
Revenue:			
Decreased realized metal prices	$ (42,425)		
Higher quantities of metal sold	140,456		
Increased direct selling costs	(8,485)		
Decreased negative settlement adjustments	2,624		
Total increase in revenue		**92,170**	**(1)**
Cost of sales:			
Increased production costs and decreased royalty charges	$ (114,028)		**(2)**
Increased depreciation and amortization	(34,783)		**(3)**
Total increase in cost of sales		**(148,811)**	
Total decrease in mine operating earnings		**(56,641)**	
Increased bargain purchase gain		30,492	**(4)**
Increased investment income and other expense		14,337	**(5)**
Decreased dilution gain, net of share of loss from associate		(13,352)	**(6)**
Increased income from discontinued operations		12,705	**(7)**
Increased care and maintenance costs		(9,289)	**(8)**
Increased interest and finance expense		(9,136)	**(9)**
Decreased income tax expense		6,797	**(10)**
Increased transaction and integration costs		(4,849)	**(11)**
Decreased net gain on asset sales, commodity contracts and derivatives		(4,609)	
Decreased foreign exchange loss		4,444	
Increased general and administrative expense		(1,982)	
Increased exploration and project development expense		(1,458)	
Net earnings, six months ended June 30, 2019		**$ 52,311**	

1. ***Revenue*** for H1 2019 was $92.2 million higher than in H1 2018. The major factor for the increase was an approximately $140.5 million contribution from larger quantities of metal sold, primarily from the 86%, or 79.5 thousand ounce increase in gold sales, reflecting production from the newly acquired Shahuindo and La Arena gold mines. The quantity of silver ounces sold increased by 13% mainly from higher production and the timing of sales at La Colorada. Increased quantities of zinc sold mainly reflect higher production at La Colorada and the timing of sales at San Vicente. Increased lead sales volumes was driven by increased production at La Colorada, Morococha and Huaron. Copper sales decreased, reflecting lower production at Morococha. The overall higher quantities of metal sold was partially offset by lower realized metal prices, which decreased revenue by approximately $42.4 million, mainly from an 8% decrease in realized silver prices, and a 15% decrease in realized lead prices.

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

	Realized Metal Prices (1)		Quantities of Metal Sold (2)	
	Six months June 30,		Six months June 30,	
	2019	2018	**2019**	**2018**
Silver(1)	**$ 15.20**	$ 16.59	**12,594**	11,494
Gold(1)	**$ 1,309**	$ 1,317	**172.3**	92.8
Zinc(1)	**$ 2,767**	$ 3,252	**30.1**	25.5
Lead(1)	**$ 1,958**	$ 2,419	**13.4**	9.4
Copper(1)	**$ 6,156**	$ 6,931	**3.6**	4.6

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

2. ***Production and royalty costs*** in H1 2019 were $115.0 million higher and $1.0 million lower, respectively, than in H1 2018. The higher production costs were mainly due to: (i) additional production costs from the newly acquired Shahuindo ($37.1 million) and La Arena ($40.7 million) mines; (ii) increased production costs at Dolores, driven primarily by $15.0 million higher cost-increasing NRV inventory adjustments and increased gold sales volumes; and (iii) increased production costs at La Colorada and San Vicente attributable to higher sales volumes.
3. ***D&A expense*** was $34.8 million higher than in H1 2018, largely as a result of additional depreciation expense from the newly acquired Shahuindo ($13.5 million) and La Arena ($8.3 million) mines, and increased depreciation at Dolores due to a higher asset base.
4. *A* ***Bargain purchase gain*** was recognized as part of the purchase price allocation of the Tahoe Acquisition as described in the "Acquisition of Tahoe" section of this MD&A.
5. ***Investment income*** in H1 2019 was $14.8 million compared to $0.8 million in H1 2018, the increase reflects the fair value mark-to-market adjustment of certain of the Company's equity investments for which prices appreciated during 2019.
6. ***Share of income from associate and dilution gains*** were $0.9 million in H1 2019 compared to $14.3 million in H1 2018, as a result of a Maverix transaction in Q2 2018 that generated a $13.4 million dilution gain.
7. ***Net income from assets held for sale*** totaled $12.7 million in H1 2019 and reflects the net after-tax operating results of the Timmins mines, which are classified as assets held for sale and discontinued operations.
8. ***Care and maintenance costs*** totaled $9.3 million in H1 2019 and related primarily to the Company's Escobal mine where operations are currently suspended.
9. ***Interest and finance costs*** of $12.7 million in H1 2019 increased by $9.1 million from H1 2018, reflecting the interest expense relating to the increased debt drawn on the Company's Credit Facility.
10. ***Income tax expense*** of $16.2 million in H1 2019 was $6.8 million lower than in H1 2018. The lower taxes were largely attributable to the decrease in net earnings before tax.
11. ***Transaction and integration costs*** in H1 2019 of $4.8 million related to costs incurred as part of the acquisition and integration of Tahoe.

Statement of Cash Flows: H1 2019 vs. H1 2018

Cash flow from operations in H1 2019 was $70.6 million, $30.7 million less than the $101.3 million generated in H1 2018. The decrease was mainly due to a $16.5 million decrease in operating cash before working capital changes and a $14.2 million increased use of cash from working capital changes. The decreased operating cash flows before working capital changes reflects lower silver and base metal prices, increased cash use for interest on long-term debt payments, care and maintenance costs, transaction and integration costs, and tax payments partially offset by increased cash flows from the Acquired mines.

Working capital changes in H1 2019 resulted in a $17.8 million use of cash reflecting a $56.3 million pay down of accounts payable and accrued liabilities partially offset by a $36.8 million draw-down of inventories. These working capital movements compared to the $3.5 million use of cash in H1 2018 which was driven by the settlement of liabilities, partially offset by accounts receivable collections.

Investing activities utilized $303.1 million in H1 2019, inclusive of $41.6 million for the net sale of short-term investments. The investing cash outflow reflects the $247.5 million investment (net of cash acquired) related to the Acquisition as described in the "Acquisition of Tahoe" section of this MD&A, and $105.6 million spent on mineral properties, plant and equipment at the Company's mines and projects.

In H1 2018, investing activities utilized $72.8 million, primarily related to $68.5 million spent 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, and $7.5 million spent on the acquisition of the COSE project.

Cash from the sale of certain non-core assets in H1 2019 and H1 2018 totaled $9.1 million and $15.5 million, respectively.

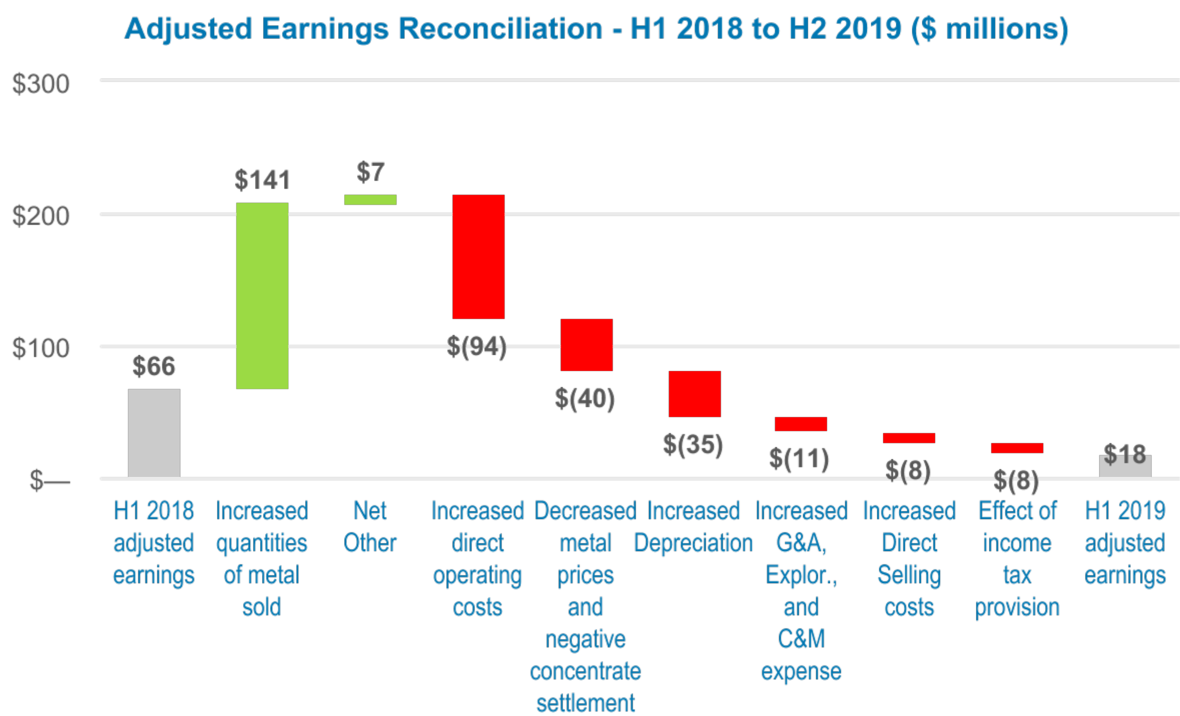
Financing activities in H1 2019 generated a net $186.4 million compared to a $17.0 million net use of cash in H1 2018. Financing activities in H1 2019 were primarily related to financing the Tahoe Acquisition. The net cash generated consisted of $335.0 million drawn on the Company's Credit Facility, described in the "Liquidity and Capital" section of this MD&A, and $125.0 million used to settle Tahoe's previously drawn credit facility. In addition to these acquisition related financing activities, $14.7 million was paid as dividends to shareholders and $8.9 million of lease repayments were made in H1 2019. Financing activities in H1 2018 consisted of $10.6 million paid as dividends to shareholders, $3.5 million of lease repayments, and $3.0 million used to repay short-term loans.

Adjusted Earnings: H1 2019 vs H1 2018

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 Q2 2019 Financial Statements.

Adjusted Earnings in H1 2019 were $17.7 million, representing basic adjusted earnings per share of $0.09, which was $48.4 million, or $0.34 per share, lower than H1 2018 adjusted earnings of $66.1 million, and basic adjusted earnings per share of $0.43.

The following chart illustrates the key factors leading to the change in adjusted earnings from H1 2018 to H1 2019:



ACQUISITION OF TAHOE

The Company completed the Acquisition on February 22, 2019 (the "Closing Date").

In aggregate, Pan American paid Tahoe shareholders $275.0 million in cash, issued 55,990,512 Pan American shares, and issued contingent consideration in the form of 313,887,490 contingent value rights (CVRs). Each CVR will be exchanged for 0.0497 of a Pan American share upon first commercial shipment of concentrate following restart of operations at the Escobal mine. The CVRs are transferable and have a term of 10 years. Upon closing of the Arrangement, existing Pan American and former Tahoe shareholders owned approximately 73% and 27% of Pan American, respectively. Upon satisfaction of the payment conditions under the terms of the CVRs, Pan American and Tahoe shareholders will own approximately 68% and 32%, respectively, of the combined company (based upon the number of Pan American shares outstanding as at the Closing Date).

Revolving credit facility increase and draw-down

The Company amended and extended its Credit Facility. The Credit Facility was increased by $200.0 million to $500.0 million in Q1 2019, and now matures on February 1, 2023. At Pan American's option, amounts can be drawn under the Credit Facility and will incur interest based on the Company's leverage ratio at either (i) LIBOR plus 1.875% to 2.750% or; (ii) The Bank of Nova Scotia's Base Rate on U.S. dollar denominated commercial loans plus 0.875% to 1.750%. Undrawn amounts under the Credit Facility are subject to a stand-by fee of 0.4219% to 0.6188% per annum, dependent on the Company's leverage ratio.

In conjunction with the Acquisition, the Company drew down $335.0 million on the Credit Facility in Q1 2019 under LIBOR-based interest rates to fund, in part, the cash purchase price under the Arrangement and to repay Tahoe's revolving facility, under which $125.0 million was outstanding at the date of acquisition.

Consolidation of Tahoe

As described in Note 4 of the Q2 2019 Financial Statements, the Company determined that the Acquisition represents a business combination with Pan American identified as the acquirer. Based on the February 21, 2019, closing share price of Pan American's common shares on the NASDAQ, the total consideration of the acquisition was approximately $1.14 billion. We commenced the consolidation of the operating results, cash flows and net assets of Tahoe from February 22, 2019 onwards. As such, all production, operating and financial results of the Acquired Mines (including Cash Costs and AISC amounts) reported in this MD&A and included in the Company's consolidated results reflect only the results from February 22, 2019 onwards.

The following table summarizes the consideration paid as part of the purchase price:

Consideration:	Shares Issued/ Issuable	Consideration
Fair value estimate of the Pan American share consideration [1]	55,990,512	$ 795,626
Fair value estimate of the CVRs [2]	15,600,208	71,916
Cash [1]	—	275,008
Fair value estimate of replacement options [3]	835,874	124
Total Consideration	**72,426,594**	**$ 1,142,674**

(1) The Pan American share consideration value is based on an assumed value of $14.21 per Pan American common share (based on the NASDAQ closing price on February 21, 2019).

(2) Assumed fair value of the CVRs is based on the residual amount of the value of the Tahoe shares acquired (based on the NYSE closing price closing of $3.64 on February 21, 2019) after deducting the cash consideration of $275 million and the fair value of the Company's common share consideration paid (based on the February 21, 2019 NASDAQ closing price of $14.21).

(3) Assumed fair value of 3.5 million Tahoe options that upon the Acquisition vested and converted into 835.8 thousand Pan American stock options (the "Replacement options"). The fair value of the Replacement options was determined using the Black-Scholes option pricing model, as at the Acquisition Closing Date, the assumptions of which are described in the Company's Q2 2019 Financial Statements.

The following table summarizes the allocation of the purchase price to the identifiable assets and liabilities based on their estimated fair values at the Closing Date of the Acquisition:

Allocation of consideration:	Consideration
Cash and cash equivalents	$ 27,529
Accounts receivable	17,854
VAT Receivable	87,268
Inventory	152,534
Other current assets	4,135
Mineral properties, plant and equipment	1,298,037
Other assets	3,450
Accounts payable and accrued liabilities	(159,675)
Provision for closure and decommissioning liabilities	(70,119)
Debt	(125,000)
Net current and deferred income tax liabilities	(62,847)
Bargain purchase gain	(30,492)
	$ 1,142,674

As at June 30, 2019, the allocation of the purchase price had not been finalized. The Company is currently in the process of determining the fair values of identifiable assets acquired and liabilities assumed and measuring the associated deferred income tax assets and liabilities, and will finalize the allocation of the purchase price no later than February 21, 2020.

Held for Sale Assets

Concurrent with the Acquisition, the Company formally initiated an active program to locate a buyer of Lake Shore Gold Inc. ("Lake Shore"), a subsidiary acquired by the Company as part of the Acquisition. Lake Shore's principal assets are the Timmins mines. Based on Management's assessment of the Company's sales process it was determined that Lake Shore meets the criteria, under IFRS 5 - Non-current assets held for sale and discontinued operations, to be classified as held for sale upon Acquisition. As such, upon the Acquisition, and as at June 30, 2019, the assets and liabilities of Lake Shore were classified as assets and liabilities held for sale and are presented separately under current assets and current liabilities, respectively, and the post-tax profit or loss from the Lake Shore operations has been presented as a single and separate item on the Company's consolidated income statement.

LIQUIDITY AND CAPITAL POSITION

Liquidity and Capital Measures (in $000s)	June 30, 2019	March 31, 2019	Dec. 31, 2018	Q2 2019 Change	H1 2019 Change
Cash and cash equivalents ("Cash")	**$ 92,221**	$ 90,548	$ 138,510	$ 1,673	$ (46,289)
Short-term Investments	**$ 46,594**	$ 31,011	$ 74,004	$ 15,583	$ (27,410)
Cash and Short-term investments	**$ 138,815**	$ 121,559	$ 212,514	$ 17,256	$ (73,699)
Working Capital	**$ 793,090**	$ 771,709	$ 397,846	$ 21,381	$ 395,244
Credit Facility committed amount	**$ 500,000**	$ 500,000	$ 300,000	$ —	$ 200,000
Credit Facility amounts drawn	**$ 335,000**	$ 335,000	$ —	$ —	$ 335,000
Shareholders' equity	**$ 2,418,929**	$ 2,407,433	$ 1,513,349	$ 11,496	$ 905,580
Total debt [(1)]	**$ 378,758**	$ 363,101	$ 6,676	$ 15,657	$ 372,082
Capital [(2)]	**$ 2,658,872**	$ 2,648,975	$ 1,307,511	$ 9,897	$ 1,351,361

(1) Total debt is a non-GAAP measure calculated as the total of amounts drawn on the Revolving Credit Facility, finance lease liabilities and loans payable. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed description of the calculations.

(2) Capital is a non-GAAP measure and consists of shareholders’ equity and debt net of cash and cash equivalents and short term investments. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed description of the calculations.

Liquidity and Capital Resources

The Company's cash and short term investments increased by $17.3 million during Q2 2019. Operating cash flows of $83.5 million, which included $18.0 million in tax payments and a $20.1 million source of cash from working capital changes, more than funded the Company's investing and financing activities in the quarter. The working capital changes, primarily reflect a reduction in inventories built up at the Company's newly acquired Gold Segment mines during Q1 2019 and a reduction in accounts receivables from concentrate sales, partially offset by a decrease in accounts payables at the newly Acquired Mines as working capital is normalized at these operations.

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 of $793.1 million at June 30, 2019 was an increase of $21.4 million from March 31, 2019 working capital of $771.7 million. Working capital at June 30, 2019 includes $375.8 million of the Timmins net assets, currently classified as held for sale as described in the "Acquisition of Tahoe" section of this MD&A (March 31, 2019: $376.4 million). The working capital increase was the result of the previously discussed increase in cash and short-term investments and reduction in accounts payables, as well as an increase in income tax receivables, partially offset by the aforementioned reductions in inventories and trade receivables.

The Company's four-year $500.0 million secured revolving credit facility that matures on February 1, 2023, remains drawn for a total of $335.0 million as of June 30, 2019. Liquidity of $165.0 million remains available to the Company under the Credit Facility. As of June 30, 2019, the Company was in compliance with all covenants required by the Credit Facility.

The Company’s financial position at June 30, 2019, 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 2019 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 8(e)(ii) of the 2018 Financial Statements, and in the Liquidity and Capital Position section of the Company's annual 2018 Management Discussion and Analysis (the "2018 Annual MD&A"). Since December 31, 2018, there have been no significant changes to these contractual obligations and commitments other than the new liabilities and provisions assumed as part of the Tahoe acquisition as described in the purchase price allocation table included in the "Acquisition of Tahoe" section of this MD&A.

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

Outstanding Share Amounts

As at June 30, 2019, the Company had approximately 1.4 million stock options outstanding (each exercisable for one common share of the Company), with exercise prices in the range of CAD $9.76 to CAD $97.26 and a weighted average life of 27 months. Approximately 1.2 million of the stock options were vested and exercisable at June 30, 2019, with an average weighted exercise price of CAD $33.81 per share.

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

	Outstanding as at August 7, 2019
Common shares	209,481,845
Options	1,350,902
Total	**210,832,747**

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 June 30, 2019 was $268.9 million (December 31, 2018 - $159.1 million) using inflation rates of between 2% and 24% (December 31, 2018 - between 2% and 17%). The inflated and discounted provision on the statement of financial position as at June 30, 2019, using discount rates between 1% and 28% (December 31, 2018 - between 2% and 22%), was $154.1 million, including provisions related to discontinued operations of $11.2 million (December 31, 2018 - $70.6 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 2046, or later if the mine lives are extended. Revisions made to the reclamation obligations in Q2 2019 were primarily a result of increased site disturbance from the ordinary course of operations at the mines, reclamation activities at Alamo Dorado, and 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 Q2 2019 and H1 2019 as finance expense was $2.6 million and $4.6 million (Q2 2018 and H1 2018: $1.6 million and $3.3 million). Reclamation expenditures incurred during Q2 2019 and H1 2019 were $0.6 million and $1.5 million, respectively (Q2 2018 and H1 2018: $1.7 million and $4.5 million).

RELATED PARTY TRANSACTIONS

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

Related party transactions with Maverix Metals Inc. have been disclosed in Note 10 of the Q2 2019 Financial Statements. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

Per Ounce Measures

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

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

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

Prior period cash costs per ounce reported in previous MD&As were based on cash costs per ounce of payable silver produced and were net of by-product credits calculated with average market prices applied to all metals produced other than silver. Given the increased complexity of the business with the addition of the new gold operations, the Company determined that conforming the calculation of Cash Costs with a consistent method to that used for AISC, using realized by-product sales as by-product credits and based on per ounce of silver sold, would provide a more consistent per-ounce measure. As such the comparative Cash Costs amounts in this MD&A have been quantified using the current methodology and are different from those previously reported. As shown in the detailed quantification of consolidated AISC below, corporate general and administrative expense, and exploration and project development expenses are included in calculation of consolidated (silver basis) AISC, but are not allocated amongst the operations and thus are not included in either the silver or gold segment AISC totals. In prior years these costs were similarly included only in the consolidated all-in-sustaining costs per silver ounce sold ("AISCSOS") metrics and not allocated to each mine's AISCSOS amount. As such, consolidated AISCSOS in previous years included such costs where total silver segment AISC in the current period do not. A detailed description of how previously reported Cash Costs were quantified is provided in the Company's prior period MD&As.

Cash costs per ounce metrics, net of by-product credits, is used extensively in our internal decision making processes. We believe the metric is also useful to investors because it facilitates comparison, on a mine-by-mine basis, notwithstanding the unique mix of incidental by-product production at each mine, of our operations' relative performance on a period-by-period basis, and against the operations of our peers in the silver industry. Cash costs per ounce is conceptually understood and widely reported in the mining industry.

We believe that AISC, also calculated net of by-products, is a comprehensive measure of the full cost of operating our consolidated business, given it includes the cost of replacing silver and gold ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated cash flow.

To facilitate a better understanding of these measure as calculated by the Company, the following table provides the detailed reconciliation of these measure to the applicable cost items, as reported in the consolidated financial statements for the respective periods. All operating results from the Acquired Mines, only include results from February 22, 2019 to June 30, 2019 and the year-to-date amounts do not represent a full six months of operations.

	Three months ended June 30, 2019				Three months ended June 30, 2018[1]		
(In thousands of USD, except as noted)	**Silver Segment**	**Gold Segment**	**Corporate**	**Consolidated (silver basis)[2]**	Silver Segment	Corporate	Consolidated (silver basis)
Production costs	**$ 131,215**	**$ 100,116**		**$ 231,331**	**$ 116,413**		**$ 116,413**
Purchase Price Allocation Inventory Fair Value Adjustment		(20,229)		(20,229)	—	—	—
NRV inventory adjustments	2,254	—		2,254	7,034		7,034
On-site direct operating costs	**133,469**	**79,887**	**—**	**213,356**	**123,447**	**—**	**123,447**
Royalties	5,191	1,487		6,678	7,570		7,570
Smelting, refining and direct selling charges[3]	17,776	315		18,091	11,214		11,214
Cash cost of sales before by-product credits [4]	**156,436**	**81,689**	**—**	**238,125**	**142,231**	**—**	**142,231**
Silver segment by-product credits[3]	(113,249)	—		—	(131,587)		—
Gold segment by-product credits[3]	—	(483)		—	—		—
Total Silver basis consolidated by-product credits[2][3]	—	—		(265,424)	—		(131,587)
Cash Costs[4]	**$ 43,187**	**$ 81,206**	**$ —**	**$ (27,299)**	**$ 10,644**	**$ —**	**$ 10,644**
NRV inventory adjustments	(2,254)	—		(2,254)	(7,034)		(7,034)
Sustaining capital	25,532	30,379		55,911	25,000		25,000
Exploration and project development	1,008	1,359	958	3,325	823	1,054	1,877
Reclamation cost accretion	1,651	788	121	2,560	1,466	157	1,623
General and administrative expense	—	—	7,571	7,571	—	5,566	5,566
All-in sustaining costs[4]	**$ 69,124**	**$ 113,732**	**$ 8,650**	**$ 39,814**	**$ 30,899**	**$ 6,777**	**$ 37,676**
Silver segment silver ounces sold	6,476	—		—	5,795		—
Gold segment gold ounces sold	—	116		—	—		—
Total silver ounces sold[2]	—	—		6,509	—		5,795
Cash costs per ounce sold[5]	**$ 6.67**	**$ 700**		**$ (4.19)**	**$ 1.84**		**$ 1.84**
AISC per ounce sold	**$ 10.67**	**$ 980**		**$ 6.12**	**$ 5.33**		**$ 6.50**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 11.02**	**$ 980**		**$ 6.46**	**$ 6.55**		**$ 7.72**

(In thousands of USD, except as noted)	Six months ended June 30, 2019[6] Silver Segment	Gold Segment [6]	Corporate	Consolidated (silver basis)[2]	Six months ended June 30, 2018[1] Silver Segment	Corporate	Consolidated (silver basis)
Production costs	$ 266,062	$ 141,013		$ 407,075	$ 228,862		$ 228,862
Purchase Price Allocation Inventory Fair Value Adjustment		(28,930)		(28,930)	—	—	—
NRV inventory adjustments	(5,881)	—		(5,881)	12,365		12,365
On-site direct operating costs	**260,181**	**112,083**	**—**	**372,264**	**241,227**	**—**	**241,227**
Royalties	11,453	1,890		13,343	12,420		12,420
Smelting, refining and direct selling charges[3]	34,230	325		34,555	26,070		26,070
Cash cost of sales before by-product credits [4]	**305,864**	**114,298**	**—**	**420,162**	**279,717**	**—**	**279,717**
Silver segment by-product credits[3]	(229,426)	—		—	(260,680)		
Gold segment by-product credits[3]	—	(483)		—	—		
Total Silver basis consolidated by-product credits[2][3]	—	—		(436,497)	—		(260,680)
Cash Costs[4]	**$ 76,438**	**$ 113,815**	**$ —**	**$ (16,335)**	**$ 19,037**	**$ —**	**$ 19,037**
NRV inventory adjustments	5,881	—		5,881	(12,365)		(12,365)
Sustaining capital	47,675	42,978		90,653	48,902		48,902
Exploration and project development	1,771	1,755	1,649	5,175	1,947	2,674	4,621
Reclamation cost accretion	3,303	1,085	214	4,602	2,951	311	3,262
General and administrative expense			13,506	13,506		11,524	11,524
All-in sustaining costs[4]	**$ 135,068**	**$ 159,633**	**$ 15,369**	**$ 103,482**	**$ 60,472**	**$ 14,509**	**$ 74,981**
Silver segment silver ounces sold	12,568	—		—	11,494		—
Gold segment gold ounces sold	—	159		—	—		—
Total silver ounces sold[2]	—	—		12,601	—		11,494
Cash costs per ounce sold[5]	**$ 6.08**	**$ 718**		**$ (1.30)**	**$ 1.66**		**$ 1.66**
AISC per ounce sold	**$ 10.75**	**$ 1,007**		**$ 8.21**	**$ 5.26**		**$ 6.52**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 10.28**	**$ 1,007**		**$ 7.75**	**$ 6.34**		**$ 7.60**

(1) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and the inclusion of lease payments. Previously leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

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

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

(4) Totals may not add due to rounding.

(5) Cash costs per ounce sold are calculated based on Cash Costs, net of by-product credits divided by per ounce of silver sold and are therefore different than previously reported 2018 "Cash Costs" which were calculated based on cash costs net of by-product credits divided by payable silver ounces produced. The 2018 cash costs per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the company to calculate the 2019 Cash Cost per ounce sold.

(6) All operating results from the Acquired Mines, described in detail in the "Acquisition of Tahoe" section of this MD&A, are only from the Closing Date to June 30, 2019, and do not represent a full six months of operations.

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

Reconciliation of payments for mineral properties, plant and equipment and sustaining capital	**Three months ended June 30,**		**Six months ended June 30,**	
(in thousands of USD)	**2019**	2018	**2019**	2018
Payments for mineral properties, plant and equipment[1]	**$ 64,719**	$ 35,926	**$ 105,597**	$ 68,491
Add/(Subtract)				
Lease Payments[1]	**4,880**	1,977	**8,870**	3,517
Investment (non-sustaining) capital	**(13,688)**	(12,903)	**(23,814)**	(23,106)
Sustaining Capital[2]	**$ 55,911**	$ 25,000	**$ 90,653**	$ 48,902

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

Silver Segment Cash Costs and AISC by mine:

SILVER SEGMENT	Three months ended June 30, 2019						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	$ 19,614	$ 46,180	$ 18,661	$ 16,916	$ 13,178	$ 16,666	$ 131,215
NRV inventory adjustments	—	(2,417)	—	—	—	4,671	2,254
On-site direct operating costs	**19,614**	**43,763**	**18,661**	**16,916**	**13,178**	**21,337**	**133,469**
Royalties	161	1,835	—	—	2,855	340	5,191
Smelting, refining & direct selling costs	3,734	24	5,748	4,017	2,620	1,633	17,776
Cash Costs before by-product credits	**23,509**	**45,622**	**24,409**	**20,933**	**18,653**	**23,310**	**156,436**
Silver segment by-product credits	(17,975)	(37,495)	(23,046)	(18,847)	(6,929)	(8,957)	(113,249)
Cash Costs	**$ 5,534**	**$ 8,127**	**$ 1,363**	**$ 2,086**	**$ 11,724**	**$ 14,353**	**$ 43,187**
NRV inventory adjustments	—	2,417	—	—	—	(4,671)	(2,254)
Sustaining capital	3,631	14,965	2,144	3,715	414	664	25,532
Exploration and project development	662	301	—	10	—	35	1,008
Reclamation cost accretion	144	560	180	109	78	580	1,651
All-in sustaining costs	**$ 9,971**	**$ 26,370**	**$ 3,687**	**$ 5,920**	**$ 12,216**	**$ 10,961**	**$ 69,124**
Silver segment silver ounces sold (koz)	**1,965**	**1,183**	**829**	**565**	**1,152**	**782**	**6,476**
Cash cost per ounce sold	**$ 2.82**	**$ 6.87**	**$ 1.64**	**$ 3.69**	**$ 10.18**	**$ 18.35**	**$ 6.67**
AISC per ounce sold	**$ 5.07**	**$ 22.30**	**$ 4.45**	**$ 10.47**	**$ 10.60**	**$ 14.01**	**$ 10.67**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 5.07**	**$ 20.26**	**$ 4.45**	**$ 10.47**	**$ 10.60**	**$ 19.98**	**$ 11.02**

SILVER SEGMENT[1]	Three Months Ended June 30, 2018						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	$ 15,212	$ 37,920	$ 17,308	$ 17,520	$ 8,442	$ 20,013	$ 116,413
NRV inventory adjustments	—	2,856	—	—	—	4,179	7,034
On-site direct operating costs	**15,212**	**40,776**	**17,308**	**17,520**	**8,442**	**24,192**	**123,447**
Royalties	158	2,367	—	—	4,240	804	7,570
Smelting, refining & direct selling costs	1,960	27	3,770	3,133	2,337	(12)	11,214
Cash Costs before by-product credits	**17,330**	**43,170**	**21,078**	**20,653**	**15,019**	**24,984**	**142,231**
Silver segment by-product credits	(15,652)	(50,843)	(19,550)	(24,425)	(5,472)	(15,645)	(131,587)
Cash Costs	**$ 1,678**	**$ (7,673)**	**$ 1,528**	**$ (3,772)**	**$ 9,547**	**$ 9,339**	**$ 10,644**
NRV inventory adjustments	—	(2,856)	—	—	—	(4,179)	(7,034)
Sustaining capital	3,309	11,245	3,359	3,853	2,140	1,094	25,000
Exploration and project development	45	288	282	179	—	29	823
Reclamation cost accretion	114	351	143	87	63	708	1,466
All-in sustaining costs	**$ 5,146**	**$ 1,355**	**$ 5,312**	**$ 347**	**$ 11,750**	**$ 6,991**	**$ 30,899**
Silver segment silver ounces sold (koz)	**1,486**	**1,145**	**674**	**609**	**893**	**987**	**5,795**
Cash cost per ounce sold[2]	**$ 1.13**	**$ (6.70)**	**$ 2.27**	**$ (6.19)**	**$ 10.69**	**$ 9.46**	**$ 1.84**
AISC per ounce sold	**$ 3.46**	**$ 1.18**	**$ 7.88**	**$ 0.57**	**$ 13.16**	**$ 7.08**	**$ 5.33**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 3.46**	**$ 3.68**	**$ 7.88**	**$ 0.57**	**$ 13.16**	**$ 11.31**	**$ 6.55**

SILVER SEGMENT	Six months ended June 30, 2019						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	$ 39,105	$ 99,868	$ 37,490	$ 35,460	$ 24,593	$ 29,546	$ 266,062
NRV inventory adjustments	—	(11,872)	—	—	—	5,992	(5,881)
On-site direct operating costs	**39,105**	**87,996**	**37,490**	**35,460**	**24,593**	**35,538**	**260,181**
Royalties	240	3,825	—	—	6,784	604	11,453
Smelting, refining & direct selling costs	7,543	48	10,093	7,544	5,644	3,358	34,230
Cash Costs before by-product credits [1]	**46,888**	**91,869**	**47,583**	**43,004**	**37,021**	**39,500**	**305,864**
Silver segment by-product credits	(36,925)	(80,365)	(42,634)	(41,615)	(13,811)	(14,077)	(229,426)
Cash Costs	**$ 9,963**	**$ 11,504**	**$ 4,949**	**$ 1,389**	**$ 23,210**	**$ 25,423**	**$ 76,438**
NRV inventory adjustments	—	11,872	—	—	—	(5,992)	5,881
Sustaining capital	5,843	28,032	5,362	5,649	1,404	1,385	47,675
Exploration and project development	768	593	8	182	—	220	1,771
Reclamation cost accretion	288	1,120	361	218	156	1,160	3,303
All-in sustaining costs [1]	**$ 16,862**	**$ 53,121**	**$ 10,680**	**$ 7,438**	**$ 24,770**	**$ 22,196**	**$ 135,068**
Silver segment silver ounces sold (koz)	**4,012**	**2,194**	**1,648**	**1,257**	**2,273**	**1,184**	**12,568**
Cash cost per ounce sold	**$ 2.48**	**$ 5.24**	**$ 3.00**	**$ 1.11**	**$ 10.21**	**$ 21.47**	**$ 6.08**
AISC per ounce sold	**$ 4.20**	**$ 24.21**	**$ 6.48**	**$ 5.92**	**$ 10.90**	**$ 18.74**	**$ 10.75**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 4.20**	**$ 18.80**	**$ 6.48**	**$ 5.92**	**$ 10.90**	**$ 23.80**	**$ 10.28**

(1) Totals may not add due to rounding.

SILVER SEGMENT [1]	Six months ended June 30, 2018						
(In thousands of USD, except as noted)	La Colorada	Dolores	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	$ 31,048	$ 74,943	$ 35,976	$ 34,016	$ 16,425	$ 36,455	$ 228,862
NRV inventory adjustments		3,174				9,191	12,365
On-site direct operating costs	**31,048**	**78,117**	**35,976**	**34,016**	**16,425**	**45,646**	**241,227**
Royalties	335	4,452	—	—	6,182	1,450	12,420
Smelting, refining & direct selling costs	4,318	65	9,728	7,515	4,483	(40)	26,070
Cash Costs before by-product credits	**35,701**	**82,634**	**45,704**	**41,531**	**27,090**	**47,056**	**279,716**
Silver segment by-product credits	(34,188)	(92,963)	(45,010)	(52,237)	(10,123)	(26,159)	(260,680)
Cash Costs	**$ 1,513**	**$ (10,329)**	**$ 694**	**$ (10,706)**	**$ 16,967**	**$ 20,897**	**$ 19,036**
NRV inventory adjustments	—	(3,174)	—	—	—	(9,191)	(12,365)
Sustaining capital	6,195	25,616	5,973	5,884	3,606	1,627	48,902
Exploration and project development	94	969	639	301	—	(55)	1,947
Reclamation cost accretion	228	702	304	173	126	1,416	2,951
All-in sustaining costs	**$ 8,030**	**$ 13,784**	**$ 7,610**	**$ (4,348)**	**$ 20,699**	**$ 14,694**	**$ 60,471**
Silver segment silver ounces sold (koz)	**3,030**	**2,385**	**1,452**	**1,290**	**1,676**	**1,661**	**11,494**
Cash cost per ounce sold [2]	**$ 0.50**	**$ (4.33)**	**$ 0.48**	**$ (8.30)**	**$ 10.12**	**$ 12.58**	**$ 1.66**
AISC per ounce sold	**$ 2.65**	**$ 5.78**	**$ 5.24**	**$ (3.37)**	**$ 12.35**	**$ 8.84**	**$ 5.26**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 2.65**	**$ 7.11**	**$ 5.24**	**$ (3.37)**	**$ 12.35**	**$ 14.38**	**$ 6.34**

(1) 2018 AISC per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the company to calculate the 2019 AISC per ounce sold. The change in methodology relates to the sustaining capital calculation to account for the adoption of IFRS 16, and sustaining capital now includes lease payments. Previously leased assets were included as sustaining capital in the period of acquisition, while future related lease payments were excluded.

(2) Cash costs per ounce sold are calculated based on Cash Costs, net of by-product credits divided by per ounce of silver sold and are therefore different from previously reported 2018 "Cash Costs" which were calculated based on cash costs net of by-product credits divided by payable silver ounces produced. The 2018 cash costs per ounce sold included in the table above have been calculated and presented as comparative amounts to conform to the methodology used by the company to calculate the 2019 cash cost per ounce sold.

Gold Segment Cash Costs and AISC by mine:

GOLD SEGMENT	Three months ended June 30, 2019			
(In thousands of USD, except as noted)	Shahuindo	La Arena	Timmins[(1)]	Total
Production Costs	$ 29,564	$ 23,225	$ 47,327	$ 100,116
Purchase Price Allocation Inventory Fair Value Adjustment	(5,429)	(4,964)	(9,837)	(20,229)
NRV inventory adjustments	—	—	—	—
On-site direct operating costs	**24,135**	**18,261**	**37,490**	**79,886**
Royalties	—	—	1,487	1,487
Smelting, refining & direct selling costs	134	152	29	315
Cash Costs before by-product credits	**24,269**	**18,413**	**39,006**	**81,688**
Gold segment by-product credits	(289)	(90)	(103)	(483)
Cash Costs of Sales	**$ 23,980**	**$ 18,323**	**$ 38,903**	**$ 81,206**
NRV inventory adjustments	—	—	—	—
Sustaining capital	6,835	21,470	2,074	30,379
Exploration and project development	489	289	581	1,359
Reclamation cost accretion	286	441	61	788
All-in sustaining costs	**$ 31,590**	**$ 40,523**	**$ 41,619**	**$ 113,732**
Gold segment gold ounces sold	**43,946**	**28,124**	**44,000**	**116,070**
Cash cost per ounce sold	**$ 546**	**$ 652**	**$ 884**	**$ 700**
AISC per ounce sold	**$ 719**	**$ 1,441**	**$ 946**	**$ 980**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 719**	**$ 1,441**	**$ 946**	**$ 980**

(1) The Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in the "Acquisition of Tahoe section of this MD&A.

GOLD SEGMENT	Six months ended June 30, 2019			
(In thousands of USD, except as noted)	Shahuindo	La Arena	Timmins[(1)]	Total
Production Costs	$ 37,127	$ 40,668	$ 63,218	$ 141,013
Purchase Price Allocation Inventory Fair Value Adjustment	(7,691)	(11,402)	(9,837)	(28,930)
NRV inventory adjustments	—	—	—	—
On-site direct operating costs	**29,436**	**29,266**	**53,381**	**112,083**
Royalties	—	—	1,890	1,890
Smelting, refining & direct selling costs	134	152	39	325
Cash Costs before by-product credits	**29,570**	**29,418**	**55,310**	**114,298**
Gold segment by-product credits	(289)	(90)	(103)	(483)
Cash Costs of Sales	**$ 29,281**	**$ 29,328**	**$ 55,207**	**$ 113,816**
NRV inventory adjustments	—	—	—	—
Sustaining capital	7,065	31,926	3,987	42,978
Exploration and project development	489	289	977	1,755
Reclamation cost accretion	403	621	61	1,085
All-in sustaining costs	**$ 37,238**	**$ 62,164**	**$ 60,232**	**$ 159,634**
Gold segment gold ounces sold	**52,546**	**45,258**	**60,700**	**158,504**
Cash cost per ounce sold	**$ 557**	**$ 648**	**$ 910**	**$ 718**
AISC per ounce sold	**$ 709**	**$ 1,374**	**$ 992**	**$ 1,007**
AISC per ounce sold (excluding NRV inventory adjustments)	**$ 709**	**$ 1,374**	**$ 992**	**$ 1,007**

(1) The Timmins mines are classified as assets-held-for sale in the Company's Q2 2019 Financial Statements, as described in the "Acquisition of Tahoe section of this MD&A.

Adjusted Earnings and Basic Adjusted Earnings Per Share

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

The following table shows a reconciliation of adjusted earnings for the three and six months ended June 30, 2019 and 2018, to the net earnings for each period.

	Three months ended June 30,		Six months ended June 30,	
(In thousands of USD, except as noted)	**2019**	2018	**2019**	2018
Net earnings for the period	**$ 18,499**	$ 36,696	**$ 52,311**	$ 84,852
Adjust for:				
- Derivative losses	**1,785**	2,788	**14**	780
- Write-down of project development costs	**1,882**	—	**1,882**	—
- Unrealized foreign exchange (gains) losses	**(931)**	4,170	**1,564**	6,147
- Net realizable value adjustments to heap inventory	**9,446**	(1,754)	**18,845**	(661)
- Unrealized gains on commodity contracts	**(441)**	(2,957)	**(782)**	(2,957)
- Income from associate, net of dilution gain	**(309)**	(14,113)	**(920)**	(14,272)
- Reversal of previously accrued tax liabilities	**—**	(1,188)		(1,188)
- Gains (losses) on sale of assets	**(3,447)**	182	**(3,487)**	(7,804)
- Bargain purchase gain	**—**	—	**(30,492)**	—
- Transaction and integration costs	**3,446**	—	**4,849**	—
- Income from discontinued operations	**(14,634)**	—	**(12,705)**	—
Adjust for effect of taxes relating to the above	**$ (4,008)**	$ (2,026)	**$ (7,306)**	$ (351)
Adjust for effect of foreign exchange on taxes	**$ (2,251)**	$ 13,629	**(6,031)**	1,583
Adjusted earnings for the period	**$ 9,037**	$ 35,427	**$ 17,742**	$ 66,129
Weighted average shares for the period	**209,461**	153,295	**193,055**	153,303
Adjusted earnings per share for the period	**$ 0.04**	$ 0.23	**$ 0.09**	$ 0.43

Total Debt

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

Capital

Capital is a non-GAAP measure and is calculated as total equity plus total debt less cash and cash equivalents and short term investments. Capital does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate the enterprise value of the Company.

Working Capital

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

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; trading and credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD whereas the Company operates in jurisdictions that utilize other currencies; 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, Bolivia and Guatemala; environmental risks; and risks related to its relations with employees and local communities where we operate. 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 2018 Annual MD&A, and the 2018 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 8(f) to the Company's 2018 Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three and six months ended June 30, 2019. 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. As at June 30, 2019, the Company had outstanding collars made up of put and call contracts for its exposure to zinc (3,600 tonnes) and copper (600 tonnes); settlement dates on these positions are between July 2019 and September 2019. The outstanding contracts have respective weighted average floor and cap prices per tonne of: $2,600 and $3,200 for zinc; and, $6,200 and $6,840 for copper. The Company recorded total gains on these positions of $1.2 million and $1.6 million in Q2 2019 and H1 2019, respectively (Q2 2018 and H1 2018: gains of $0.9 million and $2.6 million).

Trading and Credit Risk

As at June 30, 2019, we had receivable balances associated with buyers of our concentrates of $51.2 million (December 31, 2018 - $40.8 million). The vast majority of the Company's concentrate is sold to a limited number of concentrate buyers.

As at June 30, 2019, we had approximately $46.5 million contained in precious metal inventory at refineries (December 31, 2018 - $19.7 million). 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. For example, in November 2018, Republic Metals Corporation ("Republic"), a refinery used by us, filed for bankruptcy. At the time of the bankruptcy, Republic had possession of approximately $4.9 million of our metal, which for accounting purposes has been fully provided for. While we are pursuing a claim to collect the metals, or in lieu thereof, damages, the prospects for recovery are uncertain.

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 June 30, 2019, the Company had made $8.7 million of supplier advances (December 31, 2018 - $14.4 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 June 30, 2019, the Company had outstanding positions on its foreign currency exposure of MXN purchases. The MXN positions are collars with a notional amount of $25.2 million USD, with weighted average USD put and call exchange rates of $19.82 and $22.41, respectively. The Company recorded gains of $0.4 million and $0.9 million on MXN derivative contracts for the three and six months ended June 30, 2019 (Q1 2018 and H1 2018 - gains of nil and $0.1 million, respectively). At June 30, 2019, the Company held cash and short-term investments of $50.1 million in Canadian dollars, $2.3 million in Mexican pesos, $3.5 million in Peruvian soles, $4.4 million in Argentine pesos, $1.1 million in Bolivian bolivianos, and $0.2 million in Guatemalan quetzal.

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 2018 Annual MD&A, and in Note 29(c) to the Company's 2018 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 June 30, 2019.

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 2018 Annual MD&A, and in Note 23 to the Company's Q1 2019 Financial Statements.

In July 2017, the Escobal mining license, held by Tahoe’s Guatemalan subsidiary Minera San Rafael (“MSR”) was suspended as a result of a court proceeding initiated by a non-governmental organization (an “NGO”) in Guatemala, based upon the allegation that Guatemala’s Ministry of Energy and Mines (“Guatemala MEM”) violated the Xinka indigenous people’s right of consultation. After several decisions and appeals on the matter, a decision of the Constitutional Court of Guatemala was rendered on September 3, 2018, determining that the Escobal mining license would remain suspended until the Guatemala MEM completes an ILO 169 consultation. The consultation process is proceeding and as a result normal operations at Escobal mine remain suspended. Legal challenges to the consultation process have been filed with the Guatemalan Supreme Court and the outcome of those challenges is unknown. The process and timing for completing the ILO 169 consultation remains uncertain. In addition, in June 2017, MSR filed its annual request to renew the Escobal mine’s export credential with the Guatemala MEM. However, the Guatemala MEM did not renew the export credential because its renewal had become contingent on the Supreme Court's reinstatement of the Escobal mining license. The export credential therefore expired in August 2017 and has not been renewed.

Tahoe and certain of its officers and directors were named in three purported class action claims in the United States, which have been consolidated in the US District Court District of Nevada, including alleging violations of Section 10(b) and Section 20(a) of the US Exchange Act and Rule 10b-5, and one purported class action filed in Canada in the Ontario Supreme Court concerning Tahoe’s disclosure with respect to the Escobal mine. These class action claims were filed following the issuance of a provisional decision by the Guatemalan Supreme Court suspending the Escobal mining license issued to MSR.

On June 18, 2014, seven plaintiffs filed an action against Tahoe in the British Columbia Supreme Court alleging battery and negligence regarding a security incident that occurred at the Escobal mine on April 27, 2013. The plaintiffs sought compensatory and punitive damages. In April 2017, three of the seven plaintiffs settled their claims against Tahoe. On July 30, 2019, the Company settled, on behalf of Tahoe, the remaining four plaintiffs' claims and the British Columbia Supreme Court action has been dismissed.

These matters may give rise to legal uncertainties or have unfavourable results and divert Management's attention and resources.

Foreign Operations and Government Regulations

Pan American currently conducts operations in Peru, Mexico, Argentina, Bolivia, Canada and Guatemala. Most of these jurisdictions are potentially subject to a number of political and economic risks, as well as civil and labour unrest, violence and the prevalence of criminal activity, including organized crime, theft and illegal mining. We are also subject to extensive laws and regulations in the foreign jurisdictions in which we do business. The costs associated with compliance with these and future laws and regulations can be substantial, and changes to existing laws and regulations could cause additional expense, restrictions on or suspensions of our operations, and delays in the development and permitting of our properties. 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 2018 Annual MD&A.

With respect to Guatemala, incidents of civil unrest, violence and vandalism have occasionally affected the Escobal mine, along with its employees, contractors and their families, including incidents surrounding the roadblock in Casillas, Guatemala. Pan American can provide no assurance that security incidents or roadblocks, in the future, will not have a material adverse effect on our ability to restart operations or conduct future operations at the Escobal mine. Renewed political unrest, including events related to Guatemalan Presidential elections held in June 2019 and the final round of the Presidential elections that are expected to be completed in August 2019, could adversely affect our restart of and future operations at the Escobal mine.

Other than risk associated with the new jurisdictions the Company is now operating in subsequent to the Tahoe Acquisition, specifically Guatemala, there were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended June 30, 2019.

Community Action

Communities and non-governmental organizations ("NGOs") have become more vocal and active with respect to mining activities at or near their communities. Some communities and NGOs have taken actions that could have a material adverse effect on our operations, such as setting up road closures and commencing lawsuits. In certain circumstances, such actions might ultimately result in the cessation of mining activities and the revocation of permits and licenses. These actions relate not only to current activities but are often in respect of past activities by prior owners of mining properties. For example, since June 7, 2017, a group of protesters near the town of Casillas blocked the primary highway that connects Guatemala City to San Rafael Las Flores and the Escobal mine that we recently acquired. Tahoe's operations were reduced between June 8, 2017 and June 19, 2017 to conserve fuel, and on July 5, 2017, were ceased following the Supreme Court's provisional decision to suspend the Escobal mining license while the case against the Guatemala MEM was heard on the merits. A second roadblock was initiated in 2018 near the community of Mataquescuintla. MSR representatives have been pursuing engagement with community leaders, government agencies, and NGOs to develop a dialogue process aimed at resolving this protracted dispute and reaching a peaceful conclusion to the roadblocks, but there is no guarantee that a positive conclusion will be reached.

Title to Assets

In many jurisdictions in which we operate, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands. Accordingly, title holders of mining concessions in many jurisdictions must agree with surface landowners on compensation in respect of mining activities conducted on such land. We do not hold title to all of the surface lands at many of our operations and we rely on contracts or other similar rights to conduct surface activities. For example, currently at the Shahuindo and La Arena operations we do not own all surface rights necessary for completion of the current mining plans.

In most of the jurisdictions where we operate the land title system is not well developed, recorded or maintained. There can also be uncertainty and conflicts with respect to physical land boundaries. Where we do own title to surface lands, legal challenges to our title are not uncommon. For example, a legal action was filed in the Guatemala courts in June 2019, by an individual claiming to own title to certain lands within the Escobal mine site, which Mineral San Rafael had previously purchased. In Mexico at our La Colorada mine, certain individuals have asserted community rights and land ownership over our surface lands in the Agrarian Courts and they have also initiated a process before the Ministry of Agrarian, Territorial and Urban Development of Mexico's Federal Government to declare such lands as national property. On June 4, 2019, we filed an amparo against such process and obtained an injunction to protect our surface rights of our La Colorada mine. If we are unable to acquire or maintain access to those surface rights, future mining operations could be impacted.

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's 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 3 of the 2018 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, 2018, except for the following:

Leases

In January 2016, the IASB issued IFRS 16 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.

The Company has applied IFRS 16 using the modified retrospective approach from January 1, 2019 and has elected the record the transition date right of use assets at amounts equal to the present value of the minimum lease payments, on a lease by lease basis. Short-term and low-value recognition exemptions were applied, as well as certain practical expedients allowing for the use of hindsight to assess the lease term for contracts with extension options, the exclusion of initial direct costs from measurement of the ROU asset and the exclusion of leases with a term of less than one year remaining at the transition date.

Policy applicable from January 1, 2019:

Lease Definition

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

Measurement of Right-of-Use Assets ("ROU Assets") and Lease Obligations

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

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

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

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

Recognition Exemptions

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

Additional disclosures have been presented in Note 13 of the Q1 2019 Financial Statements as a result of adopting IFRS 16.

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.

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 month period ended June 30, 2019 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 as at December 31, 2018 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 12, 2019, 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, including the Acquired Mines; future Cash Costs and AISC; the sufficiency of the Company's current working capital, anticipated operating cash flow or its ability to raise necessary funds; the anticipated amount and timing of production at each of the Company's properties and in the aggregate; our expectations with respect to future metal prices and exchange rates; the timing and disclosure of the allocation of purchase price for the Acquisition; any potential future sale of Lake Shore (including the Timmins mines and other assets) and the timing for any such sale, and the impacts any such sale might have on the Company; the duration and effect of the license suspensions and any road blocks relating to the Escobal mine; 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 can be maintained; and our ability to comply with environmental, health and safety laws, particularly given the potential for modifications and expansion of such laws. The foregoing list of assumptions is not exhaustive.

The Company cautions the reader that forward-looking statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements or information contained in this MD&A and the Company has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: fluctuations in silver, gold, and base metal prices; fluctuations in prices for energy inputs; fluctuations in currency markets (such as the PEN, MXN, ARS, BOL, GTQ and CAD versus the USD); risks related to the technological and operational nature of the Company's business; changes in national and local government, legislation, taxation, controls or regulations and political, legal or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia, Guatemala or other countries where the Company may carry on business, including the risk of expropriation related to certain of our operations, particularly in Argentina and Bolivia and risks related to the constitutional court-mandated ILO 169 consultation process in Guatemala; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relationships with and claims by the local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the Company's ability to secure our mine sites or maintain access to our mine sites due to criminal activity, violence, or civil and labour unrest; the speculative nature of mineral exploration and development, including the risk of obtaining or retaining necessary licenses and permits and the presence of laws, regulations and other legal impediments that may impose restrictions on mining, including those currently in the province of Chubut, Argentina, or that might otherwise prevent or cause the suspension or discontinuation of mining activities; 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 SIX MONTHS ENDING JUNE 30, 2019

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

	June 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents (Note 21)	**$ 92,221**	$ 138,510
Short-term investments (Note 6)	**46,594**	74,004
Trade and other receivables	**173,856**	96,091
Income taxes receivable	**33,751**	13,108
Inventories (Note 7)	**283,320**	214,465
Derivative financial instruments (Note 5a)	**1,356**	640
Assets held for sale[(1)]	**406,780**	—
Prepaid expenses and other current assets	**12,307**	11,556
	1,050,185	548,374
Non-current assets		
Mineral properties, plant and equipment (Note 8)	**2,240,212**	1,301,002
Inventories (Note 7)	**23,982**	—
Long-term refundable tax	**21,833**	70
Deferred tax assets	**11,939**	12,244
Investment in associates (Note 10)	**69,877**	70,566
Goodwill and other assets (Note 11)	**4,067**	5,220
Total Assets	**$ 3,422,095**	$ 1,937,476
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	**$ 182,374**	$ 131,743
Derivative financial instruments (Note 5a)	**—**	51
Current portion of provisions (Note 13)	**5,711**	5,072
Current portion of lease obligations (Note 14)	**13,525**	5,356
Liabilities relating to assets held for sale[(1)]	**30,934**	—
Income tax payable	**24,551**	8,306
	257,095	150,528
Non-current liabilities		
Long-term portion of provisions (Note 13)	**142,660**	70,083
Deferred tax liabilities	**183,121**	148,819
Long-term portion of lease obligations (Note 14)	**30,233**	1,320
Debt (Note 15)	**335,000**	—
Deferred revenue (Note 10)	**12,731**	13,288
Other long-term liabilities (Note 16)	**27,476**	25,425
Share purchase warrants (Note 10)	**14,850**	14,664
Total Liabilities	**1,003,166**	424,127
Equity		
Capital and reserves (Note 17)		
Issued capital	**3,117,651**	2,321,498
Reserves	**94,818**	22,573
Investment revaluation reserve	**1**	208
Deficit	**(799,082)**	(836,067)
Total Equity attributable to equity holders of the Company	**2,413,388**	1,508,212
Non-controlling interests	**5,541**	5,137
Total Equity	**2,418,929**	1,513,349
Total Liabilities and Equity	**$ 3,422,095**	$ 1,937,476

(1) The Company determined that this meets the definition of an asset held for sale upon acquisition (Note 4).

See accompanying notes to the condensed interim consolidated financial statements

APPROVED BY THE BOARD ON AUGUST 7, 2019

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

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

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue (Note 22)	**$ 282,948**	$ 216,460	**$ 515,591**	$ 423,421
Cost of sales (Note 22)				
Production costs (Note 18)	**(184,004)**	(116,413)	**(343,857)**	(228,862)
Depreciation and amortization	**(57,613)**	(37,626)	**(106,947)**	(72,164)
Royalties	**(5,191)**	(7,570)	**(11,453)**	(12,420)
	(246,808)	(161,609)	**(462,257)**	(313,446)
Mine operating earnings (Note 22)	**36,140**	54,851	**53,334**	109,975
General and administrative	**(7,571)**	(5,566)	**(13,506)**	(11,524)
Exploration and project development	**(4,625)**	(1,877)	**(6,079)**	(4,621)
Mine care and maintenance	**(5,842)**	—	**(9,289)**	—
Foreign exchange gains (losses)	**697**	(4,917)	**(2,148)**	(6,592)
Gains on commodity and foreign currency contracts (Note 5d)	**1,240**	906	**1,581**	2,639
Gains (losses) on sale of mineral properties, plant and equipment	**3,447**	(182)	**3,487**	7,804
Share of income from associate and dilution gain (Note 10)	**309**	14,113	**920**	14,272
Transaction and integration costs (Note 4)	**(3,446)**	—	**(4,849)**	—
Bargain purchase gain (Note 4)	**—**	—	**30,492**	—
Other expense	**(350)**	(1,135)	**(243)**	(591)
Earnings from operations	**19,999**	56,193	**53,700**	111,362
Loss on derivatives (Note 5d)	**(1,785)**	(737)	**(14)**	(780)
Investment income (loss)	**2,533**	(1,071)	**14,816**	827
Interest and finance expense (Note 19)	**(7,945)**	(1,175)	**(12,669)**	(3,533)
Earnings before income taxes	**12,802**	53,210	**55,833**	107,876
Income tax expense (Note 23)	**(8,937)**	(16,514)	**(16,227)**	(23,024)
Net earnings from continuing operations	**3,865**	36,696	**39,606**	84,852
Net earnings from discontinued operations (Note 4)	**14,634**	—	**12,705**	—
Net earnings for the period	**$ 18,499**	$ 36,696	**$ 52,311**	$ 84,852
Attributable to:				
Equity holders of the Company	**$ 18,371**	$ 36,187	**$ 51,646**	$ 83,563
Non-controlling interests	**128**	509	**665**	1,289
	$ 18,499	$ 36,696	**$ 52,311**	$ 84,852
Earnings per share attributable to common shareholders (Note 20)				
Basic earnings per share	**$ 0.09**	$ 0.24	**$ 0.27**	$ 0.55
Diluted earnings per share	**$ 0.09**	$ 0.24	**$ 0.27**	$ 0.54
Weighted average shares outstanding (in 000's) Basic	**209,461**	153,295	**193,055**	153,303
Weighted average shares outstanding (in 000's) Diluted	**209,568**	153,545	**193,178**	153,543

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Net earnings for the period	**$ 18,499**	$ 36,696	**$ 52,311**	$ 84,852
Items that may be reclassified subsequently to net earnings:				
Unrealized net gains on short-term investments (Note 5c)	**—**	533	**1**	343
Reclassification adjustment for realized gains on short-term investments to earnings (Note 5c)	**—**	(461)	**(208)**	(330)
Total comprehensive earnings for the period	**$ 18,499**	$ 36,768	**$ 52,104**	$ 84,865
Total comprehensive earnings attributable to:				
Equity holders of the Company	**$ 18,371**	$ 36,259	**$ 51,439**	$ 83,576
Non-controlling interests	**128**	509	**665**	1,289
	$ 18,499	$ 36,768	**$ 52,104**	$ 84,865

See accompanying notes to the condensed interim consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Cash flow from operating activities				
Net earnings for the period	**$ 18,499**	$ 36,696	**$ 52,311**	$ 84,852
Current income tax expense (Note 23)	**18,092**	17,607	**32,387**	35,742
Deferred income tax recovery (Note 23)	**(9,155)**	(1,093)	**(16,160)**	(12,718)
Interest expense (recovery) (Note 19)	**4,891**	(1,048)	**6,938**	(913)
Depreciation and amortization	**57,613**	37,626	**106,947**	72,164
Accretion on closure and decommissioning provision (Note 13)	**2,560**	1,623	**4,602**	3,262
Unrealized (gains) losses on foreign exchange	**(931)**	4,170	**1,564**	6,147
(Gain) loss on sale of mineral properties, plant and equipment	**(3,447)**	182	**(3,487)**	(7,804)
Project development write-down	**1,882**	—	**1,882**	—
Bargain purchase gain (Note 4)	**—**	—	**(30,492)**	—
Other operating activities (Note 21)	**(3,852)**	(18,409)	**(8,923)**	(25,665)
Changes in non-cash operating working capital (Note 21)	**20,140**	7,772	**(17,796)**	(3,548)
Operating cash flows before interest and income taxes	**$ 106,292**	$ 85,126	**$ 129,773**	$ 151,519
Interest paid	**(4,804)**	(330)	**(7,955)**	(843)
Interest received	**21**	182	**605**	946
Income taxes paid	**(17,991)**	(18,029)	**(51,816)**	(50,273)
Net cash generated from operating activities	**$ 83,518**	$ 66,949	**$ 70,607**	$ 101,349
Cash flow from investing activities				
Payments for mineral properties, plant and equipment	**$ (64,719)**	$ (35,926)	**$ (105,597)**	$ (68,491)
Tahoe Resources Inc. ("Tahoe") acquisition (Note 4)	**—**	—	**(247,479)**	—
Acquisition of mineral interests	**(1,545)**	(7,500)	**(1,545)**	(7,500)
Net (purchase of) proceeds from short-term investments	**(12,528)**	(6,851)	**41,578**	(12,014)
Proceeds from sale of mineral properties, plant and equipment	**9,091**	10,374	**9,138**	15,479
Net proceeds (payments) from commodity, diesel fuel swaps, and foreign currency contracts	**363**	—	**799**	(318)
Net cash used in investing activities	**$ (69,338)**	$ (39,903)	**$ (303,106)**	$ (72,844)
Cash flow from financing activities				
Proceeds from issue of equity shares	**$ 194**	$ 499	**$ 194**	$ 626
Distributions to non-controlling interests	**(261)**	(254)	**(261)**	(556)
Dividends paid	**(7,331)**	(5,185)	**(14,661)**	(10,551)
Proceeds from credit facility (Note 15)	**—**	—	**335,000**	—
Repayment of credit facility (Note 4)	**—**	—	**(125,000)**	—
Repayment of short-term loans	**—**	—	**—**	(3,000)
Payment of equipment leases	**(4,880)**	(1,977)	**(8,870)**	(3,517)
Net cash (used in) generated from financing activities	**$ (12,278)**	$ (6,917)	**$ 186,402**	$ (16,998)
Effects of exchange rate changes on cash and cash equivalents	**(229)**	(8)	**(192)**	(57)
Net increase (decrease) in cash and cash equivalents	**1,673**	20,121	**(46,289)**	11,450
Cash and cash equivalents at the beginning of the period	**90,548**	167,282	**138,510**	175,953
Cash and cash equivalents at the end of the period	**$ 92,221**	$ 187,403	**$ 92,221**	$ 187,403

Supplemental cash flow information (Note 21).
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	Reserves[1]	Investment revaluation reserve	Deficit	Total	Non-controlling interests	Total equity
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	—	—	—	(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 year	—	—	—	—	10,294	10,294	1,747	12,041
Other comprehensive income	—	—	—	205	—	205	—	205
	—	—	—	205	10,294	10,499	1,747	12,246
Cancellation of expired shares	(120,339)	—	—	—	178	178	—	178
Shares issued on the exercise of stock options	125,762	1,367	(286)	—	—	1,081	—	1,081
Shares issued as compensation	139,957	1,879	—	—	—	1,879	—	1,879
Share-based compensation on option grants	—	—	396	—	—	396	—	396
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(1,209)	(1,209)	(811)	(2,020)
Dividends paid	—	—	—	—	(21,462)	(21,462)	—	(21,462)
Balance, December 31, 2018	**153,448,356**	**$ 2,321,498**	**$ 22,573**	**$ 208**	**$ (836,067)**	**$ 1,508,212**	**$ 5,137**	**$ 1,513,349**
Total comprehensive earnings								
Net earnings for the period	—	—	—	—	51,646	51,646	665	52,311
Other comprehensive loss	—	—	—	(207)	—	(207)	—	(207)
	—	—	—	(207)	51,646	51,439	665	52,104
Shares issued on the exercise of stock options	20,642	284	(90)	—	—	194	—	194
Shares issued as compensation	22,335	243	—	—	—	243	—	243
Share-based compensation on option grants	—	—	295	—	—	295	—	295
Tahoe acquisition consideration (Note 4)	55,990,512	795,626	72,040	—	—	867,666	—	867,666
Distributions by subsidiaries to non-controlling interests	—	—	—	—	—	—	(261)	(261)
Dividends paid	—	—	—	—	(14,661)	(14,661)	—	(14,661)
Balance, June 30, 2019	**209,481,845**	**$ 3,117,651**	**$ 94,818**	**$ 1**	**$ (799,082)**	**$ 2,413,388**	**$ 5,541**	**$ 2,418,929**

(1) Includes reserves for share options and contingent value rights ("CVRs") (Note 4).
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, 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	—	—	—	(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	—	—	—	—	83,563	83,563	1,289	84,852
Other comprehensive income	—	—	—	13	—	13	—	13
	—	—	—	13	83,563	83,576	1,289	84,865
Cancellation of expired shares	(121,439)	—	—	—	178	178	—	178
Shares issued on exercise of stock options	72,096	792	(166)	—	—	626	—	626
Shares issued as compensation	10,338	182	—	—	—	182	—	182
Share-based compensation on option grants	—	—	188	—	—	188	—	188
Distributions by subsidiaries to non-controlling interests	—	—	—	—	—	—	(556)	(556)
Dividends paid	—	—	—	—	(10,729)	(10,729)	—	(10,729)
Balance, June 30, 2018	**153,263,971**	**$ 2,319,226**	**$ 22,485**	**$ 16**	**$ (750,856)**	**$ 1,590,871**	**$ 4,934**	**$ 1,595,805**

See accompanying notes to the condensed interim consolidated financial statements.

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

1. NATURE OF OPERATIONS

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

The Company is engaged in the production and sale of silver, gold, zinc, lead and copper as well as other related activities, including exploration, extraction, processing, refining and reclamation. The Company's major products are produced from mines in Canada, Peru, Mexico, Argentina and Bolivia. Additionally, the Company has project development activities in Canada, Peru, Mexico and Argentina, and exploration activities throughout South America, Canada and Mexico. As at June 30, 2019 the Company's Escobal mine in Guatemala continues to be on care and maintenance pending satisfactory completion of a consultation process with the Ministry of Energy and Mines in Guatemala.

Principal subsidiaries:

The principal subsidiaries, including those from the Tahoe Acquisition (Note 4), of the Company and their geographic locations at June 30, 2019 were as follows:

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

2. 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, 2018.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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, 2018, except for the following:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 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.

The Company has applied IFRS 16 using the modified retrospective approach from January 1, 2019 and has elected to record the transition date right-of-use assets at amounts equal to the present value of the minimum lease payments, on a lease by lease basis. Short-term and low-value recognition exemptions were applied, as well as certain practical expedients allowing for the use of hindsight to assess the lease term for contracts with extension options, the exclusion of initial direct costs from measurement of the Right-of-Use-Assets ("ROU Assets") and the exclusion of leases with a term of less than one year remaining at the transition date.

Policy applicable from January 1, 2019

Lease Definition

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

Measurement of ROU Assets and Lease Obligations

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

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

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

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

Recognition Exemptions

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

Leases

The Company's leased assets include land, buildings, vehicles, and machinery and equipment with a carrying value of $47.3 million at June 30, 2019. Effective January 1, 2019, the Company adopted IFRS 16 as outlined in Note 14, recognizing $21.4 million of ROU assets, $18.9 million of lease obligations and deferred tax assets/ liabilities of $nil.

b) Changes in accounting policies 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.

4. TAHOE ACQUISITION

On February 22, 2019, the Company completed the acquisition of 100% of the issued and outstanding shares of Tahoe (the "Acquisition"). Each Tahoe shareholder had the right to elect to receive either $3.40 in cash (the "Cash Election") or 0.2403 of a Common Share (the "Share Election") for each Tahoe share, subject in each case to pro-ration based on a maximum cash consideration of $275 million and a maximum number of Common Shares issued of 56.0 million. Tahoe shareholders who did not make an election by the election deadline were deemed to have made the Share Election. Holders of 23,661,084 Tahoe shares made the Cash Election and received all cash consideration in the amount of $3.40 per Tahoe share. The holders of 290,226,406 Tahoe shares that made or were deemed to have made, the Share Election were subject to pro-ration, and received consideration of approximately $0.67 in cash and 0.1929 of a Common Share per Tahoe share.

In addition, Tahoe shareholders received contingent consideration in the form of one CVR for each Tahoe share. Each CVR will be exchanged for 0.0497 of a Common Share upon the first commercial shipment of concentrate following restart of operations at the Escobal mine (the "First Shipment"). The CVRs are transferable and have a term of 10 years. The First Shipment contingency is a discrete event upon which a fixed number of Common Shares will be issued. As there is no variability in the number of shares to be issued if the contingency is met the Company has concluded that the CVR consideration meets the 'fixed-for-fixed' requirement in IAS 32 - *Financial Instruments: Presentation*. As such the CVRs are classified as a component of equity, recognized initially at fair value with no remeasurement, and any subsequent settlement to be accounted for within equity.

As a result of the Acquisition, the Company paid $275 million in cash, issued 55,990,512 Common Shares, and issued 313,887,490 CVRs. After this share issuance, Pan American shareholders owned approximately 73%, while former Tahoe shareholders owned approximately 27%, of the shares of the combined company. The Company has determined that this transaction represents a business combination with Pan American identified as the acquirer. Based on the February 21, 2019 closing share price of Common Shares, the total consideration of the Acquisition is approximately $1.1 billion. The Company began consolidating the operating results, cash flows and net assets of Tahoe from February 22, 2019 onwards.

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

Tahoe was a mid-tier publicly traded precious metals mining company with ownership interests in a diverse portfolio of mines and projects including the following principle mines: Timmins West and Bell Creek in Canada; La Arena and Shahuindo in Peru; and Escobal in Guatemala (the "Acquired Mines"). The Escobal mine's operations have been suspended since June 2017.

The following table summarizes the consideration paid as part of the purchase price:

Consideration:	Shares Issued	Consideration
Fair value estimate of the Pan American Share consideration [1]	55,990,512	$ 795,626
Fair value estimate of the CVRs [2]	15,600,208	71,916
Cash [1]	—	275,008
Fair value estimate of replacement options [3]	835,874	124
Total Consideration	**72,426,594**	**$ 1,142,674**

1. The Pan American Share consideration value is based on an assumed value of $14.21 per share (based on the NASDAQ closing price on February 21, 2019).
2. Assumed fair value of the CVRs is based on the residual amount of the value of the Tahoe Shares acquired (based on the NYSE closing price closing of $3.64 on February 21, 2019) after deducting the cash consideration of $275 million and the fair value of the Company's share consideration paid (based on the February 21, 2019 Nasdaq closing price of $14.21).
3. Assumed fair value of 3.5 million Tahoe options that upon the Acquisition vested and converted into 835.8 thousand Pan American stock options (the "Replacement options"). The fair value of the Replacement options was determined using the Black-Scholes option pricing model, as at the Acquisition date, the assumptions of which are described in the Company's Q1 2019 Financial Statements.

Share price at February 21, 2019 (Canadian dollars, "CAD")	$	19.01
Exercise price	$	11.67 - 97.26
Expected volatility		0.4075
Expected life (years)		0.2 - 1.0
Expected dividend yield		0.78 %
Risk-free interest rate		0.93 %
Fair value (CAD)	$	163,273.36
CAD to USD exchange rate at December 31, 2018	$	0.7578
Fair value (USD)	$	123,729.43

The following table summarizes the preliminary allocation of the purchase price to the identifiable assets and liabilities based on their estimated fair values at the date of the Acquisition:

Allocation of consideration:	Consideration
Cash and cash equivalents	$ 27,529
Accounts receivable	17,854
VAT Receivable	87,268
Inventory	152,534
Other current assets	4,135
Mineral properties, plant and equipment	1,298,037
Other assets	3,450
Accounts payable and accrued liabilities	(159,675)
Provision for closure and decommissioning liabilities	(70,119)
Debt	(125,000)
Net current and deferred income tax liabilities	(62,847)
Bargain purchase gain	(30,492)
	$ 1,142,674

As at June 30, 2019, the allocation of the purchase price has not been finalized. The Company is currently in the process of determining the fair values of identifiable assets acquired and liabilities assumed and measuring the associated deferred income tax assets and liabilities and will finalize the allocation of the purchase price no later than February 21, 2020.

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

Held for Sale Assets

Concurrent with the Acquisition, the Company formally initiated an active program to locate a buyer of Lake Shore Gold Inc. ("Lake Shore"), a subsidiary acquired by the Company as part of the Acquisition. Lake Shore's principal assets are the Bell Creek and Timmins mines (collectively, "Timmins"). Based on management's assessment of the Company's sales process it was determined that Lake Shore meets the criteria, under IFRS 5 - *Non-current assets held for sale and discontinued operations,* to be a discontinued operation to be classified as held for sale upon acquisition. As such, upon the Acquisition and as at June 30, 2019, the assets and liabilities of Lake Shore were classified as assets and liabilities held for sale and are presented separately under current assets and current liabilities, respectively, and the post-tax profit or loss from the Lake Shore operations have been presented as a single and separate item on the Company's condensed interim consolidated income statements as discontinued operations.

5. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities by categories

June 30, 2019	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	**$ 92,221**	**$ —**	**$ —**	**$ 92,221**
Trade receivables from provisional concentrates sales(1)	**—**	**51,246**	**—**	**51,246**
Receivable not arising from sale of metal concentrates(1)	**113,874**	**—**	**—**	**113,874**
Short-term investments, equity securities	**—**	**46,080**	**—**	**46,080**
Short-term investments, other than equity securities	**—**	**—**	**514**	**514**
Derivative financial assets	**—**	**1,356**	**—**	**1,356**
	$ 206,095	**$ 98,682**	**$ 514**	**$ 305,291**

(1) Included in Trade and other receivables.

December 31, 2018	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	$ 138,510	$ —	$ —	$ 138,510
Trade receivables from provisional concentrates sales(1)	—	40,803	—	40,803
Receivable not arising from sale of metal concentrates(1)	40,918	—	—	40,918
Short-term investments, equity securities	—	19,178	—	19,178
Short-term investments, other than equity securities	—	—	54,826	54,826
Derivative financial assets	—	640	—	640
	$ 179,428	$ 60,621	$ 54,826	$ 294,875
Financial Liabilities:				
Derivative financial liabilities	$ —	$ 51	$ —	$ 51
	$ —	$ 51	$ —	$ 51

(1) Included in Trade and other receivables.

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

b) Short-term investments in equity securities recorded at fair value through profit or loss ("FVTPL")

The Company's short-term investments in equity securities are recorded at FVTPL. The net gains (losses) from short-term investments in equity securities for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Unrealized net gains (losses) on short-term investments, equity securities	**$ 3,054**	$ (1,779)	**$ 14,374**	$ (723)
Realized net losses on short-term investments, equity securities	**—**	(31)	**—**	(49)
	$ 3,054	$ (1,810)	**$ 14,374**	$ (772)

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

The Company's short-term investments other than equity securities are recorded at fair value through other comprehensive income. The unrealized gains (losses) from short-term investments other than equity securities for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Unrealized net gains on short-term investments, other than equity securities	**$ —**	$ 533	**$ 1**	$ 343
Reclassification adjustment for realized gains on short-term investments, other than equity securities	**—**	(461)	**(208)**	(330)
	$ —	$ 72	**$ (207)**	$ 13

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 six months ended June 30, 2019 and 2018 were comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Gains on foreign currency and commodity contracts:				
Realized gains (losses) on foreign currency and commodity contracts	**$ 364**	$ —	**$ 799**	$ (318)
Unrealized gains on foreign currency and commodity contracts	**876**	906	**782**	2,957
	$ 1,240	$ 906	**$ 1,581**	$ 2,639
Loss on derivatives:				
Loss on warrants	**$ (1,785)**	$ (737)	**$ (14)**	$ (780)

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 June 30, 2019		At December 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	$ 46,594	$ —	$ 74,004	$ —
Trade receivables from provisional concentrate sales	—	51,246	—	40,803
Derivative financial assets	—	1,356	—	640
Derivative financial liabilities	—	—	—	(51)
	$ 46,594	$ 52,602	$ 74,004	$ 41,392

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, 2018.

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 is 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 principal 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, copper and silver concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At June 30, 2019, the Company had receivable balances associated with buyers of its concentrates of $51.2 million (December 31, 2018 - $40.8 million). The vast majority of the Company's concentrate is sold to five well-known concentrate buyers.

Doré production from La Colorada, Dolores, Manantial Espejo, Shahuindo, La Arena, Bell Creek and Timmins is refined under long term agreements with fixed refining terms at four separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At June 30, 2019, the Company had approximately $46.5 million (December 31, 2018 - $19.7 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at the Company's mine sites, in-transit to refineries and while 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.

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options, warrants, and per share amounts, unless otherwise noted)

There was no significant change to the Company's exposure to liquidity risk during the three and six months ended June 30, 2019.

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 June 30, 2019, the Company had outstanding positions on its foreign currency exposure of Mexican peso ("MXN") purchases. The Company recorded gains of $0.4 million and $0.9 million, respectively, on MXN derivative contracts for the three and six months ended June 30, 2019 (2018 - gains of $nil and $0.1 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. The average interest rate earned by the Company during the three and six months ended June 30, 2019 on its cash and short-term investments was 0.65% and 1.11%, respectively (2018 - 0.77% and 0.80%, respectively).

At June 30, 2019, the Company had $335.0 million in amounts drawn on its secured revolving credit facility (the "Credit Facility"), which had an average interest rate of 4.4%. There were no amounts drawn on the Credit Facility in 2018.

At June 30, 2019, the Company had $43.8 million in lease obligations (December 31, 2018 - $6.7 million), that are subject to an annualized interest rate of 9.7% (2018 - 2.2%).

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 and gold.

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 June 30, 2019, the Company had outstanding contracts to sell some of its base metals production.

6. SHORT-TERM INVESTMENTS

	June 30, 2019			December 31, 2018		
	Fair Value	**Cost**	**Accumulated unrealized holding gains**	Fair Value	Cost	Accumulated unrealized holding gains
Short-term investments	**$ 46,594**	**$ 33,946**	**$ 12,648**	$ 74,004	$ 73,796	$ 208

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

7. INVENTORIES

Inventories consist of:

		June 30, 2019		December 31, 2018
Concentrate inventory	$	14,114	$	19,286
Stockpile ore (1)		33,285		3,945
Heap leach inventory and in process (2)		132,081		113,199
Doré and finished inventory (3)		46,858		30,736
Materials and supplies		80,964		47,299
Total inventories	$	307,302	$	214,465
Less: current portion of inventories	$	(283,320)	$	(214,465)
Non-current portion of inventories(4)	$	23,982	$	—

(1) Includes an impairment charge of $6.5 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at June 30, 2019 (December 31, 2018 – $11.2 million at Manantial Espejo and Dolores mines).
(2) Includes an impairment charge of $39.0 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at June 30, 2019 (December 31, 2018 - $28.9 million at Manantial Espejo and Dolores mines).
(3) Includes an impairment charge of $7.9 million to reduce the cost basis of inventory to NRV at Manantial Espejo and Dolores mines at June 30, 2019. (December 31, 2018 - $7.5 million at Manantial Espejo and Dolores mines).
(4) Inventories at the Escobal mine in Guatemala, which include $16.7 million in supplies inventories with the remainder attributable to metals inventories, have been classified as non-current pending the restart of operations.

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment consist of:

	June 30, 2019						December 31, 2018					
		Cost		Accumulated Depreciation and Impairment		Carrying Value		Cost		Accumulated Depreciation and Impairment		Carrying Value
Huaron mine, Peru	$	212,367	$	(119,256)	$	93,111	$	207,360	$	(114,288)	$	93,072
Morococha mine, Peru		250,200		(156,484)		93,716		243,603		(149,120)		94,483
Alamo Dorado mine, Mexico		71,724		(71,724)		—		126,960		(126,960)		—
La Colorada mine, Mexico		306,093		(131,896)		174,197		301,706		(121,940)		179,766
Dolores mine, Mexico		1,564,684		(1,032,378)		532,306		1,529,751		(981,948)		547,803
Manantial Espejo mine, Argentina		368,027		(364,475)		3,552		367,105		(362,293)		4,812
San Vicente mine, Bolivia		138,831		(90,485)		48,346		137,394		(86,663)		50,731
Tahoe mines		744,869		(25,187)		719,682		—		—		—
Other		26,550		(16,837)		9,713		23,994		(16,265)		7,729
Total producing properties	$	3,683,345	$	(2,008,722)	$	1,674,623	$	2,937,873	$	(1,959,477)	$	978,396
Land and Non-Producing Properties:												
Land	$	34,709	$	(1,096)	$	33,613	$	4,677	$	(1,096)	$	3,581
Navidad project, Argentina		566,577		(376,101)		190,476		566,577		(376,101)		190,476
Minefinders projects, Mexico		91,362		(36,975)		54,387		91,362		(36,975)		54,387
Morococha, Peru		9,674		—		9,674		9,674		—		9,674
Argentine projects		89,295		(25,296)		63,999		69,774		(24,939)		44,835
Tahoe non-producing properties		192,788		(851)		191,937		—		—		—
Other		33,114		(11,611)		21,503		30,908		(11,255)		19,653
Total non-producing properties	$	1,017,519	$	(451,930)	$	565,589	$	772,972	$	(450,366)	$	322,606
Total mineral properties, plant and equipment	$	4,700,864	$	(2,460,652)	$	2,240,212	$	3,710,845	$	(2,409,843)	$	1,301,002

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

9. 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 June 30, 2019 no such indicators were noted, and no impairment charges or impairment charge reversals were required.

10. INVESTMENT IN ASSOCIATES

		June 30, 2019		December 31, 2018
Investment in Maverix Metals Inc. ("Maverix")(2)	**$**	**69,877**	$	69,116
Investment in other(1)		**—**		1,450
	$	**69,877**	$	70,566

(1) The Company sold its interest in an equity investee for $5 million in May 2019 resulting in a gain of $3.6 million recorded in gains (losses) on sale of mineral, properties, plant and equipment on the Condensed Interim Consolidated Income Statements.

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

		2019		2018
Balance of investment in Maverix, January 1,	**$**	**69,116**	$	53,567
Dilution gain		**(41)**		13,449
Adjustment for change in ownership interest		**(159)**		1,919
Income from associate		**961**		823
Balance of investment in Maverix, June 30,	**$**	**69,877**	$	69,758

Investment in Maverix:

The Company's warrant liability representing in substance ownership interest in Maverix was $14.9 million as at June 30, 2019 (December 31, 2018 - $14.7 million). The Company's share of Maverix income or loss was recorded, based on its 28% interest for the six months ended June 30, 2019 (2018 - 40%) representing the Company's fully diluted ownership.

Deferred Revenue:

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

The deferred revenue related to the Streams will be recognized as revenue by Pan American as the gold ounces are delivered to Maverix. As at June 30, 2019, the deferred revenue liability was $12.7 million (December 31, 2018 - $13.3 million).

The Company recognized $0.2 million and $0.4 million (2018 - $0.2 million and $0.3 million, respectively), respectively, during the three and six months ended June 30, 2019 for the delivery of 668 and 1,589 ounces (2018 - 1,116 and 1,635 ounces, respectively), 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.

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Income Statement Impacts:

The Company recognized nominal dilution losses during both the three and six months ended June 30, 2019 (2018 - gains of $13.4 million, and $13.4 million, respectively, were recognized). Dilution gains and losses are recorded in share of income from associate and dilution gain.

For the three and six months ended June 30, 2019 the Company also recognized its share of income from associate of $0.4 million and $1.0 million, respectively, (2018 - income of $0.6 million and $0.8 million, respectively) which represents the Company's proportionate share of Maverix's income during the period.

11. GOODWILL AND OTHER ASSETS

Other assets consist of:

	June 30, 2019	December 31, 2018
Goodwill	**$ 3,057**	$ 3,057
Other assets	**1,010**	2,163
	$ 4,067	$ 5,220

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	June 30, 2019	December 31, 2018
Trade accounts payable[(1)]	**$ 82,142**	$ 52,201
Royalties payable	**18,768**	2,004
Other accounts payable and trade related accruals	**28,340**	32,896
Payroll and related benefits	**35,906**	26,817
Severance accruals	**1,559**	1,791
Other taxes payable	**6,317**	4,044
Other	**9,342**	11,990
	$ 182,374	$ 131,743

(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)

13. PROVISIONS

	Closure and Decommissioning	Litigation	Total
December 31, 2018	$ 70,587	$ 4,568	$ 75,155
Revisions in estimates and obligations incurred	**9,133**	**—**	**9,133**
Acquired from Tahoe (Note 4)	**60,209**	**261**	**60,470**
Charged (credited) to earnings:			
-new provisions	**—**	**977**	**977**
-change in estimate	**—**	**(140)**	**(140)**
-exchange gains on provisions	**—**	**—**	**—**
Charged in the year	**—**	**(225)**	**(225)**
Reclamation expenditures	**(1,540)**	**—**	**(1,540)**
Accretion expense (Note 19)	**4,541**	**—**	**4,541**
June 30, 2019	**$ 142,930**	**$ 5,441**	**$ 148,371**

Maturity analysis of total provisions:	**June 30, 2019**	December 31, 2018
Current	**$ 5,711**	$ 5,072
Non-Current	**142,660**	70,083
	$ 148,371	$ 75,155

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options, warrants, and per share amounts, unless otherwise noted)

14. LEASES

a. ROU Assets

The following table summarizes changes in ROU Assets for the six months ended June 30, 2019 which have been recorded in mineral properties, plant and equipment on the Condensed Interim Consolidated Statements of Financial Position:

	June 30, 2019
Cost	
Balance, January 1, 2019[(1)]	$ 34,983
Additions after January 1, 2019	24,156
Assets acquired from Tahoe (Note 4)	3,871
Transfer out	(6,566)
Balance, June 30, 2019	56,444
Balance at January 1, 2019	(4,780)
Amortization	(7,581)
Transfer out	3,234
Balance, June 30, 2019	(9,127)
Carrying Amounts	
At January 1, 2019	30,203
At June 30, 2019	$ 47,317

(1) Includes $21.4 million in newly recognized ROU assets.

b. Lease obligations

The following table presents a reconciliation of the Company's undiscounted cash flows at June 30, 2019 and December 31, 2018 to their present value for the Company's lease obligations:

	June 30, 2019	December 31, 2018
Within one year	$ 17,056	$ 5,488
Between one and five years	25,076	1,335
Beyond five years	22,918	—
Total undiscounted lease obligations	65,050	6,823
Less future interest charges	(21,292)	(147)
Total discounted lease obligations	43,758	6,676
Less: current portion of lease obligations	(13,525)	(5,356)
Non-current portion of lease obligations	$ 30,233	$ 1,320

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 9.7% (December 31, 2018 - 2.2%).

The following table reconciles the Company’s lease commitments disclosed in the consolidated financial statements as at and for the year ended December 31, 2018, to the lease obligations recognized on initial application of IFRS 16:

Operating lease commitments at December 31, 2018	$ 19,260
Discounted using the incremental borrowing rate at January 1, 2019	(2,819)
Recognition exemptions for short-term and low-value leases	(455)
Variable payments not included in lease liabilities	(233)
Lease obligations recognized at January 1, 2019 related to operating lease commitments at December 31, 2018	$ 15,753

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

15. DEBT

	June 30, 2019	December 31, 2018
Credit Facility	$ 335,000	$ —

The Company's four-year, $300.0 million secured revolving credit facility, which was due to mature on April 15, 2020, was increased to $400.0 million on February 1, 2019 and increased to $500.0 million on February 22, 2019 with maturity on February 1, 2023 and resulted in additional upfront costs of $2.0 million. These amendments were made as part of the Tahoe Acquisition.

The upfront costs have been recorded as an asset under the classification Prepaid expenses and other current assets and are being amortized over the life of the Credit Facility. The Credit Facility can be drawn down at any time to finance the Company's working capital requirements, acquisitions, investments and for general corporate purposes.

The financial covenants required the Company to maintain a tangible net worth (exclusive of any prospective write-downs of certain assets) of greater than $1,036.4 million plus 50% of the positive net income from and including the fiscal quarter ended March 31, 2016. As part of the amendment, after March 31, 2019 the financial covenants requires the Company to maintain a minimum tangible net worth (exclusive of any prospective write-downs of certain assets) of greater than 70% of its tangible net worth as of March 31, 2019 plus 50% of positive net income from and including the fiscal quarter ended June 30, 2019. In addition, the financial covenants continue to include the requirement for the Company to maintain: (i) a leverage ratio less than or equal to 3.5:1; and (ii) an interest coverage ratio more than or equal to 3.0:1. As of June 30, 2019, the Company was in compliance with all covenants required by the Credit Facility.

At Pan American's option, amounts can be drawn under the revolving facility and will incur interest based on the Company's leverage ratio at either (i) LIBOR plus 1.875% to 2.750% or; (ii) The Bank of Nova Scotia's Base Rate on U.S. dollar denominated commercial loans plus 0.875% to 1.750%. Undrawn amounts under the revolving facility are subject to a stand-by fee of 0.4219% to 0.6188% per annum, dependent on the Company's leverage ratio. During the six months ended June 30, 2019, the Company drew down $335 million under the Credit Facility, under LIBOR-based interest rates to fund, in part, the cash purchase price under the Tahoe arrangement and to repay, in full, and cancel Tahoe's second amended and restated revolving facility, under which $125 million had been drawn.

During the six months ended June 30, 2019, the average interest rate incurred by the Company on the Credit Facility was 4.4%. The Credit Facility was not drawn in 2018. During the three and six months ended June 30, 2019, the Company incurred $0.2 million and $0.5 million, respectively (2018 - $0.4 million and $ 0.7 million, respectively) in standby charges on undrawn amounts and $4.3 million and $5.4 million, respectively (2018 - $nil and $nil, respectively) in interest on drawn amounts under this Facility.

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

16. OTHER LONG TERM LIABILITIES

Other long term liabilities consist of:

	June 30, 2019	December 31, 2018
Deferred credit[(1)]	**$ 20,788**	$ 20,788
Other income tax payable	**202**	227
Severance accruals	**6,486**	4,410
	$ 27,476	$ 25,425

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

17. SHARE CAPITAL AND EMPLOYEE COMPENSATION PLANS

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

For the three and six months ended June 30, 2019 the total share-based compensation expense relating to stock options and Compensation Shares was $1.2 million and $2.1 million, respectively (2018 - $1.1 million and $2.1 million, respectively) and is presented as a component of general and administrative expense.

i. Stock options

During the three and six months ended June 30, 2019, the Company granted nil and nil, stock options, respectively (2018 – nil and nil, respectively).

ii. Replacement options

Following completion of the Acquisition (Note 4), the Company issued 835,874 replacement options to eligible Tahoe option holders. These replacement options were fully vested with 12 months of remaining contractual life upon issuance and various exercise prices between CAD $20.52 and CAD $97.26.

iii. Compensation shares

During both the three and six months ended June 30, 2019, 22,335 shares were issued to Directors in lieu of Directors fees of $0.2 million (2018 – 10,338 common shares in lieu of fees of $0.2 million).

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

The following table summarizes changes in stock options for the six months ended June 30, 2019 and year ended December 31:

	Stock Options		
	Shares		Weighted Average Exercise Price CAD$
As at December 31, 2017	936,123	$	16.56
Granted	149,163		17.53
Exercised	(125,762)		11.14
Expired	(211,614)		24.90
Forfeited	(49,523)		19.49
As at December 31, 2018	698,387	$	15.00
Granted pursuant to the Tahoe Acquisition (Note 4)	**835,874**		**48.47**
Exercised	**(20,642)**		**12.70**
Expired	**(144,173)**		**52.10**
Forfeited	**(18,544)**		**32.68**
As at June 30, 2019	**1,350,902**	**$**	**31.54**

The following table summarizes information about the Company's stock options outstanding at June 30, 2019:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices CAD$	Number Outstanding as at	Weighted Average Remaining Contractual Life (months)		Weighted Average Exercise Price CAD$	Number Outstanding as at		Weighted Average Exercise Price CAD$
$9.76 - $23.61	**672,126**	**46.24**	**$**	**15.06**	**480,720**	**$**	**13.97**
$23.62 - $35.21	**136,311**	**7.95**	**$**	**28.02**	**136,311**	**$**	**28.02**
$35.22 - $46.53	**192,462**	**10.79**	**$**	**41.71**	**192,462**	**$**	**41.71**
$46.54 - $54.15	**198,627**	**7.88**	**$**	**51.68**	**198,627**	**$**	**51.68**
$54.16 - $97.26	**151,376**	**8.28**	**$**	**68.56**	**151,376**	**$**	**68.56**
	1,350,902	**27.43**	**$**	**31.54**	**1,159,496**	**$**	**33.81**

b. PSUs

Compensation expense for PSUs was $0.2 million and $0.4 million, respectively, for the three and six months ended June 30, 2019 (2018 - $0.4 million, and $0.6 million, respectively) and is presented as a component of general and administrative expense.

At June 30, 2019, the following PSUs were outstanding:

PSU	Number Outstanding		Fair Value
As at December 31, 2017	166,344	$	2,611
Granted	117,328		1,532
Paid out	(73,263)		(1,528)
Change in value	—		476
As at December 31, 2018	**210,409**	**$**	**3,091**
Change in value	**—**		**(337)**
As at June 30, 2019	**210,409**	**$**	**2,754**

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

c. RSUs

Compensation expense for RSUs was $0.4 million and $0.9 million, respectively, for the three and six months ended June 30, 2019 (2018 – $0.7 million and $1.2 million, respectively) and is presented as a component of general and administrative expense.

At June 30, 2019, the following RSUs were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2017	262,013	$ 4,098
Granted	244,961	3,207
Paid out	(156,715)	(2,181)
Forfeited	(21,436)	(313)
Change in value	—	(1,187)
As at December 31, 2018	**328,823**	**$ 3,624**
Forfeited	**(8,902)**	**(115)**
Change in value	—	**665**
As at June 30, 2019	**319,921**	**$ 4,174**

d. Issued share capital

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

e. Dividends

The Company declared the following dividends for the six months ended June 30, 2019 and 2018:

Declaration Date	Record Date	Dividend per common share
August 7, 2019 (1)	August 19, 2019	$ 0.035
May 8, 2019	May 20, 2019	$ 0.035
February 20, 2019	March 4, 2019	$ 0.035
May 9, 2018	May 22, 2018	$ 0.035
February 20, 2018	March 5, 2018	$ 0.035

(1) These dividends were declared subsequent to the quarter ended June 30, 2019 and have not been recognized as distributions to owners during the period presented.

f. CVRs

The Company issued 313,887,490 CVRs as part of the Tahoe Acquisition which are convertible into 15,600,208 common shares following the First Shipment upon the restart of operations at the Escobal mine (Note 4).

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

18. PRODUCTION COSTS

Production costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Consumption of raw materials and consumables	**$ 73,909**	$ 43,257	**$ 131,074**	$ 87,777
Employee compensation and benefits expense	**49,000**	40,173	**97,634**	82,878
Contractors and outside services	**26,798**	22,048	**52,260**	44,718
Utilities	**7,837**	5,562	**14,994**	10,790
Other expenses	**18,236**	7,861	**19,057**	16,901
Changes in inventories [(1)(2)]	**8,224**	(2,488)	**28,838**	(14,202)
	$ 184,004	$ 116,413	**$ 343,857**	$ 228,862

(1) Includes NRV adjustments to inventory to reduce production costs by $2.3 million and increase production costs by $5.9 million for the three and six months ended June 30, 2019 (2018 - reduce by $7.0 million and $12.4 million, respectively).

(2) Includes fair value increases recognized on the Acquisition of select Tahoe inventories of $10.4 million and $19.1 million, respectively, for the three and six months ended June 30, 2019. There was no comparable amount recorded in 2018.

19. INTEREST AND FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Interest expense	**$ 4,922**	$ (1,048)	**$ 6,969**	$ (913)
Finance fees	**524**	600	**1,159**	1,184
Accretion expense (Note 13)	**2,499**	1,623	**4,541**	3,262
	$ 7,945	$ 1,175	**$ 12,669**	$ 3,533

20. EARNINGS PER SHARE (BASIC AND DILUTED)

For the three months ended June 30,	**2019**			2018		
	Earnings (Numerator)	**Shares (000's) (Denominator)**	**Per-Share Amount**	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net earnings [(1)]	**$ 18,371**			$ 36,187		
Basic earnings per share	**$ 18,371**	**209,461**	**$ 0.09**	$ 36,187	153,295	$ 0.24
Effect of Dilutive Securities:						
Stock Options	**—**	**107**		—	250	
Diluted earnings per share	**$ 18,371**	**209,568**	**$ 0.09**	$ 36,187	153,545	$ 0.24

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

For the six months ended June 30,	2019			2018		
	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net earnings [1]	$ 51,646			$ 83,563		
Basic earnings per share	$ 51,646	193,055	$ 0.27	$ 83,563	153,303	$ 0.55
Effect of Dilutive Securities:						
Stock Options	—	123		—	240	
Diluted earnings per share	$ 51,646	193,178	$ 0.27	$ 83,563	153,543	$ 0.54

(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 six months ended June 30, 2019 were 1,053,863 and 1,041,618 out-of-the-money options and CVRs potentially convertible into 15,600,208 common shares (Note 4), respectively (2018 – 279,943 and 279,943 out-of-the-money options, respectively).

21. 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 June 30,		Six months ended June 30,	
Other operating activities	**2019**	2018	**2019**	2018
Adjustments for non-cash income statement items:				
Share-based compensation expense	$ 1,220	$ 1,146	$ 2,057	$ 2,108
(Gains) losses on securities held	(3,054)	1,761	(14,374)	723
Gains on commodity and foreign currency contracts (Note 5d)	(1,240)	(906)	(1,581)	(2,639)
Loss on derivatives (Note 5d)	1,785	737	14	780
Share of income from associate and dilution gain (Note 10)	(309)	(14,113)	(920)	(14,272)
Net realizable value adjustment for inventories	(2,254)	(7,034)	5,881	(12,365)
	$ (3,852)	$ (18,409)	$ (8,923)	$ (25,665)

	Three months ended June 30,		Six months ended June 30,	
Changes in non-cash operating working capital items:	**2019**	2018	**2019**	2018
Trade and other receivables	$ 11,052	$ 2,059	$ 1,089	$ 6,432
Inventories	26,008	5,569	36,838	(1,171)
Prepaid expenses	2,053	878	2,999	1,342
Accounts payable and accrued liabilities	(17,454)	851	(56,343)	(5,217)
Provisions	(1,519)	(1,585)	(2,379)	(4,934)
	$ 20,140	$ 7,772	$ (17,796)	$ (3,548)

	Three months ended June 30,		Six months ended June 30,	
Significant non-cash items:	**2019**	2018	**2019**	2018
Assets acquired by finance lease	$ 22,074	$ 1,660	$ 45,507	$ 5,658
Shares issued as compensation	$ 243	$ 182	$ 243	$ 182

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

Cash and Cash Equivalents	June 30, 2019	December 31, 2018
Cash in banks	$ 92,221	$ 77,735
Short term money markets	—	60,775
Cash and cash equivalents	$ 92,221	$ 138,510

22. SEGMENTED INFORMATION

All of the Company's operations are within the mining sector, conducted through operations in six 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 ("CODM") to make decisions about resources to be allocated to the segments and to assess their performance. Segment performance is evaluated by the CODM based on a number of measures including mine operating earnings.

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

For the three months ended June 30, 2019

Segment/Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures
Silver segment:						
Mexico	Dolores	$ 55,082	$ 48,014	$ 25,111	$ (18,043)	$ 14,402
	La Colorada	43,159	19,775	6,021	17,363	6,371
Peru	Huaron	27,875	18,661	3,516	5,698	1,438
	Morococha	22,767	16,915	3,622	2,230	3,045
Bolivia	San Vicente	20,278	16,034	2,521	1,723	405
Argentina	Manantial Espejo	19,051	17,006	754	1,291	7,202
Guatemala	Escobal	—	—	—	—	352
Gold segment:						
Peru	Shahuindo & La Arena	94,736	52,790	15,760	26,186	29,608
Canada	Timmins (1)	—	—	—	—	1,815
Other segment:						
Canada	Pas Corp	—	—	215	(215)	37
Argentina	Navidad	—	—	3	(3)	—
Other	Other	—	—	90	(90)	44
		$ 282,948	$ 189,195	$ 57,613	$ 36,140	$ 64,719

1. Classified as assets held for sale (Note 4).

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

For the three months ended June 30, 2018

Segment/Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures
Silver segment:						
Mexico	Dolores	$ 69,787	$ 40,287	$ 21,439	$ 8,061	$ 15,332
	La Colorada	39,166	15,369	4,894	18,903	4,846
Peru	Huaron	25,994	17,311	2,982	5,701	2,608
	Morococha	31,273	17,517	4,339	9,417	2,635
Bolivia	San Vicente	18,202	12,682	1,886	3,634	2,132
Argentina	Manantial Espejo	32,038	20,817	1,971	9,250	8,143
Other segment:						
Canada	Pas Corp	—	—	33	(33)	167
Argentina	Navidad	—		22	(22)	13
Other	Other	—	—	60	(60)	50
		$ 216,460	$ 123,983	$ 37,626	$ 54,851	$ 35,926

For the six months ended June 30, 2019

Segment/Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures
Silver segment:						
Mexico	Dolores	**$ 113,706**	**$ 103,693**	**$ 51,676**	**$ (41,663)**	**$ 26,963**
	La Colorada	**91,556**	**39,345**	**12,252**	**39,959**	**10,172**
Peru	Huaron	**57,679**	**37,490**	**6,785**	**13,404**	**3,835**
	Morococha	**53,946**	**35,460**	**7,485**	**11,001**	**3,838**
Bolivia	San Vicente	**42,016**	**31,377**	**4,612**	**6,027**	**1,386**
Argentina	Manantial Espejo	**28,687**	**30,150**	**1,708**	**(3,171)**	**13,055**
Guatemala	Escobal	**—**	**—**	**—**	**—**	**996**
Gold segment:						
Peru	Shahuindo & La Arena	**128,001**	**77,795**	**21,839**	**28,367**	**40,215**
Canada	Timmins [(1)]	**—**	**—**	**—**	**—**	**4,989**
Other segment:						
Canada	Pas Corp	**—**	**—**	**336**	**(336)**	**46**
Argentina	Navidad	**—**	**—**	**3**	**(3)**	**7**
Other	Other	**—**	**—**	**251**	**(251)**	**95**
		$ 515,591	**$ 355,310**	**$ 106,947**	**$ 53,334**	**$ 105,597**

1. Classified as assets held for sale (Note 4).

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

For the six months ended June 30, 2018

Segment/Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures
Silver segment:						
Mexico	Dolores	$ 132,681	$ 79,395	$ 40,872	$ 12,414	$ 34,154
	La Colorada	79,648	31,382	10,192	38,074	9,342
Peru	Huaron	58,644	35,976	6,165	16,503	4,535
	Morococha	64,920	34,016	8,047	22,857	3,822
Bolivia	San Vicente	33,622	22,607	3,330	7,685	3,590
Argentina	Manantial Espejo	53,906	37,906	3,335	12,665	12,694
Other segment:						
Canada	Pas Corp	—	—	64	(64)	235
Argentina	Navidad	—	—	43	(43)	24
Other	Other	—	—	116	(116)	95
		$ 423,421	$ 241,282	$ 72,164	$ 109,975	$ 68,491

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Mine operating earnings (Note 22)	**$ 36,140**	$ 54,851	**$ 53,334**	$ 109,975
General and administrative	**(7,571)**	(5,566)	**(13,506)**	(11,524)
Exploration and project development	**(4,625)**	(1,877)	**(6,079)**	(4,621)
Mine care and maintenance	**(5,842)**	—	**(9,289)**	—
Foreign exchange gains (losses)	**697**	(4,917)	**(2,148)**	(6,592)
Gains on commodity and foreign currency contracts (Note 5d)	**1,240**	906	**1,581**	2,639
Gains (losses) on sale of mineral properties, plant and equipment	**3,447**	(182)	**3,487**	7,804
Share of income from associate and dilution gain (Note 10)	**309**	14,113	**920**	14,272
Transaction and integration costs (Note 4)	**(3,446)**	—	**(4,849)**	—
Bargain purchase gain (Note 4)	**—**	—	**30,492**	—
Other expense	**(350)**	(1,135)	**(243)**	(591)
Earnings from operations	**19,999**	56,193	**53,700**	111,362
Loss on derivatives (Note 5d)	**(1,785)**	(737)	**(14)**	(780)
Investment income (loss)	**2,533**	(1,071)	**14,816**	827
Interest and finance expense (Note 19)	**(7,945)**	(1,175)	**(12,669)**	(3,533)
Earnings before income taxes	**$ 12,802**	$ 53,210	**$ 55,833**	$ 107,876

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

At June 30, 2019

Segment/Country	Mine	Assets	Liabilities	Net assets
Silver segment:				
Mexico	Dolores	**$ 765,668**	**$ 134,166**	**$ 631,502**
	La Colorada	**227,050**	**50,667**	**176,383**
Peru	Huaron	**121,968**	**43,527**	**78,441**
	Morococha	**104,513**	**38,702**	**65,811**
Bolivia	San Vicente	**78,918**	**34,527**	**44,391**
Argentina	Manantial Espejo	**99,534**	**31,217**	**68,317**
Guatemala	Escobal	**267,740**	**19,798**	**247,942**
Gold segment:				
Peru	Shahuindo & La Arena	**905,664**	**213,647**	**692,017**
Canada	Timmins [(1)]	**406,780**	**30,934**	**375,846**
Other segment:				
Canada	Pas Corp	**140,254**	**361,317**	**(221,063)**
Argentina	Navidad	**193,069**	**—**	**193,069**
	Other	**110,937**	**44,664**	**66,273**
		$ 3,422,095	**$ 1,003,166**	**$ 2,418,929**

(1) Classified as assets held for sale (Note 4).

At December 31, 2018

Segment/Country	Mine	Assets	Liabilities	Net assets
Silver segment:				
Mexico	Dolores	$ 791,485	$ 150,003	$ 641,482
	La Colorada	230,736	56,206	174,530
Peru	Huaron	119,015	44,055	74,960
	Morococha	126,755	40,183	86,572
Bolivia	San Vicente	83,686	38,169	45,517
Argentina	Manantial Espejo	20,839	24,994	(4,155)
Other segment:				
Canada	Pas Corp	247,792	30,221	217,571
Argentina	Navidad	193,777	1,546	192,231
	Other	123,391	38,750	84,641
		$ 1,937,476	$ 424,127	$ 1,513,349

	Three months ended June 30,		Six months ended June 30,	
Product Revenue	**2019**	2018	**2019**	2018
Refined silver and gold	**$ 173,173**	$ 106,459	**$ 279,019**	$ 196,353
Zinc concentrate	**33,081**	39,400	**74,886**	81,916
Lead concentrate	**43,507**	36,622	**91,351**	73,112
Copper concentrate	**16,471**	20,055	**37,459**	46,189
Silver concentrate	**16,716**	13,924	**32,876**	25,851
Total	**$ 282,948**	$ 216,460	**$ 515,591**	$ 423,421

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

23. INCOME TAXES

Components of Income Tax Expense

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Current income tax expense	**$ 18,092**	$ 17,607	**$ 32,387**	$ 35,742
Deferred income tax recovery	**(9,155)**	(1,093)	**(16,160)**	(12,718)
Income tax expense	**$ 8,937**	$ 16,514	**$ 16,227**	$ 23,024

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 effective tax rates that vary considerably from the comparable period. The main factors that affected the effective tax rates for the three and six months ended June 30, 2019 and the comparable period of 2018 were foreign exchange fluctuations, changes in the recognition of certain deferred tax assets, changes in the non-deductible portion of reclamation liabilities, mining taxes paid, and withholding taxes remitted 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 June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Earnings before taxes, discontinued operations, and non-controlling interests	**$ 12,802**	$ 53,210	**$ 55,833**	$ 107,876
Statutory Canadian income tax rate	**27.00 %**	27.00 %	**27.00 %**	27.00 %
Income tax expense based on above rates	**$ 3,457**	$ 14,367	**$ 15,075**	$ 29,127
Increase (decrease) due to:				
Non-deductible expenditures	**1,184**	945	**2,095**	1,875
Foreign tax rate differences	**89**	4,078	**238**	3,008
Change in net deferred tax assets not recognized:				
- Argentina exploration expenditures	**1,002**	788	**1,576**	1,532
- Other deferred tax assets	**(5,945)**	(8,209)	**(11,345)**	(16,556)
Non-taxable portion of net earnings of affiliates	**(38)**	(920)	**(68)**	(1,764)
Non-taxable bargain purchase gain	**—**	—	**(8,233)**	—
Effect of other taxes paid (mining and withholding)	**5,636**	4,035	**10,032**	9,330
Effect of foreign exchange on tax expense	**(2,251)**	13,629	**(6,031)**	1,583
Non-taxable impact of foreign exchange	**1,088**	(10,549)	**2,681**	(2,398)
Change in non-deductible portion of reclamation liabilities	**2,075**	(692)	**7,332**	(401)
Change in current tax expense estimated for prior years	**—**	(2,030)	**—**	(2,030)
Other	**2,640**	1,072	**2,875**	(282)
Income tax expense	**$ 8,937**	$ 16,514	**$ 16,227**	$ 23,024
Effective income tax rate	**69.81 %**	31.04 %	**29.06 %**	21.34 %

24. 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. Since December 31, 2018, there have been no significant changes to these contractual obligations and commitments other than the new liabilities and provisions assumed as described in the purchase price allocation table included in the Tahoe Acquisition (Note 4).

25. 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 six months ended June 30, 2019 and 2018 have been disclosed in these condensed interim consolidated financial statements. Transactions with Maverix, an associate of the Company, have been disclosed in Note 10 of these condensed interim consolidated financial statements.

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

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