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PAN AMERICAN
— SILVER —

**FOURTH QUARTER REPORT
TO SHAREHOLDERS**

**For the year ending
December 31, 2022**

www.panamericansilver.com

Pan American Silver reports audited financial results for 2022

Vancouver, B.C. - February 22, 2023 - Pan American Silver Corp. (NASDAQ: PAAS) (TSX: PAAS) ("Pan American" or the "Company") reports fourth quarter ("Q4 2022") financial results and audited financial results for the year ended December 31, 2022 ("FY 2022").

Michael Steinmann, President and Chief Executive Officer commented: "As expected, our 2022 production was back-end loaded with strong output in Q4, led by Shahuindo and La Arena. Our 2022 silver production was at the top of the revised range provided in November, while gold production was in line with our original operating outlook. World-wide inflationary pressures, and supply chain shortages and delays impacted production costs across our operations. Revenue in Q4 was reduced by approximately \$45 million to \$50 million from a build-up of finished goods inventory due to the timing of sales at the end of December. Additionally, the build-up of finished good inventories of zinc also contributed to higher costs due to the reduction in by-product credits."

Added Mr. Steinmann: "In January, shareholders of both Pan American and Yamana overwhelmingly approved the arrangement for Pan American to acquire Yamana and its Latin American Assets. Transaction related costs of \$157.3 million were expensed in Q4 2022, and are accounted for in our earnings and cash flow statements for the period, while the remainder of Transaction closing costs are expected to be recorded in Q1 2023. Following the completion of the Transaction, expected in Q1 2023, Pan American will be a markedly different company. The integration of Yamana's assets further strengthens and diversifies our portfolio. We see tremendous opportunity to optimize our expanded base of operations in Latin America to capture synergies, increase cash flow generation and focus on high-value growth projects."

Q4 2022 and FY 2022 Highlights:

- The Company, Yamana Gold Inc. ("Yamana") and Agnico Eagle Mines Limited ("Agnico Eagle") entered into an arrangement agreement dated November 4, 2022, whereby the Company agreed to acquire all of the issued and outstanding common shares of Yamana following the sale by Yamana of its Canadian assets, including certain subsidiaries and partnerships which hold Yamana's interests in the Canadian Malartic mine, to Agnico Eagle, by way of a plan of arrangement under the Canada Business Corporations Act (the "Transaction"). The Transaction is expected to close in the first quarter of 2023, subject to receipt of approval from the Mexican Federal Economic Competition Commission and satisfaction or waiver of certain other closing conditions. Following completion of the Transaction, the Company will add a number of assets to its portfolio, including: the Jacobina mine in Brazil; the El Peñón and Minera Florida mines in Chile; and the Cerro Moro mine in Argentina as well as several development projects in Argentina and Chile.
- Silver production was 4.8 million ounces in Q4 2022 and 18.5 million ounces in FY 2022. Gold production of 164.4 thousand ounces in Q4 2022 was the second highest on record, and totaled 552.5 thousand ounces in FY 2022. Silver production was within the revised guidance range provided on November 9, 2022 while gold production was within the original guidance range provided on February 23, 2022 (the "2022 Original Operating Outlook").
- Revenue was \$375.5 million in Q4 2022 and \$1.5 billion for FY 2022. Revenue in Q4 2022 excluded finished goods inventory build-ups of 418 thousand ounces of silver and 17 thousand ounces of gold.
- Net loss of \$172.1 million, or \$0.82 basic loss per share in Q4 2022 and \$340.1 million, or \$1.62 basic loss per share for FY 2022. In Q4 2022, the Company incurred \$157.3 million in expenses related to the Transaction, primarily attributable to the Company advancing \$150.0 million to Yamana toward the termination fee paid by Yamana to Gold Fields Limited ("Gold Fields") in connection with the now terminated arrangement agreement between Yamana and Gold Fields.
- Adjusted loss was \$4.8 million, or \$0.02 basic adjusted loss per share in Q4 2022 and adjusted earnings were \$17.9 million, or \$0.09 basic adjusted earnings per share for FY 2022.

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

- Cash flow used in operating activities was \$112.1 million in Q4 2022, primarily reflecting Transaction expenses of \$157.3 million. Q4 2022 cash flow was also reduced by \$29.1 million of cash used for working capital. Cash flow generated from operating activities was \$31.9 million for FY 2022.
- Silver Segment Cash Costs were \$14.41 and \$12.72 per ounce in Q4 2022 and FY 2022, respectively. Silver Segment all-in sustaining costs ("AISC"), excluding NRV adjustments, were \$19.47 and \$16.56 per ounce in Q4 2022 and FY 2022, respectively. FY 2022 Silver Segment Cash Costs and AISC were above the 2022 Original Operating Outlook ranges, largely due to inflationary cost pressures, supply chain shortages and delayed logistics.
- Gold Segment Cash Costs were \$1,077 and \$1,113 per ounce in Q4 2022 and FY 2022, respectively. Gold Segment AISC, excluding NRV adjustments, were \$1,422 and \$1,459 per ounce in Q4 2022 and FY 2022, respectively. FY 2022 Gold Segment Cash Costs were above the 2022 Original Operating Outlook range and Gold Segment AISC were at the low end of the revised guidance range provided on August 10, 2022.
- Capital expenditures totaled \$290.4 million in 2022, comprised of \$223.8 million of sustaining capital and \$66.6 million of project capital, which was largely directed to the La Colorada Skarn project. Total capital expenditures were within the 2022 Original Operating Outlook.
- At December 31, 2022, the Company had cash and short-term investment balances of \$142.3 million (excluding long-term investments), working capital of \$423.5 million, and \$340.0 million available under its revolving Sustainability-Linked Credit Facility ("SL-Credit Facility"). Total debt of \$226.8 million was related to SL-Credit Facility, lease liabilities and construction loans in Peru.
- A cash dividend of \$0.10 per common share has been declared, payable on or about March 17, 2023, to holders of record of Pan American's common shares as of the close on March 6, 2023. The dividends are eligible dividends for Canadian income tax purposes.
- Pan American was included in the S&P Global Sustainability Yearbook 2023 recognizing our improvement in ESG performance. S&P Global's annual Sustainability Yearbook aims to distinguish individual companies, within their industries, that have demonstrated strengths in corporate sustainability. Pan American was placed in the S&P top 10% in the Metals & Mining industry in 2022.

ILO 169 Consultation for the Escobal Mine

In Q4 2022, two meetings were held under the ILO 169 consultation process for the Escobal mine in Guatemala. During these meetings, the Health and Cultural Ministries delivered project information to the Xinka representatives and their expert consultants. In December 2022, the Ministry of Energy and Mines ("MEM") and Xinka representatives delivered a progress report on the ILO 169 process to the Guatemalan Supreme Court of Justice.

The MEM is leading the ILO 169 consultation process, and further details regarding the process are available on the MEM's web site: <https://mem.gob.gt/pueblo-indigena-xinka/>. No timeline has been set for the conclusion of the ILO 169 consultation process, nor a potential restart of operations at the Escobal mine.

Disposition of Shares in Maverix Metals

Pan American sold its remaining interest in Maverix Metals Inc. ("MMX") in January 2023, following the acquisition by Triple Flag Precious Metals Corp. of all the outstanding common shares of MMX for share and cash consideration. Pan American realized net proceeds of \$105.3 million on the sale of its shareholdings, which represented approximately 17.6% of the issued and outstanding shares of MMX. In May 2020, Pan American had sold a portion of its holdings in MMX for aggregate gross proceeds of \$45.5 million. In total, Pan American has realized \$150.7 million for its interest in MMX, crystallizing value for the 19 royalties, precious metal streams and payment agreements that Pan American sold in total from its portfolio: 13 of these were sold in 2016 to create MMX and an additional six royalties were sold in 2021.

2023 Operating Outlook

Pan American plans to provide its 2023 operating outlook and guidance following the completion of the Transaction, which is expected to occur later in the first quarter of 2023. Management intends to provide a 2023 operating outlook inclusive of the Latin American assets acquired through the Transaction, as well as a consolidated forecast for annual general and administrative, exploration and project development costs.

The 2023 operating outlook will reflect the end of mine life at Pan American's Manantial Espejo operation in Argentina, with the asset being placed on care and maintenance at the end of 2022.

Conference Call and Webcast

Date: February 23, 2023

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: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=QKpLpGjJ>

The live webcast, presentation slides and the Q4 2022 and FY 2022 report will be available at panamericansilver.com. An archive of the webcast will also be available for three months.

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

CONSOLIDATED RESULTS

			December 31, 2022	December 31, 2021
Weighted average shares during period (millions)			210.5	210.3
Shares outstanding end of period (millions)			210.7	210.5
	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
FINANCIAL				
Revenue	\$ 375,472	\$ 422,170	\$ 1,494,718	\$ 1,632,750
Mine operating earnings	\$ 35,047	\$ 76,039	\$ 48,362	\$ 367,938
Net (loss) earnings	\$ (172,060)	\$ 14,664	\$ (340,063)	\$ 98,562
Basic (loss) earnings per share ⁽¹⁾	\$ (0.82)	\$ 0.07	\$ (1.62)	\$ 0.46
Adjusted earnings (loss) ⁽²⁾	\$ (4,798)	\$ 39,943	\$ 17,936	\$ 161,782
Basic adjusted earnings (loss) per share ⁽¹⁾	\$ (0.02)	\$ 0.19	\$ 0.09	\$ 0.77
Net cash (used in) generated from operating activities	\$ (112,102)	\$ 118,098	\$ 31,909	\$ 392,108
Net cash (used in) generated from operating activities before changes in working capital ⁽²⁾	\$ (83,030)	\$ 127,761	\$ 73,946	\$ 463,177
Sustaining capital expenditures ⁽²⁾	\$ 62,581	\$ 56,280	\$ 223,760	\$ 207,623
Non-sustaining capital expenditures ⁽²⁾	\$ 15,126	\$ 18,132	\$ 71,000	\$ 49,951
Cash dividend per share	\$ 0.10	\$ 0.10	\$ 0.45	\$ 0.34
PRODUCTION				
Silver (thousand ounces)	4,763	5,276	18,455	19,174
Gold (thousand ounces)	164.4	156.7	552.5	579.3
Zinc (thousand tonnes)	10.5	11.2	38.6	49.4
Lead (thousand tonnes)	5.0	4.1	18.7	18.1
Copper (thousand tonnes)	1.3	2.4	5.3	8.7
CASH COSTS⁽²⁾ (\$/ounce)				
Silver Segment ⁽³⁾	14.41	9.74	12.72	11.51
Gold Segment ⁽³⁾	1,077	963	1,113	899
AISC⁽²⁾ (\$/ounce)				
Silver Segment ⁽³⁾	17.79	13.57	16.48	15.62
Gold Segment ⁽³⁾⁽⁴⁾	1,502	1,461	1,649	1,214
AVERAGE REALIZED PRICES⁽⁵⁾				
Silver (\$/ounce)	21.17	23.33	21.59	25.00
Gold (\$/ounce)	1,736	1,792	1,792	1,792
Zinc (\$/tonne)	2,878	3,352	3,472	2,997
Lead (\$/tonne)	2,111	2,333	2,148	2,206
Copper (\$/tonne)	7,957	9,545	8,979	9,297

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

(2) Non-GAAP measure; please refer to the "Alternative Performance (non-GAAP) Measures" section of this news release for further information on these measures.

(3) 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.

(4) Gold Segment AISC was impacted by the Q2 2022 impairment of the Dolores mine, which added a \$190 per ounce of NRV adjustments to the 2022 Gold Segment AISC.

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

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

Fourth Quarter Consolidated Income Statements
 (unaudited)

	Three months ended December 31,	
	2022	2021
Revenue	\$ 375,472	\$ 422,170
Cost of sales		
Production costs	(252,271)	(263,442)
Depreciation and amortization	(79,281)	(76,141)
Royalties	(8,873)	(6,548)
	(340,425)	(346,131)
Mine operating earnings	35,047	76,039
General and administrative	(3,002)	(8,255)
Exploration and project development	(8,560)	(4,076)
Mine care and maintenance	(10,478)	(9,266)
Foreign exchange gains (losses)	795	(5,646)
Gains on derivatives	5,818	1,638
Losses on sale of mineral properties, plant and equipment	(1,134)	(551)
Gain and income from associates	—	289
Transaction and Integration costs	(157,334)	—
Other (expense) income	(9,167)	2,530
(Loss) earnings from operations	(148,015)	52,702
Investment income (loss)	1,247	(6,083)
Interest and finance expense	(6,402)	(3,484)
(Loss) earnings before income taxes	(153,170)	43,135
Income tax expense	(18,890)	(28,471)
Net (loss) earnings	\$ (172,060)	\$ 14,664
Net (loss) earnings attributable to:		
Equity holders of the Company	(172,756)	14,036
Non-controlling interests	696	628
	\$ (172,060)	\$ 14,664
Other comprehensive (loss) earnings, net of taxes		
Items that will not be reclassified to net (loss) earnings:		
Unrealized loss on long-term investment	22,010	—
Income tax recovery related to long-term investments	(4,619)	—
Total other comprehensive loss	\$ 17,391	\$ —
Total comprehensive (loss) earnings	\$ (154,669)	\$ 14,664
Total comprehensive (loss) earnings attributable to:		
Equity holders of the Company	\$ (155,365)	\$ 14,519
Non-controlling interests	696	145
	\$ (154,669)	\$ 14,664
(Loss) earnings per share attributable to common shareholders		
Basic (loss) earnings per share	\$ (0.82)	\$ 0.07
Diluted (loss) earnings per share	\$ (0.82)	\$ 0.07
Weighted average shares outstanding (in 000's) Basic	210,573	210,348
Weighted average shares outstanding (in 000's) Diluted	210,573	210,450

Fourth Quarter Consolidated Statements of Cash Flows
 (unaudited)

	Three months ended December 31,	
	2022	2021
Operating activities		
Net (loss) earnings for the period	\$ (172,060)	\$ 14,664
Income tax expense	18,890	28,471
Depreciation and amortization	79,281	76,141
Net realizable value inventory charge	5,433	21,652
Gains and income from associates	—	(289)
Accretion on closure and decommissioning provision	3,710	1,864
Investment (income) loss	(1,247)	6,083
Interest paid	(2,213)	(1,523)
Interest received	1,157	27
Income taxes paid	(16,678)	(22,810)
Other operating activities	697	3,481
Net change in non-cash working capital items	(29,072)	(9,663)
	\$ (112,102)	\$ 118,098
Investing activities		
Payments for mineral properties, plant and equipment	\$ (72,362)	\$ (70,147)
Proceeds from disposition of mineral properties, plant and equipment	504	1,067
Proceeds from short-term investments	—	455
Proceeds from derivatives	3,617	2,300
	\$ (68,241)	\$ (66,325)
Financing activities		
Proceeds from common shares issued	\$ 97	\$ 284
Distributions to non-controlling interests	(269)	(43)
Dividends paid	(21,032)	(21,032)
Proceeds from debt	163,800	—
Repayment of debt	(1,643)	(850)
Payment of equipment leases	(3,703)	(3,416)
	\$ 137,250	\$ (25,057)
Effects of exchange rate changes on cash and cash equivalents	(2,981)	(675)
(Decrease) increase in cash and cash equivalents	(46,074)	26,041
Cash and cash equivalents at the beginning of the period	153,079	257,509
Cash and cash equivalents at the end of the period	\$ 107,005	\$ 283,550

About Pan American

Pan American owns and operates silver and gold mines located in Mexico, Peru, Canada, Argentina and Bolivia. We also own the Escobal mine in Guatemala that is currently not operating. Pan American provides enhanced exposure to silver through a large base of silver reserves and resources, as well as major catalysts to grow silver production. We have a 29-year history of operating in Latin America, earning an industry-leading reputation for sustainability performance, operational excellence and prudent financial management. We are headquartered in Vancouver, B.C. and our shares trade on NASDAQ and the Toronto Stock Exchange under the symbol "PAAS". Learn more at panamericansilver.com.

For more information contact:

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 VP, Investor Relations & Corporate Communications
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 Email: ir@panamericansilver.com

Technical Information

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

For additional information about Pan American Silver's material mineral properties, please refer to Pan American Silver's Annual Information Form dated February 22, 2023, filed at www.sedar.com, or Pan American Silver's most recent Form 40-F filed with the SEC.

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

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

This news release should be read in conjunction with Pan American's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2022, and the Company's Annual Information Form for the year ended December 31, 2022. This material is available on Pan American's website at panamericansilver.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note Regarding Forward-Looking Statements and Information

Certain of the statements and information in this news release constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or information. Forward-looking statements or information in this news release relate to, among other things: future financial or operational performance; our expectations with respect to completing the Transaction, the timing for the

same, and any anticipated benefits therefrom; the timing for any future guidance related to production, AISC, operating and sustaining costs, or other financial forecasts; the timing with respect to the recordation of Transaction closing costs; our ability to successfully integrate Yamana and its business, and any anticipated benefits and synergies therefrom; if the Transaction completes, our ability to optimize an expanded base of operations in Latin America to capture synergies, increase cash flow generation and focus on high-value growth projects, and the likelihood of the same; the anticipated timing for metals production and sales and the timing and amount of any future sales related to inventory build-ups; and Pan American's plans and expectations for its properties and operations.

These forward-looking statements and information reflect Pan American's current views with respect to future events and are necessarily based upon a number of assumptions that, while considered reasonable by Pan American, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. These assumptions include: our ability to receive all required regulatory approvals and then close the Transaction; the impact of inflation and disruptions to the global, regional and local supply chains; tonnage of ore to be mined and processed; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; the timing and impact of planned capital expenditure projects, including anticipated sustaining, project, and exploration expenditures; the ongoing impact and timing of the court-mandated ILO 169 consultation process in Guatemala; ore grades and recoveries; capital, decommissioning and reclamation estimates; our mineral reserve and mineral resource estimates and the assumptions upon which they are based; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions at any of our operations; no unplanned delays or interruptions in scheduled production; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner; our ability to secure and maintain title and ownership to mineral properties and the surface rights necessary for our operations; the world-wide economic and social impact of COVID-19 is managed and the duration and extent of the coronavirus pandemic is minimized or not long-term; the management of COVID-19 in each jurisdiction; and our ability to comply with environmental, health and safety laws. The foregoing list of assumptions is not exhaustive.

Pan American 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 Pan American has made assumptions and estimates based on or related to many of these factors. Such factors include, without limitation: the duration and effect of local and world-wide inflationary pressures and the potential for economic recessions; the duration and effects of COVID-19, and any other pandemics on our operations and workforce, and the effects on global economies and society; 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, BOB, 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 Pan American 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 Pan American may carry on business, including 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; the possibility that the Transaction will be completed in the expected timeframe or at all; and those factors identified under the caption "Risks Related to Pan American's Business" in Pan American'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 Pan American 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. Pan American does not intend, nor does it assume any obligation to update or revise forward-looking statements or information, whether as a result of new information, changes in assumptions, future events or otherwise, except to the extent required by applicable law.



PAN AMERICAN
— SILVER —

Management's Discussion and Analysis

FOR THE YEAR ENDED DECEMBER 31, 2022

February 22, 2023

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that influence the performance of Pan American Silver Corp. and its subsidiaries (collectively "Pan American", "we", "us", "our" or the "Company") and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 (the "2022 Annual Financial Statements"), and the related notes contained therein. All amounts in this MD&A and the 2022 Annual Financial Statements are expressed in United States dollars ("USD") unless identified otherwise. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Pan American's significant accounting policies are set out in Note 3 of the 2022 Annual 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, do not have standardized meanings under IFRS, and the methodology by which these measures are calculated may differ from similar measures reported by other companies. To facilitate a better understanding of these non-GAAP measures as calculated by the Company, additional information has been provided in this MD&A. Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description of "all-in sustaining cost per ounce sold", "Cash Costs per ounce sold", "adjusted earnings" and "basic adjusted earnings per share", "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 2022 Annual Financial Statements.

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

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

CORE BUSINESS AND STRATEGY

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

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

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

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

YAMANA GOLD INC. TRANSACTION

The Company, Agnico Eagle Mines Limited ("Agnico Eagle") and Yamana Gold Inc. ("Yamana") entered into an arrangement agreement dated November 4, 2022, whereby the Company agreed to acquire all of the issued and outstanding common shares of Yamana following the sale by Yamana of its Canadian assets, including certain subsidiaries and partnerships which hold Yamana's interests in the Canadian Malartic mine, to Agnico Eagle, by way of a plan of arrangement under the Canada Business Corporations Act (the "Transaction"). The Transaction is expected to close in the first quarter of 2023, subject to receipt of approval from the Mexican Federal Economic Competition Commission and satisfaction or waiver of certain other closing conditions. Please refer to the "Subsequent Events" section of the MD&A.

The Transaction would establish Pan American as a major precious metals producer in Latin America. The combined portfolio will consist of 11 operations concentrated in Latin America, a region where Pan American has over 29 years of proven expertise and experience operating mines. With the addition of four operating mines expected to generate strong free cash flow, the Transaction should enhance Pan American's overall financial position and improve its ability to internally fund its growth projects.

2022 HIGHLIGHTS

Operations

Silver production of 18.5 million ounces

Consolidated 2022 silver production of 18.5 million ounces was 0.7 million ounces lower than we produced in 2021. This was primarily due to Morococha being placed on care and maintenance in February 2022, partially offset by an increase in production at La Colorada driven by higher throughput from improved ventilation rates. 2022 silver production was within the November 2022 Revised Operating Outlook range of 18.0 to 18.5 million ounces as provided in the Q3 2022 MD&A dated November 9, 2022.

Gold production of 552.5 thousand ounces

Consolidated 2022 gold production of 552.5 thousand ounces was 26.8 thousand ounces lower than we produced in 2021. This was largely the result of lower gold production at Dolores due to mine sequencing and a reserve grade shortfall in Phase 9B of the open pit. The decrease at Dolores was partially offset by higher production at Shahuindo from higher gold grades due to mine sequencing. 2022 gold production was within our 2022 Original Operating Outlook range of 550.0 to 605.0 thousand ounces.

Base metal production

Consolidated 2022 lead production of 18.7 thousand tonnes was 0.6 thousand tonnes higher than we produced in 2021. Consolidated 2022 zinc production of 38.6 thousand tonnes and copper production of 5.3 thousand tonnes were 10.7 thousand tonnes and 3.4 thousand tonnes lower than we produced in 2021, respectively. The changes in year-over-year base metal production were primarily the result of Morococha being placed on care and maintenance in February 2022, and mining at Huaron sequencing into higher lead grade ore zones.

Zinc production was within the 2022 Original Operating Outlook range of 35.0 to 40.0 thousand tonnes, while lead production was above the 2022 Original Operating Outlook range of 15.0 to 17.0 thousand tonnes, and copper production was below the 2022 Original Operating Outlook range of 5.5 to 6.5 thousand tonnes.

Financial

Revenue in 2022 of \$1.5 billion was 8% lower than the \$1.6 billion recorded in 2021, reflecting an estimated \$111.3 million in lower revenues attributable to lower quantities of metal sold, largely due to Morococha being placed on care and maintenance in February 2022, and \$47.6 million attributable to lower silver prices offset partially by higher zinc prices.

Net loss of \$340.1 million, or \$1.62 basic loss per share, was recorded for 2022, compared with net earnings of \$98.6 million, or \$0.46 basic earnings per share in 2021. The \$438.6 million year-over-year decrease was mainly due to a combination of: the Transaction costs primarily attributable to the Company agreeing to provide Yamana with \$150 million toward a termination fee payable to Gold Fields Limited ("Gold Fields"); the \$154.5 million Q2 2022 impairment and associated net realizable value ("NRV") charge of the Dolores mine; increased production costs; and lower revenues.

The Dolores Q2 2022 impairment and NRV adjustment was related to the following indicators: (i) The updated mineral resource and production plan for the life of mine which adjusted for the overestimation on Phase 9B of the open pit resource from the original exploration drilling conducted; (ii) inflationary pressures, which have particularly affected this shorter-life asset where most of the mining will be completed in the next two years, including the suspension of underground mining operations; and, (iv) a reduction in the expected duration of economic leaching to the year 2030.

See the "Overview of 2022 Financial Results" section of this MD&A for further information.

Adjusted earnings⁽¹⁾ was \$17.9 million, or \$0.09 adjusted earnings per share, in 2022, compared to adjusted earnings of \$161.8 million, or \$0.77 basic adjusted earnings per share in 2021. The decrease is related to the revenue and production cost factors described above.

Cash flow, liquidity and working capital position

Cash flow from operations: The Company generated \$31.9 million in 2022, which was a \$360.2 million decrease compared to the \$392.1 million generated in 2021. The decrease was primarily driven by Transaction costs related to the proposed acquisition of Yamana and lower revenues. In addition, inflationary pressures across the asset portfolio offset the lower production costs at Morococha due to the mine being placed on care and maintenance.

See the "Overview of 2022 Financial Results" section of this MD&A for further information.

As at December 31, 2022, the Company had working capital of \$423.5 million, inclusive of cash and short-term investments of \$142.3 million (excluding long term investments); and \$340.0 million available under its revolving Sustainability-Linked Credit Facility ("SL-Credit Facility"). Total debt⁽¹⁾ of \$226.8 million was related to the SL-Credit Facility, lease liabilities and construction loans in Peru.

In January 2023, the Company sold its long-term investment in Maverix Metals Inc. ("Maverix") for \$105.3 million net of transaction costs further improving liquidity. Please refer to the "Subsequent Events" section of the MD&A.

Cash Costs⁽¹⁾

During 2022, all operations were negatively impacted by inflationary pressures, mainly reflecting increased prices for diesel and certain consumables, including cyanide, explosives, and steel products (such as grinding media), as well as facing supply-chain shortages and delayed logistics. We also experienced indirect cost increases in other supplies and services due to the inflationary impact of diesel and consumable prices on third-party suppliers. These challenges are collectively referred to as "Inflationary and Supply Chain Cost Increases" throughout this MD&A.

Silver Segment Cash Costs per ounce in 2022 of \$12.72 were \$1.21 higher than the \$11.51 in 2021. The increase in year-over-year Cash Costs is driven primarily by:

- i. a \$2.20 per ounce increase from Huaron, where Inflationary and Supply Chain Cost increases were partially offset by higher by-product credits from higher realized zinc prices;
- ii. a \$1.31 per ounce increase from Manantial Espejo due to a decrease in by-product credits from lower gold production, partially offset by lower production costs per ounce, both due to the completion of mining at COSE in April 2022; and,
- iii. an \$0.81 per ounce increase from La Colorada due to a decrease in by-product credits from lower base metal grades, partially offset by higher silver grade material sold.

These increases were partially offset by a \$1.28 per ounce decrease to Silver Segment Cash Costs attributable to lower direct selling costs from lower treatment and refining charges in 2022.

Silver Segment Cash Costs were above the 2022 Original Operating Outlook range of \$10.70 to \$12.20 per ounce.

Gold Segment Cash Costs per ounce in 2022 were \$1,113, \$214 higher than in 2021, reflecting increases at all Gold Segment mines. This was largely driven by the previously described Inflationary and Supply Chain Cost Increases, lower mined grades due to mine sequencing at La Arena, Dolores and Timmins, as well as grade reconciliation shortfalls at Dolores in Phase 9B.

Gold Segment Cash Costs were above the 2022 Original Operating Outlook range of \$970 to \$1,070 per ounce.

All-In Sustaining Costs ("AISC")⁽¹⁾

Silver Segment AISC for 2022 of \$16.48 per ounce were \$0.86 higher than 2021. The increase primarily reflects the previously described factors increasing Cash Costs, partially offset by lower exploration expenditures allocated to the Silver Segment mines and lower sustaining capital expenditures at Morococha and Manantial Espejo, which led to a \$0.22 and \$0.13 per ounce decrease in year-over-year Silver Segment AISC, respectively.

Silver Segment AISC were above the 2022 Original Operating Outlook range of \$14.50 to \$16.00 per ounce.

Gold Segment AISC for 2022 of \$1,649 per ounce were \$435 higher than 2021. This largely reflects the previously described factors increasing Cash Costs, an increase in sustaining capital expenditures at Shahuindo and La Arena, and the impact of \$98.9 million in NRV adjustments to inventories at Dolores, which led to a \$172 per ounce increase in year-over-year Gold Segment AISC.

Gold Segment AISC excluding NRV inventory adjustments for 2022 of \$1,459 were within the August 2022 Revised Operating Outlook range of \$1,450 to \$1,550 per ounce provided in the Q2 2022 MD&A dated August 10, 2022.

(1) Adjusted earnings, Total Debt, Cash Costs, and AISC are non-GAAP measures. Please refer to the “Alternative Performance (Non-GAAP) Measures” section of this MD&A for a detailed description of these measures and, where appropriate, a reconciliation of the measure to the 2022 Annual Financial Statements.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Pan American is committed to conducting its business in a responsible and sustainable manner. Our ESG values include: caring for the environment in which we operate; contributing to the long-term development of our host communities; ensuring safe and secure workplaces for our employees; contributing to the welfare of our employees, local communities and governments; and, operating transparently.

In 2022, we met 14 of our 20 ESG goals described in the “Goals and Performance” section of the Company’s 2021 Sustainability Report, which is available on the Company’s website at www.panamericansilver.com. We are deeply saddened to report that there were three fatal accidents at our operations in 2022. The Company extends our sincere condolences to the families, friends, and colleagues of these individuals. We have conducted full accident investigations with assistance from our local safety committees and relevant authorities and seek to use these accidents as learning tools to prevent recurrences in accordance with our commitment to improving safety performance. We intend to increase emphasis on ensuring that best available controls are in place to manage the most critical risks in our business. On our key environmental metrics, we exceeded our goals, including reduction of greenhouse gas emissions, energy use and water use compared to the 2022 base case. We also met all of our human capital, inclusion and diversity, and governance goals. However, we did not meet our social goal regarding grievances closed, or our environmental audit, biodiversity and recycling targets. Our environmental audit performance did not improve due to individual site performance and changes in audit methodology. We were unable to meet our biodiversity target since a planned revegetation project in La Colorada was placed on hold due to uncertainty over the future Skarn mine layout, and we recycled less than expected partially due to less generation of recyclable waste at our mines in 2022. We will provide complete details on our performance against our 2022 ESG goals in the Company’s 2022 Sustainability Report to be published in May 2023.

Pan American Silver was included in the S&P Global Sustainability Yearbook 2023 recognizing our improvement in ESG performance. S&P Global’s annual Sustainability Yearbook aims to distinguish individual companies, within their industries, that have demonstrated strengths in corporate sustainability. We placed in the S&P top 10% in the Metals & Mining industry in 2022.

2022 OPERATING PERFORMANCE

Consolidated 2022 Operating Results

Silver and Gold Production

The following table provides silver and gold production at each of Pan American's operations for the three and twelve month periods ended December 31, 2022 and 2021. Each operation's production variances are further discussed in the "Individual Mine Performance" section of this MD&A.

	Silver Production (ounces '000s)				Gold Production (ounces '000s)			
	Three months ended December 31,		Year ended December 31,		Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021	2022	2021	2022	2021
La Colorada	1,339	1,584	5,927	5,171	0.7	0.8	3.3	2.7
Huaron	1,025	838	3,660	3,513	0.2	0.3	0.9	1.1
Morococha ⁽¹⁾	—	540	324	2,175	—	0.4	0.1	1.1
San Vicente ⁽²⁾	703	641	2,526	2,548	—	0.1	0.1	0.3
Manantial Espejo	1,010	1,090	3,463	3,236	8.9	11.3	26.6	33.8
Dolores	591	507	2,242	2,240	34.6	40.1	136.9	160.1
Shahuindo	77	61	260	235	49.7	37.0	151.4	134.0
La Arena	14	11	38	40	36.2	32.6	98.5	112.4
Timmins	4	4	15	16	34.0	34.2	134.6	133.8
Total	4,763	5,276	18,455	19,174	164.4	156.7	552.5	579.3
Total Payable Production⁽³⁾	4,465	4,937	17,297	17,858	163.8	155.9	550.4	576.4

(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) Payable production reflects sellable metal after deducting commercial contract metal payable deductions.

Base Metal Production

The following table provides the Company's base metal production for the three and twelve months ended December 31, 2022 and 2021:

	Base Metal Production			
	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Zinc – kt	10.5	11.2	38.6	49.4
Lead – kt	5.0	4.1	18.7	18.1
Copper – kt	1.3	2.4	5.3	8.7

	Base Metal Payable Production			
	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Zinc – kt	8.8	9.4	32.3	41.3
Lead – kt	4.6	3.9	17.4	17.0
Copper – kt	1.1	2.1	4.5	7.4

Cash Costs and AISC

The quantification of both Cash Costs and AISC measures is described in detail, and where appropriate reconciled to the 2022 Annual 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 twelve months ended December 31, 2022, as compared to the same periods in 2021:

	Cash Costs ⁽¹⁾ (\$ per ounce)				AISC ⁽¹⁾ (\$ per ounce)			
	Three months ended December 31,		Year ended December 31,		Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021	2022	2021	2022	2021
La Colorada	15.19	11.64	11.57	10.76	24.24	15.93	16.78	17.51
Huaron	9.20	3.49	6.15	3.95	14.12	9.63	11.04	7.79
Morococha	N/A	4.57	5.68	9.63	N/A	7.98	7.08	13.49
San Vicente	17.11	10.87	15.22	14.98	18.24	14.59	17.99	17.25
Manantial Espejo	16.93	12.50	19.68	18.37	9.50	14.35	20.82	20.67
Silver Segment Consolidated⁽²⁾	14.41	9.74	12.72	11.51	17.79	13.57	16.48	15.62
Silver Segment Consolidated (Excl. NRV Adjustments)	14.41	9.74	12.72	11.51	19.47	13.75	16.56	15.68
Dolores ⁽³⁾	1,064	931	1,070	749	1,592	1,959	2,065	1,087
Shahuindo	911	832	964	780	1,388	1,091	1,321	1,000
La Arena	997	819	1,038	761	1,393	1,197	1,550	1,182
Timmins	1,417	1,298	1,374	1,319	1,685	1,614	1,639	1,619
Gold Segment Consolidated⁽²⁾	1,077	963	1,113	899	1,502	1,461	1,649	1,214
Gold Segment Consolidated (Excl. NRV Adjustments)	1,077	963	1,113	899	1,422	1,289	1,459	1,196

- (1) Cash Costs and AISC are non-GAAP measures. Please refer to the "Alternative Performance (Non-GAAP) Measures" section of this MD&A for a detailed description of these measures and, where appropriate, a reconciliation of the measure to the 2022 Annual Financial Statements.
- (2) 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.
- (3) AISC for Dolores, excluding NRV Adjustments, was \$1,248 and \$1,363 per ounce for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$1,305 and \$1,025, respectively). NRV adjustments included in AISC increased costs by \$344 and \$702 for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: increased by \$654 and \$62, respectively).

2022 Operating Results versus 2022 Operating Outlook

The following table sets out the actual 2022 annual metal production, Cash Costs, AISC and capital expenditures compared to those forecast by management throughout the year. The 2022 original forecast was provided in our Annual 2021 MD&A dated February 23, 2022 (the "2022 Original Operating Outlook"). Management subsequently revised the forecasts in its Q2 2022 MD&A dated August 10, 2022 and Q3 2022 MD&A dated November 9, 2022 (the "August 2022 Revised Operating Outlook" and "November 2022 Revised Operating Outlook", respectively). In the table below "NC" denotes no changes to the previously provided forecast.

	2022 Original Operating Outlook	August 2022 Revised Operating Outlook	November 2022 Revised Operating Outlook	2022 Actual
Silver Production - Moz	19.0 - 20.5	NC	18.0 - 18.5	18.5
Gold Production - koz	550.0 - 605.0	NC	NC	552.5
Zinc Production - kt	35.0 - 40.0	NC	NC	38.6
Lead Production - kt	15.0 - 17.0	NC	NC	18.7
Copper Production - kt	5.5 - 6.5	NC	NC	5.3
Silver Segment Cash Costs (\$ per ounce)	10.70 - 12.20	NC	NC	12.72
Gold Segment Cash Costs (\$ per ounce)	970 - 1,070	NC	NC	1,113
Silver Segment AISC (\$ per ounce)	14.50 - 16.00	NC	NC	16.48
Gold Segment AISC (Excl. NRV) (\$ per ounce) ⁽¹⁾	1,240 - 1,365	1,450 - 1,550	NC	1,459
Sustaining Capital (\$ millions)	200.0 - 210.0	240.0 - 250.0	NC	223.8
Project Capital (\$ millions)	80.0 - 95.0	55.0 - 60.0	NC	66.6

(1) The August 2022 Revised Operating Outlook for Gold Segment AISC excludes NRV adjustments of \$98.9 million in 2022 related to heap inventory at Dolores, driven by the updated life of mine plan and reserves, which also resulted in an impairment of the Dolores operation in Q2 2022.

Silver and Gold Production versus the 2022 Original Operating Outlook

	2022 Silver Production (million ounces)		2022 Gold Production (thousand ounces)	
	Forecast ⁽¹⁾	Actual	Forecast ⁽¹⁾	Actual
Silver Segment:				
La Colorada	6.85 - 7.10	5.93	2.8 - 3.0	3.3
Huaron	3.70 - 3.95	3.66	0.5	0.9
Morococha ⁽²⁾	—	0.32	—	0.1
San Vicente ⁽²⁾	2.35 - 2.50	2.53	0.2	0.1
Manantial Espejo	3.00 - 3.50	3.46	20.0 - 25.0	26.6
Silver Segment Total	15.90 - 17.05	15.90	23.5 - 28.7	31.2
Gold Segment:				
Dolores	2.85 - 3.15	2.24	157.5 - 179.0	136.9
Shahuindo	0.21 - 0.26	0.26	136.0 - 150.8	151.4
La Arena	0.03	0.04	98.0 - 103.5	98.5
Timmins	0.01	0.02	135.0 - 143.0	134.6
Gold Segment Total	3.10 - 3.45	2.56	526.5 - 576.3	521.3
Total	19.0 - 20.5	18.45	550.0 - 605.0	552.5

(1) Forecast as per the 2022 Original Operating Outlook.

(2) Production figures are only for Pan American's ownership share of Morococha (92.3%), and San Vicente (95.0%).

Silver Production

Consolidated 2022 silver production of 18.5 million ounces was below Management's 2022 Original Operating Outlook due to lower silver production at Dolores related to reserve grade shortfalls in Phase 9B of the open pit and La Colorada where ventilation constraints in 2021 hindered development into higher grade zones and necessitated mine sequencing into lower silver grade stopes in the second half of 2022.

Gold Production

Consolidated 2022 gold production of 552.5 thousand ounces was within Management's 2022 Original Operating Outlook as lower gold production at Dolores, related to reserve grade shortfalls in Phase 9B of the open pit, was offset by higher gold production at Manantial Espejo and Shahuindo, due to higher grades processed in Q4 2022 at both operations.

Base Metal Production versus the 2022 Original Operating Outlook

	2022 Zinc Production (thousand tonnes)		2022 Lead Production (thousand tonnes)		2022 Copper Production (thousand tonnes)	
	Forecast ⁽¹⁾	Actual	Forecast ⁽¹⁾	Actual	Forecast ⁽¹⁾	Actual
Consolidated	35.0 - 40.0	38.6	15.0 - 17.0	18.7	5.5 - 6.5	5.3

(1) Forecast as per the 2022 Original Operating Outlook.

Consolidated 2022 base metal production was generally as expected, with zinc production meeting forecast, and lead production exceeding forecast negatively impacting copper production which was slightly lower than forecast, largely due to mine sequencing at Huaron.

Cash Costs and AISC versus the 2022 Original Operating Outlook

The following table summarizes 2022 Cash Costs and AISC compared to the 2022 Original Operating Outlook on a per ounce basis, net of by-product credits.

	2022 Cash Costs ⁽¹⁾ (\$ per ounce)		2022 AISC ⁽¹⁾ (\$ per ounce)	
	Forecast ⁽²⁾	Actual	Forecast ⁽²⁾	Actual
Silver Segment:				
La Colorada	8.00 - 9.00	11.57	12.40 - 13.40	16.78
Huaron	1.80 - 4.50	6.15	7.80 - 9.90	11.04
Morococho	—	5.68	—	7.08
San Vicente	15.30 - 16.55	15.22	18.70 - 19.70	17.99
Manantial Espejo	21.00 - 24.00	19.68	22.00 - 24.80	20.82
Total	10.70 - 12.20	12.72	14.50 - 16.00	16.48
Gold Segment⁽³⁾:				
Dolores	715 - 840	1,070	925 - 1,070	1,363
Shahuindo	910 - 995	964	1,170 - 1,275	1,321
La Arena	990 - 1,070	1,038	1,380 - 1,475	1,550
Timmins	1,340 - 1,415	1,374	1,615 - 1,695	1,639
Total	970 - 1,070	1,113	1,240 - 1,365	1,459

(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 2022 Annual Financial Statements. The Cash Costs and AISC forecasts assumed realized prices and exchange rates of \$22.50/oz for silver, \$1,750/oz for gold, \$3,000/tonne (\$1.36/lb) for zinc, \$2,200/tonne (\$1.00/lb) for lead, and \$9,200/tonne (\$4.17/lb) for copper; and average exchange rates relative to 1 USD of 20.00 for the MXN, 4.10 for the PEN, 122.17 for the ARS, 7.00 for the BOB, and 1.25 for the CAD.

(2) Forecast as per the 2022 Original Operating Outlook.

(3) Full year 2022 Gold Segment AISC excludes NRV adjustments of \$98.9 million in 2022 related to heap inventory at Dolores, driven by the updated life of mine plan and reserves, which also resulted in an impairment of the Dolores operation in Q2 2022.

Cash Costs

All operations were affected by higher than expected Inflationary and Supply Chain Cost Increases in 2022.

In addition, Silver Segment Cash Costs of \$12.72 per ounce were affected by production shortfalls at La Colorada as previously described, which were partially offset by higher than expected by-product credits from Manantial Espejo due to higher grades processed in Q4 2022.

Gold Segment Cash Costs of \$1,113 per ounce were impacted by Inflationary and Supply Chain Cost Increases as well as production shortfalls at Dolores, related to the Phase 9B mineral reserve grade shortfall.

AISC

Silver Segment AISC of \$16.48 per silver ounce were affected by the same factors driving Cash Costs.

Gold Segment AISC of \$1,649 per gold ounce were affected by the same factors driving Cash Costs, in addition to higher sustaining capital expenditures at Shahuindo and La Arena, as a result of funding mine infrastructure projects at those operations directly rather than through originally planned for construction loans.

Capital Expenditures versus the 2022 Original Operating Outlook

The following table summarizes the 2022 capital expenditures compared to the 2022 Original Operating Outlook.

	2022 Capital Expenditures (\$ millions)	
	Forecast ⁽¹⁾	Actual
La Colorada	28.0 - 29.0	29.3
Huaron	16.0 - 19.0	13.9
Morococha	—	0.3
San Vicente	7.0 - 8.0	7.2
Manantial Espejo	2.0 - 3.0	4.3
Dolores	33.0 - 34.0	35.9
Shahuindo	37.0 - 38.0	49.2
La Arena	39.0 - 40.0	48.0
Timmins	38.0 - 39.0	35.7
Sustaining Capital Sub-total	200.0 - 210.0	223.8
La Colorada Skarn	68.0 - 81.0	62.4
Timmins	12.0 - 14.0	1.9
Other	-	2.2
Project Capital Sub-total	80.0 - 95.0	66.6
Total Capital	280.0 - 305.0	290.3

(1) Forecast as per the 2022 Original Operating Outlook.

Sustaining capital expenditures were \$13.8 million higher than the top end of the range provided in the 2022 Original Operating Outlook. This was primarily driven by the necessity to directly fund construction of leach pads, waste dumps and other infrastructure at Shahuindo and La Arena, rather than through construction loans that would have amortized the cost over the life of the assets. In 2022, Pan American experienced delays in obtaining the required documentation to secure the financing arrangements for these projects ahead of beginning earthworks.

Project capital in 2022 was below the 2022 Original Operating Outlook range, primarily due to additional time used to optimize the design and construction plans for the paste fill plant at Bell Creek, which is now scheduled to be constructed in 2023 and 2024. Furthermore, initiation of advancing access ramps to our La Colorada skarn deposit was deferred in 2022 to investigate potential bulk mining opportunities and ensure access infrastructure does not interfere with the optimal mine design.

Individual Mine Operation Performance

An analysis of performance at each operation in 2022 compared with 2021 follows. The project capital amounts invested in 2022 are further discussed in the "Project Development Update" section of this MD&A.

La Colorado Operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	171.0	159.6	649.2	566.8
Tonnes milled - kt	162.8	159.9	641.1	572.5
Average silver grade – grams per tonne	283	343	316	312
Average zinc grade - %	1.86	1.71	1.85	2.05
Average lead grade - %	1.09	0.95	1.05	1.09
Production:				
Silver – koz	1,339	1,584	5,927	5,171
Gold – koz	0.74	0.79	3.33	2.71
Zinc – kt	2.55	2.26	10.02	9.98
Lead – kt	1.51	1.22	5.65	5.19
Copper - kt	0.01	—	0.01	—
Payable Production:				
Silver – koz	1,270	1,510	5,625	4,902
Gold – koz	0.54	0.65	2.68	2.21
Zinc – kt	2.16	1.93	8.51	8.49
Lead – kt	1.39	1.13	5.23	4.83
Copper - kt	0.01	—	0.01	—
Cash Costs - \$ per ounce⁽¹⁾	15.19	11.64	11.57	10.76
Sustaining capital - \$ thousands⁽²⁾	11,689	6,410	29,275	26,069
AISC - \$ per ounce⁽¹⁾	24.24	15.93	16.78	17.51
Payable silver sold - koz	1,306	1,669	5,712	4,321

(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 \$12.5 million and \$62.4 million investing activity cash outflows for Q4 2022 and full year 2022, respectively (Q4 2021 and full year 2021: \$16.5 million and \$39.5 million, respectively) related to investment capital incurred on the La Colorado projects, as disclosed in the "Project Development Update" section of this MD&A.

2022 versus 2021

Production:

- Silver: 15% increase primarily driven by higher throughput, which benefited from improved primary ventilation rates that allowed an increase in mining rates.
- By-products: 9% increase in lead production as a result of increased throughput, partially offset by mine sequencing into lower base metal grade areas of the mine.

Cash Costs: were \$0.81 higher than in 2021, primarily driven by lower by-product credits per ounce from lower base metal grades, partially offset by higher payable silver ounces sold.

Sustaining Capital: increased spending in 2022 primarily related to secondary ventilation infrastructure and ground control improvements, tailings storage facility expansions and accelerated mine deepening to advance the mine transition towards more mechanized long-hole open stoping mining methods. This was partially offset by reduced investments in mine equipment replacements and raise-bore primary ventilation infrastructure.

AISC: was \$0.73 lower than in 2021, as a result of lower sustaining capital per ounce and greenfield exploration expenditures allocated in 2022, partially offset by the factors increasing year-over-year Cash Costs.

Huaron Operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	231.1	233.1	937.2	939.3
Tonnes milled - kt	232.6	233.1	938.4	940.3
Average silver grade – grams per tonne	162	137	146	141
Average zinc grade - %	2.46	1.79	2.25	2.14
Average lead grade - %	1.71	1.02	1.52	1.11
Average copper grade - %	0.68	0.86	0.63	0.82
Production:				
Silver – koz	1,025	838	3,660	3,513
Gold – koz	0.24	0.27	0.95	1.09
Zinc – kt	4.50	3.06	16.43	15.37
Lead – kt	3.21	1.63	11.44	7.48
Copper – kt	1.20	1.55	4.30	5.85
Payable Production:				
Silver – koz	866	688	3,068	2,930
Gold – koz	0.06	0.03	0.28	0.12
Zinc – kt	3.71	2.51	13.52	12.63
Lead – kt	3.02	1.53	10.78	7.02
Copper – kt	1.06	1.35	3.84	4.94
Cash Costs - \$ per ounce⁽¹⁾	9.20	3.49	6.15	3.95
Sustaining capital - \$ thousands⁽²⁾	3,952	3,991	13,940	10,897
AISC - \$ per ounce⁽¹⁾	14.12	9.63	11.04	7.79
Payable silver sold – koz	844	672	3,014	2,976

(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 \$1.6 million and \$1.6 million investing activity cash outflows for Q4 2022 and full year 2022, respectively (Q4 2021 and full year 2021: \$nil and \$nil, respectively) related to engineering for a new filtered tailings plant and an exploration program related to zones outside the mine plan; this expenditure is included in Other Projects, as disclosed in the “Project Development Update” section of this MD&A.

2022 versus 2021
Production:

- Silver: 4% higher, primarily from higher grades due to mine sequencing.
- By-products: zinc and lead production increased 7% and 53%, respectively, while copper production was 27% lower, all due to mine sequencing.

Cash Costs: increased \$2.20 per ounce, primarily due to Inflationary and Supply Chain Cost Increases, which were partially offset by higher by-product credits per ounce due to higher zinc prices.

Sustaining Capital: higher spending in 2022 was primarily related to equipment replacements and refurbishments, and mine deepening, partially offset by lower investments on tailings storage facility expansions. The balance of 2022 capital spending related to equipment and facility leases, mine ventilation infrastructure and near-mine exploration.

AISC: an increase of \$3.25 per ounce due to the same factors affecting year-over-year Cash Costs and higher sustaining capital investments.

Dolores Operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	2,591.3	1,238.9	7,303.3	7,668.3
Waste tonnes mined - kt	6,166.8	7,043.5	26,227.2	24,374.9
Tonnes placed - kt	2,075.0	2,057.0	7,956.6	7,774.4
Average silver grade – grams per tonne	20	14	18	16
Average gold grade – grams per tonne	0.67	0.66	0.64	0.95
Production:				
Silver – koz	591	507	2,242	2,240
Gold – koz	34.6	40.1	136.9	160.1
Payable Production:				
Silver – koz	590	507	2,238	2,236
Gold – koz	34.5	40.1	136.6	159.8
Cash Costs - \$ per ounce⁽¹⁾	1,064	931	1,070	749
Sustaining capital - \$ thousands	4,616	12,097	35,855	40,566
AISC - \$ per ounce⁽¹⁾	1,592	1,959	2,065	1,087
Payable gold sold - koz	32.62	34.34	140.97	158.07

(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. AISC excluding NRV Adjustments is \$1,248 and \$1,363 per ounce for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$1,305 and \$1,025, respectively). NRV adjustments included in AISC increased costs by \$344 and \$702 for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$654 increase and \$62 increase, respectively).

2022 versus 2021
Production:

- Silver: comparable year-over-year due to mine sequencing into higher silver grade ores in the second half of 2022, partially offset by a lower ratio of silver ounces produced to ounces stacked from leach sequencing.
- Gold: the 15% decrease is primarily due to mine sequencing into lower gold grade ores and a negative grade reconciliation related to Phase 9B of the open pit, partially offset by a higher ratio of gold ounces recovered to stacked from leach sequencing.

Cash Costs: increased \$321 per ounce, primarily from the lower gold grades due to mine sequencing and the impact of negative grade reconciliation in Phase 9B, Inflationary and Supply Chain Cost Increases and lower silver by-product credits per ounce.

Sustaining Capital: reduced year-over-year, primarily due to lower spending on heap leach pad expansions and plant and facility upgrades, partially offset by greater capitalized spending on waste mining for Phase 10 of the open-pit.

AISC: increased \$978 per ounce, primarily due to the impact of NRV inventory adjustments, in addition to the same factors affecting Cash Costs. The NRV inventory adjustments increased costs by \$89.2 million, or \$640 per ounce, in 2022 relative to 2021.

Shahuindo operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	3,083.2	3,831.1	13,644.2	15,114.6
Waste tonnes mined - kt	3,711.6	3,641.8	18,922.9	16,717.4
Tonnes placed - kt	2,970.3	3,617.1	13,754.8	13,149.3
Average silver grade – grams per tonne	10	6	6	6
Average gold grade – grams per tonne	0.67	0.43	0.50	0.47
Production:				
Silver – koz	76.51	60.54	260.33	234.69
Gold – koz	49.70	36.95	151.37	134.04
Payable Production:				
Silver – koz	75.94	60.08	258.38	232.93
Gold – koz	49.65	36.92	151.24	133.93
Cash Costs - \$ per ounce⁽¹⁾	911	832	964	780
Sustaining capital - \$ thousands⁽²⁾	21,412	9,146	49,246	28,846
AISC - \$ per ounce⁽¹⁾	1,388	1,091	1,321	1,000
Payable gold sold - koz	46.29	39.53	145.32	139.46

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

(2) Sustaining capital expenditures exclude \$0.1 million and \$0.6 million of investing activity cash outflows for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$0.1 million and \$0.5 million, respectively) related to lease payments for the crushing and agglomeration plant, and is included in Other Projects, as disclosed in the “Project Development Update” section of this MD&A.

2022 versus 2021
Production:

- Gold: increased 13%, primarily as a result of higher gold grades from mine sequencing and higher tonnes stacked from improved ore blending availabilities between fine and course ores.

Cash Costs: increased \$184 per ounce, primarily as a result of Inflationary and Supply Chain Cost Increases and higher waste-to-ore mining rates.

Sustaining Capital: increased relative to 2021, primarily driven by construction of a mine water treatment plant, waste storage facility preparation, and mine equipment replacements, partially offset by lower expenditures for heap leach pad expansions due to the timing of payments on construction loan facilities.

AISC: increased \$321 per ounce, due to the same factors affecting year-over-year Cash Costs, in addition to higher sustaining capital expenditures per ounce.

La Arena operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	3,735.7	4,037.6	11,423.4	10,855.2
Waste tonnes mined - kt	3,904.7	5,372.8	22,683.7	27,007.5
Tonnes placed - kt	3,746.6	4,037.6	11,486.1	10,855.2
Average silver grade – grams per tonne	1	1	1	1
Average gold grade – grams per tonne	0.32	0.35	0.33	0.36
Production:				
Silver – koz	14.19	11.11	37.62	39.75
Gold – koz	36.18	32.59	98.46	112.35
Payable Production:				
Silver – koz	14.14	11.08	37.50	39.63
Gold – koz	36.15	32.57	98.39	112.27
Cash Costs - \$ per ounce⁽¹⁾	997	819	1,038	761
Sustaining capital - \$ thousands	11,390	9,996	47,970	45,479
AISC - \$ per ounce⁽¹⁾	1,393	1,197	1,550	1,182
Payable gold sold - koz	30.62	26.87	99.37	109.43

(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.

2022 versus 2021
Production:

- Gold: decreased 12% as a result of lower grades due to mine sequencing and a decrease in the ratio of ounces recovered to stacked due to the timing of leach sequencing.

Cash Costs: increased \$277 per ounce, primarily due to Inflationary and Supply Chain Cost Increases and lower grade ore mined, partially offset by a lower ratio of waste-to-ore mining.

Sustaining Capital: higher than 2021, largely as a result of higher expenditures on heap leach pad expansions, waste storage facility expansions and mine equipment replacements, offset by lower capitalized deferred stripping.

AISC: increased by \$368 per ounce, due to the same factors affecting year-over-year Cash Costs, as well as an increase in sustaining capital and reclamation cost accretion per ounce.

Timmins operation

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Ore tonnes mined - kt	455.3	392.6	1,717.9	1,580.9
Tonnes milled - kt	447.9	391.4	1,694.3	1,593.1
Average gold grade – grams per tonne	2.52	2.83	2.60	2.70
Production:				
Silver – koz	3.64	4.03	15.30	16.16
Gold – koz	33.96	34.25	134.64	133.85
Payable Production:				
Silver – koz	3.61	3.99	15.01	16.00
Gold – koz	33.94	34.22	134.53	133.75
Cash Costs - \$ per ounce⁽¹⁾	1,417	1,298	1,374	1,319
Sustaining capital - \$ thousands⁽²⁾	8,269	8,415	35,711	35,894
AISC - \$ per ounce⁽¹⁾	1,685	1,614	1,639	1,619
Payable gold sold - koz	31.00	30.00	135.40	132.00

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

(2) Sustaining capital expenditures exclude \$0.2 million and \$1.9 million investing activity cash outflows for Q4 2022 and full year 2022, respectively (Q4 2021 and full year 2021: \$0.2 million and \$6.4 million, respectively) related to investment capital incurred on the Timmins projects, as disclosed in the “Project Development Update” section of this MD&A.

2022 versus 2021
Production:

- Gold: comparable year-over-year, as higher mining rates were offset by lower grades during the second half of 2022.

Cash Costs: increased \$55 per ounce, primarily as a result of the lower grades and higher operating costs from Inflationary and Supply Chain Cost Increases, which were largely offset by improved productivity from additional ground control measures at Bell Creek and the depreciation of the Canadian Dollar.

Sustaining Capital: was comparable year-over-year with expenditures primarily comprised of mine equipment refurbishments and replacements, mine infrastructure upgrades, a tailings storage facility expansion, near-mine exploration, and lease payments for mining equipment.

AISC: increased by \$20 per ounce due to the same factors impacting Cash Costs, offset by lower exploration expenditures allocated in 2022.

Other Operations⁽¹⁾

	Three Months Ended December 31, 2022			Three Months Ended December 31, 2021		
	Morococha	San Vicente	Manantial Espejo	Morococha	San Vicente	Manantial Espejo
Tonnes milled – kt	—	97.4	159.9	158.9	90.1	170.8
Average silver grade – grams per tonne	—	243	249	118	246	230
Average gold grade – grams per tonne	—	—	2.05	—	—	2.25
Average zinc grade - %	—	4.05	—	2.97	2.63	—
Average lead grade - %	—	0.32	—	1.02	0.03	—
Average copper grade - %	—	0.14	—	0.54	0.24	—
Production:						
Silver – koz	—	703	1,010	540	641	1,090
Gold – koz	—	0.03	8.95	0.35	0.06	11.35
Zinc – kt	—	3.43	—	3.93	1.93	—
Lead – kt	—	0.27	—	1.27	0.02	—
Copper – kt	—	0.10	—	0.67	0.18	—
Cash Costs - \$ per silver ounce⁽²⁾	N/A	17.11	16.93	4.57	10.87	12.50
AISC - \$ per silver ounce⁽²⁾	N/A	18.24	9.50	7.98	14.59	14.35

	Year ended December 31, 2022			Year ended December 31, 2021		
	Morococha	San Vicente	Manantial Espejo	Morococha	San Vicente	Manantial Espejo
Tonnes milled – kt	100.5	346.0	642.6	617.5	356.3	657.1
Average silver grade – grams per tonne	112	250	195	122	244	177
Average gold grade – grams per tonne	—	—	1.47	—	—	1.75
Average zinc grade - %	3.12	3.29	—	2.98	2.81	—
Average lead grade - %	0.96	0.30	—	1.04	0.10	—
Average copper grade - %	0.60	0.18	—	0.48	0.24	—
Production:						
Silver – koz	324	2,526	3,463	2,175	2,548	3,236
Gold – koz	0.15	0.11	26.63	1.11	0.28	33.76
Zinc – kt	2.67	9.51	—	15.64	8.36	—
Lead – kt	0.73	0.89	—	5.15	0.32	—
Copper – kt	0.47	0.48	—	2.17	0.66	—
Cash Costs - \$ per silver ounce⁽²⁾	5.68	15.22	19.68	9.63	14.98	18.37
AISC - \$ per silver ounce⁽²⁾	7.08	17.99	20.82	13.49	17.25	20.67

(1) Production figures reflect Pan American's 92.3% share of Morococha and 95% share of San Vicente, unless otherwise noted. Morococha was placed on care and maintenance in February 2022.

(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.

2022 versus 2021

Morococha: production reflects the mine being placed in care and maintenance in February 2022 to complete the previously agreed closure of the processing plant while the Company evaluates strategic alternatives for the future of the operation.

San Vicente: operating results were generally consistent with the prior year, as higher zinc and lead grades were offset by timing of zinc concentrate shipments. Higher sustaining capital expenditures year-over-year led to marginally higher AISC in 2022.

Manantial Espejo: the year-over-year gold production decrease is due to the lower gold grade ores processed, reflecting the completion of mining operations at COSE in April 2022, whereas the increase in silver production reflects higher grades and ore mining at the Manantial Espejo underground operation and the Joaquin mine in 2022. Mining and processing activities at Manantial Espejo concluded in January 2023.

2023 OPERATING OUTLOOK

Pan American plans to provide its 2023 operating outlook and guidance following the completion of the Transaction, which is expected to occur later in the first quarter of 2023. Management intends to provide a 2023 operating outlook inclusive of the Latin American assets acquired through the Transaction, as well as a consolidated forecast for annual general and administrative, exploration and project development costs.

The 2023 operating outlook will reflect the end-of-mine life at Pan American's Manantial Espejo operation in Argentina, with the asset being placed on care and maintenance at the end of 2022.

PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's major projects in 2022 as compared to 2021.

Project Development Investment (thousands of USD)	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
La Colorada projects	12,462	16,521	62,408	39,462
Timmins projects	217	244	1,941	6,403
Other	1,770	134	2,238	611
Total	14,449	16,899	66,587	46,476

During 2022, the Company invested \$66.6 million, largely on exploration and development of the La Colorada Skarn project, including advancing construction of the new concrete-lined shaft and completion of the refrigeration plant that will also provide benefits to the existing operation.

OVERVIEW OF 2022 FINANCIAL RESULTS

Selected Annual and Quarterly Information

The following tables set out selected quarterly results for the past twelve quarters as well as selected annual results for the past three years. The dominant factors affecting results in the quarters and years presented below are the volatility of realized metal prices and the timing of sales, which vary with the timing of shipments and impairment charges.

2022 (In thousands of USD, other than per share amounts)	Quarter Ended				Year Ended
	Mar 31	Jun 30	Sep 30	Dec 31	Dec 31
Revenue	\$ 439,888	\$ 340,469	\$ 338,889	\$ 375,472	\$ 1,494,718
Mine operating earnings (loss)	\$ 66,755	\$ (31,652)	\$ (21,788)	\$ 35,047	\$ 48,362
Earnings (loss) for the period attributable to equity holders	\$ 76,517	\$ (173,982)	\$ (71,527)	\$ (172,756)	\$ (341,748)
Basic (loss) earnings per share	\$ 0.36	\$ (0.83)	\$ (0.34)	\$ (0.81)	\$ (1.62)
Diluted (loss) earnings per share	\$ 0.36	\$ (0.83)	\$ (0.34)	\$ (0.81)	\$ (1.62)
Cash flow from operating activities ⁽¹⁾	\$ 68,758	\$ 20,835	\$ 54,418	\$ (112,102)	\$ 31,909
Cash dividends paid per share	\$ 0.12	\$ 0.12	\$ 0.11	\$ 0.10	\$ 0.45
Other financial information					
Total assets					\$ 3,248,498
Total long-term financial liabilities ⁽²⁾					\$ 511,803
Total attributable shareholders' equity					\$ 2,195,479

(1) Cash flow from operating activities includes \$157.3 million of transaction and integration costs related to the Yamana Transaction.

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

2021 (In thousands of USD, other than per share amounts)	Quarter Ended				Year Ended
	Mar 31	Jun 30	Sep 30	Dec 31	Dec 31
Revenue	\$ 368,099	\$ 382,132	\$ 460,349	\$ 422,170	\$ 1,632,750
Mine operating earnings	\$ 89,964	\$ 103,048	\$ 98,887	\$ 76,039	\$ 367,938
(Loss) earnings for the period attributable to equity holders	\$ (7,798)	\$ 70,939	\$ 20,251	\$ 14,036	\$ 97,428
Basic (loss) earnings per share	\$ (0.04)	\$ 0.34	\$ 0.10	\$ 0.06	\$ 0.46
Diluted (loss) earnings per share	\$ (0.04)	\$ 0.34	\$ 0.10	\$ 0.06	\$ 0.46
Cash flow from operating activities	\$ 29,850	\$ 87,143	\$ 157,017	\$ 118,098	\$ 392,108
Cash dividends paid per share	\$ 0.07	\$ 0.07	\$ 0.10	\$ 0.10	\$ 0.34
Other financial information					
Total assets					\$ 3,518,584
Total long-term financial liabilities ⁽¹⁾					\$ 297,600
Total attributable shareholders' equity					\$ 2,631,554

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

2020 (In thousands of USD, other than per share amounts)	Quarter Ended				Year Ended
	Mar 31	Jun 30	Sep 30	Dec 31	Dec 31
Revenue	\$ 358,428	\$ 249,509	\$ 300,414	\$ 430,461	\$ 1,338,812
Mine operating earnings	\$ 50,058	\$ 48,386	\$ 124,561	\$ 137,172	\$ 360,177
(Loss) earnings for the period attributable to equity holders	\$ (76,807)	\$ 20,063	\$ 65,741	\$ 168,885	\$ 177,882
Basic (loss) earnings per share	\$ (0.37)	\$ 0.10	\$ 0.31	\$ 0.80	\$ 0.85
Diluted (loss) earnings per share	\$ (0.37)	\$ 0.10	\$ 0.31	\$ 0.80	\$ 0.85
Cash flow from operating activities	\$ 114,051	\$ 62,750	\$ 114,943	\$ 170,571	\$ 462,315
Cash dividends paid per share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.22
Other financial information					
Total assets					\$ 3,433,875
Total long-term financial liabilities ⁽¹⁾					\$ 277,696
Total attributable shareholders' equity					\$ 2,602,519

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

Income Statement: 2022 versus 2021

Net loss of \$340.1 million were recorded in 2022 compared to net earnings of \$98.6 million in 2021, which corresponds to basic (loss) earnings per share of \$(1.62) and \$0.46, respectively.

The following table highlights the difference between net earnings in 2022 compared with 2021:

Net earnings, year ended December 31, 2021	\$	98,562	Note
Decreased revenue:			
Lower quantities of metal sold	\$	(111,296)	
Decreased realized metal prices		(47,622)	
Decreased direct selling costs		18,916	
Decreased negative settlement adjustments		1,970	
Total decrease in revenue	\$	(138,032)	(1)
Increased cost of sales:			
Increased production costs	\$	(79,929)	
Increased NRV adjustments to inventories		(89,023)	
Decreased royalty charges		486	
Increased production costs and decreased royalty charges	\$	(168,466)	(2)
Increased depreciation and amortization		(13,078)	(3)
Total increase in cost of sales	\$	(181,544)	
Decreased income tax expense		107,311	(5)
Decreased investment loss		43,501	(7)
Increased gain and income from associates		40,686	(8)
Decreased general and administrative expense		5,877	
Increased gains on derivatives		1,943	
Decreased foreign exchange loss		1,660	
Increased transaction and integration costs		(157,334)	(4)
Increased impairment charges		(99,064)	(6)
Decreased gains on sales of mineral properties, plant and equipment		(34,606)	(9)
Increased mine care and maintenance costs		(13,343)	(10)
Increased exploration and project development expense		(7,264)	
Increased interest and finance expense		(6,265)	
Increased other expense		(2,151)	
Net loss, year ended December 31, 2022	\$	(340,063)	

- 1) **Revenue** for 2022 was \$138.0 million lower than in 2021, from decreased quantities of metal sold and lower metal prices. The year-over-year decrease in metal quantities sold was driven primarily by gold, zinc and copper decreases of 5%, 30%, and 39%, respectively.

The lower quantities sold were mainly driven by lower production from the cessation of mining activities at Morocochoa in February 2022 and lower gold sales from grade-driven production decreases at Dolores and La Arena. These were partially offset by increased quantities of metal sold at La Colorada due to improved ventilation rates.

The lower metal prices were due to a 14% decline in silver prices, partially offset by a 16% increase in zinc prices.

The following table reflects yearly realized metal prices and quantities sold:

	Realized Metal Prices ⁽¹⁾		Quantities of Metal Sold ⁽²⁾	
	Year ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Silver	\$ 21.59	\$ 25.00	17,486	17,470
Gold	\$ 1,792	\$ 1,792	548.8	574.9
Zinc	\$ 3,472	\$ 2,997	29.9	42.7
Lead	\$ 2,148	\$ 2,206	17.6	17.0
Copper	\$ 8,979	\$ 9,297	4.7	7.8

(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 2022 were \$168.5 million, or 18%, higher than in 2021. All operations were affected by Inflationary and Supply Chain Cost Increases. The largest factors that increased year-over-year production costs, which included this inflationary impact, are described below:
- i. \$89.0 million from NRV inventory adjustments, which increased costs by \$97.7 million in 2022 compared to \$8.7 million in 2021. The increase in NRV inventory adjustments largely reflects increased heap inventory write-downs at Dolores, which resulted from the updates to the life of mine plan in Q2 2022, as well as the general inflationary pressures;
 - ii. \$86.6 million from Gold Segment mines (exclusive of NRV inventory adjustments), also reflecting higher waste-to-ore mining rates at Dolores and Shahuindo;
 - iii. \$29.7 million from Silver Segment mines (exclusive of Morococha and NRV inventory adjustments), also reflecting higher quantities of metal sold given prior year inventory build-ups ;
 - iv. \$23.9 million of mine closure severance provisions at Manantial Espejo, Morococha and Dolores; partially offset by,
 - v. \$59.9 million reduction in costs from Morococha being placed on care and maintenance in February 2022.
- 3) **D&A expense** was \$13.1 million higher than 2021, primarily from Dolores where depreciation is calculated on a per tonne stacked basis and lower grades in 2022 resulted in comparatively higher depreciation, and from Manantial Espejo from accelerated depreciation due to decreasing mine life. Lower depreciation from Morococha being placed on care and maintenance in February 2022 partially offset these amounts.
- 4) **Transaction and integration costs** of \$157.3 million in 2022 were incurred pursuant to the Transaction in which the Company agreed to provide Yamana with \$150 million toward a termination fee payable to Gold Fields. The Transaction is discussed in further detail in the "Core Business and Strategy" and "Subsequent Events" sections of this MD&A. No such costs were incurred in 2021.
- 5) **Income tax expense** of \$39.1 million in 2022 was \$107.3 million lower than the \$146.4 million in 2021, largely as a result of the \$319.6 million decrease in mine operating earnings. The 2022 tax expense was further reduced by the appreciation of the Mexico Peso and Peruvian Sol, which increased the foreign denominated deductible tax attributes in those countries (largely comprised of mineral properties, plant and equipment).
- 6) **Impairment charge** of \$99.1 million (\$114.8 million net of tax) was recorded on the Dolores mine in Q2 2022, with no such impairments recorded in 2021. The 2022 impairment related to the impairment of the Dolores mine assets disclosed in the Company's Q2 2022 MD&A.
- 7) **Investment losses** were \$16.2 million in 2022, a \$43.5 million positive variance relative to 2021 investment losses of \$59.7 million, both driven primarily by fair value mark-to-market adjustments on the Company's equity investment in New Pacific Metals Corp.

- 8) **Gains and income from associates** in 2022 was \$45.0 million compared to gains of \$4.3 million in 2021. The 2022 gains and income resulted from the March 21, 2022 re-designation of the Company's investment in Maverix from an "Investment in Associate" accounted for using the "equity method" (the Company's ownership proportion of Maverix's estimated earnings was recorded in income) to a "long-term financial asset" recorded at fair value beginning on March 31, 2022. The 2021 gains were attributable to the Company accounting for Maverix using the equity method.
- 9) **Mineral properties, plant and equipment gains** were \$34.6 million less in 2021 because the comparative period included the sale of the Waterloo exploration stage asset.
- 10) **Care and maintenance expenses** increased in 2022 by \$13.3 million, primarily due to Morococha being placed on care and maintenance in February 2022.

Statement of Cash Flows: 2022 versus 2021

Cash flow from operations in 2022 totaled \$31.9 million, \$360.2 million less than the \$392.1 million generated in 2021. The decrease was mostly related to a \$138.0 million decline in revenue, as previously described, a \$150.0 million termination fee paid pursuant to the Transaction, a \$79.9 million increase in production costs excluding NRVs and an \$8.6 million increase in income taxes paid. These were partially offset by a \$29.0 million decrease in cash used from working capital changes.

Changes in working capital, other than cash, used \$42.0 million of cash in 2022 compared to \$71.1 million used in 2021. The \$29.0 million year-over-year decreased use of cash resulted largely from \$32.9 million in lower inventory build-ups, mainly from La Colorada shipping its 2022 concentrate production compared to 2021 when it experienced shipping delays, and \$4.5 million provided by increases in accounts payable and provisions. These were partially offset by \$8.3 million used from increased trade receivables and prepaid expenses.

Investing activities utilized \$255.4 million in 2022, primarily from \$274.7 million spent on mineral properties, plant and equipment at the Company's mines and projects, which was partially offset by \$8.7 million in proceeds from the disposition of mineral properties, plant and equipment, which included \$7.0 million received from a third-party as partial compensation for the closure and reclamation of the Morococha mine processing facility.

In 2021, investing activities utilized \$186.7 million, largely from the \$243.5 million spent on mineral properties, plant and equipment at the Company's mines and projects, which was partially offset by \$45.8 million in proceeds from the disposition of certain royalty assets and the deposits on the Waterloo sale.

Financing activities in 2022 provided \$53.0 million compared to \$85.9 million used in the comparative year. In 2022, the source of cash largely reflects \$167.1 million drawn, primarily from the SL-Credit Facility, to fund the \$150 million termination fee pursuant to the Transaction. In 2022, financing activities also included \$94.7 million in dividend payments, \$14.8 million in lease repayments, and \$5.2 million in Peruvian construction loan repayments. In 2021, the Company paid \$71.5 million in dividends, \$12.4 million in lease repayments, and \$1.7 million in Peruvian construction loan repayments.

Adjusted Earnings: 2022 versus 2021

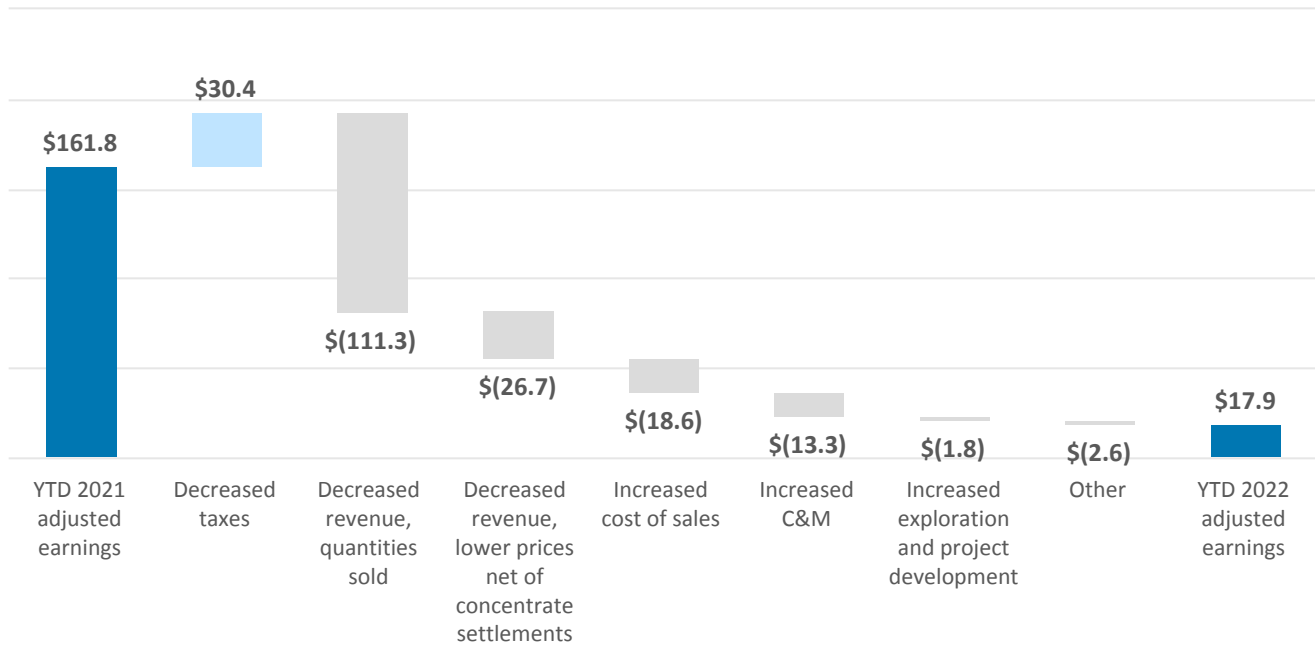
Adjusted earnings and basic adjusted earnings per share are non-GAAP measures that the Company considers to better reflect normalized earnings, as it eliminates items that in Management's judgment are subject to volatility as a result of factors that are unrelated to operations in the period, and/or relate to items that will settle in future periods. Neither adjusted earnings nor basic adjusted earnings per share have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

Please refer to the section of this MD&A entitled "Alternative Performance (Non-GAAP) Measures" for a detailed description, and a reconciliation of these measures to the 2022 Annual Financial Statements.

Adjusted Earnings in 2022 were \$17.9 million, representing a basic adjusted earnings per share of \$0.09, which was \$143.8 million, or \$0.68 per share, lower than 2021 adjusted earnings of \$161.8 million, and basic adjusted earnings per share of \$0.77, respectively.

The following chart illustrates the key factors leading to the change in adjusted earnings from 2021 to 2022:

Adjusted Earnings Reconciliation - 2021 to 2022 (\$ millions)



Income Statement: Q4 2022 vs. Q4 2021

Net loss of \$172.1 million, or a basic loss per share of \$0.82, was recorded in Q4 2022 compared to net earnings of \$14.7 million, or basic earnings per share of \$0.07.

The following table highlights the differences between the Q4 2022 net loss and Q4 2021 net earnings:

Net earnings, three months ended December 31, 2021	\$	14,664	Note
Decreased revenue:			
Decreased realized metal prices	\$	(22,498)	
Lower quantities of metal sold		(38,730)	
Decreased negative settlement adjustments		6,387	
Decreased direct selling costs		8,143	
Total decrease in revenue		\$ (46,698)	(1)
Decreased cost of sales:			
Increased production costs	\$	(5,048)	
Decreased NRV adjustments to inventories		16,219	
Increased royalty charges		(2,325)	
Decreased production costs and increased royalty charges		\$ 8,846	(2)
Increased depreciation and amortization		(3,140)	
Total decrease in cost of sales		\$ 5,706	
Increased transaction and integration costs		(157,334)	(3)
Increased other expense		(11,697)	(4)
Increased exploration and project development expense		(4,484)	
Increased interest and finance expense		(2,918)	
Increased mine care and maintenance costs		(1,212)	
Decreased gains on sales of mineral properties, plant and equipment		(583)	
Decreased gain and income from associates		(289)	
Decreased income tax expense		9,581	(5)
Decreased investment loss		7,330	(6)
Decreased foreign exchange loss		6,441	
Decreased general and administrative expense		5,253	
Increased gains on derivatives		4,180	
Net earnings, three months ended December 31, 2022		\$ (172,060)	

- 1) **Revenue** for Q4 2022 was \$46.7 million lower than Q4 2021 from decreased quantities of metal sold and lower metal prices. The quarter-over-quarter decrease in metal quantities sold reflects decreases in silver, zinc and copper sales, which decreased 19%, 45% and 44%, respectively (see table below).

The lower quantities sold in Q4 2022 reflects the following: (i) lower production from the cessation of mining activities at Morococho; (ii) silver production shortfalls at La Colorada from lower grades in Q4 2022; (iii) an increase in dore inventories at Manantial Espejo; and, (iv) a build-up in zinc inventories at San Vicente due to the timing of shipments. These factors were partially offset by increased quantities sold at Shahuindo and La Arena due to the timing of mine and leach sequencing. These impacts are described in the "2022 Highlights" and the "Operating Performance" sections of this MD&A.

The lower metal prices were largely due to a 9%, 3%, and 14% decrease in realized metal prices for silver, gold, and zinc, respectively. The decrease in metal prices was partially offset by a \$6.4 million improvement in settlement price adjustments on open concentrate shipments and an \$8.1 million decrease in net selling costs, primarily due to Morococho being placed on care and maintenance in February 2022.

The following table reflects quarterly realized metal prices and quantities sold:

	Realized Metal Prices ⁽¹⁾		Quantities of Metal Sold ⁽²⁾	
	Three months ended December 31,		Three months ended December 31,	
	2022	2021	2022	2021
Silver	\$ 21.17	\$ 23.33	4,080	5,067
Gold	\$ 1,736	\$ 1,792	146.6	142.6
Zinc	\$ 2,878	\$ 3,352	5.4	9.9
Lead	\$ 2,111	\$ 2,333	4.6	4.1
Copper	\$ 7,957	\$ 9,545	1.2	2.1

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

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

2) **Production and royalty costs** were \$8.8 million lower than those in Q4 2021 as a result of an \$11.2 million or 4% decrease in production costs, marginally offset by a \$2.3 million increase in royalty costs. All operations were affected by Inflationary and Supply Chain Cost Increases, as noted in the "Operating Performance" section of this MD&A. The largest factors that decreased quarter-over-quarter production costs are described below:

- i) \$18.7 million reduction in Morococha production costs in Q4 2022, with the mine having been placed on care and maintenance in February 2022;
- ii) \$16.2 million in reduced NRV inventory adjustments were largely related to the Dolores mine which increased costs by \$5.4 million in Q4 2022 compared to an increase of \$21.7 million in Q4 2021; and,
- iii) \$7.0 million decrease at the Silver Segment mines (exclusive of Morococha and NRV inventory adjustments), largely reflecting decreased sales due to timing and lower costs at Manantial Espejo since the cessation of mining at COSE in April 2022;

These decreases were only partially offset by the following factors that increased quarter-over-quarter costs:

- i) \$26.8 million increase at the Gold Segment mines (exclusive of NRV inventory adjustments), largely from reduced inventory build-ups at Dolores and increased production rates at the remaining Gold Segment mines; and,
- ii) \$6.5 million of mine closure severance provisions, largely at Manantial Espejo.

3) **Transaction and integration costs** of \$157.3 million in Q4 2022 were incurred pursuant to the Transaction in which the Company agreed to provide Yamana with \$150 million toward a termination fee payable to Gold Fields. The Transaction is discussed in further detail in the "Core Business and Strategy" and "Subsequent Events" sections of this MD&A. No such costs were incurred in the same quarter of 2021.

4) **Other expenses** of \$9.2 million in Q4 2022 resulted in \$11.7 million of increased expense compared to \$2.5 million of other income in Q4 2021. In Q4 2022, the Company recorded \$4.7 million in other expense for revisions in estimates of its closure and decommissioning obligation and a \$4.0 million in increased provisions for value added tax receivables, both related to Manantial Espejo. Q4 2021 other income reflected changes in supplies inventory provisions for our non-operating subsidiaries.

5) **Income tax expense** in Q4 2022 was \$18.9 million compared to \$28.5 million expense in Q4 2021. The \$9.6 million reduction in expense is primarily due to a \$41.0 million decrease in mine operating earnings.

6) **Investment gain** of \$1.2 million in Q4 2022 compared to a \$6.1 million loss in Q4 2021, primarily driven by fair value mark to market adjustments on the Company's equity investment in New Pacific Metals Corp.

Statement of Cash Flows: Q4 2022 versus Q4 2021

Cash flows used in operations in Q4 2022 totaled \$112.1 million, a \$230.2 million quarter-over-quarter decrease relative to the \$118.1 million generated in Q4 2021. The decrease was primarily driven by \$157.3 million of transaction and integration costs, a \$46.7 million decrease in revenue described above, \$19.4 million in additional cash used for working capital, and a \$5.0 million increase in production costs excluding NRVs. This was partially offset by a \$6.1 million decrease in income tax paid.

Changes in working capital, other than cash, used \$29.1 million of cash in Q4 2022 compared to \$9.7 million used in Q4 2021. The \$19.4 million quarter-over-quarter increased use of cash resulted largely from \$22.1 million build-up in trade receivables and a \$6.4 million increase in inventory build-ups, partially offset by \$9.0 million provided from increases in accounts payable and provisions.

Investing activities utilized \$68.2 million of cash in Q4 2022, comprised mostly of \$72.4 million spent on mineral property, plant and equipment additions at the Company's mines and projects, which was partially offset by cash inflows from derivative contracts and non-core asset sales. In Q4 2021, investing activities utilized \$66.3 million, largely reflecting spending of \$70.1 million on mineral property, plant and equipment at the Company's mines and projects, partially offset by cash inflows from derivative contracts and non-core asset sales.

Financing activities in Q4 2022 generated \$137.3 million, largely reflecting the drawdown on the Company's SL-Credit Facility of \$160.0 million largely to pay the termination fee pursuant to the Transaction. In Q4 2022, the Company paid \$21.0 million in dividends to shareholders and \$3.7 million in lease repayments. In Q4 2021, \$25.1 million was used in financing activities, which consisted of \$21.0 million in dividends to shareholders and \$3.4 million in lease repayments.

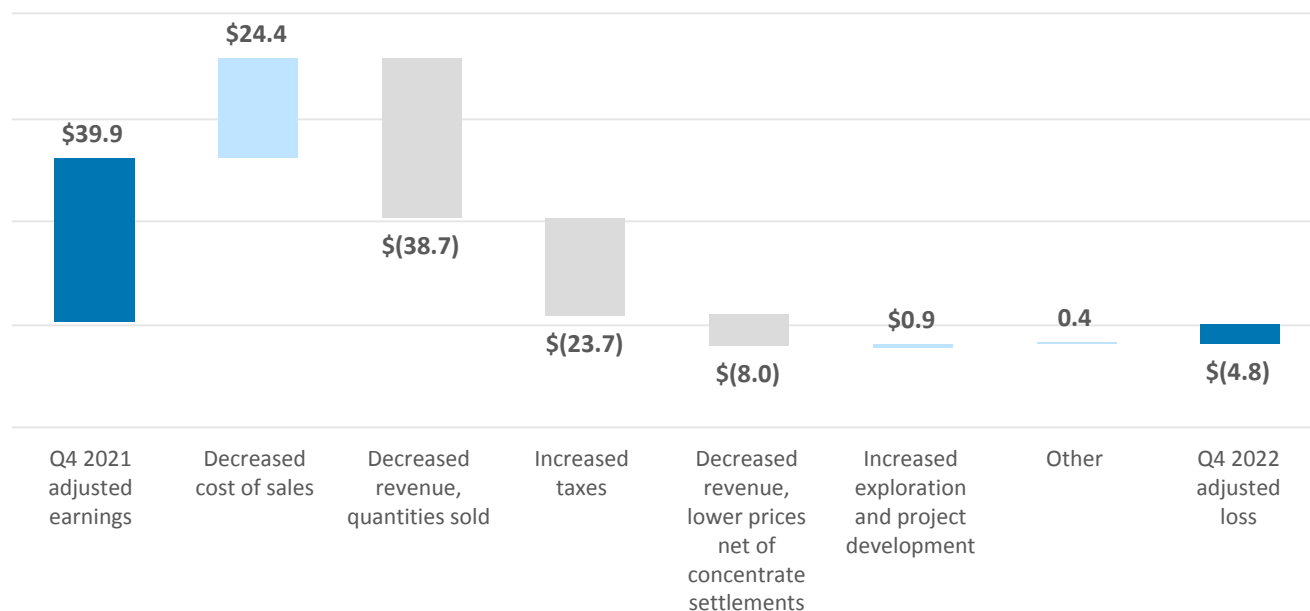
Adjusted Earnings: Q4 2022 versus Q4 2021

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 2022 Annual Financial Statements.

Adjusted loss in Q4 2022 was \$4.8 million, representing a basic adjusted loss per share of \$0.02, which was \$44.7 million, or \$0.21 per share, lower than Q4 2021 adjusted earnings of \$39.9 million, and \$0.19 of basic adjusted earnings per share.

The following chart illustrates the key factors leading to the change in adjusted earnings from Q4 2021 to Q4 2022:

Adjusted Earnings Reconciliation - Q4 2021 to Q4 2022 (\$ millions)



LIQUIDITY AND CAPITAL POSITION

Liquidity and Capital Measures	December 31, 2022	September 30, 2022	December 31, 2021	Q4 2022 Change	2022 Change
Cash and cash equivalents ("Cash")	107,005	153,079	283,550	(46,074)	(176,545)
Short-term Investments	35,337	34,091	51,723	1,246	(16,386)
Cash and Short-term investments	142,342	187,170	335,273	(44,828)	(192,931)
Working Capital ⁽¹⁾	423,540	422,097	613,494	1,443	(189,954)
SL-Credit Facility undrawn amount	340,000	500,000	500,000	(160,000)	(160,000)
Shareholders' equity	2,195,479	2,357,600	2,631,554	(162,121)	(436,075)
Total debt ⁽¹⁾	226,836	68,465	45,861	158,371	180,975
Capital ⁽¹⁾	2,279,973	2,238,895	2,342,142	41,078	(62,169)

(1) Total debt is a non-GAAP measure calculated as the total of amounts drawn on the SL-Credit Facility, finance lease liabilities and loans payable. Capital is a non-GAAP measure and consists of shareholders' equity and debt net of cash and cash equivalents and short term investments. Working Capital is a non-GAAP measure calculated as current assets less current liabilities. 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 decreased by \$44.8 million during Q4 2022. The decrease was largely driven by the \$72.4 million in investments in mineral properties, plant and equipment and \$21.0 million in dividends paid, as cash flow from operations of \$45.3 million before transaction and integration costs was insufficient to cover these in part due to a \$29.1 million in build-up of non-cash working capital, primarily inventories.

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize returns. The Company's strategy to achieve these objectives is to invest excess cash balances in a

portfolio of primarily fixed income instruments with specified credit rating targets established by the Board of Directors, and by diversifying the currencies in which it maintains its cash balances. The Company does not own any asset-backed commercial paper or other similar, known, at-risk investments in its investment portfolio.

Working capital of \$423.5 million at December 31, 2022 was \$190.0 million lower than working capital of \$613.5 million at December 31, 2021. The Company also maintained a long-term investment in Maverix which was sold in January 2023 for \$105.3 million net of transaction costs, and is not included in cash and short-term investments. Please refer to the "Subsequent Events" section of the MD&A.

As of December 31, 2022, the Company was in compliance with all financial covenants under the \$500 million revolving SL-Credit Facility, which was drawn by \$160.0 million in December 2022 to fund the termination fee and other costs related to the Transaction. The borrowing costs under the SL-Credit Facility are based on the Company's leverage ratio subject to pricing adjustments based on the Company's sustainability performance ratings and scores at either (i) LIBOR plus 1.825% to 2.80% or; (ii) The Bank of Nova Scotia's Base Rate on U.S. dollar denominated commercial loans plus 0.825% to 1.80%. Undrawn amounts under the SL-Credit Facility are subject to a stand-by fee of 0.41% to 0.63% per annum, dependent on the Company's leverage ratio and subject to pricing adjustments based on sustainability performance ratings and scores. The SL-Credit Facility matures on August 8, 2025.

The net cash generated from the sales of metal production provides our primary source of cash flows, and we do not currently expect to experience payment delinquencies from our metal sales counterparties.

The Company's financial position at December 31, 2022, and the operating cash flows that are expected over the next 12 months, lead Management to believe that the Company's liquid assets and available credit from the revolving SL-Credit Facility are sufficient to satisfy our 2023 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(f)(ii) of the 2022 Annual Financial Statements, and in the "Liquidity and Capital Position" section of this MD&A. Since December 31, 2021, there have been no significant changes to these contractual obligations and commitments.

The impact of inflation on the Company's financial position, operational performance, or cash flows over the next 12 months cannot be determined with any degree of certainty due to a number of uncertainties, including those related to the COVID-19 pandemic.

Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments which are described in Note 8(f)(ii) of the 2022 Annual Financial Statements, and in the "Liquidity and Capital Position" section of this MD&A. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating and capital commitments on an undiscounted basis:

Payments due by period 2022					
	Within 1 year	2 - 3 years	4- 5 years	After 5 years	Total
Accounts payable and accrued liabilities other than:	\$ 291,436	\$ —	\$ —	\$ —	\$ 291,436
Severance liabilities	13,860	1,039	645	4,489	20,033
Payroll liabilities	2,758	—	—	—	2,758
Total accounts payable and accrued liabilities	308,054	1,039	645	4,489	314,227
Income tax payables	25,833	—	—	—	25,833
Derivative liabilities	1,780	—	—	—	1,780
Debt					
Repayment of principal	13,712	173,435	6,575	—	193,722
Interest and standby fees	11,222	17,681	125	—	29,028
Provisions ⁽¹⁾⁽²⁾	3,448	2,423	—	1,081	6,952
Future payroll liabilities	2,465	8,659	—	—	11,124
Total contractual obligations ⁽²⁾	\$ 366,514	\$ 203,237	\$ 7,345	\$ 5,570	\$ 582,666

(1) Total litigation provision (Note 16 of the 2022 Annual Financial Statements).

(2) Amounts above do not include payments related to closure and decommissioning (current \$14.4 million, long-term \$281.8 million) discussed in Note 16 of the 2022 Annual Financial Statements, the lease obligations discussed in Note 17 of the 2022 Annual Financial Statements, the \$20.8 million deferred credit arising from the Navidad acquisition discussed in Note 20 of the 2022 Annual Financial Statements, and deferred tax liabilities of \$140.3 million in Note 30 of the 2022 Annual Financial Statements.

Outstanding Share Amounts

As at December 31, 2022, the Company had approximately 377 thousand stock options outstanding (each exercisable for one common share of the Company), with exercise prices in the range of CAD \$21.17 to CAD \$39.48 and a weighted average life of 5.3 years. Approximately 156 thousand of the stock options were vested and exercisable at December 31, 2022, with an average weighted exercise price of CAD \$21.64 per share.

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

	Outstanding as at February 17, 2023
Common shares	210,680,834
Options	376,967
Total	211,057,801

As part of the acquisition of Tahoe Resources Inc., on February 22, 2019, the Company issued 313,887,490 Contingent Value Rights ("CVRs"), with a term of 10 years, which were convertible into 15,600,208 common shares upon the first commercial shipment of concentrate following the restart of operations at the Escobal mine. As of December 31, 2022, there were 313,883,990 CVRs outstanding, which were convertible into 15,600,034 common shares.

CLOSURE AND DECOMMISSIONING 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 inflated and discounted provision on the statement of financial position as at December 31, 2022, using inflation rates of between 2% and 6% (December 31, 2021 - between 1% and 5%) and discount rates between 3% and 11% (December 31, 2021 - between 1% and 9%), was \$296.2 million (December 31, 2021 - \$242.9 million). Decommissioning obligations are expected to be paid through 2052, with water quality management costs expected to be paid through 2075, or later if mine life is extended. Revisions made to the reclamation obligations in 2022 were primarily a result of increased inflation rates, increased discount rates from higher government debt yields, increased site disturbance from the ordinary course of operations at the mines, reclamation activities, 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 Q4 2022 and 2022 earnings as finance expense were \$3.7 million and \$14.8 million, respectively (Q4 2021 and 2021 - \$1.9 million and \$7.5 million, respectively). Reclamation expenditures incurred during Q4 2022 and 2022 were \$1.7 million and \$4.2 million, respectively (Q4 2021 and 2021 - \$1.7 million and \$6.0 million, respectively).

RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence and key management personnel. Transactions with the Company's subsidiaries have been eliminated on consolidation. Maverix ceased to be a related party after March 31, 2022 after the Company determined that it no longer held significant influence over Maverix. There were no other related party transactions for the years ended December 31, 2022 and 2021.

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.

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), 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.

Silver Segment and Gold Segment Cash Costs and AISC:

	Silver Segment		Gold Segment	
	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
(In thousands of USD, except as noted)				
Production costs ⁽¹⁾	\$ 73,707	\$ 106,908	\$ 172,215	\$ 156,533
Purchase Price Allocation Inventory Fair Value Adjustment	—	—	—	(55)
NRV inventory adjustments	5,791	814	(11,223)	(22,466)
On-site direct operating costs	79,498	107,722	160,992	134,012
Royalties	4,698	2,204	4,176	4,345
Smelting, refining and direct selling charges ⁽²⁾	10,465	18,604	39	43
Cash cost of sales before by-product credits	94,661	128,530	165,207	138,400
Silver segment by-product credits ⁽²⁾	(45,035)	(84,497)	—	—
Gold segment by-product credits ⁽²⁾	—	—	(13,889)	(12,561)
Cash Costs	\$ 49,627	\$ 44,033	\$ 151,318	\$ 125,839
NRV inventory adjustments	(5,791)	(814)	11,223	22,466
Sustaining capital	16,894	16,627	45,688	39,654
Exploration and project development ⁽³⁾	—	1,040	—	1,926
Reclamation cost accretion ⁽⁴⁾	528	494	2,812	1,129
All-in sustaining costs	\$ 61,258	\$ 61,381	\$ 211,040	\$ 191,014
Silver segment silver ounces sold (koz)	3,444	4,522	—	—
Gold segment gold ounces sold (koz)	—	—	141	131
Cash Costs per ounce sold	\$ 14.41	\$ 9.74	\$ 1,077	\$ 963
AISC per ounce sold	\$ 17.79	\$ 13.57	\$ 1,502	\$ 1,461
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 19.47	\$ 13.75	\$ 1,422	\$ 1,289

Silver Segment and Gold Segment Cash Costs and AISC:

(In thousands of USD, except as noted)	Silver Segment		Gold Segment	
	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Production costs ⁽¹⁾	\$ 353,372	\$ 384,460	\$ 717,454	\$ 541,019
Purchase Price Allocation Inventory Fair Value Adjustment	—	—	—	(604)
NRV inventory adjustments	1,132	992	(98,874)	(9,712)
On-site direct operating costs	354,505	385,452	618,580	530,704
Royalties	18,241	17,483	17,648	18,892
Smelting, refining and direct selling charges ⁽²⁾	51,994	70,921	192	181
Cash cost of sales before by-product credits	424,740	473,857	636,420	549,776
Silver segment by-product credits ⁽²⁾	(235,044)	(302,620)	—	—
Gold segment by-product credits ⁽²⁾	—	—	(56,350)	(65,135)
Cash Costs	\$ 189,696	\$ 171,237	\$ 580,070	\$ 484,642
NRV inventory adjustments	(1,132)	(992)	98,874	9,712
Sustaining capital	54,978	56,837	168,782	150,785
Exploration and project development ⁽³⁾	—	3,329	—	4,681
Reclamation cost accretion ⁽⁴⁾	2,234	2,008	11,246	4,516
All-in sustaining costs	\$ 245,776	\$ 232,418	\$ 858,972	\$ 654,336
Silver segment silver ounces sold (koz)	14,914	14,883	—	—
Gold segment gold ounces sold (koz)	—	—	521	539
Cash Costs per ounce sold	\$ 12.72	\$ 11.51	\$ 1,113	\$ 899
AISC per ounce sold	\$ 16.48	\$ 15.62	\$ 1,649	\$ 1,214
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 16.56	\$ 15.68	\$ 1,459	\$ 1,196

- (1) Silver Segment production costs exclude amounts relating to mine operation severance payments and other accruals at Morococha and Manantial Espejo, which increased Production Costs by \$5.9 million and \$21.4 million for Q4 2022 and full year 2022, respectively. Gold Segment production costs exclude amounts relating to mine operations severance payments and other accruals at Dolores related to the closure of the underground mine, which increased production costs by \$0.6 million and \$2.8 million in Q4 2022 and full year 2022, respectively.
- (2) Included in the revenue line of the consolidated income statements. By-product credits are reflective of realized metal prices for the applicable periods.
- (3) Exploration and project development expenditures exclude \$8.6 million and \$18.3 million for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$1.1 million and \$3.1 million, respectively) of exploration expenditures related to non-operating properties and non-cash project development write-downs.
- (4) Reclamation cost accretion excludes \$0.4 million and \$1.4 million for Q4 2022 and full year 2022, respectively, (Q4 2021 and full year 2021: \$0.2 million and \$0.9 million, respectively) of accretion related to non-operating properties.

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 (in thousands of USD)	Three Months Ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Payments for mineral properties, plant and equipment ⁽¹⁾	\$ 72,362	\$ 70,146	\$ 274,688	\$ 243,478
Add/(Subtract)				
Lease Payments ⁽¹⁾	3,703	3,417	14,833	12,396
Repayment of loans ⁽²⁾	1,642	850	5,239	1,700
Investment (non-sustaining) capital	(15,126)	(18,132)	(71,000)	(49,951)
Sustaining Capital	\$ 62,581	\$ 56,280	\$ 223,760	\$ 207,623

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

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

Silver Segment Cash Costs and AISC by mine:

SILVER SEGMENT		Three Months Ended December 31, 2022					Consolidated Silver Segment
(In thousands of USD, except as noted)	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo		
Production Costs	\$ 27,880	\$ 26,866	\$ —	\$ 7,220	\$ 11,741	\$ 73,707	
NRV inventory adjustments	—	—	—	—	5,791	5,791	
On-site direct operating costs	27,880	26,866	—	7,220	17,532	79,498	
Royalties	149	—	—	3,535	1,015	4,698	
Smelting, refining & direct selling costs	2,932	4,938	—	774	1,821	10,465	
Cash Costs before by-product credits	30,961	31,804	—	11,529	20,368	94,661	
Silver segment by-product credits	(11,118)	(24,042)	—	(969)	(8,906)	(45,035)	
Cash Costs	\$ 19,843	\$ 7,761	\$ —	\$ 10,560	\$ 11,462	\$ 49,627	
NRV inventory adjustments	—	—	—	—	(5,791)	(5,791)	
Sustaining capital	11,689	3,952	—	614	639	16,894	
Exploration and project development	—	—	—	—	—	—	
Reclamation cost accretion	127	199	—	80	122	528	
All-in sustaining costs	\$ 31,659	\$ 11,912	\$ —	\$ 11,254	\$ 6,432	\$ 61,258	
Silver segment silver ounces sold (koz)	1,306	844	—	617	677	3,444	
Cash cost per ounce sold	\$ 15.19	\$ 9.20	N/A	\$ 17.11	\$ 16.93	\$ 14.41	
AISC per ounce sold	\$ 24.24	\$ 14.12	N/A	\$ 18.24	\$ 9.50	\$ 17.79	
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 24.24	\$ 14.12	N/A	\$ 18.24	\$ 18.05	\$ 19.47	

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

SILVER SEGMENT
Year ended December 31, 2022

(In thousands of USD, except as noted)	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Consolidated Silver Segment
Production Costs	\$ 98,260	\$ 100,511	\$ 15,325	\$ 45,746	\$ 93,530	\$ 353,372
NRV inventory adjustments	—	—	—	—	1,132	1,132
On-site direct operating costs	98,260	100,511	15,325	45,746	94,663	354,505
Royalties	733	—	—	13,851	3,658	18,241
Smelting, refining & direct selling costs	12,655	20,988	3,575	7,051	7,725	51,994
Cash Costs before by-product credits	111,648	121,499	18,900	66,648	106,045	424,740
Silver segment by-product credits	(45,578)	(102,962)	(17,005)	(25,689)	(43,810)	(235,044)
Cash Costs	\$ 66,069	\$ 18,537	\$ 1,895	\$ 40,959	\$ 62,235	\$ 189,696
NRV inventory adjustments	—	—	—	—	(1,132)	(1,132)
Sustaining capital	29,275	13,940	345	7,156	4,263	54,978
Exploration and project development	—	—	—	—	—	—
Reclamation cost accretion	510	796	122	320	487	2,234
All-in sustaining costs	\$ 95,854	\$ 33,272	\$ 2,363	\$ 48,435	\$ 65,853	\$ 245,776
Silver segment silver ounces sold (koz)	5,712	3,014	334	2,692	3,162	14,914
Cash cost per ounce sold	\$ 11.57	\$ 6.15	\$ 5.68	\$ 15.22	\$ 19.68	\$ 12.72
AISC per ounce sold	\$ 16.78	\$ 11.04	\$ 7.08	\$ 17.99	\$ 20.82	\$ 16.48
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 16.78	\$ 11.04	\$ 7.08	\$ 17.99	\$ 21.18	\$ 16.56

SILVER SEGMENT
Year ended December 31, 2021

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

Gold Segment Cash Costs and AISC by mine:

GOLD SEGMENT		Three Months Ended December 31, 2022				
(In thousands of USD, except as noted)	Dolores	Shahuindo	La Arena	Timmins	Consolidated Gold Segment	
Production Costs	\$ 55,099	\$ 44,100	\$ 30,685	\$ 42,332	\$ 172,215	
Purchase Price Allocation Inventory Fair Value Adjustment	—	—	—	—	—	
NRV inventory adjustments	(11,223)	—	—	—	(11,223)	
On-site direct operating costs	43,875	44,100	30,685	42,332	160,992	
Royalties	2,421	—	—	1,755	4,176	
Smelting, refining & direct selling costs	9	—	—	31	39	
Cash Costs before by-product credits	46,305	44,100	30,685	44,118	165,207	
Gold segment by-product credits	(11,593)	(1,931)	(162)	(204)	(13,889)	
Cash Costs of Sales	\$ 34,712	\$ 42,169	\$ 30,523	\$ 43,914	\$ 151,318	
NRV inventory adjustments	11,223	—	—	—	11,223	
Sustaining capital	4,616	21,412	11,390	8,269	45,688	
Exploration and project development	—	—	—	—	—	
Reclamation cost accretion	1,382	645	741	43	2,812	
All-in sustaining costs	\$ 51,934	\$ 64,227	\$ 42,654	\$ 52,226	\$ 211,040	
Gold segment gold ounces sold	32,615	46,287	30,623	31,000	140,525	
Cash cost per ounce sold	\$ 1,064	\$ 911	\$ 997	\$ 1,417	\$ 1,077	
AISC per ounce sold	\$ 1,592	\$ 1,388	\$ 1,393	\$ 1,685	\$ 1,502	
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 1,248	\$ 1,388	\$ 1,393	\$ 1,685	\$ 1,422	

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

GOLD SEGMENT
Year ended December 31, 2022

(In thousands of USD, except as noted)	Dolores	Shahuindo	La Arena	Timmins	Consolidated Gold Segment
Production Costs	\$ 288,039	\$ 146,179	\$ 103,869	\$ 179,368	\$ 717,454
Purchase Price Allocation Inventory Fair Value Adjustment	—	—	—	—	—
NRV inventory adjustments	(98,874)	—	—	—	(98,874)
On-site direct operating costs	189,165	146,179	103,869	179,368	618,580
Royalties	10,751	—	—	6,898	17,648
Smelting, refining & direct selling costs	31	—	—	161	192
Cash Costs before by-product credits	199,947	146,179	103,869	186,426	636,420
Gold segment by-product credits	(49,147)	(6,079)	(773)	(350)	(56,350)
Cash Costs of Sales	\$ 150,799	\$ 140,100	\$ 103,095	\$ 186,076	\$ 580,070
NRV inventory adjustments	98,874	—	—	—	98,874
Sustaining capital	35,855	49,246	47,970	35,711	168,782
Exploration and project development	—	—	—	—	—
Reclamation cost accretion	5,529	2,581	2,963	173	11,246
All-in sustaining costs	\$ 291,057	\$ 191,926	\$ 154,029	\$ 221,960	\$ 858,972
Gold segment gold ounces sold	140,973	145,320	99,367	135,400	521,061
Cash cost per ounce sold	\$ 1,070	\$ 964	\$ 1,038	\$ 1,374	\$ 1,113
AISC per ounce sold	\$ 2,065	\$ 1,321	\$ 1,550	\$ 1,639	\$ 1,649
AISC per ounce sold (excluding NRV inventory adjustments)	\$ 1,363	\$ 1,321	\$ 1,550	\$ 1,639	\$ 1,459

GOLD SEGMENT
Year ended December 31, 2021

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

Adjusted Earnings and Basic Adjusted Earnings Per Share

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

The following table shows a reconciliation of adjusted earnings for the year ended December 31, 2022 and 2021, to the net earnings for each period.

(In thousands of USD, except as noted)	Three Months Ended December 31,		Year ended December 31,	
	2022	2021 ⁽¹⁾	2022	2021 ⁽¹⁾
Net (loss) earnings for the period	\$ (172,060)	\$ 14,664	\$ (340,063)	\$ 98,562
Adjust for:				
Impairment charges	—	—	99,064	—
Exploration and project development impairment charges	5,432	—	5,432	—
Unrealized foreign exchange losses	3,162	1,643	12,840	6,703
Net realizable value heap inventory expense	29,541	20,421	137,771	11,831
Derivative unrealized (gains) losses	(2,201)	662	2,541	3,764
Gains and income from associates	—	(289)	(45,033)	(4,347)
Severance provisions	6,478	—	23,884	—
Mineral property, plant and equipment losses (gains) on sale	1,134	551	2,439	(32,167)
Transaction and integration costs	157,334	—	157,334	—
Investment (income) loss	(1,245)	6,083	16,221	59,722
Closure and decommissioning liability adjustment	4,662	—	4,662	—
Effect of taxes on adjusting items	(17,886)	(7,353)	(37,615)	3,377
Effect of foreign exchange on taxes	(19,149)	3,561	(21,541)	14,337
Total adjustments	\$ 167,262	\$ 25,279	\$ 357,999	\$ 63,220
Adjusted (loss) earnings	\$ (4,798)	\$ 39,943	\$ 17,936	\$ 161,782
Adjusted (loss) earnings per share attributable to common shareholders				
Adjusted (loss) earnings per share	\$ (0.02)	\$ 0.19	\$ 0.09	\$ 0.77
Weighted average shares outstanding (in 000's) Basic	210,573	210,348	210,521	210,298

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

Total Debt

Total debt is a non-GAAP measure calculated as the total current and non-current portions of: long-term debt (including amounts drawn on the SL-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, gold, zinc, lead, and copper; trading and credit risk in the normal course of dealing with other companies; foreign exchange risk as the Company reports its financial statements in USD whereas the Company operates in jurisdictions that utilize other currencies; risks relating to cyber security; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political, economic and social risks related to conducting business in jurisdictions such as Canada, Peru, Mexico, Argentina, Bolivia and Guatemala; environmental risks; risks related to its relations with employees and local communities where we operate; risks related to the Transaction; and risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time. Certain of these risks, and additional risks and uncertainties, are described below, and are more fully described in Pan American's Annual Information Form dated February 22, 2023 (available on SEDAR at www.sedar.com) and Form 40-F filed with the SEC, and in the Financial Instruments section of the 2022 Annual 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 and Related Risks

The Company is exposed to financial risks, including metal price risk, credit risk, interest rate risk, foreign currency exchange rate risk, and liquidity risk. The Company's exposures and management of each of those risks is described in the 2022 Annual Financial Statements under Note 8 "Financial Instruments", along with the financial statement classification, the significant assumptions made in determining the fair value, and amounts of income, expenses, gains and losses associated with financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. There were no significant changes to those risks or to the Company's management of exposure to those risks during the year ended December 31, 2022.

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

Price Risk

The majority of our revenue is derived from the sale of silver, gold, zinc, copper and lead, and therefore fluctuations in the price of these metals significantly affect our operations and profitability. Our sales are directly dependent on metal prices, and metal prices have historically shown significant volatility and are beyond our control. The Board of Directors continually assesses Pan American's strategy towards our metal exposure, depending on market conditions. The table below illustrates the effect of changes in silver and gold prices on

anticipated revenues, excluding Yamana operations, for 2023, expressed in percentage terms. This analysis assumes that quantities of silver and gold produced and sold remain constant under all price scenarios presented.

2023 Revenue Metal Price Sensitivity

		Gold Price						
		\$1,450	\$1,550	\$1,650	\$1,750	\$1,850	\$1,950	\$2,050
Silver Price	\$16.50	83%	87%	91%	95%	99%	102%	106%
	\$18.00	85%	89%	93%	97%	100%	104%	108%
	\$19.50	87%	91%	94%	98%	102%	106%	110%
	\$21.00	89%	92%	96%	100%	104%	108%	111%
	\$22.50	90%	94%	98%	102%	106%	109%	113%
	\$24.00	92%	96%	100%	103%	107%	111%	115%
	\$25.50	94%	98%	101%	105%	109%	113%	117%

Since base metal and gold revenue are treated as a by-product credit for purposes of calculating Silver Segment Cash Costs and AISC per ounce of silver sold, and silver revenue is treated as a by-product credit for purposes of calculating Gold Segment Cash Costs and AISC per ounce of gold sold, these non-GAAP measures are highly sensitive to metal prices. The tables below illustrate this point by plotting the expected 2023 Silver Segment AISC per silver ounce, excluding Yamana operations, against various price assumptions for the Silver Segment's two main by-product credits, zinc and gold, and plotting the expected 2023 Gold Segment AISC per gold ounce, excluding Yamana operations, against various price assumptions for the Gold Segment's main by-product credit, Silver, expressed in percentage terms:

2023 Silver Segment AISC Metal Price Sensitivity

		Lead Price						
		\$1,700	\$1,800	\$1,900	\$2,000	\$2,100	\$2,200	\$2,300
Zinc Price	\$2,400	111%	110%	109%	108%	107%	107%	106%
	\$2,600	108%	107%	106%	105%	105%	104%	103%
	\$2,800	105%	104%	103%	103%	102%	101%	100%
	\$3,000	103%	102%	101%	100%	99%	99%	98%
	\$3,200	100%	100%	99%	98%	97%	96%	96%
	\$3,400	98%	98%	97%	96%	95%	94%	94%
	\$3,600	96%	95%	95%	94%	93%	92%	92%

2023 Gold Segment AISC Metal Price Sensitivity

		Silver Price						
		\$16.50	\$18.00	\$19.50	\$21.00	\$22.50	\$24.00	\$25.50
Gold Price	\$1,750	102%	101%	101%	100%	99%	99%	98%

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

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

- increased demand for silver or other metals for new technologies; and
- reduced demand resulting from obsolescence of technologies and processes utilizing silver and other metals.

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

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

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

During the year ended December 31, 2022, the Company entered into collars made up of put and call contracts and forward swap contracts for its exposure to zinc. The Company did not enter into zinc contracts during the comparable periods in 2021, and had no contracts outstanding as at December 31, 2022.

During the year ended December 31, 2021, the Company entered into collars made up of put and call contracts for its exposure to copper. The Company did not enter into copper contracts during the comparable periods in 2022, and had no contracts outstanding as at December 31, 2022.

During 2020, the Company entered into diesel swap contracts designed to fix or limit the Company's exposure to higher fuel prices. At December 31, 2022, the Company had no outstanding positions on its diesel exposure.

The Company recorded the following derivative gains and losses on commodities for the three and twelve months ended December 31, 2022 and 2021:

	Three Months Ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Zinc (losses) gains	(59)	137	1,701	137
Copper losses	—	(243)	—	(1,139)
Diesel gains	285	271	4,499	9,397
Other	\$ 231	\$ 94	\$ (898)	\$ 94
	\$ 457	\$ 259	\$ 5,302	\$ 8,489

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

Credit Risk

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

As at December 31, 2022, we had receivable balances associated with buyers of our concentrates of \$50.3 million (2021 - \$40.0 million). The vast majority of our concentrate is sold to a limited number of concentrate buyers.

Doré production is refined under long term agreements with fixed refining terms at seven 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, 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 and we pursued a claim to collect damages. As at December 31, 2022, we had approximately \$37.0 million (2021 - \$52.3 million) contained in precious metal inventory at refineries. We maintain insurance coverage against the loss of precious metals at our mine sites and in-transit to refineries. The refineries bear the risk of loss after metal inventories have been delivered to them.

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

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

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which we operate. These advances represent a credit risk to us to the extent that suppliers do not deliver products or perform services as expected. As at December 31, 2022, we had made \$8.9 million of supplier advances (2021 - \$11.2 million), which are reflected in "Trade and other receivables" on the consolidated statements of financial position.

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

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

Currency and Interest Rate Risk

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

Pan American held cash and short-term investments of \$40.9 million in CAD, \$3.1 million in MXN, \$3.2 million in PEN, \$9.3 million in ARS, \$4.8 million in BOB, and \$0.1 million in Guatemalan quetzales as at December 31, 2022.

At December 31, 2022, Pan American had outstanding positions on \$18.0 million in foreign currency exposure of MXN purchases. The MXN positions had weighted average USD put and call exchange rates of \$21.00 and \$24.35, respectively, expiring between January 2023 and December 2023.

At December 31, 2022, Pan American had outstanding positions on \$45.6 million in foreign currency exposure of PEN purchases. The PEN positions had a weighted average USD fixed exchange rate of \$4.02, expiring between January 2023 and December 2023.

At December 31, 2022, Pan American had outstanding positions on \$108.0 million in foreign currency exposure of CAD purchases. The CAD collar positions (\$84.0 million of CAD purchases) had weighted average USD put and call exchange rates of \$1.30 and 1.34, respectively, expiring between January 2023 and December 2023. The CAD forward contracts (\$24.0 million of CAD purchases) had a weighted average USD fixed exchange rate of \$1.33, expiring between January 2023 and December 2023.

The Company recorded the following derivative gains and losses on currencies for the three and twelve months ended December 31, 2022 and 2021:

	Three Months Ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Mexican peso gains (losses)	\$ 757	\$ 372	\$ 1,507	\$ (202)
Peruvian sol gains (losses)	2,510	255	3,471	(3,744)
Canadian dollar gains (losses)	2,094	753	(2,944)	851
	\$ 5,361	\$ 1,380	\$ 2,034	\$ (3,095)

The following table illustrates the effect of changes in the exchange rate of PEN and CAD against the USD on anticipated cost of sales for 2023, excluding Yamana operations, expressed in percentage terms:

2023 Cost of Sales Exchange Rate Sensitivity

		CAD/USD						
		\$1.09	\$1.16	\$1.23	\$1.30	\$1.37	\$1.44	\$1.51
PEN/ USD	\$3.30	107%	105%	104%	103%	102%	101%	100%
	\$3.50	106%	104%	103%	102%	101%	100%	99%
	\$3.70	105%	103%	102%	101%	100%	99%	98%
	\$3.90	104%	102%	101%	100%	99%	98%	97%
	\$4.10	103%	102%	100%	99%	98%	97%	96%
	\$4.30	102%	101%	100%	98%	97%	97%	96%
	\$4.50	102%	100%	99%	98%	97%	96%	95%

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

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

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. As previously discussed in the "Liquidity and Capital Resource" section of this

MD&A, the borrowing costs under the SL-Credit Facility are based on the Company's leverage ratio subject to pricing adjustments based on the Company's sustainability performance scores at various interest rates.

The following table illustrates the effect of changes in interest rate against our outstanding SL-Credit Facility debt:

2023 Interest Rate Sensitivity

		Interest Rate						
		1%	2%	3%	4%	5%	6%	7%
Outstanding SL-Credit Facility Debt	\$100,000	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	\$7,000
	\$200,000	\$2,000	\$4,000	\$6,000	\$8,000	\$10,000	\$12,000	\$14,000
	\$300,000	\$3,000	\$6,000	\$9,000	\$12,000	\$15,000	\$18,000	\$21,000

Liquidity Risk

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

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

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

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

While we have paid dividends to our shareholders for many years, the payment of dividends is impacted by our cash flows and liquidity situation. The payment of any future dividends is at the discretion of our Board of Directors after taking into account many factors, including availability of and sources of cash, future anticipated funding needs, our debt position, general and regional economic conditions, and expectations with respect to operational matters such as anticipated metals production and metals prices. There can be no assurance that dividends will continue to be paid in the future or on the same terms as are currently paid by Pan American.

Claims and Legal Proceedings

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. The nature, assessment and management of such claims are described in this section, and in Note 31 to the Company's 2022 Annual Financial Statements. There were no significant changes to those risks or to the Company's management of exposure to those risks during the three months ended December 31, 2022.

Many of these claims are from current or ex-employees, or employees of former or current owners of our operations such as the Quiruvilca-related claims in Peru, which could in the aggregate, be of significant value, and include alleged improper dismissals, workplace illnesses, such as silicosis, and claims for additional profit-sharing

and bonuses in prior years. In some cases, we may also be subject to collective settlement obligations with our employees and contractors relating to closures of our operations, and such obligations may be significant.

We may also become subject to class action lawsuits. For example, in mid-2017, Tahoe, which was acquired by us in late February 2019, and certain of its former directors and officers became the subject of three purported class action lawsuits filed in the United States that center primarily around alleged misrepresentations. These U.S. class action lawsuits were later consolidated into one class action suit that is ongoing in Nevada. In October 2018, Tahoe learned that a similar proposed class action lawsuit had been filed against Tahoe and its former chief executive officer in the Superior Court of Ontario. These lawsuits seek significant damages. We have disputed the allegations made in these suits, however, and while a successful resolution of these lawsuits is anticipated, the outcomes are not determinable at this time.

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

As reported in our Annual Information Form dated February 22, 2023, certain individuals have asserted community rights and land ownership over a portion of the La Colorada mine's surface lands in the Agrarian Courts of Mexico. They have also initiated a process before the Secretariat of Agrarian, Territorial and Urban Development ("SEDATU") in Zacatecas to declare such lands as national property. In 2019, we filed a legal challenge (amparo) against this process and obtained an injunction to protect our ownership of these surface rights pending the outcome of the challenge and a further review by SEDATU. Our challenge was dismissed on October 25, 2021, primarily on the basis that no final declaration of national lands had yet been made by SEDATU that would affect our property rights. We have appealed this dismissal and we will continue to oppose the SEDATU process. While we believe that we hold proper title to the surface lands in question, if we are unable to maintain, or maintain access to, those surface rights, there could be material adverse impacts on the La Colorada mine's future mining operations.

We may also be subject to proceedings in our commercial relationships. While we would, where available and appropriate to do so, defend against any such allegations, if we are unsuccessful in our defense of these claims, we may be subject to significant losses.

Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably against us. We establish provisions for matters that are probable and can be reasonably estimated. We also carry liability insurance coverage, however, such insurance does not cover all risks to which we might be exposed and in other cases, may only partially cover losses incurred by us. In addition, we may be involved in disputes with other parties in the future that may result in litigation, which could have a material adverse effect on our financial or operating position, cash flow and results of operations.

COVID-19 and Other Pandemics

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

While COVID-19 had significant, direct impacts on our operations, our business, our workforce, and our production, the extent to which COVID-19 will continue to impact our operations will depend on future developments which are highly uncertain and cannot be predicted with confidence. These future developments include, but are not limited to, the duration of any outbreak, new information that may emerge concerning the severity of COVID-19, including variants of the disease, and the actions taken to contain COVID-19 or treat it. The imposition of future governmental restrictions and health and safety protocols could improve or worsen relative to our assumptions, depending on how each jurisdiction manages potential outbreaks of COVID-19, the development and adequate supply of vaccines, and the effectiveness of such vaccines.

Moreover, the continued presence of, or spread, of COVID-19, and any future emergence and spread of COVID-19 mutations or other pathogens, globally may have material adverse effects on the economies and financial markets of many countries, including those we operate in, resulting in an economic downturn that could have significant impacts on commodity prices, demand for metals, investor confidence, and general financial market liquidity, all of which may adversely affect our business and the market price of our Common Shares. In addition, such a pandemic could also impact our ability to raise capital, cause continued interest rate volatility that could make obtaining financing or refinancing our debt obligations more challenging or more expensive (if such financing is available at all), and result in any operations affected by coronavirus or other pathogens becoming subject to quarantine or shut down. Such effects would not only affect our business and results of operations, but also the operations of our suppliers, contractors and service providers, including smelter and refining service providers, and the demand for our production. Inflationary pressures relating to COVID-19 global financial support measures and current supply chain challenges continue to have both direct and indirect impacts on our costs to operate, which could have a material impact on our financial results. Any of these developments, and others, could have a material adverse effect on our business and results of operations.

Climate Change

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

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

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

SIGNIFICANT ACCOUNTING POLICIES, STANDARDS AND JUDGEMENTS

In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. These critical accounting estimates represent management estimates and judgments that are uncertain, and any changes in these could materially impact the Company's financial statements. Management continuously reviews its estimates, judgments and assumptions using the most current information available. The significant judgments and key sources of estimation uncertainty in the application of accounting policies are described in Note 5 and Note 6 of the 2022 Annual Financial Statements, respectively.

Readers should also refer to Note 3 of the 2022 Annual Financial Statements, for the Company's summary of significant accounting policies.

Changes in Accounting Standards

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

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

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

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

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

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

beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its financial statements.

SUBSEQUENT EVENTS

Acquisition of Yamana

The Company has agreed to acquire of all of the issued and outstanding common shares of Yamana ("Yamana Shares") following the sale by Yamana of its Canadian assets, including certain subsidiaries and partnerships which hold Yamana's interests in the Canadian Malartic mine, to Agnico Eagle. Please refer to the "Yamana Gold Inc. Transaction" section of the MD&A.

Pursuant to the Transaction, shareholders of Yamana will receive for each Yamana Share held: (i) 0.1598 of a common share of the Company; (ii) 0.0376 of a common share of Agnico Eagle; and (iii) \$1.0406 in cash to be paid by Agnico Eagle. The aggregate consideration payable to Yamana shareholders consists of up to approximately 156.9 million common shares of the Company; approximately 36.6 million common shares of Agnico Eagle; and \$1.0 billion in cash contributed by Agnico Eagle. The aggregate consideration represents a value of \$4.8 billion or \$5.02 per Yamana Share, based on the closing price of Pan American's and Agnico Eagle's shares on November 3, 2022, the day prior to the announcement of the proposed Transaction.

Under the terms of the Transaction, the Company funded \$150 million in cash to Yamana to pay a portion of a termination fee payable to Gold Fields Limited ("Gold Fields") in connection with the now terminated arrangement agreement between Yamana and Gold Fields. To fund this payment and other transaction and integration costs during the fourth quarter of 2022, the Company drew proceeds of \$160 million from its SL-Credit Facility.

The Transaction received shareholder approval from the Company's shareholders and Yamana's shareholders on January 31, 2023. In addition, on February 6, 2023 the Company received the required court order with respect to the Transaction from the Ontario Superior Court of Justice. The Transaction remains subject to approval from the Mexican Federal Economic Competition Commission and satisfaction or waiver of certain other closing conditions. The Transaction is expected to close in the first quarter of 2023.

The Transaction would, if completed, contribute low-cost production growth and long-life mineral reserves, and result in the Company increasing its portfolio of assets to 11 operating mines. The Transaction would be estimated to meaningfully increase silver and gold production and would be expected to enhance the Company's overall financial position and improve its ability to internally fund its growth projects.

Pan American would assume Yamana's obligations with respect to its August 2021 senior notes with an outstanding balance of \$500 million and interest rate of 2.63% due in August 2031 and the December 2017 senior notes with an outstanding balance of \$282.9 million and interest rate of 4.625% due in December 2027 (the "Notes"). The Notes contain certain change of control provisions, the triggering of which would result in a mandatory repurchase of the Notes in accordance with their terms. The Company does not currently expect that the change of control provisions would be triggered. However, to support the Company's potential financial requirements and provide financial flexibility and liquidity in connection with the Transaction, the Company has, nonetheless, obtained a commitment from a Canadian chartered bank to provide, on a fully underwritten basis, an increase to the total committed credit available to the Company from \$500.0 million to \$1,250.0 million.

There can be no assurance as to the completion of the Transaction.

Disposal of Maverix

On January 19, 2023, Triple Flag Precious Metals Corp. ("Triple Flag") and Maverix completed a plan of arrangement in which Triple Flag issued a total of 45.1 million common shares and \$86.7 million in cash to former Maverix shareholders. As a result, the Company received \$58.8 million in cash and 3,954,471 Triple Flag shares in exchange for its interest in Maverix comprised of 25,974,571 common shares. On January 26, 2023, the Company sold its entire interest in Triple Flag for net proceeds of \$46.5 million after \$1.3 million in commission fees.

DISCLOSURE AND INTERNAL CONTROL PROCEDURES

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

Disclosure controls and procedures ("DC&P")

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

As of December 31, 2022, based on the evaluation, our CEO and CFO concluded that our DC&P were effective to ensure that information required to be disclosed by us in reports we file or submit is recorded, processed, summarized and reported within the time periods specified in securities legislation and is accumulated and communicated to our management, including our CEO and CFO.

Internal control over financial reporting ("ICFR")

Our CEO and CFO are responsible for establishing and maintaining adequate ICFR. Under the supervision and with the participation of our CEO and CFO, we evaluated the effectiveness of our ICFR as of December 31, 2022 based upon the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, our CEO and CFO concluded that our ICFR was effective as of December 31, 2022. Management reviewed the results of management's evaluation with the Audit Committee of the Board.

The effectiveness of the Company's ICFR as of December 31, 2022 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm as stated in their report immediately preceding the Company's 2022 Annual Financial Statements.

Changes in ICFR

There has been no change in the Company's ICFR during the three and twelve month periods ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, its ICFR.

Inherent limitations of controls and procedures

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

MINERAL RESERVES AND MINERAL RESOURCES
Pan American Silver Corporation Mineral Reserves as of June 30, 2022^(1,2)

Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)
Silver Segment										
Huaron	Peru	Proven	7.0	169	38.1			0.54	1.51	2.97
		Probable	3.9	167	21.1			0.30	1.63	2.97
Morococha (92.3%)⁽³⁾	Peru	Proven	3.3	156	16.6			0.44	1.31	3.95
		Probable	3.3	158	16.6			0.32	1.43	3.78
La Colorada	Mexico	Proven	3.8	340	41.5	0.23	27.5		1.13	2.02
		Probable	6.2	303	59.9	0.18	36.0		1.12	1.97
Manantial Espejo	Argentina	Proven	0.3	250	2.4	2.35	22.8			
		Probable	0.1	246	0.9	3.06	10.8			
San Vicente (95%)⁽³⁾	Bolivia	Proven	1.1	314	10.8			0.25	0.29	3.55
		Probable	0.6	289	5.2			0.25	0.32	2.98
Joaquin	Argentina	Proven	0.1	401	1.6	0.24	1.0			
		Probable	—	575	0.6	0.31	0.3			
Escobal	Guatemala	Proven	2.5	486	39.5	0.42	34.2		1.02	1.75
		Probable	22.1	316	225.0	0.34	243.8		0.77	1.25
Total Silver Segment⁽⁴⁾			54.3	275	479.7	0.33	376.3	0.41	1.06	2.14
Gold Segment										
La Arena	Peru	Proven	20.5			0.38	251.4			
		Probable	21.8			0.27	191.8			
Dolores	Mexico	Proven	12.9	21	8.6	0.57	235.4			
		Probable	4.1	18	2.4	0.6	77.7			
Shahuindo⁽⁵⁾	Peru	Proven	58.9	8	15.3	0.51	971.3			
		Probable	45.3	6	8.8	0.41	604.2			
Timmins	Canada	Proven	5.3			2.89	491.0			
		Probable	4.9			2.74	432.5			
Total Gold Segment⁽⁴⁾			173.6	9	35.1	0.58	3,255.2			
Total Gold and Silver Segments⁽⁴⁾			228.0	91	514.9	0.54	3,631.5	0.41	1.06	2.14

(1) See table below entitled “Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2022”.

(2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology, and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in NI 43-101.

(3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.

(4) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.

(5) Effective date for the Shahuindo mineral reserve estimate is November 30, 2022.

Pan American Silver Corporation Measured and Indicated Mineral Resources as of June 30, 2022^(1,2)

Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)	
Silver Segment											
Huaron	Peru	Measured	2.1	163	10.9			0.42	1.58	3.05	
		Indicated	2.4	166	12.7			0.40	1.71	2.92	
Morococha (92.3%)⁽³⁾	Peru	Measured	0.6	130	2.7			0.64	0.79	2.59	
		Indicated	0.7	124	3.0			0.61	0.74	2.37	
La Colorada	Mexico	Measured	1.9	216	13.0	0.14	8.2		0.76	1.30	
		Indicated	3.4	191	20.8	0.17	18.0		0.95	1.65	
La Colorada Skarn⁽⁴⁾	Mexico	Indicated	95.9	31	94.4				1.28	2.77	
Manantial Espejo	Argentina	Measured	0.2	158	1.1	1.79	11.9				
		Indicated	0.7	264	5.8	2.94	63.9				
COSE	Argentina	Indicated	0.1	349	1.3	0.29	1.0				
Joaquin	Argentina	Indicated	0.4	329	4.2	0.26	3.3				
San Vicente (95%)⁽³⁾	Bolivia	Measured	0.9	191	5.7			0.20	0.22	2.35	
		Indicated	0.3	188	2.1			0.20	0.21	2.60	
Navidad	Argentina	Measured	15.4	137	67.8			0.10	1.44		
		Indicated	139.8	126	564.5			0.04	0.79		
Escobal	Guatemala	Measured	2.3	251	18.6	0.23	16.7		0.31	0.59	
		Indicated	14.2	201	91.6	0.20	93.0		0.38	0.66	
Total Silver Segment⁽⁵⁾			281.3	102	920.1	0.29	216.2	0.06	0.98	2.44	
Gold Segment											
Dolores	Mexico	Measured	2.1	30	2.1	0.53	36.5				
		Indicated	0.8	57	1.5	1.13	29.7				
La Bolsa	Mexico	Measured	10.8	10	3.5	0.70	242.8				
		Indicated	10.6	8	2.7	0.54	184.3				
Pico Machay	Peru	Measured	4.7			0.91	137.5				
		Indicated	5.9			0.67	127.1				
La Arena	Peru	Measured	0.8			0.16	4				
		Indicated	2.1			0.17	11.9				
Shahuindo⁽⁶⁾	Peru	Measured	8.3	5	1.3	0.29	76.7				
		Indicated	13.2	4	1.8	0.23	98.1				
Timmins	Canada	Measured	3.4			3.32	357.6				
		Indicated	4.5			3.08	449.6				
La Arena II	Peru	Measured	148.9			0.25	1209.7	0.39			
		Indicated	547.5			0.23	4070	0.37			
Whitney (82.84%)⁽³⁾	Canada	Measured	0.8			7.02	180.7				
		Indicated	1.9			6.77	406.3				
Gold River	Canada	Indicated	0.7			5.29	117.4				
Marlhill	Canada	Indicated	0.4			4.52	57.4				
Vogel	Canada	Indicated	2.2			1.75	125.0				
Total Gold Segment⁽⁵⁾			769.7	9	12.9	0.32	7,922.2	0.38			
Total Gold and Silver Segments⁽⁵⁾											
			Measured + Indicated	1,051.1	89	933.0	0.32	8,138.4	0.32	0.98	2.44

(1) See table below entitled "Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2022".

(2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology, and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in NI 43-101.

(3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.

(4) Effective date for the La Colorada Skarn mineral resource estimate is September 13, 2022.

- (5) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.
- (6) Effective date for the Shahuindo mineral reserve estimate is November 30, 2022.

Pan American Silver Corporation Inferred Mineral Resources as of June 30, 2022^(1,2)										
Property	Location	Classification	Tonnes (Mt)	Ag (g/t)	Contained Ag (Moz)	Au (g/t)	Contained Au (koz)	Cu (%)	Pb (%)	Zn (%)
Silver Segment										
Huaron	Peru	Inferred	7.2	155	36.1			0.26	1.47	2.73
Morococha (92.3%)⁽³⁾	Peru	Inferred	5.2	143	24.0			0.35	1.28	3.74
La Colorada	Mexico	Inferred	14.9	195	93.9	0.20	98.4		1.05	1.89
La Colorada Skarn⁽⁴⁾	Mexico	Inferred	147.8	28	132.9				1.04	2.29
Manantial Espejo	Argentina	Inferred	0.5	180	3.1	1.71	29.4			
San Vicente (95%)⁽³⁾	Bolivia	Inferred	2.9	249	23.3			0.21	0.29	2.65
Navidad	Argentina	Inferred	45.9	81	119.4			0.02	0.57	
Joaquin	Argentina	Inferred	0.2	282	1.6	0.23	1.3			
Escobal	Guatemala	Inferred	1.9	180	10.7	0.90	53.7		0.22	0.42
Total Silver Segment⁽⁵⁾			226.6	61	445.1	0.32	182.7	0.09	0.95	2.31
Gold Segment										
Dolores	Mexico	Inferred	2.5	29	2.4	0.92	74.4			
La Bolsa	Mexico	Inferred	13.7	8	3.3	0.51	224.6			
Pico Machay	Peru	Inferred	23.9			0.58	445.7			
La Arena	Peru	Inferred	6.0			0.22	42.3			
Shahuindo⁽⁶⁾	Peru	Inferred	14.6	8	3.7	0.41	194.5			
Timmins	Canada	Inferred	4.4			3.11	436.5			
La Arena II	Peru	Inferred	54.7			0.23	413.2	0.29		
Whitney (82.84%)	Canada	Inferred	0.8			5.34	141.4			
Gold River	Canada	Inferred	5.3			6.06	1027.4			
Vogel	Canada	Inferred	1.5			3.60	168.8			
Total Gold Segment⁽⁵⁾			127.4	10	9.5	0.77	3,168.9	0.29		
Total Gold and Silver Segments⁽⁵⁾			354.0	55	454.5	0.72	3,351.6	0.18	0.95	2.31

- (1) See table below entitled "Metal price assumptions used to estimate mineral reserves and resources as at June 30, 2022".
- (2) Mineral reserve estimates were prepared under the supervision of, or were reviewed by, Christopher Emerson, FAusIMM, Vice President Business Development and Geology, and Martin G. Wafforn, P.Eng., Senior Vice President Technical Services and Process Optimization, each of whom are Qualified Persons as that term is defined in NI 43-101.
- (3) This information represents the portion of mineral reserves attributable to Pan American based on its ownership interest in the operating entity as indicated.
- (4) Effective date for the La Colorada Skarn mineral resource estimate is September 13, 2022.
- (5) Totals may not add up due to rounding. Total average grades of each element are with respect to those mines that produce the element.
- (6) Effective date for the Shahuindo mineral reserve estimate is November 30, 2022.

Metal Price Assumptions Used to Estimate Mineral Reserves and Mineral Resources as of June 30, 2022

Property	Category	Ag US\$/oz	Au US\$/oz	Cu US\$/t	Pb US\$/t	Zn US\$/t
Huaron	All categories	19.00	1,300	7,000	2,000	2,600
Morococho	All categories	19.00	1,300	7,000	2,000	2,600
La Colorada	All categories	19.00	1,300	7,000	2,000	2,600
La Colorada Skarn	All categories	22.00		7,000	2,200	2,800
Dolores	Reserves	19.00	1,600			
	Resources	22.00	1,700			
La Bolsa	All categories	14.00	825			
	Reserves	19.00	1,500			
Manantial Espejo	Reserves	19.00	1,500			
	Resources	22.00	1,700			
San Vicente	All categories	19.00	1,300	7,000	2,000	2,600
Navidad	All categories	12.52			1,100	
Pico Machay	All categories		700			
	Reserves	19.00	1,500			
Joaquin	Reserves	22.00	1,700			
	Resources	22.00	1,700			
Escobal	All categories	20.00	1,300		2,204	2,424
	Reserves	19.00	1,500			
Shahuindo	Reserves	22.00	1,700			
	Resources	22.00	1,700			
La Arena	Reserves	19.00	1,500			
	Resources	22.00	1,700			
La Arena II	All categories		1,500	8,816		
Timmins	All categories		1,500			
Whitney	All categories		1,200			
Gold River	All categories		1,200			
Marlhill	All categories		1,125			
Vogel	Inside pit		1,150			
	Below pit		1,150			

General Notes Applicable to the Foregoing Tables:

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

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

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

See the Company's Annual Information Form dated February 22, 2023, available at www.sedar.com for further information on the Company's material mineral properties, including information concerning associated QA/QC and data verification matters, the key assumptions, parameters and methods used by the Company to estimate mineral reserves and mineral resources, and for a detailed description of known legal, political, environmental, and other risks that could materially affect the Company's business and the potential development of the Company's mineral reserves and resources.

Quantities of contained metal are shown before metallurgical recoveries.

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

For more detailed information regarding the Company's material mineral properties and technical information related thereto, including a complete list of current technical reports applicable to such properties, please refer to the Company's Annual Information Form dated February 22, 2023, 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”, “intends”, “plans”, “forecast”, “objective”, “guidance”, “outlook”, “potential”, “anticipated”, “budget”, and other similar words and expressions, identify forward-looking statements or information. These forward-looking statements or information relate to, among other things: future financial or operational performance; the expected timing for release of forecasts for 2023, including our estimated production of silver, gold and other metals forecasted, and for our estimated Cash Costs, AISC, capital and exploration, mine operation, general and administrative, care and maintenance expenditures; future anticipated prices for gold, silver and other metals and assumed foreign exchange rates; the impacts of inflation on Pan American and its operations; the closing of the Yamana Transaction in the first quarter of 2023; whether Pan American is able to maintain a strong financial condition and have sufficient capital, or have access to capital through the SL-Credit Facility or otherwise, to sustain our business and operations; the timing and outcome with respect to Pan American's environmental, social and governance activities, and Pan American's corporate social responsibility activities and our reporting in respect thereof; the anticipated completion of the Transaction, the timing for the same, and any expected benefit there from; the acquisition of additional assets upon completion of the Transaction; the duration and effect of the suspensions of operations of the Escobal mine, as well as the nature of and continuation of the constitutional court-mandated ILO 169 consultation process in Guatemala, and the timing and, if applicable, completion thereof; certain legal proceedings that were originated in the Constitutional Court of Guatemala relating to the Escobal mine; the SEDATU process with respect to a portion of the La Colorada mine's surface lands; the timing and success of site infrastructure upgrades at the La Colorada mine; the ability of Pan American to successfully complete any capital projects, the expected economic or operational results derived from those projects, and the impacts of any such projects on Pan American; the future results of our exploration activities, including with respect to the skarn exploration program at La Colorada; anticipated mineral reserves and mineral resources; the costs associated with the Company's decommissioning obligations; the Company's plans and expectations for its properties and operations; and expectations with respect to the future anticipated impact of COVID-19 on our operations.

These forward-looking statements and information reflect the Company's current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic, competitive, political, regulatory, and social uncertainties and contingencies. These assumptions, some of which are described in the “Risks and Uncertainties” section of this MD&A, include: our ability to receive all required regulatory approvals and then close the Transaction; our ability to implement environmental, social and governance activities; tonnage of ore to be mined and processed; ore grades and recoveries; prices for silver, gold and base metals remaining as estimated; currency exchange rates remaining as estimated; capital, decommissioning and reclamation estimates; our mineral reserve and mineral resource estimates and the assumptions upon which they are based; prices for energy inputs, labour, materials, supplies and services (including transportation); no labour-related disruptions at any of our operations; no unplanned delays or interruptions in scheduled production; protection of our interests against claims and legal proceedings; all necessary permits, licenses and regulatory approvals for our operations are received in a timely manner and can be maintained; the world-wide economic and social impact of COVID-19 is managed and the duration and extent of the coronavirus pandemic is minimized or not long-term; the management of COVID-19 in each jurisdiction; 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, some of which might prevent or cause the suspension or discontinuation of mining activities, including the risk of expropriation related to certain of our operations, particularly in Argentina and Bolivia and risks related to the constitutional court-mandated ILO 169 consultation process in Guatemala; risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, cave-ins and flooding); risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relationships with and claims by the local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the Company's ability to secure our mine sites or maintain access to our mine sites due to criminal activity, violence, or civil and labour unrest; the speculative nature of mineral exploration and development, including the risk of obtaining or retaining necessary licenses and permits; challenges to, or difficulty in maintaining, the Company's title to properties and continued ownership thereof; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; the Company's ability to complete and successfully integrate acquisitions, including in connection with the Transaction, and to mitigate other business combination risks; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; increased competition in the mining industry for properties, equipment, qualified personnel, and their costs; having sufficient cash to pay obligations as they come due; the duration and effects of the coronavirus and COVID-19 variants, and any other epidemics or pandemics on our operations and workforce, and their effects on global economies and society; 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 US Investors Regarding References to Mineral Reserves and Mineral Resources

Unless otherwise indicated, all reserve and resource estimates included in this MD&A have been prepared in accordance with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") — CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended (the "CIM Standards"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"), and reserve and resource information included 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 use the terms "measured resources," "indicated resources" and "inferred resources" as defined in accordance with NI 43-101 and the CIM Standards.

Further to recent amendments, mineral property disclosure requirements in the United States (the "U.S. Rules") are governed by subpart 1300 of Regulation S-K of the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") which differ from the CIM Standards. As a foreign private issuer that is eligible to file reports with the SEC pursuant to the multi-jurisdictional disclosure system (the "MJDS"), the Company is not required to provide disclosure on its mineral properties under the U.S. Rules and will continue to provide disclosure under NI 43-101 and the CIM Standards. If the Company ceases to be a foreign private issuer or loses its eligibility to file its annual report on Form 40-F pursuant to the MJDS, then the Company will be subject to the U.S. Rules, which differ from the requirements of NI 43-101 and the CIM Standards.

Pursuant to the new U.S. Rules, the SEC recognizes estimates of "measured mineral resources," "indicated mineral resources" and "inferred mineral resources." In addition, the definitions of "proven mineral reserves" and "probable mineral reserves" under the U.S. Rules are now "substantially similar" to the corresponding standards under NI 43-101. Mineralization described using these terms has a greater amount of uncertainty as to its existence and feasibility than mineralization that has been characterized as reserves. Accordingly, U.S. investors are cautioned not to assume that any measured mineral resources, indicated mineral resources, or inferred mineral resources that the Company reports are or will be economically or legally mineable. Further, "inferred mineral resources" have a greater amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Under Canadian securities laws, estimates of "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies, except in rare cases. While the above terms under the U.S. Rules are "substantially similar" to the standards under NI 43-101 and CIM Standards, there are differences in the definitions under the U.S. Rules and CIM Standards. Accordingly, there is no assurance any mineral reserves or mineral resources that the Company may report as "proven mineral reserves", "probable mineral reserves", "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" under NI 43-101 would be the same had the Company prepared the reserve or resource estimates under the standards adopted under the U.S. Rules.



PAN AMERICAN
— SILVER —

Consolidated Financial Statements and Notes

FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

Management's Responsibility For Financial Reporting

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

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

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

"signed"

Michael Steinmann
Chief Executive Officer

"signed"

Ignacio Couturier
Chief Financial Officer

February 22, 2023

Management's Report on Internal Control over Financial Reporting

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

Pan American's management assessed the effectiveness of the Company's Internal control over financial reporting as of December 31, 2022, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that, as of December 31, 2022, Pan American's internal control over financial reporting was effective.

Deloitte LLP, an Independent Registered Public Accounting Firm, has audited the Company's Consolidated financial statements for the year ended December 31, 2022, and as stated in the Report of Independent Registered Public Accounting Firm, they have expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Pan American Silver Corp. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings and comprehensive earnings, cash flows, and changes in equity, for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2022, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

Impairment - Assessment of Whether Indicators of Impairment or Impairment Reversal Exist within the Mineral Properties, Plant and Equipment - Refer to Note 3 o), 5 e), and 12 to the financial statements

Critical Audit Matter Description

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

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

How the Critical Audit Matter Was Addressed in the Audit

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

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

Impairment —Dolores Mine CGU – Refer to Notes 3 o) and 12 to the financial statements

Critical Audit Matter Description

The Company identified an indicator of impairment for the Dolores Mine CGU as a result of gold and silver production being less than expected and inflationary pressures which have affected this shorter-life mine. The Company determined that the recoverable amount of the CGU corresponded to its fair value less costs to sell. It was determined that the recoverable amount of the Dolores Mine CGU was lower than its carrying value, causing the Company to recognize an impairment loss.

While there are several assumptions that go into determining the recoverable amount of the Dolores Mine CGU, the judgments with the highest degree of subjectivity are future metal prices (for both gold and silver). Auditing these estimates required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to future metal prices (for both gold and silver) used to determine the recoverable amount of the Dolores Mine CGU included the following, among others:

- Evaluated the effectiveness of the controls surrounding the future metal prices (for both gold and silver), and
- With the assistance of fair value specialists, evaluated the future metal prices (for both gold and silver) by comparing management forecasts to third party forecasts.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

February 22, 2023

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

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Pan American Silver Corp. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated February 22, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, Canada

February 22, 2023

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents (Note 27)	\$ 107,005	\$ 283,550
Short-term investments (Note 9)	35,337	51,723
Trade and other receivables	136,614	128,150
Income tax receivables	40,020	20,282
Inventories (Note 10)	471,630	500,462
Derivative assets (Note 8)	2,883	3,995
Prepaid expenses and other current assets	10,891	13,007
	804,380	1,001,169
Non-current assets		
Mineral properties, plant and equipment (Note 11)	2,226,354	2,344,551
Long-term inventories (Note 10)	26,300	25,644
Long-term tax receivables	8,476	8,711
Deferred tax assets (Note 30)	55,879	55,953
Long-term investment and associate (Note 13)	121,200	77,410
Goodwill and other assets (Note 14)	5,909	5,146
Total assets	\$ 3,248,498	\$ 3,518,584
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	\$ 308,054	\$ 306,087
Derivative liabilities (Note 8)	1,780	351
Provisions (Note 16)	17,853	8,041
Lease obligations (Note 17)	13,608	10,663
Debt (Note 18)	13,712	3,400
Income tax payables	25,833	59,133
	380,840	387,675
Non-current liabilities		
Long-term provisions (Note 16)	285,327	240,111
Deferred tax liabilities (Note 30)	140,337	184,785
Long-term lease obligations (Note 17)	19,506	19,898
Long-term debt (Note 18)	180,010	11,900
Deferred revenue (Note 19)	13,900	12,516
Other long-term liabilities (Note 20)	26,960	25,691
Total liabilities	1,046,880	882,576
Equity (Note 21)		
Issued capital	3,139,994	3,136,214
Share option reserve	93,273	93,375
Investment revaluation reserve	(3,008)	—
Deficit	(1,034,780)	(598,035)
Total equity attributable to Company shareholders	2,195,479	2,631,554
Non-controlling interests	6,139	4,454
Total equity	2,201,618	2,636,008
Total liabilities and equity	\$ 3,248,498	\$ 3,518,584

Commitments and contingencies (Notes 8, 31); subsequent events (Notes 13, 33)

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD ON FEBRUARY 22, 2023

"signed" Gillian Winckler, Director

"signed" Michael Steinmann, Director

	2022	2021
Revenue (Note 28)	\$ 1,494,718	\$ 1,632,750
Cost of sales		
Production costs (Note 22)	(1,094,431)	(925,479)
Depreciation and amortization (Note 11)	(316,036)	(302,958)
Royalties	(35,889)	(36,375)
	(1,446,356)	(1,264,812)
Mine operating earnings (Note 28)	48,362	367,938
General and administrative	(28,975)	(34,852)
Exploration and project development	(18,335)	(11,071)
Mine care and maintenance (Note 23)	(45,123)	(31,780)
Foreign exchange losses	(9,607)	(11,267)
Impairment charges (Note 12)	(99,064)	—
Derivative gains (Note 8(d))	7,336	5,393
Mineral properties, plant and equipment (losses) gains (Note 11)	(2,439)	32,167
Gains and income from associates (Note 13)	45,033	4,347
Transaction and integration costs (Note 24)	(157,334)	—
Other (expense) income (Note 29)	(2,115)	36
(Loss) earnings from operations	(262,261)	320,911
Investment loss (Note 8(b))	(16,221)	(59,722)
Interest and finance expense (Note 25)	(22,463)	(16,198)
(Loss) earnings before income taxes	(300,945)	244,991
Income tax expense (Note 30)	(39,118)	(146,429)
Net (loss) earnings	\$ (340,063)	\$ 98,562
Net (loss) earnings attributable to:		
Equity holders of the Company	(341,748)	97,428
Non-controlling interests	1,685	1,134
	\$ (340,063)	\$ 98,562
Other comprehensive (loss) earnings, net of taxes		
Items that will not be reclassified to net (loss) earnings:		
Unrealized loss on long-term investment (Note 8(c))	(3,477)	—
Income tax recovery related to long-term investments (Note 30)	469	—
Total other comprehensive loss	\$ (3,008)	\$ —
Total comprehensive (loss) earnings	\$ (343,071)	\$ 98,562
Total comprehensive (loss) earnings attributable to:		
Equity holders of the Company	(344,756)	97,428
Non-controlling interests	1,685	1,134
	\$ (343,071)	\$ 98,562
(Loss) earnings per share attributable to common shareholders (Note 26)		
Basic (loss) earnings per share	\$ (1.62)	\$ 0.46
Diluted (loss) earnings per share	\$ (1.62)	\$ 0.46
Weighted average shares outstanding (in 000's) Basic	210,521	210,298
Weighted average shares outstanding (in 000's) Diluted	210,521	210,435

See accompanying notes to the consolidated financial statements.

	2022	2021
Operating activities		
Net (loss) earnings for the year	\$ (340,063)	\$ 98,562
Income tax expense (Note 30)	39,118	146,429
Depreciation and amortization (Note 11)	316,036	302,958
Impairment charges (Note 12)	99,064	—
Net realizable value inventory charge (Note 22)	97,742	8,719
Gains and income from associates (Note 13)	(45,033)	(4,347)
Accretion on closure and decommissioning provision (Note 16)	14,841	7,470
Investment loss	16,221	59,722
Interest paid	(6,584)	(5,234)
Interest received	3,176	172
Income taxes paid	(137,762)	(129,205)
Other operating activities (Note 27)	17,190	(22,069)
Net change in non-cash working capital items (Note 27)	(42,037)	(71,069)
	\$ 31,909	\$ 392,108
Investing activities		
Payments for mineral properties, plant and equipment	\$ (274,688)	\$ (243,478)
Proceeds from disposition of mineral properties, plant and equipment	8,713	45,798
Proceeds from short-term investments	694	1,861
Proceeds from derivatives	9,877	9,157
	\$ (255,404)	\$ (186,662)
Financing activities		
Proceeds from common shares issued	\$ 940	\$ 619
Distributions to non-controlling interests	(269)	(933)
Dividends paid	(94,728)	(71,500)
Proceeds from debt (Note 18)	167,100	—
Repayment of debt (Note 18)	(5,239)	(1,700)
Payment of equipment leases	(14,833)	(12,396)
	\$ 52,971	\$ (85,910)
Effects of exchange rate changes on cash and cash equivalents	(6,021)	(3,099)
(Decrease) increase in cash and cash equivalents	(176,545)	116,437
Cash and cash equivalents at the beginning of the year	283,550	167,113
Cash and cash equivalents at the end of the year	\$ 107,005	\$ 283,550

Supplemental cash flow information (Note 27).
 See accompanying notes to the consolidated financial statements.

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Deficit	Total		
Balance, December 31, 2020	210,258,667	\$ 3,132,140	\$ 93,409	\$ —	\$ (623,030)	\$ 2,602,519	\$ 3,320	\$ 2,605,839
Total comprehensive earnings								
Net earnings for the year	—	—	—	—	97,428	97,428	1,134	98,562
Shares issued on the exercise of stock options	65,780	762	(143)	—	—	619	—	619
Shares issued as compensation	133,077	3,312	—	—	—	3,312	—	3,312
Share-based compensation on option grants	—	—	109	—	—	109	—	109
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(933)	(933)	—	(933)
Dividends paid	—	—	—	—	(71,500)	(71,500)	—	(71,500)
Balance, December 31, 2021	210,457,524	\$ 3,136,214	\$ 93,375	\$ —	\$ (598,035)	\$ 2,631,554	\$ 4,454	\$ 2,636,008
Total comprehensive loss								
Net loss for the year	—	—	—	—	(341,748)	(341,748)	1,685	(340,063)
Other comprehensive loss	—	—	—	(3,008)	—	(3,008)	—	(3,008)
	—	—	—	(3,008)	(341,748)	(344,756)	1,685	(343,071)
Shares issued on the exercise of stock options	79,542	1,283	(343)	—	—	940	—	940
Shares issued as compensation	143,768	2,497	—	—	—	2,497	—	2,497
Share-based compensation on option grants	—	—	241	—	—	241	—	241
Distributions by subsidiaries to non-controlling interests	—	—	—	—	(269)	(269)	—	(269)
Dividends paid	—	—	—	—	(94,728)	(94,728)	—	(94,728)
Balance, December 31, 2022	210,680,834	\$ 3,139,994	\$ 93,273	\$ (3,008)	\$ (1,034,780)	\$ 2,195,479	\$ 6,139	\$ 2,201,618

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Pan American Silver Corp. is the ultimate parent company of its subsidiary group (collectively, the “Company”, or “Pan American”). Pan American is a British Columbia corporation domiciled in Canada, and its office is at Suite 1440 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

The Company is engaged in the production and sale of silver, gold, zinc, lead and copper as well as other related activities, including exploration, extraction, processing, refining and reclamation. The Company’s major products are produced from mines in Canada, Peru, Mexico, Argentina and Bolivia. Additionally, the Company has project development activities in Canada, Peru, Mexico and Argentina, and exploration activities throughout South America, Canada and Mexico. As at December 31, 2022, the Company's Escobal mine in Guatemala continues to be on care and maintenance pending satisfactory completion of a consultation process led by the Ministry of Energy and Mines (“MEM”) in Guatemala.

The Company, Agnico Eagle Mines Limited (“Agnico Eagle”) and Yamana Gold Inc. (“Yamana”) entered into an arrangement agreement dated November 4, 2022 (the “Arrangement Agreement”), whereby the Company agreed to acquire all of the issued and outstanding common shares of Yamana following the sale by Yamana of its Canadian assets, including certain subsidiaries and partnerships which hold Yamana’s interests in the Canadian Malartic mine, to Agnico Eagle, by way of a plan of arrangement under the *Canada Business Corporations Act* (the “Transaction”). The Transaction is expected to close in the first quarter of 2023, subject to certain regulatory approvals and other closing conditions. As a result, the Company expects to add to its portfolio the Jacobina mine in Brazil; the El Penon and Minera Florida mines in Chile; and the Cerro Morro mine in Argentina as well as two development projects in Argentina. Please refer to Note 33 for further details.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), effective as of December 31, 2022.

These consolidated financial statements were approved for issuance by the Board of Directors on February 22, 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Presentation currency

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

b) Basis of measurement

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

c) Basis of consolidation

The accounts of the Company and its subsidiaries, which are controlled by the Company, have been included in these consolidated financial statements. Control is achieved when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. The principal subsidiaries of the Company and their geographic locations at December 31, 2022 were as follows:

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

d) Investments in associates

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

e) Business combinations

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

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

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

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

f) Revenue recognition

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

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

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

IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") requires that variable consideration should only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company concluded that the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant and do not constrain the recognition of revenue.

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

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

g) Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVTOCI"), or FVTPL. Financial assets at FVTPL are initially measured at fair value and those at amortized cost or FVTOCI are initially measured at fair value plus transaction costs.

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

Amortized cost:

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

FVTOCI:

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income.

At initial recognition, the Company's made an irrevocable election to measure its Long-term investment at FVTOCI (Note 8(c)).

FVTPL:

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

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

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated

hedging relationship. Fair value is determined in the manner described in Note 8(e)(ii). The Company's financial assets at FVTPL include its trade receivables from provisional concentrate sales, short-term investments in equity securities, and derivative assets not designated as hedging instruments.

ii) **Financial liabilities and equity**

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

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

Classification of financial liabilities

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

Derivatives

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

h) Derivative Financial Instruments

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

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

i) Inventories

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

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

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

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

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

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

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates, which rely upon laboratory test work and estimated models of the leaching kinetics in the heap leach pads. Test work consists of leach columns of up to 400 days duration with 150 days being the average, from which the Company

projects metal recoveries up to three years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process include estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. The ultimate recovery will not be known until the leaching operations cease.

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

j) Mineral properties, plant and equipment ("MPPE")

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

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

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

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

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

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

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

k) Operational mining properties and mine development

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

Costs associated with commissioning activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Company is ready to commence commercial production. These costs are amortized using the units-of-production method (described below) over the life of the mine, commencing on the date of commercial production.

Acquisition costs related to the acquisition of land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights, the Company makes a preliminary evaluation to determine that the property has significant potential to economically develop the deposit. The time between initial acquisition and full evaluation of a property's potential is dependent on many factors including: location relative to existing infrastructure, the property's stage of development, geological controls and metal prices. If a mineable deposit is discovered, such costs are amortized when production begins. If no mineable deposit is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

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

l) Depreciation of MPPE

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

i) Units of production basis

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

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

ii) Straight line basis

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

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

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

m) Exploration and evaluation

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

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

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

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

n) Deferred stripping costs

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

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

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

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

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

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. The cash flow forecasts are based on best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up. These may include net cash flows expected to be realized from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proven or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of

mineralization that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

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

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

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

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

p) Closure and decommissioning costs

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

When provisions for closure and decommissioning are initially recognized, the corresponding cost is capitalized as a component of the cost of the related asset, representing part of the cost of acquiring the

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

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

q) Foreign currency translation

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

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

r) Share-based payments

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

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

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

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

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

s) LeasesLease 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 ("ROU") Assets and Lease Obligations

At lease commencement, the Company recognizes a ROU assets and a lease obligation. The ROU assets 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 assets 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 assets 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 assets .

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 statement of earnings.

t) Income taxes

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

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

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

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

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

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

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

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

u) Earnings (loss) per share

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

The diluted earnings per share calculation is based on the earnings attributable to ordinary equity holders and the weighted average number of shares outstanding after adjusting for the effects of all potential ordinary shares. This method requires that the number of shares used in the calculation be the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into

ordinary shares. This method assumes that the potential ordinary shares converted into ordinary shares at the beginning of the period (or at the time of issuance, if not in existence at beginning of the period). The number of dilutive potential ordinary shares is determined independently for each period presented.

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

v) Borrowing costs and upfront costs

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

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

4. CHANGES IN ACCOUNTING STANDARDS

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

Presentation of Financial Statements (Amendment to IAS 1)

The amendments to IAS 1, clarifies the presentation of liabilities. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendment issued in October 2022 also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The implementation of this amendment is not expected to have a material impact on the Company.

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

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

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

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the IASB has

also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its financial statements.

5. SIGNIFICANT JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

a) Capitalization of evaluation costs

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

b) Functional currency

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

c) Determination of significant influence of associates

Determination of whether the Company has significant influence with respect to its associates requires an assessment of whether the Company has power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

On March 31, 2022, the Company determined that it no longer held significant influence over its investment in Maverix after declining to nominate a representative to serve as a director on the Maverix board of directors and given an ownership interest of less than 20%. As a result, the Company redesignated its investment in Maverix into a long-term financial asset recorded at FVTOCI (Note 13).

d) Deferral of stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves that will be mined in a future period and therefore should be capitalized, the Company treats the costs of removal of the waste material during a mine's production phase as deferred, where it gives rise to future benefits. These capitalized costs are subsequently amortized on a unit of production basis over the reserves that directly benefit from the specific stripping activity. As at December 31, 2022, the carrying amount of Dolores and La Arena capitalized stripping costs was \$20.0 million and \$42.2 million, respectively (2021 - \$23.5 million and \$41.0 million, respectively).

e) Impairment, or impairment reversal, of mining interests

There is significant judgment involved in assessing whether any indications of impairment, or impairment reversal, exist for mining interests, with consideration given to both external and internal sources of information. Information the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control that affect the recoverable amount of mining interests. Internal sources of information include the manner in which mineral property, plant and equipment are being used or are expected to be used and indications of the economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the mining properties and the appropriate discount rate. Changes in metal price forecasts, increases or decreases in estimated future costs of production, increases or decreases in estimated future capital costs, reductions or increases in the amount of recoverable mineral reserves and mineral resources and/or adverse or favorable current economics can result in a write-down or write-up of the carrying amounts of the Company's mining interests. In the year ended December 31, 2022, the Company identified an indicator of impairment at the Dolores Mine (Note 12) and recorded an impairment expense of \$99.1 million (2021 - \$nil).

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

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

During 2020, Government efforts to curtail the spread of COVID-19 resulted in temporary suspensions of our operations in Mexico, Peru, Argentina and Bolivia (see Note 23), and we reduced throughput at our Timmins operation in Canada in order to enhance physical distancing and protect our personnel and the community. During 2021, there were no Government mandated suspensions but operations have continued to be impacted by COVID-19 protocols, which have increased costs and restricted throughput levels, especially at our underground mines.

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

As of December 31, 2022 and 2021, no operations were suspended as a result of COVID-19. Based on management analysis, the Company has concluded that the impacts to date including increased costs and deferral of production due to reduced throughput do not represent indicators of impairment for any of the Company's assets as at December 31, 2022 and 2021.

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

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

- *Revenue recognition:* Revenue from the sale of concentrate to independent smelters is recognized when control of the asset sold is transferred to the customer. The Company's concentrate sales contracts with third-party buyers, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on applicable commodity prices set on specified quotational periods, typically ranging from one month prior to shipment, and can extend to three months after the shipment arrives at the smelter and is based on average market metal prices. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. In such cases, sales revenue is initially recognized on a provisional basis using the Company's best estimate of contained metal, and adjusted subsequently. Revenues are recorded under these contracts at the time control passes to the buyer based on the expected settlement period. Revenue on provisionally priced sales is recognized based on estimates of the fair value of the consideration receivable based on forward market prices and estimated quantities. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. Variations between the price recorded at the date when control is transferred to the buyer and the actual final price set under the smelting contracts are caused by changes in metal prices resulting in the receivable being recorded at FVTPL. In a period of high price volatility, as experienced under current economic conditions, the effect of mark-to-market price adjustments related to the quantity of metal which remains to be settled with independent smelters could be significant. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted.
- *Estimated recoverable ounces:* The carrying amounts of the Company's mining properties are depleted based on recoverable ounces. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to the Company's mine plans and changes in metal price forecasts can result in a change to future depletion rates.
- *Mineral reserve estimates:* The figures for mineral reserves and mineral resources are disclosed in accordance with National Instrument 43 - 101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators and in accordance with "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines – adopted November 29, 2019", prepared by the Canadian Institute of Mining, Metallurgy and Petroleum Mineral Resource and Mineral Reserve Committee. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- *Valuation of Inventory:* In determining mine production costs recognized in the consolidated statement of earnings, the Company makes estimates of quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories. Refer to Note 10 for details.
- *Depreciation and amortization rates for MPPE and mineral interests:* Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statement

of earnings prospectively. A change in the mineral reserve estimate for assets depreciated using the units of production method would impact depreciation expense prospectively.

- *Estimation of decommissioning and reclamation costs and the timing of expenditures:* The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the best estimate of expenditures required to settle the present obligation of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine at the end of its productive life. The carrying amount is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 16 for details on decommissioning and restoration costs.
- *Income taxes and recoverability of deferred tax assets:* In assessing the probability of realizing income tax assets recognized, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period. Refer to Note 30 for further discussion on income taxes.
- *Provisions and contingencies:* Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event the Company's estimates of the future resolution of these matters change, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. Refer to Note 31 for further discussion on contingencies.

7. MANAGEMENT OF CAPITAL

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing the growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus share option reserve plus deficit, plus investment revaluation reserve) with a balance of \$2.2 billion as at December 31, 2022 (2021 - \$2.6 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to externally imposed capital requirements and the Company's overall objective with respect to capital risk management remains unchanged from the year ended December 31, 2021.

8. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities by categories:

December 31, 2022	Amortized cost	FVTPL	FVTOCI	Total
Financial Assets:				
Cash and cash equivalents	\$ 107,005	\$ —	\$ —	\$ 107,005
Trade receivables from provisional concentrates sales ⁽¹⁾	—	50,258	—	50,258
Receivable not arising from sale of metal concentrates ⁽¹⁾	77,442	—	—	77,442
Short-term investments	—	35,337	—	35,337
Long-term investment ⁽²⁾	—	—	121,200	121,200
Derivative assets	—	2,883	—	2,883
	\$ 184,447	\$ 88,478	\$ 121,200	\$ 394,125
Financial Liabilities:				
Derivative liabilities	\$ —	\$ 1,780	\$ —	\$ 1,780
Debt	\$ 193,722	\$ —	\$ —	\$ 193,722

(1) Included in Trade and other receivables.

(2) The Company's investment in Maverix (Note 13).

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

(1) Included in Trade and other receivables.

b) Short-term investments recorded at FVTPL

The losses from short-term investments recorded at FVTPL for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
Unrealized losses on short-term investments	\$ (16,615)	\$ (60,355)
Realized gains on short-term investments	394	633
	\$ (16,221)	\$ (59,722)

c) Long-term investment recorded at FVTOCI

The losses from the Company's long-term investment (Note 13) recorded at FVTOCI for the year ended December 31, 2022 and 2021 were as follows:

	2022	2021
Unrealized loss on long-term investment	\$ (3,477)	\$ —

d) Derivatives

The Company's derivatives are comprised of foreign currency and commodity contracts. The gains (losses) on derivatives for the year ended December 31, 2022 and 2021 were comprised of the following:

	2022	2021
Realized gains on derivatives	\$ 9,877	\$ 9,156
Unrealized losses on derivatives	(2,541)	(3,763)
	\$ 7,336	\$ 5,393

e) Fair value information
i) Fair Value Measurement

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

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

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

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

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

	At December 31, 2022		At December 31, 2021	
	Level 1	Level 2	Level 1	Level 2
Assets and Liabilities:				
Short-term investments	\$ 35,337	\$ —	\$ 51,723	\$ —
Long-term investment	121,200	—	—	—
Trade receivables from provisional concentrate sales	—	50,258	—	40,020
Derivative assets	—	2,883	—	3,995
Derivative liabilities	—	(1,780)	—	(351)
	\$ 156,537	\$ 51,361	\$ 51,723	\$ 43,664

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 remain unchanged from that at December 31, 2021.

ii) Valuation Techniques
Short-term and long-term investments

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

Derivative assets and liabilities

The Company's derivative assets and liabilities were comprised of foreign currency and commodity contracts which are valued using observable market prices.

Receivables from provisional concentrate sales

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

f) Financial Instruments and related risks

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

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

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

i) Credit Risk

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

The Company has concentrate contracts to sell the zinc, lead, copper and silver concentrates produced by the Huaron, San Vicente and La Colorada mines. Concentrate contracts are a common business practice in the mining industry. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of concentrates. Should any of these counterparties not honour purchase arrangements, or should any of them become insolvent, the Company may incur losses for products already shipped and be forced to sell its concentrates on the spot market or it may not have a market for its concentrates and therefore its future operating results may be materially adversely impacted. At December 31, 2022, the Company had receivable balances associated with buyers of its concentrates of \$50.3 million (2021 - \$40.0 million). The vast majority of the Company's concentrate is sold to a limited number of concentrate buyers.

Doré production from La Colorada, Dolores, Manantial Espejo, Shahuindo, La Arena, and Timmins is refined under long-term agreements with fixed refining terms at seven separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At December 31, 2022, the Company had approximately \$37.0 million (2021 - \$52.3 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 refineries bear the risk of loss after metal inventories have been delivered to them.

The Company maintains trading facilities with several banks and bullion dealers for the purposes of transacting the Company's metal sales. None of these facilities are subject to margin arrangements. The Company's trading activities can expose the Company to the credit risk of its counterparties to the extent that the trading positions have a positive mark-to-market value. However, the Company maintains an active credit management and monitoring program to minimize the risk of excessive credit risk concentration with any single counterparty.

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

Supplier advances for products and services yet to be provided are a common practice in some jurisdictions in which we operate. These advances represent a credit risk to us to the extent that suppliers

do not deliver products or perform services as expected. As at December 31, 2022, we had made \$8.9 million of supplier advances (2021 - \$11.2 million), which are reflected in "Trade and other receivables" on the consolidated statements of financial position.

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

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

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 107,005	\$ 283,550
Trade accounts receivable ⁽¹⁾	50,258	40,020
Supplier advances ⁽¹⁾	8,914	11,228
Employee loans ⁽¹⁾	338	667

(1) Included in Trade and other receivables.

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

ii) Liquidity Risk

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

There was no material change to the Company's exposure to liquidity risk for the year ended December 31, 2022 and 2021.

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

Payments due by period 2022						
	Within 1 year	2 - 3 years	4 - 5 years	After 5 years	Total	
Accounts payable and accrued liabilities other than:	\$ 291,436	\$ —	\$ —	\$ —	\$ 291,436	
Severance liabilities	13,860	1,039	645	4,489	20,033	
Payroll liabilities	2,758	—	—	—	2,758	
Total accounts payable and accrued liabilities	308,054	1,039	645	4,489	314,227	
Income tax payables	25,833	—	—	—	25,833	
Derivative liabilities	1,780	—	—	—	1,780	
Debt						
Repayment of principal	13,712	173,435	6,575	—	193,722	
Interest and standby fees	11,222	17,681	125	—	29,028	
Provisions ⁽¹⁾⁽²⁾	3,448	2,423	—	1,081	6,952	
Future payroll liabilities	2,465	8,659	—	—	11,124	
Total contractual obligations ⁽²⁾	\$ 366,514	\$ 203,237	\$ 7,345	\$ 5,570	\$ 582,666	

(1) Total litigation provision (Note 16).

- (2) Amounts above do not include payments related to closure and decommissioning (current \$14.4 million, long-term \$281.8 million) discussed in Note 16, lease obligations discussed in Note 17, the \$20.8 million deferred credit arising from the Navidad acquisition discussed in Note 20, and deferred tax liabilities of \$140.3 million in Note 30.

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

(1) Total litigation provision (Note 16).

(2) Amounts above do not include payments related to closure and decommissioning (current \$5.3 million, long-term \$237.6 million) discussed in Note 16, lease obligations discussed in Note 17, the \$20.8 million deferred credit arising from the Navidad acquisition discussed in Note 20, and deferred tax liabilities of \$184.8 million in Note 30.

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.

The Company's net earnings are affected by the revaluation of its monetary assets and monetary liabilities at each balance sheet date. The Company has reviewed its monetary assets and monetary liabilities and is exposed to foreign exchange risk through financial assets and liabilities and deferred tax assets and liabilities denominated in currencies other than USD, as shown in the table below. The Company estimates that a 10% change in the exchange rate of the foreign currencies in which its December 31, 2022 non-USD net monetary liabilities were denominated would result in an income before taxes change of about \$10.7 million (2021 - \$19.3 million).

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

At December 31, 2022	Cash and short-term investments	Other current and non-current assets	Income taxes receivable (payable), current and non- current	Accounts payable and accrued liabilities and non- current liabilities	Deferred tax assets and liabilities
Canadian Dollar	\$ 40,904	\$ 2,602	\$ —	\$ (42,345)	\$ 24,048
Mexican Peso	3,082	32,587	12,649	(42,992)	(16,295)
Argentine Peso	9,348	9,339	856	(33,479)	—
Bolivian Boliviano	4,849	6,645	(5,154)	(8,655)	(4,492)
European Euro	40	—	—	—	—
Peruvian Sol	3,183	20,233	(523)	(28,873)	(87,719)
Guatemala quetzal	59	105	(63)	(7,265)	—
	\$ 61,465	\$ 71,511	\$ 7,765	\$ (163,609)	\$ (84,458)

At December 31, 2021	Cash and short-term investments	Other current and non-current assets	Income taxes receivable (payable), current and non- current	Accounts payable and accrued liabilities and non- current liabilities	Deferred tax assets and liabilities⁽¹⁾
Canadian Dollar	\$ 60,507	\$ 3,389	\$ —	\$ (27,448)	\$ 36,799
Mexican Peso	1,159	7,681	(14,633)	(25,985)	(64,297)
Argentine Peso	12,488	20,358	1,502	(19,525)	(13)
Bolivian Boliviano	8,397	499	(7,943)	(23,914)	(6,954)
European Euro	49	—	—	—	—
Peruvian Sol	8,585	17,295	(22,234)	(54,953)	(94,367)
Guatemala quetzal	169	539	(91)	(9,919)	—
	\$ 91,354	\$ 49,761	\$ (43,399)	\$ (161,744)	\$ (128,832)

At December 31, 2022, the Company had outstanding positions on its foreign currency exposure of Mexican peso ("MXN"), Peruvian sol ("PEN") and Canadian dollar ("CAD") purchases. The Company recorded the following derivative gains and losses on currencies for the year ended December 31, 2022 and 2021:

	2022	2021
Mexican peso gains (losses)	\$ 1,507	\$ (202)
Peruvian sol gains (losses)	3,471	(3,744)
Canadian dollar (losses) gains	(2,944)	851
	\$ 2,034	\$ (3,095)

2. Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The average interest rate earned by the Company during the year ended December 31, 2022 on its cash and short-term investments was 1.4% (2021 - 0.7%). A 10% increase or decrease in the interest earned from financial institutions on cash and short-term investments would not result in a material change in the Company's earnings before income taxes (2021 – nil).

On August 10, 2021 the Company entered into a \$500 million Sustainability-Linked Credit Facility ("SL-Credit Facility"), with a maturity date of August 8, 2025 (Note 18). The SL-Credit Facility incurred a weighted average interest rate of 5.7% during the year ended December 31, 2022 on amounts drawn. There were no amounts drawn on the SL-Credit Facility during the year ended December 31, 2021.

At December 31, 2022, the Company had \$33.1 million in lease obligations (2021 - \$30.6 million), that are subject to an annualized interest rate of 9.7% (2021 - 10.6%).

3. Price Risk

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

A 10% increase in all metal prices as at December 31, 2022, would result in an increase of approximately \$149.9 million (2021 - \$165.1 million) in the Company's revenues. A 10% decrease in all metal prices as at the same period would result in a decrease of approximately \$151.6 million (2021 - \$166.4 million) in the Company's revenues. The Company also enters into provisional concentrate contracts to sell the zinc, lead and copper concentrates. We have provisionally priced sales for which price finalization, referenced to the relevant zinc, lead, copper and silver index, is outstanding at the balance sheet date. A 10% increase in metals prices on open positions of zinc, lead, copper and silver for provisional concentrate contracts for the year ended December 31, 2022 would result in an increase of approximately \$4.9 million (2021 - \$7.2 million) in the Company's before tax earnings, which would be reflected in 2022 results. A 10% decrease in metal prices for the same period would result in a decrease of approximately \$4.9 million (2021 - \$7.2 million) in the Company's before tax earnings.

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

At December 31, 2022, the Company had outstanding derivative positions on its exposure to zinc and diesel. The Company recorded the following derivative gains and losses on commodities for the year ended December 31, 2022 and 2021:

	2022	2021
Zinc gains	\$ 1,701	\$ 137
Copper losses	—	(1,139)
Diesel gains	4,499	9,397
Other	(898)	94
	\$ 5,302	\$ 8,489

9. SHORT-TERM INVESTMENTS

	December 31, 2022			December 31, 2021		
	Fair Value	Cost	Accumulated unrealized holding gains	Fair Value	Cost	Accumulated unrealized holding gains
Short-term investments	\$ 35,337	\$ 20,781	\$ 14,556	\$ 51,723	\$ 20,419	\$ 31,304

10. INVENTORIES

Inventories consist of:

	December 31, 2022	December 31, 2021
Concentrate	\$ 31,380	\$ 30,647
Stockpile	31,309	43,216
Heap leach and in process	258,750	286,266
Doré and finished	86,776	81,448
Materials and supplies	89,715	84,529
Total inventories	\$ 497,930	\$ 526,106
Less: current inventories	\$ (471,630)	\$ (500,462)
Non-current inventories ⁽¹⁾	\$ 26,300	\$ 25,644

(1) Inventories at Escobal mine, which include \$19.0 million (2021 - \$18.3 million) in supplies with the remainder attributable to metals, have been classified as non-current pending the restart of operations.

Total inventories held at net realizable value amounted to \$135.8 million at December 31, 2022 (December 31, 2021 – \$203.7 million). The Company recorded write-downs of \$97.7 million for the year ended December 31, 2022 (2021 – write-downs of \$8.7 million) which were related primarily to heap leach inventories and were included in cost of sales (Note 22).

A portion of the stockpile ore amounting to \$0.9 million (2021 - \$4.4 million) and a portion of the heap leach inventory amounting to \$53.9 million (2021 - \$92.1 million) are expected to be recovered or settled after more than twelve months.

11. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment consist of:

	Mining Properties					Plant and Equipment	Total
	Depletable		Non-depletable		Exploration and Evaluation		
	Reserves and Resources	Reserves and Resources					
Carrying value							
As at January 1, 2022							
Net of accumulated depreciation	\$ 1,115,905	\$ 327,424	\$ 426,495	\$ 474,727	\$ 2,344,551		
Additions	237,339	42,808	—	20,470	300,617		
Disposals	(11,339)	—	—	(5,785)	(17,124)		
Depreciation and amortization ⁽¹⁾	(201,277)	(6,494)	—	(113,383)	(321,154)		
Depreciation charge captured in inventory	(19,470)	—	—	—	(19,470)		
Impairment charge	(73,723)	(478)	—	(24,863)	(99,064)		
Transfers	(122,720)	78,860	2,043	41,817	—		
Closure and decommissioning – changes in estimate (Note 16)	37,998	—	—	—	37,998		
As at December 31, 2022	\$ 962,713	\$ 442,120	\$ 428,538	\$ 392,983	\$ 2,226,354		
Cost as at December 31, 2022	\$ 3,123,604	\$ 617,364	\$ 841,344	\$ 1,281,366	\$ 5,863,678		
Accumulated depreciation and impairments	(2,160,891)	(175,244)	(412,806)	(888,383)	(3,637,324)		
Carrying value – December 31, 2022	\$ 962,713	\$ 442,120	\$ 428,538	\$ 392,983	\$ 2,226,354		

(1) Includes \$5.1 million of depreciation and amortization included in mine care and maintenance for the year ended December 31, 2022.

	Mining Properties					Total
	Depletable		Non-depletable		Plant and Equipment	
	Reserves and Resources	Reserves and Resources	Exploration and Evaluation	Exploration and Evaluation		
Carrying value						
As at January 1, 2021						
Net of accumulated depreciation	\$ 996,745	\$ 307,080	\$ 431,650	\$ 679,531	\$ 2,415,006	
Additions	210,484	31,971	7,253	16,766	266,474	
Disposals	(1,435)	—	(12,315)	(4,542)	(18,292)	
Depreciation and amortization ⁽¹⁾	(166,116)	(2,105)	—	(136,072)	(304,293)	
Depreciation charge captured in inventory	(21,249)	—	—	—	(21,249)	
Transfers	90,571	(9,522)	(93)	(80,956)	—	
Closure and decommissioning – changes in estimate (Note 16)	6,905	—	—	—	6,905	
As at December 31, 2021	\$ 1,115,905	\$ 327,424	\$ 426,495	\$ 474,727	\$ 2,344,551	
Cost as at December 31, 2021	\$ 3,140,594	\$ 343,705	\$ 839,427	\$ 1,288,392	\$ 5,612,118	
Accumulated depreciation and impairments	(2,024,689)	(16,281)	(412,932)	(813,665)	(3,267,567)	
Carrying value – December 31, 2021	\$ 1,115,905	\$ 327,424	\$ 426,495	\$ 474,727	\$ 2,344,551	

(1) Includes \$1.3 million of depreciation and amortization included in mine care and maintenance for the year ended December 31, 2021.

	December 31, 2022			December 31, 2021		
	Cost	Accumulated Depreciation ⁽⁴⁾	Carrying Value	Cost	Accumulated Depreciation ⁽⁴⁾	Carrying Value
Producing properties:						
Huaron, Peru	\$ 231,282	\$ (143,171)	\$ 88,111	\$ 224,700	\$ (141,902)	\$ 82,798
Morococha, Peru ⁽¹⁾	—	—	—	277,105	(188,821)	88,284
Shahuindo, Peru	636,466	(179,389)	457,077	590,096	(132,727)	457,369
La Arena, Peru	286,235	(142,979)	143,256	208,306	(105,006)	103,300
La Colorada, Mexico	403,698	(205,054)	198,644	355,471	(185,684)	169,787
Dolores, Mexico ⁽¹⁾	1,783,711	(1,586,424)	197,287	1,738,040	(1,350,908)	387,132
Manantial Espejo, Argentina ⁽¹⁾⁽³⁾	518,374	(518,374)	—	518,931	(500,244)	18,687
San Vicente, Bolivia	156,260	(119,336)	36,924	151,045	(110,829)	40,216
Timmins, Canada	359,414	(133,120)	226,294	335,488	(103,903)	231,585
Other	29,530	(21,427)	8,103	29,804	(18,330)	11,474
	\$ 4,404,970	\$ (3,049,274)	\$ 1,355,696	\$ 4,428,986	\$ (2,838,354)	\$ 1,590,632
Non-Producing Properties:						
Land	\$ 6,879	\$ (1,011)	\$ 5,868	\$ 6,373	\$ (871)	\$ 5,502
Navidad, Argentina ⁽¹⁾	566,577	(376,141)	190,436	566,577	(376,101)	190,476
Escobal, Guatemala	260,390	(3,078)	257,312	257,390	(1,842)	255,548
Timmins, Canada	63,043	—	63,043	63,018	—	63,018
Shahuindo, Peru	1,376	—	1,376	3,549	—	3,549
La Arena, Peru	117,000	—	117,000	117,005	—	117,005
Minefinders, Mexico ⁽¹⁾	77,210	(37,453)	39,757	78,443	(36,975)	41,468
La Colorada, Mexico	94,672	—	94,672	55,370	—	55,370
Morococha, Peru ⁽²⁾	238,827	(158,101)	80,726	2,981	—	2,981
Other	32,734	(12,266)	20,468	32,426	(13,424)	19,002
	\$ 1,458,708	\$ (588,050)	\$ 870,658	\$ 1,183,132	\$ (429,213)	\$ 753,919
Total	\$ 5,863,678	\$ (3,637,324)	\$ 2,226,354	\$ 5,612,118	\$ (3,267,567)	\$ 2,344,551

(1) Includes previously recorded impairment charges at December 31, 2022 of \$635.5 million (2021 - \$536.4 million) at Dolores, \$173.4 million (2021 - \$173.4 million) at Manantial Espejo, \$386.1 million (2021 - \$386.1 million) at Navidad, and \$37.0 million (2021 - \$37.0 million) at Minefinders.

(2) Morococha was placed on care and maintenance in February 2022.

(3) Manantial Espejo ceased production subsequent to year end.

(4) Includes impairments.

Dispositions

On March 29, 2022, the Company received a \$7.0 million payment from an arm's length party to be applied to certain costs associated with the closure and reclamation of the Morococha mine processing facility. This payment was included in proceeds from disposition of mineral properties, plant and equipment.

On June 28, 2021, the Company completed the sale of a portfolio of six precious metals royalties to Maverix and another counterparty for total consideration of \$9.5 million in cash and 491,071 common shares in Maverix valued at \$2.6 million (Note 13). As a result, the Company recorded a gain of \$0.8 million during the year ended December 31, 2021 in gains on sale of mineral properties, plant and equipment.

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

12. IMPAIRMENT

As at December 31, 2022, the Company reviewed its CGUs, represented by its principal producing mining properties and significant development projects, for indicators of impairment or impairment reversal. The CGU carrying amount for purposes of this assessment includes the carrying value of the mineral properties plant and equipment and goodwill less deferred tax liabilities and closure and decommissioning liabilities related to each CGU. The Company did not identify any indicators of impairment or impairment reversal at any of its CGUs.

The Company's impairment expense in respect of the following CGUs for the year ended December 31, 2022 were as follows:

	2022	2021
Dolores impairment expense	\$ 99,064	\$ —

Dolores

On June 30, 2022 the Company identified an impairment indicator in the Dolores Mine CGU due to the year-to-date 2022 silver and gold production being less than that expected by management, driven by an ore reconciliation shortfall experienced in a recent higher grade phase of the Dolores open pit mined in 2022, which was expected to affect production for the remainder of the year combined with the impact of inflationary pressures on this asset which has a shorter remaining mine life. Accordingly, management completed a recoverable value assessment of the Dolores Mine CGU, with the Company recognizing an impairment expense of \$99.1 million, against the carrying value of the Dolores Mine CGU at June 30, 2022, and recorded an NRV adjustment of \$55.4 million (Note 10) (Collectively, the "Dolores Impairment").

The recoverable amount was determined applying a fair value less cost to sell methodology based on future after-tax cash flows expected to be derived from Dolores Mine discounted with a 6% weighted average cost of capital, a Level 3 fair value measurement. The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, changes in the amount of recoverable reserves, production costs estimates and capital expenditures estimates. For the year ended December 31, 2022, the Company's impairment testing incorporated the following key assumptions:

a) Pricing Assumptions

Metal pricing included in the cash flow projections is based on consensus analyst pricing. The metal price assumptions used in the impairment assessment were the following:

	At June 30, 2022	
	2022-2025 Average	2026 and long-term
Gold (per ounce)	\$ 1,802	\$ 1,651
Silver (per ounce)	23.56	21.77

b) Additional Dolores-specific assumptions affecting the recoverable amount assessment

In 2022, the recoverable amount of the Dolores Mine CGU was negatively impacted by the following:

- i) the updated mineral resource and remaining life of mine plan indicates a reduction in the assumed grades for a phase to be mined in 2022, following 2022 year-to-date silver and gold production being less than expected due to lower than expected grades encountered in this section of the open pit;
- ii) inflationary pressures, which have particularly affected this shorter-life asset where most of the mining will be completed in the next two years;
- iii) the suspension of underground mining operations in the first half of 2022 due to inflationary cost pressures, and the subsequent reclassification of underground mineral reserves to mineral resources; and,
- iv) a reduction in the expected duration of leaching to the year 2030.

13. LONG-TERM INVESTMENT

The following table shows a continuity of the Company's investment in Maverix which was initially classified as an equity investee and subsequently as a long-term investment recorded at FVTOCI:

	Long-term investment	Investment in Associate		
At December 31, 2020	\$ —	\$ 71,560	\$	71,560
Acquisition of shares in associate	—	2,616		2,616
Equity pick-up from equity investees	—	4,510		4,510
Dilution losses	—	(34)		(34)
Adjustment for change in ownership interest	—	(22)		(22)
Dividends received	—	(1,220)		(1,220)
At December 31, 2021	\$ —	\$ 77,410	\$	77,410
Equity pick-up from equity investees	—	413		413
Dividends received	—	(325)		(325)
Loss of significant influence	124,677	(77,498)		47,179
Investment revaluation reserve fair value adjustment	(3,477)	—		(3,477)
At December 31, 2022	\$ 121,200	\$ —	\$	121,200

On January 19, 2023, Triple Flag Precious Metals Corp. ("Triple Flag") and Maverix completed a plan of arrangement in which Triple Flag issued a total of 45.1 million common shares and \$86.7 million in cash to former Maverix shareholders (the "Maverix Sale"). As a result, the Company received \$58.8 million in cash and 3,954,471 Triple Flag shares in exchange for its interest in Maverix comprised of 25,974,571 common shares. On January 26, 2023, the Company sold its entire interest in Triple Flag for net proceeds of \$46.5 million after \$1.3 million in commission fees.

On March 31, 2022, the Company determined that it no longer held significant influence over Maverix due to declining to exercise its right to nominate a representative to serve as a director on Maverix's Board of Directors and accordingly the Company no longer has the power to participate in the financial and operating policy decisions of Maverix. As a result, the Company recorded a \$44.6 million gain concurrent with the redesignation of its investment in Maverix from Investment in Associate, accounted using the "equity method" whereby the Company recorded in income its ownership proportion of Maverix estimated earnings, into a long-term financial asset recorded at FVTOCI.

The Company's share of Maverix income or loss was recorded based on its 17% interest up until March 31, 2022, representing the Company's fully diluted ownership.

14. GOODWILL AND OTHER ASSETS

Other assets consist of:

	December 31, 2022	December 31, 2021
Goodwill	\$ 2,775	\$ 2,775
Equity investments	2,059	1,247
Other assets	1,075	1,124
	\$ 5,909	\$ 5,146

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

	December 31, 2022	December 31, 2021
Trade accounts payable ⁽¹⁾	\$ 88,808	\$ 77,461
Royalty payables	20,886	24,113
Other accounts payable and accrued liabilities	111,282	107,207
Payroll and severance liabilities	66,608	64,968
Value added tax liabilities	8,508	12,006
Other tax payables	11,962	20,332
	\$ 308,054	\$ 306,087

(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.

16. PROVISIONS

	2022	2021
Closure and decommissioning, opening balance	\$ 242,861	\$ 235,110
Revisions in estimates and obligations incurred	42,754	6,278
Reclamation expenditures	(4,228)	(5,997)
Accretion expense (Note 25)	14,841	7,470
Closure and decommissioning, closing balance	\$ 296,228	\$ 242,861
Litigation	6,952	5,291
Total provisions	\$ 303,180	\$ 248,152

Provision classification:	December 31, 2022	December 31, 2021
Current	\$ 17,853	\$ 8,041
Non-current	285,327	240,111
	\$ 303,180	\$ 248,152

Closure and Decommissioning Cost Provision

The inflated and discounted provisions on the statement of financial position as at December 31, 2022, using inflation rates of between 2% and 6% (2021 – between 1% and 5%) and discount rates of between 3% and 11% (2021 - between 1% and 9%), was \$296.2 million (2021 - \$242.9 million). Revisions made to the reclamation obligations in 2022 were primarily a result of increased site disturbance at the mines as well as revisions to the estimate based on periodic reviews of closure plans, actual expenditures incurred and concurrent closure activities completed. These obligations will be funded from operating cash flows, reclamation deposits and cash on hand.

The accretion expense charged to 2022 earnings as finance expense was \$14.8 million (2021 - \$7.5 million). Reclamation expenditures paid during the current year were \$4.2 million (2021 - \$6.0 million).

Litigation Provision

The litigation provision, as at December 31, 2022 and 2021, consists primarily of amounts accrued for labour claims at several of the Company's mine operations. The balance of \$7.0 million at December 31, 2022 (2021 - \$5.3 million) represents the Company's best estimate for all known and anticipated future obligations related to the above claims. The amount and timing of any expected payments are uncertain as their determination is outside the control of the Company.

17. LEASES

a. ROU assets

The following table summarizes changes in ROU assets for the year ended December 31, 2022, which have been recorded in mineral properties, plant and equipment on the consolidated statements of financial position:

	December 31, 2022	December 31, 2021
Opening net book value	\$ 29,496	\$ 33,543
Additions	18,977	9,924
Depreciation	(14,961)	(12,444)
Other	(3,249)	(1,527)
Closing net book value	\$ 30,263	\$ 29,496

b. Lease obligations

The following table presents a reconciliation of the Company's undiscounted cash flows at December 31, 2022 and December 31, 2021 to their present value for the Company's lease obligations:

	December 31, 2022	December 31, 2021
Within one year	\$ 14,139	\$ 11,690
Between one and five years	17,592	16,676
Beyond five years	14,412	16,934
Total undiscounted lease obligations	46,143	45,300
Less future interest charges	(13,029)	(14,739)
Total discounted lease obligations	33,114	30,561
Less: current portion of lease obligations	(13,608)	(10,663)
Non-current portion of lease obligations	\$ 19,506	\$ 19,898

18. DEBT

	December 31, 2021		Proceeds	Repayments	December 31, 2022	
SL-Credit Facility	\$	—	\$ 160,000	\$	—	\$ 160,000
Other		15,300	23,661		5,239	33,722
Less: current portion	\$	(3,400)	\$	—	\$	(13,712)
Non-current	\$	11,900	\$ 183,661	\$	5,239	\$ 180,010

	December 31, 2020		Proceeds	Repayments	December 31, 2021	
SL-Credit Facility	\$	—	\$	—	\$	—
Other		—	17,000		1,700	15,300
Less: current portion	\$	—	\$	—	\$	(3,400)
Non-current	\$	—	\$ 17,000	\$	1,700	\$ 11,900

SL-Credit Facility

In November 2022, as agreed under the terms of the Transaction (Note 1), the Company provided Yamana \$150 million towards a termination fee payable to Gold Fields Limited (“Gold Fields”) in connection with the now terminated acquisition proposal of Yamana by Gold Fields (Note 24). To fund this payment and other transaction and integration costs during the fourth quarter of 2022, the Company drew proceeds of \$160 million from its SL-Credit Facility. Please refer to Note 33 for further details.

On August 10, 2021, Pan American entered into an amendment agreement to amend and extend its \$500 million Credit Facility, with a maturity date of February 1, 2023, into a \$500 million SL-Credit Facility that matures on August 8, 2025. The SL-Credit Facility features a mechanism that allows for pricing adjustments on drawn and undrawn balances based on the Company's sustainability performance ratings and scores published by MSCI and S&P Global. In addition, the financial covenants include the requirement for the Company to maintain: (i) a leverage ratio less than or equal to 3.5:1; and (ii) an interest coverage ratio more than or equal to 3.0:1. The Company was in compliance with all covenants required by the SL-Credit Facility.

The SL-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 borrowing costs under the Company's SL-Credit Facility are based on the Company's leverage ratio subject to pricing adjustments based on the Company's sustainability performance ratings and scores at either (i) LIBOR plus 1.825% to 2.80% or; (ii) The Bank of Nova Scotia's Base Rate on U.S. dollar denominated commercial loans plus 0.825% to 1.80%. Undrawn amounts under the SL-Credit Facility are subject to a stand-by fee of 0.41% to 0.63% per annum, dependent on the Company's leverage ratio and subject to pricing adjustments based on sustainability performance ratings and scores.

Other loans

From May 2022 to December 2022, the Company entered into Peruvian USD denominated promissory notes with a local financial institution in Peru, maturing in under 30 days, to provide short-term funding for the purpose of certain construction activities in advance of entering into term loans. In June 2021 and May 2022, the Company entered into Peruvian USD denominated five-year Loans with that same local financial institution for construction financing. The promissory notes bear a 5.6% interest rate per annum and the June 2021 loan bears a 3.6% interest rate per annum and requires quarterly repayments while the May 2022 loan bears 2.2% interest per annum and requires monthly repayments.

19. DEFERRED REVENUE

On July 11, 2016, the Company recognized a deferred revenue liability from its sale of precious metal streams to Maverix 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, respectively (the "Streams"). The obligation for the Streams was not impacted by the Maverix Sale (Note 13).

The deferred revenue related to the Streams will be recognized as revenue by Pan American as the gold ounces are delivered to Maverix and increased by \$2.5 million during the three months ended March 31, 2022 to record the deferred revenue previously not recognized while using the equity method of accounting after concluding that it no longer held significant influence of Maverix. The deferred revenue liability was \$13.9 million at December 31, 2022 (December 31, 2021 - \$12.5 million).

20. OTHER LONG-TERM LIABILITIES

Other long term liabilities consist of:

	December 31, 2022	December 31, 2021
Deferred credit ⁽¹⁾	\$ 20,788	\$ 20,788
Other tax payables	—	16
Severance liabilities	6,172	4,887
	\$ 26,960	\$ 25,691

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

21. SHARE CAPITAL AND EMPLOYEE COMPENSATION PLANS

a. Stock options and compensation shares

For the year ended December 31, 2022, the total share-based compensation expense relating to stock options and compensation shares was \$3.9 million (2021 - \$5.1 million) and is presented as a component of general and administrative expense.

- *Stock options*

During the year ended December 31, 2022, the Company granted 191,649 (2021 – 53,115) stock options.

During the year ended December 31, 2022, the Company issued 79,542 (2021 – 65,780) common shares in connection with the exercise of stock options.

- *Compensation shares*

During the year ended December 31, 2022, the Company issued 14,745 (2021 - 9,646) common shares to the Board of Directors in lieu of Directors' fees of \$0.3 million (2021 - \$0.3 million).

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

	Stock Options Outstanding	
	Shares	Weighted Average Exercise Price CAD\$
As at December 31, 2020	317,417	\$ 18.78
Granted	53,115	30.70
Exercised	(65,780)	11.77
Expired	(2,162)	41.62
Forfeited	(23,587)	32.27
As at December 31, 2021	279,003	\$ 21.38
Granted	191,649	22.95
Exercised	(79,542)	15.12
Expired	(4,324)	41.62
Forfeited	(9,819)	31.32
As at December 31, 2022	376,967	\$ 23.01

The following table summarizes information about the Company's stock options outstanding at December 31, 2022:

Range of Exercise Prices CAD\$	Options Outstanding			Options Exercisable	
	Number Outstanding as at December 31, 2022	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price CAD\$	Number Outstanding as at December 31, 2022	Weighted Average Exercise Price CAD\$
\$17.53 - \$23.03	290,657	5.6	\$ 21.17	99,008	\$ 17.72
\$23.04 - \$28.54	35,409	2.7	\$ 25.35	35,409	\$ 25.35
\$28.55 - \$34.04	43,993	5.9	\$ 30.70	14,668	\$ 30.70
\$34.05 - \$39.48	6,908	4.9	\$ 39.48	6,908	\$ 39.48
	376,967	5.3	\$ 23.01	155,993	\$ 21.64

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

	2022	2021
Expected life (years)	4.5	4.0
Expected volatility	44.3 %	44.0 %
Expected dividend yield	2.7 %	2.4 %
Risk-free interest rate	3.4 %	1.9 %
Weighted average exercise price (CAD\$)	\$ 22.95	\$ 30.70
Weighted average fair value (CAD\$)	\$ 7.69	\$ 9.39

b. PSUs

PSUs are notional share units that mirror the market value of the Company's common shares. Each vested PSU entitles the participant to a cash payment equal to the value of an underlying share, less applicable taxes, at the end of the term, plus the cash equivalent of any dividends distributed by the Company during the three-year performance period. PSU grants will vest on the date that is three years from the date of grant subject to certain exceptions. Performance results at the end of the performance period relative to predetermined performance criteria and the application of the corresponding performance multiplier determine how many PSUs vest for each participant. The Board of Directors approved the issuance of 150,469 PSUs for 2022 with a share price of CAD \$21.16 (2021 - 79,417 PSUs approved at a share price of CAD \$32.72). The Company recorded a \$nil and \$1.9 million expense, respectively, in general and administrative expense for PSUs for the years ended December 31, 2022 and 2021.

The following table summarizes changes in PSUs for the years ended December 31, 2022 and 2021:

PSU	Number Outstanding	Fair Value
As at December 31, 2020	255,559	\$ 8,870
Granted	79,417	2,049
Paid out	(117,328)	(4,539)
Change in value	—	(901)
As at December 31, 2021	217,648	\$ 5,479
Granted	150,469	2,456
Paid out	(80,159)	(828)
Change in value	—	(2,319)
As at December 31, 2022	287,958	\$ 4,788

c. RSUs

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

The Company recorded a \$1.5 million and \$1.8 million expense, respectively, in general and administrative expense for RSUs for the years ended December 31, 2022 and 2021.

The following table summarizes changes in RSUs for the years ended December 31, 2022 and 2021:

RSU	Number Outstanding	Fair Value
As at December 31, 2020	396,572	\$ 13,730
Granted	240,366	5,818
Paid out	(197,320)	(4,829)
Forfeited	(13,218)	(329)
Change in value	—	(3,699)
As at December 31, 2021	426,400	\$ 10,691
Granted	341,060	5,567
Paid out	(198,344)	(3,402)
Forfeited	(17,324)	(283)
Change in value	—	(3,453)
As at December 31, 2022	551,792	\$ 9,120

d. Authorized share capital

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

e. Dividends

The Company declared the following dividends for the years ended December 31, 2022 and 2021:

Declaration date	Record date	Dividend per common share
February 22, 2023 ⁽¹⁾	March 6, 2023	\$ 0.10
November 9, 2022	November 21, 2022	\$ 0.10
August 10, 2022	August 22, 2022	\$ 0.11
May 11, 2022	May 24, 2022	\$ 0.12
February 23, 2022	March 7, 2022	\$ 0.12
November 9, 2021	November 22, 2021	\$ 0.10
August 10, 2021	August 23, 2021	\$ 0.10
May 12, 2021	May 25, 2021	\$ 0.07
February 17, 2021	March 1, 2021	\$ 0.07

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

f. CVRs

As part of the acquisition of Tahoe Resources Inc ("Tahoe"), on February 22, 2019, the Company issued 313,887,490 Contingent Value Rights ("CVRs"), with a term of 10 years, which were convertible into 15,600,208 common shares upon the first commercial shipment of concentrate following the restart of operations at the Escobal mine. As of December 31, 2022 and 2021, there were 313,883,990 CVRs outstanding which are convertible into 15,600,034 common shares.

22. PRODUCTION COSTS

Production costs are comprised of the following:

	2022	2021
Materials and consumables	\$ 414,302	\$ 381,446
Salaries and employee benefits ⁽¹⁾	310,715	317,081
Contractors	232,096	226,095
Utilities	56,204	48,675
Other expenses	30,843	34,165
Changes in inventories ⁽²⁾	50,271	(81,983)
	\$ 1,094,431	\$ 925,479

(1) Salaries and employee benefits is comprised of:

	2022	2021
Wages, salaries and bonuses	\$ 328,384	\$ 352,736
Severances ⁽³⁾	23,884	—
Share-based compensation	3,936	5,128
Total employee compensation and benefit expenses	356,204	357,864
Less: Expensed within General and Administrative expenses	(26,179)	(31,230)
Less: Expensed within Care and Maintenance expenses	(11,721)	(4,310)
Less: Expensed within Exploration expenses	(7,589)	(5,243)
Employee compensation and benefits expenses included in production costs	\$ 310,715	\$ 317,081

(2) Includes NRV adjustments to inventory to increase production costs by \$97.7 million for the year ended December 31, 2022 (2021 - increase by \$8.7 million).

(3) Includes \$15.5 million, \$5.6 million and \$2.8 million of severances at Manantial Espejo, Morococha and Dolores respectively for the year ended December 31, 2022 (2021 - \$nil).

23. MINE CARE AND MAINTENANCE

	2022	2021
Escobal	\$ 24,594	\$ 24,357
Morococho ⁽¹⁾	15,533	—
Navidad	4,996	7,423
	\$ 45,123	\$ 31,780

(1) Morococho was placed on care and maintenance in February 2022.

24. TRANSACTION AND INTEGRATION COSTS

Pursuant to the Transaction (Note 1), during the fourth quarter of 2022, the Company provided \$150.0 million to Yamana towards a termination fee payable to Gold Fields Limited ("Gold Fields"). Please refer to Note 33 for further details.

	2022	2021
Termination fee	\$ 150,000	\$ —
Legal and advisory fees	6,814	—
Other	520	—
	\$ 157,334	\$ —

25. INTEREST AND FINANCE EXPENSE

	2022	2021
Interest expense	\$ 5,311	\$ 3,660
Finance fees	2,311	5,068
Accretion expense (Note 16)	14,841	7,470
	\$ 22,463	\$ 16,198

26. EARNINGS PER SHARE ("EPS")

	2022			2021		
	Earnings ⁽¹⁾	Shares (000's)	EPS	Earnings	Shares (000's)	EPS
Net (loss) earnings	\$ (341,748)			\$ 97,428		
Basic (loss) earnings per share	\$ (341,748)	210,521	\$ (1.62)	\$ 97,428	210,298	\$ 0.46
Effect of dilutive securities:						
Stock options	—	—		—	137	
Diluted (loss) earnings per share	\$ (341,748)	210,521	\$ (1.62)	\$ 97,428	210,435	\$ 0.46

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

The following securities were excluded in the computation of diluted earnings per share because they were anti-dilutive but they have the potential to dilute basic earnings per share in the future:

	2022	2021
Potential dilutive securities:		
Share options	376,967	65,044
Potential shares from CVR conversion ⁽¹⁾	15,600,034	15,600,034
	15,977,001	15,665,078

(1) There were 313,883,990 CVRs outstanding at December 31, 2022 (2021 - 313,883,990)

27. SUPPLEMENTAL CASH FLOW INFORMATION

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

Other operating activities	2022	2021
Adjustments for non-cash statement of earnings items:		
Unrealized foreign exchange losses	\$ 12,840	\$ 6,703
Interest expense (Note 25)	5,311	3,660
Gains on derivatives (Note 8(d))	(7,336)	(5,393)
Share-based compensation expense	3,936	5,128
Losses (gains) on disposition of mineral properties, plant and equipment (Note 11)	2,439	(32,167)
	\$ 17,190	\$ (22,069)

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

Changes in non-cash operating working capital items:	2022	2021
Trade and other receivables	\$ (12,692)	\$ (2,874)
Inventories	(50,035)	(82,885)
Prepaid expenses	2,546	1,049
Accounts payable and accrued liabilities	20,711	18,086
Provisions	(2,567)	(4,445)
	\$ (42,037)	\$ (71,069)

Cash and Cash Equivalents	December 31, 2022	December 31, 2021
Cash in banks	\$ 107,005	\$ 283,550

28. SEGMENTED INFORMATION

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

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

For the year ended December 31, 2022

Segment/ Country	Mine	Revenue	Production costs and royalties	Depreciation	Mine operating earnings	Capital expenditures ⁽¹⁾
Silver Segment:						
Mexico	La Colorada	\$ 155,039	\$ 98,695	\$ 20,249	\$ 36,095	\$ 91,682
Peru	Huaron	145,730	100,511	11,836	33,383	15,574
	Morococha ⁽²⁾	22,059	20,642	2,332	(915)	1,252
Bolivia	San Vicente	76,935	59,596	8,744	8,595	7,156
Argentina	Manantial Espejo ⁽³⁾	105,073	112,670	23,050	(30,647)	4,263
Guatemala	Escobal	—	—	—	—	1,606
Total Silver Segment		504,836	392,114	66,211	46,511	121,533
Gold Segment:						
Mexico	Dolores	303,934	301,892	129,803	(127,761)	35,855
Peru	Shahuindo	266,375	146,179	44,503	75,693	44,604
	La Arena	175,865	103,869	34,674	37,322	47,970
Canada	Timmins	243,708	186,266	38,640	18,802	37,652
Total Gold Segment		989,882	738,206	247,620	4,056	166,081
Other segment:						
Canada	Pas Corp	—	—	439	(439)	348
Argentina	Navidad	—	—	—	—	50
Other	Other	—	—	1,766	(1,766)	1,509
Total		\$ 1,494,718	\$ 1,130,320	\$ 316,036	\$ 48,362	\$ 289,521

(1) Includes payments for mineral properties, plant and equipment and payment of equipment leases.

(2) Morococha was placed on care and maintenance in February 2022.

(3) Manantial Espejo ceased production subsequent to year end.

For the year ended December 31, 2021

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

(1) Includes payments for mineral properties, plant and equipment and payment of equipment leases.

At December 31, 2022

Segment/Country	Mine	Assets	Liabilities	Net assets
Silver Segment:				
Mexico	La Colorada	\$ 375,381	\$ 52,018	\$ 323,363
Peru	Huaron	122,535	51,486	71,049
	Morococha ⁽¹⁾	102,193	31,240	70,953
Bolivia	San Vicente	82,509	47,380	35,129
Argentina	Manantial Espejo ⁽²⁾	47,772	40,477	7,295
Guatemala	Escobal	291,118	19,374	271,744
Total Silver Segment		1,021,508	241,975	779,533
Gold Segment:				
Mexico	Dolores	415,143	155,772	259,371
Peru	Shahuindo	602,443	199,560	402,883
	La Arena	368,277	155,120	213,157
Canada	Timmins	382,043	67,971	314,072
Total Gold Segment		1,767,906	578,423	1,189,483
Other segment:				
Canada	Pas Corp	178,986	182,920	(3,934)
Argentina	Navidad	193,923	2,600	191,323
	Other	86,175	40,962	45,213
Total		\$ 3,248,498	\$ 1,046,880	\$ 2,201,618

(1) Morococha was placed on care and maintenance in February 2022.

(2) Manantial Espejo ceased production subsequent to year end.

At December 31, 2021

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

Product Revenue

	2022	2021
Refined silver and gold	\$ 1,106,793	\$ 1,177,388
Zinc concentrate	98,341	119,059
Lead concentrate	167,673	145,524
Copper concentrate	65,096	133,025
Silver concentrate	56,815	57,754
Total	\$ 1,494,718	\$ 1,632,750

The Company has 26 customers that account for 100% of the concentrate and silver and gold sales revenue. The Company has 3 customers that accounted for 28%, 14% and 12% of total sales in 2022, and 4 customers that accounted for 21%, 13%, 12%, and 11% of total sales in 2021. The loss of certain of these customers or curtailment of purchases by such customers could have a material adverse effect on the Company's financial performance, financial position, and cash flows.

29. OTHER EXPENSE (INCOME)

	2022	2021
Change in closure and decommissioning estimates ⁽¹⁾	\$ 4,694	\$ 246
Change in provisions	5,011	1,323
Investment income	(5,371)	(484)
Other income	(2,219)	(1,121)
Total	\$ 2,115	\$ (36)

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

30. INCOME TAXES

Components of Income Tax Expense

	2022	2021
Current tax expense (recovery)		
Recognized in profit or loss in current year	\$ 85,325	\$ 134,947
Adjustments recognized in the current year with respect to prior years	(2,308)	147
	83,017	135,094
Deferred tax expense (recovery)		
Deferred tax expense (recovery) recognized in the current year	(34,184)	14,194
Adjustments recognized in the current year with respect to prior years	366	56
Derecognition of previously unrecognized deferred tax assets	9,065	—
Benefit from previously unrecognized losses, and other temporary differences	—	508
Impact of impairments on deferred tax assets and liabilities	(3,825)	—
Decrease in deferred tax liabilities due to tax impact of NRV charge to inventory	(15,321)	(3,423)
	(43,899)	11,335
Income tax expense	\$ 39,118	\$ 146,429

Income tax expense differs from the amounts that would result from applying the Canadian federal and provincial income tax rates to earnings before income tax. These differences result from the items shown on the following table, which result in an effective tax rate that varies considerably from the comparable period. The factors which have affected the effective tax rate for the year ended December 31, 2022 and the comparable period of 2021 were changes in the recognition of certain deferred tax assets primarily due to the Dolores impairment, foreign exchange fluctuations, mining taxes paid, and withholding taxes on payments from foreign subsidiaries.

In the year ended December 31, 2022, as a result of terminating its arrangement agreement with Gold Fields Limited, Yamana was required to pay Gold Fields Limited a termination fee of \$300 million. One-half of this amount was funded by the Company. The Company has treated this as a capital cost of acquiring Yamana Gold Inc., pursuant to the applicable Canadian income tax legislation. Since the Company controls the timing of the reversal of this deductible temporary difference, no deferred tax benefit could be recorded for this amount. The tax impact caused by this treatment effectively increased tax expense by \$39.8 million in the current quarter.

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

	2022	2021
Earnings (loss) before taxes and non-controlling interest	\$ (300,945)	\$ 244,991
Statutory Canadian income tax rate	27.00 %	27.00 %
Income tax expense (recovery) based on above rates	\$ (81,255)	\$ 66,148
Increase (decrease) due to:		
Non-deductible expenditures	7,465	6,192
Foreign tax rate differences	(11,717)	15,969
Change in net deferred tax assets not recognized ⁽¹⁾	22,296	20,574
Derecognition of deferred tax assets previously recognized ⁽²⁾	50,356	—
Effect of other taxes paid (mining and withholding)	15,658	25,846
Effect of foreign exchange on tax expense	(21,541)	14,337
Non-taxable impact of foreign exchange	6,310	(1,203)
Change in non-deductible portion of reclamation liabilities	12,157	2,380
Unrecognized tax benefit on termination fee related to the Yamana acquisition	39,750	—
Other	(361)	(3,814)
Income tax expense	\$ 39,118	\$ 146,429
Effective income tax rate	(13.00)%	59.77 %

(1) Includes deferred taxes related to amounts recorded in other comprehensive income for the year-end December 31, 2022 of \$0.5 million with no amounts recognized in the comparative period.

(2) Attributable to the loss of attributes resulting from the Dolores impairment in Q2 2022 (Note 12).

Deferred tax assets and liabilities

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

	2022	2021
Net deferred tax liabilities, beginning of year	\$ (128,832)	\$ (117,461)
Recognized in net earnings in the year	43,899	(11,335)
Recognized in other comprehensive income (loss) in year ⁽¹⁾	469	—
Other	6	(36)
Net deferred liabilities, end of year	(84,458)	(128,832)
Deferred tax assets	55,879	55,953
Deferred tax liabilities	(140,337)	(184,785)
Net deferred tax liabilities	\$ (84,458)	\$ (128,832)

(1) Deferred tax impact related to unrealized loss on long-term investment (see Note 13).

Components of deferred tax assets and liabilities

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

	2022	2021
Deferred tax assets (liabilities) arising from:		
Closure and decommissioning costs	\$ 23,482	\$ 27,742
Tax losses, resource pools and mining tax credits	83,819	92,928
Deductible Mexican mining taxes	3,974	4,682
Accounts payable and accrued liabilities	26,920	22,119
Trade and other receivables	17,634	29,163
Provision for doubtful debts and inventory adjustments	3,136	(28,153)
Short-term investments	(11,665)	(7,941)
Mineral properties, plant, and equipment	(217,255)	(245,126)
Estimated sales provisions	(19,263)	(30,466)
Other temporary differences and provisions	4,760	6,220
Net deferred tax liabilities	\$ (84,458)	\$ (128,832)

At December 31, 2022, the net deferred tax liability above included the deferred tax asset of \$83.8 million, which includes the benefits from tax losses (\$28.1 million) and resource pools (\$55.7 million). The decrease of \$9.1 million in this deferred tax asset is mainly due to the slower than expected utilization of tax attributes against income from Timmins West and Bell Creek, which resulted in the de-recognition of the benefits associated with resource pools for these mines. The losses will begin to expire after the 2024 year end, if unused.

At December 31, 2021, the net deferred tax liability above included the deferred tax asset of \$92.9 million, which includes the benefits from tax losses (\$26.4 million) and resource pools (\$66.5 million). The decrease in this deferred tax asset is mainly due to the unrealized losses on short-term investments. In prior years, the accumulated unrealized gains on short-term investments necessitated the recognition of this offsetting deferred tax asset. The current year's decrease in accumulated unrealized gains has resulted in a consequential reduction to this offsetting deferred tax asset. Since the accumulated unrealized gains decreased during 2021, the benefit associated with the offsetting losses was de-recognized. The losses will begin to expire after the 2024 year end, if unused.

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

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

	2022	2021
Operating tax loss	\$ 383,231	\$ 366,351
Net capital tax loss	36,817	35,801
Resource pools and other tax credits ⁽¹⁾	87,012	49,230
Financing fees	1,368	1,050
Mineral properties, plant, and equipment	207,182	127,945
Closure and decommissioning costs	207,261	143,080
Exploration and other expenses not currently deductible	26,300	33,837
Intercompany debt	23,449	17,956
Doubtful debt and inventory	18,631	24,624
Payroll and vacation accruals	35,799	6,168
Other temporary differences	14,057	6,154
	\$ 1,041,107	\$ 812,196

(1) Includes tax credits which will begin to expire after 2027 year end, if unused.

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

At December 31, 2022

	Canada	US	Peru	Mexico	Barbados	Argentina	Total
2023	\$ —	\$ 360	\$ —	\$ 289	\$ 70	\$ 4	\$ 723
2024	—	419	275	312	30	10	1,046
2025 – and after	342,244	10,980	271	2,320	318	25,329	381,462
Total tax losses	\$ 342,244	\$ 11,759	\$ 546	\$ 2,921	\$ 418	\$ 25,343	\$ 383,231

At December 31, 2021

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

Taxable temporary differences associated with investment in subsidiaries

As at December 31, 2022, taxable temporary differences of \$286.0 million (2021 – \$282.0 million) associated with the investments in subsidiaries have not been recognized as the Company is able to control the timing of the reversal of these differences which are not expected to reverse in the foreseeable future.

31. CONTINGENCIES

The following is a summary of the contingent matters and obligations relating to the Company as at December 31, 2022.

General

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

Environment

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

Estimated future reclamation costs are based on the extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company's environmental policies. As of December 31, 2022, \$296.2 million (2021 - \$242.9 million) was accrued for reclamation costs relating to mineral properties (Note 16).

Tax

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

Title

The validity of our mining or exploration titles or claims or rights, which constitute most of our property holdings, can be uncertain and may be contested. Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, unregistered prior agreements or transfers, Indigenous land claims, or undetected title defects. In some cases, we do not own or hold rights to the mineral concessions we mine, and our rights may be contractual in nature. We have not conducted surveys of all the claims in which we hold direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The land title system is also not well developed in some countries and may rely on informal, hereditary or possessory rights. Such informal systems can create significant uncertainty in obtaining and maintaining ownership or rights of access, in defining precise locations or clear boundaries to properties, and substantiating rights if challenged. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims, or that such exploration and mining titles or claims will not be challenged or impugned by

third parties. Any defects in title to our properties, or the revocation of or challenges to our rights to mine, could have a material adverse effect on our operations and financial condition.

Legal Proceedings

We are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities. Many of these claims are from current or ex-employees, or employees of former or current owners of our operations, such as the Quiruvilca-related claims in Peru, which could, in the aggregate, be of significant value, and include alleged improper dismissals, workplace illnesses, such as silicosis, and claims for additional profit-sharing and bonuses in prior years.

We may become subject to class action lawsuits. For example, in mid-2017, Tahoe, which was acquired by us in late February 2019, and certain of its former directors and officers became the subject of three purported class action lawsuits filed in the United States that center primarily around alleged misrepresentations. These U.S. class action lawsuits were later consolidated into one class action suit that is ongoing. In October 2018, Tahoe learned that a similar proposed class action lawsuit had been filed in the Superior Court of Ontario. These lawsuits seek significant damages. Tahoe has disputed the allegations made in these suits, however the outcomes are not determinable at this time.

We may also be subject to proceedings in our commercial relationships. While we would, where available and appropriate to do so, defend against any such allegations, if we are unsuccessful in our defense of these claims, we may be subject to significant losses.

Furthermore, we are in some cases subject to claims or other legal processes, which may be direct or indirect, by individuals, local communities, Indigenous peoples, private land owners or non-governmental organizations relating to land and mineral rights and tenure, or alleged environmental or social damage. Such claimants may seek sizeable monetary damages against us and/or the return or relinquishment of surface or mineral rights or revocation of permits and licenses that are valuable to us.

Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to us. We establish provisions for matters that are probable and can be reasonably estimated. We also carry liability insurance coverage, however such insurance does not cover all risks to which we might be exposed and in other cases, may only partially cover losses incurred by us. In addition, we may be involved in disputes with other parties in the future that may result in litigation, which could have a material adverse effect on our financial or operating position, cash flow and results of operations.

Country

Argentina

Unanticipated or drastic changes in laws and regulations have affected our operations in the past. For example, previous governments implemented severe price, foreign exchange, and import controls which included informal restrictions on dividend, interest, and service payments abroad and limitations on the ability to convert ARS into USD, which exposed the Company to additional risks of ARS devaluation and high domestic inflation. The current government in Argentina maintains unfavorable economic policies, such as strict currency controls and the imposition of export duties.

The Company has suspended project development activities at Navidad as a result of uncertainty over the zoning, regulatory and tax laws. The Company remains committed to the development of Navidad and to contributing to the positive economic and social development of the province of Chubut upon the adoption of a favorable legislative framework.

Bolivia

On May 28, 2014, the Bolivian government enacted the New Mining Law. Among other things, the New Mining Law provided that all pre-existing contracts were to migrate to one of several new forms of agreement within a prescribed period of time. The Company currently has a joint venture agreement with COMIBOL (the "COMIBOL Joint Venture"), a Bolivian state mining company, relating to the San Vicente mine. As a result, we anticipate that the COMIBOL Joint Venture will be subject to such migration and possible renegotiation of key terms. The migration process has been delayed by COMIBOL and has not been completed.

The primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the COMIBOL Joint Venture, and the full impact may only be realized over time. We will take appropriate steps to protect and, if necessary, enforce our rights under the COMIBOL Joint Venture. There is, however, no guarantee that governmental actions, including possible expropriation or additional changes in the law, and the migration of the COMIBOL Joint Venture will not impact our involvement in the San Vicente operation in an adverse way and such actions could have a material adverse effect on us and our business.

The Company's San Vicente mine, pursuant to the COMIBOL Joint Venture, is obligated to pay COMIBOL a participation fee of 37.5% of the operation's cash flow. For the year ended December 31, 2022, the Company incurred approximately \$7.5 million in COMIBOL royalties (2021 - incurred \$7.7 million).

Guatemala

Some communities and non-governmental organizations ("NGOs") have been vocal and active in their opposition to mining and exploration activities in Guatemala. In July 2017, the Escobal mining license was suspended as a result of a court proceeding initiated by an NGO in Guatemala, based upon the allegation that the Guatemala MEM violated the Xinka Indigenous people's right of consultation. After several decisions and appeals on the matter, a decision of the Constitutional Court of Guatemala was rendered on September 3, 2018, determining that the Escobal mining license would remain suspended until the Guatemala MEM completes an ILO 169 consultation.

During 2022, the ILO 169 consultation process for the Escobal mine in Guatemala advanced with the conclusion of Phase 1 of the process in July 2022. The process is being led by the Guatemala MEM with representatives of the Xinka Indigenous people and PAS Guatemala, Pan American's subsidiary in Guatemala, as participants in the process. Additionally, two meetings were held in October 2022 to provide information related to the project. Jointly with the representatives of the Xinka Indigenous community, MEM submitted an update to the Guatemalan Supreme Court of Justice in December 2022.

Operations at the Escobal mine have been on care and maintenance, since July 2017, and the Constitutional Court of Guatemala has ordered the continued suspension of the mining license while the MEM conducts the ILO 169 consultation with the Xinka Indigenous people residing in the area of influence.

The process, timing, and outcome of the ILO 169 consultation remains uncertain.

32. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Transactions with the Company's subsidiaries have been eliminated on consolidation. Maverix ceased to be a related party after March 31, 2022 when the Company determined that it no longer held significant influence (Note 13). There were no other related party transactions for the years ended December 31, 2022 and 2021.

Compensation of key management personnel

Key management personnel compensation is comprised of:

	2022	2021
Short-term employee benefits ⁽¹⁾	\$ 11,702	\$ 18,592
Post-employment benefits ⁽²⁾	1,020	1,130
Share-based payments ⁽³⁾	2,286	2,281
	\$ 15,008	\$ 22,003

(1) Includes annual salary and short-term incentives, RSUs, and PSUs paid by the Company.

(2) Includes annual contributions to retirement savings plans made by the Company.

(3) Includes annual stock option, and common share grants.

33. SUBSEQUENT EVENTS

Acquisition of Yamana

The Company has agreed to acquire of all of the issued and outstanding common shares of Yamana ("Yamana Shares") following the sale by Yamana of its Canadian assets, including certain subsidiaries and partnerships which hold Yamana's interests in the Canadian Malartic mine, to Agnico Eagle (Note 1).

Pursuant to the Transaction, shareholders of Yamana will receive for each Yamana Share held: (i) 0.1598 of a common share of the Company; (ii) 0.0376 of a common share of Agnico Eagle; and (iii) \$1.0406 in cash to be paid by Agnico Eagle. The aggregate consideration payable to Yamana shareholders consists of up to approximately 156.9 million common shares of the Company; approximately 36.6 million common shares of Agnico Eagle; and \$1.0 billion in cash contributed by Agnico Eagle. The aggregate consideration represents a value of \$4.8 billion or \$5.02 per Yamana Share, based on the closing price of Pan American's and Agnico Eagle's shares on November 3, 2022, the day prior to the announcement of the proposed Transaction.

Under the terms of the Transaction, the Company funded \$150 million in cash to Yamana to pay a portion of a termination fee payable to Gold Fields in connection with the now terminated arrangement agreement between Yamana and Gold Fields. To fund this payment and other transaction and integration costs during the fourth quarter of 2022, the Company drew proceeds of \$160 million from its SL-Credit Facility (Note 24).

The Transaction received shareholder approval from the Company's shareholders and Yamana's shareholders on January 31, 2023. In addition, on February 6, 2023 the Company received the required court order with respect to the Transaction from the Ontario Superior Court of Justice. The Transaction remains subject to approval from the Mexican Federal Economic Competition Commission and satisfaction or waiver of certain other closing conditions. The Transaction is expected to close in the first quarter of 2023. There can be no assurance as to the completion of the Transaction.

Pan American would assume Yamana's obligations with respect to its August 2021 senior notes with an outstanding balance of \$500 million and interest rate of 2.63% due in August 2031 and the December 2017 senior notes with an outstanding balance of \$282.9 million and interest rate of 4.625% due in December 2027 (the "Notes"). The Notes contain certain change of control provisions, the triggering of which would result in a mandatory repurchase of the Notes in accordance with their terms. The Company does not currently expect that the change of control provisions would be triggered. However, to support the Company's potential financial requirements and provide financial flexibility and liquidity in connection with the Transaction, the Company has, nonetheless, obtained a commitment from a Canadian chartered bank to provide, on a fully underwritten basis, an increase to the total committed credit available to the Company from \$500.0 million to \$1,250.0 million.



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