SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014 Commission File Number 000-13727

Pan American Silver Corp.
(Exact name of Registrant as specified in its charter)

British Columbia	**1044**	**Not Applicable**
(Province or other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

1500 – 625 Howe Street
Vancouver, British Columbia
V6C 2T6
(604) 684-1175
(Address and telephone number of Registrant's principal executive offices)

CT Corporation
111 Eighth Avenue, 13th Floor
New York, NY 10011
(212) 894-8940
(Name, address (including zip code) and telephone number
(including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, No Par Value	The NASDAQ Stock Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

For annual reports, indicate by check mark the information filed with this Form:

[**X**] Annual information form [**X**] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by this annual report:

The Registrant had 151,643,372 Common Shares outstanding as at December 31, 2014

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING
ESTIMATES OF MEASURED, INDICATED AND INFERRED MINERAL RESOURCES

Unless otherwise indicated, all reserve and resource estimates included in this Annual Report on Form 40-F (this "Annual Report") 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 classification system. 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 Annual Report uses the terms "measured resources," "indicated resources" and "inferred resources." U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. The requirements of NI 43-101 for the identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Registrant in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that any part of a "measured resource" or "indicated resource" will ever be converted into a "reserve." U.S. investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of "inferred resources" exist, are economically or legally mineable or will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. In addition, disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade, without reference to unit measures. Accordingly, information concerning mineral deposits set forth in this Annual Report may not be comparable with information made public by companies that report in accordance with U.S. standards.

A. Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), as those controls and other procedures that are designed to ensure that information required to be disclosed by the Registrant in reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Rules 13a-15(e) and 15d-15(e) also provide that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Registrant is accumulated and communicated to the Registrant's management as appropriate to allow timely decisions regarding required disclosure.

As of December 31, 2014, the end of the period covered by this report, the Registrant carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, the Registrant's disclosure controls and procedures were effective. See "Disclosure Controls and Procedures" in Management's Discussion and Analysis for the fiscal year ended December 31, 2014, filed as Exhibit No. 1.2 to this Annual Report on Form 40-F.

B. Management's Annual Report on Internal Control Over Financial Reporting

See "Management's Report on Internal Control over Financial Reporting" in Management's Discussion and Analysis for the fiscal year ended December 31, 2014, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

C. Attestation Report of the Independent Registered Public Accounting Firm

The attestation report of Deloitte LLP, the Registrant's Independent Registered Public Accounting Firm, on management's assessment of the Registrant's internal control over financial reporting is included in the "Report of Independent Registered Public Accounting Firm" filed with the Registrant's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2014 as Exhibit 1.3 to this Annual Report on Form 40-F.

D. Changes in Internal Control Over Financial Reporting

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

E. Notice of Pension Fund Blackout Period

The Registrant was not required by Rule 104 of Regulation BTR to send any notice to any of its directors or executive officers during the fiscal year ended December 31, 2014.

F. Audit Committee Financial Expert

The Registrant's board of directors has determined that Michael Carroll, an individual serving on the Audit Committee of the Registrant's board of directors, is an audit committee financial expert, as that term is defined in General Instruction B(8)(b) of Form 40-F and is independent under Rule 10A-3 under the Exchange Act and the rules and regulations of the Nasdaq Stock Market.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liabilities on such person that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

G. Code of Ethical Conduct

The Registrant has adopted a global code of ethical conduct (the "Code") that applies to all directors, officers and employees. A copy of the Code may be obtained at www.panamericansilver.com. The Registrant will provide a copy of the Code without charge to any person that requests a copy by contacting the General Counsel at the address on the cover of this Annual Report on Form 40-F. No waivers from the requirements of the Code were granted in the fiscal year ended December 31, 2014.

H. Principal Accountant Fees and Services and Audit Committee Pre-Approval Policies

Information about the Registrant's principal accountant fees and services and a description of the Registrant's pre-approval policies and procedures is included under the heading "External Auditor Service Fees" of the Registrant's Annual Information Form for the fiscal year ended December 31, 2014, filed as Exhibit 1.1 to this Annual Report on Form 40-F .

I. Off-Balance Sheet Arrangements

The Registrant is not a party to any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

J. Tabular Disclosure of Contractual Obligations

The required disclosure can be found under the heading "Contractual Commitments and Contingencies" of Management's Discussion and Analysis for the fiscal year ended December 31, 2014, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

K. Critical Accounting Policies

A discussion of the Registrant's critical accounting policies can be found under the heading "Significant Judgments and Key Sources of Estimation Uncertainty in the Application of Accounting Policies" of Management's Discussion and Analysis for the fiscal year ended December 31, 2014, filed as Exhibit 1.2 to this Annual Report on Form 40-F.

L. Nasdaq Exemptions

On March 16, 2005, the Registrant informed the Nasdaq Stock Market that as permitted by Rule 4350(a)(1) of the Nasdaq Marketplace Rules, it intended to follow British Columbia practice with respect to quorum requirements in lieu of those required by Rule 4350(f) of the Nasdaq Marketplace Rules (which provides that a quorum for a shareholder meeting of a Nasdaq-listed company must be at least 33-1/3% of the outstanding common shares of the company). The Registrant's by-laws provide that the minimum quorum for a meeting of holders of Common Shares is two individuals who are shareholders, proxy holders or duly authorized representatives of corporate shareholders personally present and representing shares aggregating not less than 25% of the issued shares of the Registrant carrying the right to vote. The Registrant's quorum requirements are not prohibited by the requirements of the *Business Corporations Act* (British Columbia) and the Registrant intends to continue to comply with the requirements of the *Business Corporations Act* (British Columbia). The rules of the Toronto Stock Exchange, upon which the Common Shares are also listed, do not contain specific quorum requirements.

M. Identification of the Audit Committee

The Registrant has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are David Press, Neil de Gelder and

Michael Carroll. David Press, Neil de Gelder and Michael Carroll are independent as such term is defined under the rules and regulations of the Nasdaq Stock Market. Further information about the Registrant's Audit Committee can be found under the heading "Audit Committee" of the Registrant's Annual Information Form, filed as Exhibit 1.1 to this Annual Report on Form 40-F .

N. Interactive Data File

The Registrant is not currently required to submit to the Commission, nor post to its corporate Web site, an Interactive Data File.

O. Mine Safety

The Registrant is not currently required to disclose the information required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a Form F-X in connection with its Common Shares. Any change to the name and address of the agent for service of process shall be communicated promptly to the Commission by an amendment to Form F-X.

EXHIBITS

The following exhibits are filed as part of this report:

Exhibit Number	Title
1.1	Annual Information Form for the fiscal year ended December 31, 2014.
1.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2014.
1.3	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2014.
23.1	Consent of Deloitte LLP.
23.2	Consent of Martin Wafforn.
23.3	Consent of Michael Steinmann.
23.4	Consent of Pamela De Mark.
23.5	Consent of Americo Delgado.
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

PAN AMERICAN SILVER CORP.

Dated: March 30, 2015

/s/ Delaney Fisher
By: Delaney Fisher
Title: Corporate Secretary

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32.1	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 1.1



Annual Information Form

For the Year Ended December 31, 2014

March 30, 2015

1500-625 Howe Street
Vancouver, British Columbia
V6C 2T6

www.panamericansilver.com

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IMPORTANT INFORMATION ABOUT THIS DOCUMENT

This annual information form ("AIF") provides important information about Pan American Silver Corp. It describes our history, our markets, our operations and development projects, our mineral reserves and resources, sustainability, our regulatory environment, the risks we face in our business and the market for our shares, among other things.

We have prepared this document to meet the requirements of Canadian securities laws, which are different from what US securities laws require.

Throughout this document, the term *Pan American* means Pan American Silver Corp. and the terms *we, us,* and *our* mean Pan American and its subsidiaries.

Reporting currency and financial information

Unless we have specified otherwise, all dollar amounts are in United States dollars. Any references to CAD$ mean Canadian dollars.

All financial information presented in this AIF was prepared in accordance with international financial reporting standards ("IFRS") as issued by the International Accounting Standards Board.

This AIF refers to various non-GAAP (generally accepted accounting principles) measures, such as "cash and total cost per ounce of silver" and "all-in sustaining costs per silver ounce sold" ("AISCOS"), which are used by us to manage and evaluate operating performance at each of our mines and are widely reported in the silver mining industry as benchmarks for performance, but do not have standardized meaning. Please refer to our management's discussion and analysis for the year ended December 31, 2014 (the "2014 MD&A") for detailed descriptions and reconciliations of these non-GAAP measures to their closest respective GAAP measures under IFRS.

Glossary of Terms

The glossary of terms under "Glossary of Terms" of our AIF contains definitions of certain terms used in this AIF that might be useful for your understanding.

Caution about forward-looking information

Our AIF includes statements and information about our expectations for the future. When we discuss our strategy, plans and future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be forward-looking information or forward-looking statements under Canadian and US securities laws. We refer to them in this AIF as forward-looking information.

Key things to understand about the forward-looking information in this AIF are:

- It typically includes words and phrases about the future, such as *believe*, *estimate*, *anticipate*, *expect*, *plan*, *intend*, *predict*, *goal*, *target*, *forecast*, *project*, *scheduled*, *potential*, *strategy* and *proposed* (see examples on page 3).
- It is based on a number of material assumptions, including those we have listed below, that may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, because of the risks associated with our business. We list a number of these material risks below. We recommend you

also review other parts of this document, including "Risks Related to Our Business" starting on page 90, and our 2014 MD&A, which include a discussion of other material risks that could cause our actual results to differ from current expectations.

Forward-looking information is designed to help you understand management's current views of our near and longer term prospects. It may not be appropriate for other purposes. We will not necessarily update this forward-looking information unless we are required to by securities laws.

Examples of forward-looking information in this AIF:

- the price of silver and other metals;
- the sufficiency of our current working capital, anticipated operating cash flow or our ability to raise necessary funds;
- the accuracy of mineral reserve and mineral resource estimates, estimates of future production and future cash, and total costs of production, as applicable, at Huaron, Morococha, La Colorada, Dolores, Alamo Dorado, Manantial Espejo, Navidad, San Vicente, or other properties;
- estimated production rates for silver and other payable metals we produce, timing of production and estimated cash and total costs of production at our properties, including forecasted cash costs of production;
- the estimated cost of and availability of funding for ongoing capital replacement, improvement or remediation programs;
- access to and availability of funding for the future construction and development of our projects;
- estimated costs of construction, development and ramp-up of our projects;
- future successful development of the Navidad property and our other development projects;
- the effects of laws, regulations and government policies affecting our operations, including, without limitation, expectations relating to or the effect of certain highly restrictive laws and regulations applicable to mining in the Province of Chubut, Argentina;
- the estimates of expected or anticipated economic returns from a mining project, as reflected in feasibility and pre-feasibility studies or other reports prepared in relation to development of projects;
- estimated exploration expenditures to be incurred on our various silver exploration properties;
- compliance with environmental, health, safety and other regulations;
- estimated future closure, reclamation and remediation costs;
- forecast capital and non-operating spending;
- future sales of the metals, concentrates or other products produced by us;
- continued access to necessary infrastructure, including, without limitation, access to power, water lands and roads to carry on activities as planned;
- our plans and expectations for our properties and operations, including, without limitation, the production estimates, forecasts regarding our investment activities, and other matters discussed under the heading "Outlook for 2015" and under the headings "Activities in 2015" with respect to each of our material properties;
- the expected investment and development activities at the La Colorada mine;
- the expected investment and development activities at the Dolores mine; and
- the ability to obtain permits, including for future project development and expansion.

Material risks and assumptions:

These statements reflect our current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this AIF and documents incorporated by reference, and we have made assumptions based on or related to many of these factors.

Such factors include, without limitation:

- fluctuations in spot and forward markets for silver, gold, base metals and certain other commodities (such as natural gas, fuel oil and electricity);
- risks relating to our operations in Peru, Mexico, Argentina, Bolivia and other foreign jurisdictions where we may operate;
- restrictions on mining in the jurisdictions in which we operate;

- laws and regulations governing our operation, exploration and development activities;
- our ability to obtain or renew the licenses and permits necessary for the operation and expansion of our existing operations and for the development, construction and commencement of new operations;
- 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);
- inherent risks associated with tailings facilities and heap leach operations, including failure or leakages;
- the speculative nature of mineral exploration and development;
- diminishing quantities or grades of mineral reserves as properties are mined;
- the inability to determine, with certainty, the production of metals or the price to be received before mineral reserves or mineral resources are actually mined;
- the inability to determine, with certainty, production and cost estimates;
- inadequate or unreliable infrastructure (such as roads, bridges, power sources and water supplies);
- environmental regulations and legislation;
- reclamation requirements;
- risks relating to the creditworthiness and financial condition of our suppliers, refiners and other third parties;
- fluctuations in currency markets (such as the Peruvian nuevo sol, Mexican peso, Argentine peso and Bolivian boliviano versus the U.S. dollar and Canadian dollar);
- the volatility of the metals markets, and its potential to impact our ability to meet our financial obligations;
- the inability to recruit and retain qualified personnel;
- employee relations;
- disputes as to the validity of mining or exploration titles or claims or rights, which constitute most of our property holdings;
- our ability to complete and successfully integrate acquisitions;
- increased competition in the mining industry for properties and equipment;
- limited supply of materials and supply chain disruptions;
- relations with and claims by indigenous populations;
- relations with and claims by local communities and non-governmental organizations;
- the effectiveness of our internal control over financial reporting;
- claims and legal proceedings arising in the ordinary course of business activities;
- and those factors identified under the caption “Risks Related to our Business” in this AIF and the documents incorporated by reference herein.

You should not attribute undue certainty to forward-looking statements. Although we have 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 described. We do not intend to update these statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting the information, other than as required by applicable law.

Please see “Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources” on page 6 of this AIF.

Conversion Table

In our AIF, metric units are used with respect to mineral properties located in Peru, Mexico, Argentina, Bolivia and elsewhere, unless otherwise indicated. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit
2.47 acres		1 hectare
3.28 feet		1 metre
0.62 miles		1 kilometre
0.032 ounces (troy)		1 gram
1.102 tons (short)		1 tonne
0.029 ounces (troy)/ ton (short)		1 gram/tonne
2205 pounds		1 tonne

Metric Unit	=	Imperial Measure
0.4047 hectares		1 acre
0.3048 metres		1 foot
1.609 kilometres		1 mile
31.1 grams		1 ounce (troy)
0.907 tonnes		1 ton (short)
34.28 grams/tonne		1 ounce (troy)/ton (short)

Scientific and Technical Information

Scientific or technical information in our AIF relating to mineral reserves or mineral resources for Pico Machay, La Colorada, Alamo Dorado, Manantial Espejo, San Vicente, La Bolsa, and Calcatreu is based on information prepared under the supervision of, or has been reviewed by, Michael Steinmann, P.Geo., President of Pan American and Martin Wafforn, P.Eng., Vice President, Technical Services of Pan American. Scientific and technical information relating to Huaron, Morococha and Dolores are based on information prepared and reviewed by Michael Steinmann, Martin Wafforn and Americo Delgado, P. Eng., Director of Metallurgy for Pan American. Scientific or technical information relating to the geology of particular properties, and the exploration programs described in this AIF, are prepared and/or designed and carried out under the supervision of Michael Steinmann. Scientific and technical information herein relating to the Navidad property is based on information contained in the Navidad Technical Report (as defined below) and the disclosure in our AIF about the Navidad property has been reviewed and consented to by Michael Steinmann, Martin Wafforn and Pamela De Mark, P.Geo., Director of Resources for Pan American, the experts involved in the preparation of the applicable sections of the Navidad Technical Report. In particular, scientific or technical information in our AIF relating to the estimation of mineral resources for the Navidad property was prepared by Pamela De Mark. All other disclosures of scientific and technical information contained in the descriptions of our mineral properties were prepared under the supervision of Michael Steinmann and Martin Wafforn. Each of Michael Steinmann, Martin Wafforn, Pamela De Mark and Americo Delgado is a "Qualified Person" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101"). A "Qualified Person" means an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining, with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice, has experience relevant to the subject matter of the mineral project, and is a member in good standing of a professional association.

Scientific and technical disclosure in our AIF for our material properties is based on technical reports prepared for those properties in accordance with NI 43-101 (collectively, the "Technical Reports"). The Technical Reports have been filed on SEDAR at www.sedar.com. The technical information in our AIF has been updated with current information where applicable. The Technical Reports are as follows:

- a report entitled "Technical Report – Preliminary Economic Analysis for the Expansion of the La Colorada Mine, Zacatecas, Mexico", with an effective date of December 31, 2013 (the "La Colorada Report") relating to the La Colorada mine;

- a report entitled “Feasibility Study Volume I – NI-43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico” dated March 31, 2005 (the “Alamo Report”) relating to the Alamo Dorado mine;

- a report entitled “Technical Report for the Dolores Property, Chihuahua, Mexico - Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option”, with an effective date of May 31, 2014 (the “Dolores Technical Report”) relating to the Dolores mine;

- a report entitled “Technical Report for the Huaron Property, Pasco, Peru” dated effective June 30, 2014 (the “Huaron Report”) relating to the Huaron mine;

- a report entitled “Technical Report for the Morococha Property, Yauli, Peru” dated effective June 30, 2014 (the “Morococha Report”) relating to the Morococha mine;

- a report entitled “Technical Report for San Vicente Mine Expansion Project, Potosi, Bolivia” dated effective June 6, 2007 (the “San Vicente Report”) relating to the San Vicente mine;

- a report entitled “Manantial-Espejo Project Canadian Standard NI 43-101, Santa Cruz Province, Argentina” dated March 2006 (the “Manantial Report”) relating to the Manantial Espejo mine; and

- a report entitled “Pan American Silver Corp.: Navidad Project, Chubut Province, Argentina: Preliminary Assessment” dated January 14, 2011 (the “Navidad Technical Report”) relating to the Navidad property.

Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Resources

Our AIF and the documents incorporated by reference in it have been prepared in accordance with the requirements of Canadian provincial securities laws, that differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral reserve and mineral resource estimates included in this AIF and the documents incorporated by reference herein have been prepared in accordance with NI 43-101 and CIM Definition Standards. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

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

CORPORATE STRUCTURE

Incorporation

Pan American is the continuing corporation of Pan American Energy Corporation, which was incorporated under the *Company Act* (British Columbia) on March 7, 1979. Pan American underwent two name changes by way of amendment to our memorandum, the last occurring on April 11, 1995, when the present name of Pan American was adopted. Amendments to the memorandum of Pan American to that date had been limited to name changes and capital alterations. In May 2006, Pan American obtained shareholder approval to amend our memorandum and articles, including the increase in our authorized share capital from 100,000,000 to 200,000,000 common shares, in connection with Pan American's required transition under the *Business Corporations Act* (British Columbia).

Pan American's head office is situated at 1500 - 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6 and our registered and records offices are situated at 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, Canada, V7X 1T2.

Our website is www.panamericansilver.com.

Capital Structure

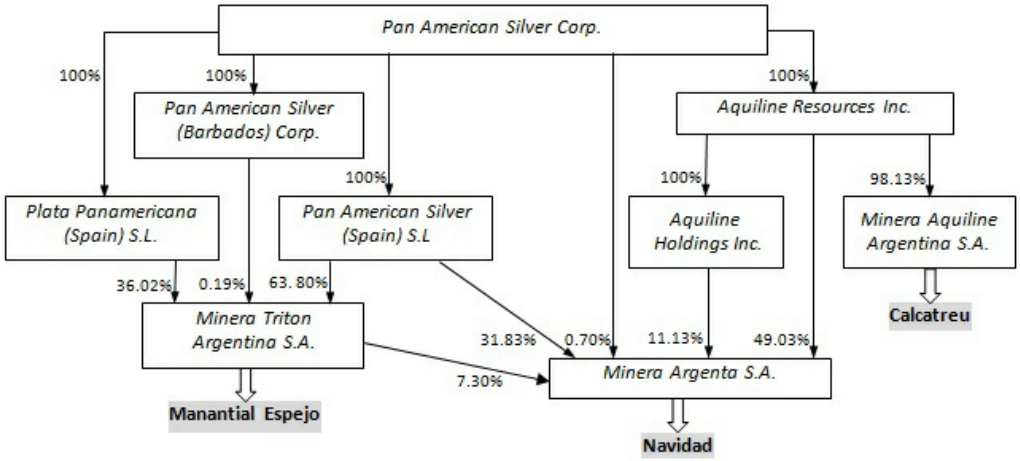
Pan American's authorized share capital consists of 200,000,000 common shares without par value. The holders of common shares are entitled to: (i) one vote per common share at all meetings of shareholders; (ii) receive dividends as and when declared by the directors of Pan American; and (iii) receive a pro rata share of the assets of Pan American available for distribution to the shareholders in the event of the liquidation, dissolution or winding-up of Pan American. There are no pre-emptive, conversion or redemption rights attached to the common shares.

Subsidiaries

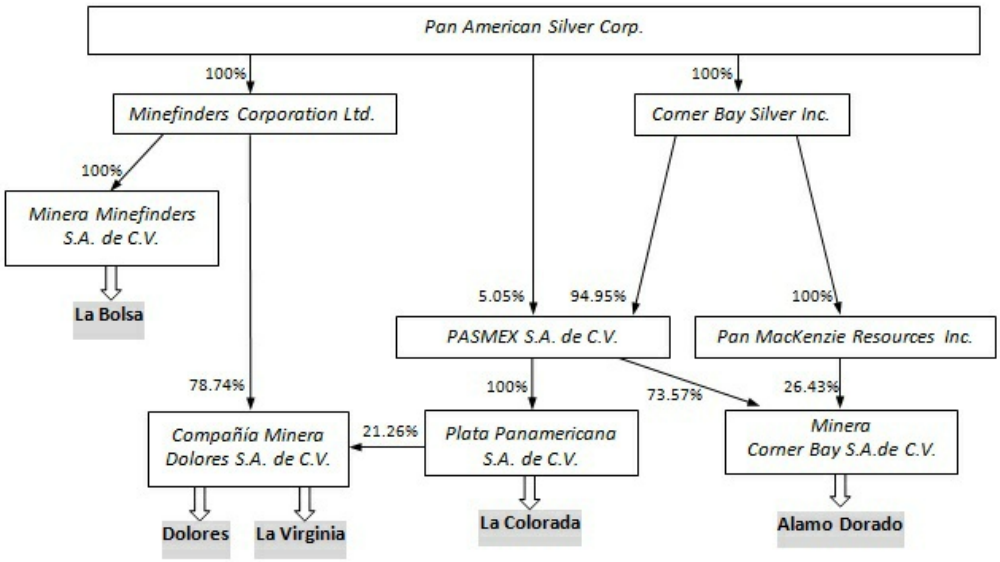
A significant portion of our business is carried on through various subsidiaries. The following table and charts (as applicable, set out by jurisdiction of the respective mineral properties) show, as at December 31, 2014, our significant subsidiaries:

Name of Subsidiary	Jurisdiction
Corner Bay Silver Inc. (“Corner Bay”)	Canada
Aquiline Resources Inc. (“Aquiline”)	Ontario
Minefinders Corporation Ltd. (“Minefinders”)	Ontario
Absolut Resources Inc. (“Absolut”)	Yukon
Pan MacKenzie Resources Inc.	Delaware
PAS (Lux) S.á r.l.	Luxembourg
Pan American Silver (Barbados) Corp. (“Pan American Barbados”)	Barbados
Aquiline Holdings Inc. (“Aquiline Barbados”)	Barbados
PASCAP Insurance (Barbados) Ltd. (“PASCAP”)	Barbados
Pico Machay Cayman Limited (“PM Cayman”)	Cayman Islands
Plata Panamericana (Spain) S.L.	Spain
Pan American Silver (Spain) S.L.	Spain
Minera Triton Argentina S.A. (“MTA”)	Argentina
Minera Aquiline Argentina S.A. (“MAA”)	Argentina
Minera Argenta S.A. (“MASA”)	Argentina
PASMEX, S.A. de C.V. (“PASMEX”)	Mexico
Minera Corner Bay S.A. de C.V. (“MCB”)	Mexico
Plata Panamericana S.A. de C.V. (“Plata Panamericana”)	Mexico
Compañía Minera Dolores, S.A. de C.V. (“CMD”)	Mexico
Minera Minefinders S.A. de C.V.	Mexico
Pan American Silver Peru S.A.C. (“Pan American Peru”)	Peru
Pan American Silver Huaron S.A. (“PAS Huaron”)	Peru
Compañía Minera Argentum S.A. (“Argentum”)	Peru
Minera Calipuy S.A.C. (“Minera Calipuy”)	Peru
Minera Pico Machay S.A.C. (“MPM”)	Peru
Pan American Silver (Bolivia) S.A. (“PASB”)	Bolivia

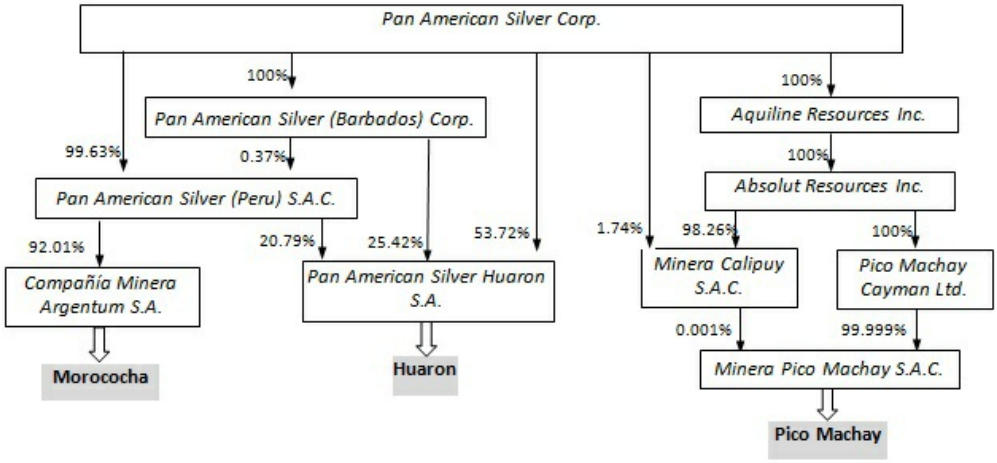
Argentina Properties



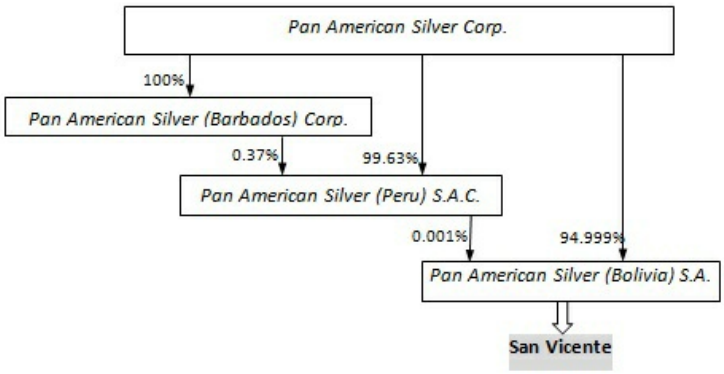
Mexico Properties



Peru Properties



Bolivia Properties



Note: In some jurisdictions in which we operate, laws require that a company operating mineral properties must have more than one shareholder. For those jurisdictions, a nominal interest may be held by an individual or other affiliated entity and this may not be represented on the charts. Percentages shown indicate common share and other voting interests and do not include holdings of investment shares in Peru or non-voting preferred shares in Argentina. Percentages are rounded.

GENERAL DEVELOPMENT OF THE BUSINESS

Business of Pan American

We are principally engaged in the operation and development of, and exploration for, silver producing properties and assets. Our principal product is silver, although we also produce and sell gold, zinc, lead, and copper. At present, we carry on mining operations and are developing mining projects in Mexico, Peru, Argentina and Bolivia, and have control over non-producing silver assets in each of those jurisdictions and in the United States. Exploration work is carried out in all of those countries, as well as elsewhere throughout the world.

Corporate Strategy and Financial Objectives

Our mission is to be the world's preeminent silver producer with a reputation for excellence in discovery, engineering, innovation and sustainable development. We will continue to strengthen our position as one of the world's leading primary silver mining companies by acquiring or discovering silver resources that have the potential to be developed economically and to add meaningfully to our production profile while lowering consolidated unit costs of production.

The key elements of our strategy are to:

Strategy	Implementation
Increase production	After acquiring our first operating mine (Quiruvilca in Peru) in 1995, we have increased annual silver production almost every year, and in 2014 achieved production of just over 26 million ounces of silver. We also increased gold production to a record high 161,500 ounces in 2014, an 8% increase over gold production in 2013. This growth has been accomplished through a combination of acquisition, development and expansion efforts. In 2015, Pan American expects to produce between 25.50 and 26.50 million ounces of silver and between 165,000 and 175,000 ounces of gold.
Increase mineral reserves and mineral resources	Historically, we have achieved annual increases in our mineral reserves and mineral resources through exploration and acquisitions. During the last 11 years, our mine-site exploration efforts (excluding acquisitions) have been very successful, adding over 279 million ounces of silver to our proven and probable mineral reserves, which more than replaced the 257.5 million ounces of silver mined in that same period. While 2014 was another successful year for exploration, the discovery and definition of approximately 29.4 million ounces of new proven and probable silver mineral reserves was insufficient to replace the approximately 32.9 million contained ounces that were mined in 2014. Additionally, approximately 20.1 million ounces of silver were lost from reserves as a result of re-categorization, primarily due to lower metal prices. At December 31, 2014, our proven and probable silver and gold mineral reserves were approximately 299.9 million and 2.3 million ounces, respectively, which represent an approximate 7% decrease in both cases from the previous year's totals. Our measured and indicated mineral resources were approximately 731 million ounces of silver and 1.8 million ounces of gold as at the end of 2014. This represents a 2% and a 13% increase, respectively, from 2013.
Continue to be a "Low Cost Producer"	Full year 2014 consolidated cash costs[1] to produce an ounce of silver were approximately $11.46, net of by-product credits, which was below management's guidance of between $11.80 and $12.80 per ounce. AISCSOS[1] for the full year 2014 declined slightly to $17.88 per ounce of silver. Our strategy continues to emphasize reducing overall unit production costs. To keep production costs down, we will continue to review mining plans at our operating mines in order to find greater productivities and efficiencies as well as develop financial strategies to reduce exposure to foreign currency exchange fluctuations and base metal price fluctuations. Cash costs for the full year 2015 are forecast at between $10.80 and $11.80 per ounce of silver, net of by-product credits.

Acquire additional silver properties	We actively investigate and evaluate strategic opportunities to acquire promising silver production, development and exploration properties in those jurisdictions where we are presently active as well as elsewhere throughout the world. This includes our acquisition of the Dolores mine and the La Bolsa property by virtue of acquiring all of the issued and outstanding shares of Minefinders in 2012, and the acquisition of the Navidad, Calcatreu and Pico Machay properties pursuant to our acquisition of all of the issued and outstanding shares of Aquiline in 2010.
Maintain strong financial performance from mining operations	In an effort to ensure we continue to have a strong and prosperous business, financial performance is monitored annually against targets for operating earnings and cash flow from operations, as well as against operating measures such as production and cash costs.
Continue to be a responsible company, committed to sustainable development	We are committed to operating our business in accordance with the highest standards of governance and ethics, and the principles of sustainable development. We also place a high priority and particular emphasis on the health and safety of our personnel. We have operations in a number of countries and across diverse cultures that have the potential to impact their host communities and nearby populations both positively and negatively. Our goal is to minimize the negative impacts and maximize the benefits garnered to local populations, while at the same time achieving success from a business perspective. We conscientiously strive to operate within a framework of moral principles and values and to engage and interact regularly, and in an open and honest way, with governments, shareholders, employees, local communities, business partners and other stakeholders affected by our operations. We have adopted, among other things, a Global Code of Ethical Conduct and a Global Anti-Corruption Policy that formalize how we must conduct our business and interact with stakeholders and others. We are aware that our business is in many ways dependent on these various stakeholders and we view establishing relationships of mutual trust and respect as important. By building such relationships and conducting ourselves in a transparent manner, we can further the exchange of information, address specific concerns of stakeholders and work cooperatively and effectively towards achieving mutual goals. We report annually on our sustainable development performance according to the Global Reporting Initiative Framework, with the current report available on Pan American's website.

Note:

1 Cash costs per payable ounce of silver, net of by-product credits, and AISCSOS are non-GAAP measures. Please see "Reporting currency and financial information" on page 2 of this AIF.

Key Developments Over the Last Three Financial Years

Year	Key Developments
2012	· Increased silver production to 25.1 million ounces and gold production to 112,300 ounces. Alamo Dorado led our silver production at 5.4 million ounces, followed by La Colorada at 4.4 million ounces. · Completed the acquisition of Minefinders Corporation Ltd. and integrated the Dolores mine to our portfolio of assets. · Divested the high-cost Quiruvilca mine in Peru. · Invested approximately $41.7 million to repurchase approximately 2.4 million shares of Pan American under our normal course issuer bid. · Paid total cash dividends of $24.9 million on Pan American common shares. · Spent approximately $52 million on major projects including $20 million for advancing the Navidad project engineering and design, which involved the preparation of an Environmental Impact Assessment, $6.1 million to complete the Morococha ancillary facility relocation project, and $21.3 million at the Dolores mine to conduct preliminary studies to assess the potential to enhance long-term value with the addition of a milling circuit and/or underground mine and to advance leach pad stabilization and construction efforts to ensure sustainability of heap leach production. · Spent approximately $37 million on our exploration programs, including $16.3 million in near-mine exploration at our seven operations, $8.7 million in greenfield exploration activities at selected properties, and $12.0 million on other exploration and project development.

2013	· Increased silver production to 26 million ounces and gold production to 149,800 ounces. Alamo Dorado led our silver production at 5.1 million ounces, followed by La Colorada at 4.6 million ounces, while Dolores was our largest gold contributor producing just over 65,000 ounces of gold for the year. · Invested approximately $6.7 million to repurchase approximately 415,000 shares of Pan American under our normal course issuer bid. · Paid total cash dividends of $75.8 million on Pan American common shares, representing $0.50 per common share on an annualized basis. · Spent approximately $16.3 million on mine-site exploration and completed nearly 150 kilometres of diamond drilling. · Announced that we will be proceeding with the production expansion project at La Colorada that is expected to increase the mine's silver production rate to approximately 7.7 million ounces of silver annually by the end of 2017, for an incremental capital investment of approximately $80 million.
2014	· Produced 26.1 million ounces of silver, slightly more than in 2013, and increased gold production to 161,500 ounces. La Colorada became our largest silver producer at approximately 5.0 million ounces for the full year 2014, followed by Dolores with approximately 4.0 million ounces of silver produced in that period. · Paid total cash dividends of $75.8 million on Pan American. common shares, representing $0.50 per common share on an annualized basis. · In 2014, we spent $99.1 million in sustaining capital at our seven mining operations and invested approximately $17.9 million on the La Colorada expansion project and another $17.3 million on completing the second phase of the Dolores' pad 3 expansion. · Spent $16.6 million on mine-site exploration and completed over 152.5 kilometres of diamond drilling

Outlook for 2015

In 2015, Pan American expects to maintain current production levels of between 25.50 and 26.50 million ounces of silver at consolidated cash costs of between $10.80 and $11.80 per ounce of silver, net of by-product credits. In addition, higher gold grades at Dolores are expected to contribute to an increase in consolidated gold production to between 165,000 and 175,000 ounces.

We plan to spend between $71.0 and $84.0 million on sustaining capital in 2015, and a further $90.0 to $97.0 million on long-term and expansion projects. The sustaining capital is primarily for open pit pre-stripping at Dolores and Manantial Espejo, tailings dam expansion at La Colorada, underground developments at Huaron and Morococha and mine-site exploration across all seven of our mines. The spending on long-term projects will primarily be for the La Colorada production expansion project, but also includes work at the Dolores mine relating to a power line project to the mine and process plant optimization. We intend to spend approximately $2.1 million in greenfield exploration activities at selected properties.

We will continue to investigate, evaluate and, where appropriate, acquire additional silver production, exploration and development properties.

NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Products and Operations

Our principal products and sources of sales are silver and gold doré and silver bearing zinc, lead, and copper concentrates. In 2014, the Huaron, Morococha, Alamo Dorado, Dolores, La Colorada, Manantial Espejo and San Vicente mines accounted for all of our production of concentrates and doré.

Consolidated production for the year ended December 31, 2014 was as follows:

	La Colorada	Alamo Dorado	Dolores	Huaron	Morococha[1]	San Vicente[2]	Manantial Espejo	Total
Tonnes milled[3]	471,000	1,763,000	6,054,000	893,000	566,000	316,000	797,000	10,860,000
Grade								
Silver - g/t	366	75	40	154	152	417	157	N/A
Gold - g/t		0.37	0.44				2.82	N/A
% Zinc	1.94%			2.41%	3.60%	2.37%		N/A
% Lead	0.92%			0.97%	1.12%	0.20%		N/A
% Copper				0.86%	0.76			N/A
Production								
Ounces silver[3]	4,979,000	3,473,000	3,982,000	3,635,000	2,370,000	3,949,000	3,725,000	26,112,000
Ounces gold[4]	2,570	17,560	66,820	1,160	2,920		70,470	161,500
Tonnes zinc[4]	7,700			14,200	15,800	5,840		43,530
Tonnes lead[4]	3,740			6,030	4,740	510		15,020
Tonnes copper[4]		30		5,880	3,080			8,990

Notes:
1 Morococha data represents our 92.3% interest in mine production based on ownership of the operating entity.
2 San Vicente data represents our 95% interest in mine production based on ownership of the operating entity.
3 Rounded to the nearest thousand.
4 Rounded to the nearest ten.

Our revenue by product category for the financial years ended December 31, 2014 and December 31, 2013 was as follows:

Product Revenue	**2014**	**2013**
	($000's)	($000's)
Silver and Gold Doré	424,591	500,928
Zinc Concentrate	73,487	68,094
Lead Concentrate	163,854	162,601
Copper Concentrate	90,010	92,881
Total[1]	**751,942**	**824,504**

Note:
1 Total may vary due to rounding.

Additional information related to our segmented information is set forth in Note 25 to the Pan American's Audited Consolidated Financial Statements for the year ended December 31, 2014 and is referred to in the 2014 MD&A under the heading "2014 Operating Performance".

Silver and Gold Doré

Our principal buyers of silver and gold doré produced from our Dolores, Alamo Dorado, La Colorada, and Manantial Espejo mines, once refined, are international bullion banks and traders. Silver and gold doré is delivered to refineries in Mexico, Germany, and the United States, and subsequently transferred to the accounts of our buyers.

Zinc, Lead and Copper Concentrates

Our principal markets for copper concentrates produced from Morococha, Huaron, and occasionally from San Vicente, as well as a unique copper precipitant product from Alamo Dorado, are Canada, Chile, and China through a number of contracts with smelters and traders. Copper concentrates are delivered to customers first via truck to seaports, and from there by ship.

Our principal markets for zinc concentrates produced from La Colorada, Morococha and Huaron, and occasionally from San Vicente, are Peru, South Korea and Japan through a number of contracts with smelters and traders. Zinc concentrate is delivered to Peruvian customers by truck. Zinc concentrates are delivered to customers in South Korea and Japan first via truck to seaports, and from there by ship.

Our principal markets for lead concentrates produced from La Colorada, Morococha and Huaron, and occasionally from San Vicente, are Japan, South Korea, China, and Belgium through a number of contracts with traders. Lead concentrates are delivered first via by truck to seaports and from there by ship.

Please see the discussion under “Risks Relating to Our Business – Trading Activities and Credit Risk”.

Employees

At the end of 2014, we had approximately 4,800 employees and over 2,200 contractors. The majority of those employees and contractors were working at our operations in South America and in Mexico. Pan American also had 38 employees and one contractor at our head office in Vancouver as at December 31, 2014. Our Peruvian operations had approximately 3,400 total employees and contractors, while our Bolivian operations had about 600 employees and contractors, our Argentinean operations had approximately 900 employees and contractors and our Mexican operations had slightly more than 2,000 employees and contractors.

Research and Development

We conduct research and development activities through feasibility work and operational enhancement evaluations in order to develop improved production processes and exploration techniques. Costs associated with this work are usually expensed as incurred. Apart from the expansion studies conducted at La Colorada and Dolores, as well as the process flowsheet development at Navidad, we did not incur, or specifically account for, any significant research and development costs during 2012, 2013 or 2014.

Environment

All phases of our operations are subject to environmental regulation in the various jurisdictions in which we operate. To the best of management’s knowledge, our activities in 2014 were, and continue to be, in compliance in all material respects with such environmental regulations applicable to our mining operations, development, and exploration activities. We have implemented an environmental policy, a corporate social responsibility policy, and a health and safety policy in which we accept our corporate responsibility to practice environmental protection and provide a safe and healthy workplace for our employees, and commit to comply with all relevant industry standards, environmental legislation and regulations in the countries where we carry on business.

During 2014, reviews of the environmental performance of all the operations and projects were conducted by Pan American’s Vice President of Environment and Sustainability. The reviews included inspections of the mine and project sites with key operations personnel, a review of environmental monitoring program procedures and results and a review of the principal environmental issues related to each of these operations. The key observations and recommendations from the reviews are reported monthly to senior management and

quarterly to the Board of Directors. In addition to the periodic reviews, detailed Corporate Environmental Audits are conducted at each mine at least once every two years, in accordance with the Mandate of the Board's Health Safety and Environment Committee. These audits review environmental compliance and implementation of best practice procedures and management systems. During 2013, audits were undertaken at Alamo Dorado, La Colorada, Dolores and Manantial Espejo and in 2014, Morococha, San Vicente, and Huaron were audited. In intervening years between audits, the implementation of the corrective actions required by each audit is checked at each mine and the Alamo Dorado, La Colorada, Dolores and Manantial Espejo corrective actions were found to be satisfactory in 2014.

Our Huaron, Morococha, La Colorada, Alamo Dorado, Dolores San Vicente, and Manantial Espejo operations were all inspected by government agencies in 2014 and no material issues were observed during these inspections.

The Peruvian government has proposed implementing changes to its liquid effluent discharge and receiving water quality limits. We have conducted a baseline assessment at each of our two operating mines in Peru in order to evaluate the potential impact of these changes to water treatment practices at each operation. We proactively implemented changes in order to be in a better position to meet the new water quality limits and presented three-year water quality limit compliance plans to the Peruvian government in 2012 for both Huaron and Morococha. These plans are still being reviewed by the government and the schedule for implementation has not yet been approved.

We completed our comprehensive Sustainability Report for 2013 in accordance with the Global Reporting Initiative guidelines and improved our disclosure and report quality to be in accordance with the new G4 guidelines. The report includes detailed information on our environmental, social, economic, and health and safety performance. The Sustainability Report is available at our head and country offices and also on our website.

In the financial year-end dated December 31, 2014, our environmental expenditures for concurrent reclamation were approximately $2.0 million. The closure and decommissioning liabilities were prepared using the standard reclamation cost estimator methodology developed in the State of Nevada, USA, using quantity estimates and cost data obtained at each mine site. We estimate the aggregate present value of expenditures required for closure and reclamation costs in respect of the Huaron, Morococha, Alamo Dorado, La Colorada, Dolores, Manantial Espejo, and San Vicente mines, along with our development properties, to be approximately $43.2 million, which is an increase from the previous estimate at December 31, 2013, due principally to normal course disturbance growth from operations and revisions to certain cost input estimates.

Other than specific environmental concerns discussed in our AIF, we are not aware of any material environmental matter requiring significant capital outlays in the immediate future. Closure and reclamation costs and actual costs may vary, perhaps materially, from estimates and investors are cautioned against attributing undue certainty to these estimates. The reclamation and closure costs estimate for each of the operating mines and development projects was updated to reflect the conditions as of December 31, 2014.

Health and Safety

We have implemented a health and safety policy in which we accept corporate responsibility to provide a safe and healthy workplace for our employees and contractors, and commit to comply with all relevant industry standards, legislation, and regulations in the countries where we carry on business. The policy is reviewed annually to ensure that we remain current, if not ahead, of industry standards and best practices.

Periodically, both formal and informal corporate health and safety audits are conducted at our operating mines and active development properties. In 2014, all of our seven operating mines were subject to internal safety audits conducted by a team of safety managers and operations supervisors from some of our other operations and led by Pan American's Director of Health and Safety. Management reports health and safety findings and mitigation progress to Pan American's Board of Directors on a regular basis.

During 2014, we continued to focus on introducing new safety programs and training at our operating mines in Peru as well as maintaining excellent safety records at the other mines and development projects. The total hours worked at operating mines and active development and exploration projects declined by approximately 9% versus 2013 while the number of lost time injuries ("LTI") increased by approximately 11% to 21. We recorded a lost time injury frequency ("LTIF") of 1.14 during 2014, compared to 0.94 during 2013 and 1.11 during 2012. LTIF is calculated as follows:

$$LTIF = \frac{(\text{\# of accidents}) * (1{,}000{,}000)}{\text{Total hours worked}}$$

In 2005, we introduced the "Chairman's Safety Award" which is presented to our mine with the best overall safety performance. In 2014, all three of our Mexican mines (La Colorada, Alamo Dorado and Dolores) and our exploration and active development properties had perfect safety records with no LTI's. The winner of the Chairman's Safety Award for 2014 was the La Colorada mine.

Operating and Development Properties

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*, ("NI 51-102"), we have identified the following properties and projects as being material: the Huaron mine, the Morococha mine, the Alamo Dorado mine, the Dolores mine, the La Colorada mine, the Manantial Espejo mine, the San Vicente mine and the Navidad property. We do not consider any of our other development or investment properties to be material properties for the purposes of NI 51-102.

Certain statements in the following property summaries are based on and, in some cases, extracted directly from the relevant Technical Reports identified under the heading "Scientific and Technical Information" beginning on page 5.

Mineral Reserve and Mineral Resource Estimate Information

The process for economic assessment of the mineral reserves and mineral resources at our properties is described below in each property section. Although we believe that our mineral reserve and mineral resource estimates will not be materially impacted by external factors such as metallurgical, safety, environmental, permitting, legal, taxation, and other factors disclosed in our AIF, there can be no assurance that these factors will not have an impact. There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any mineral reserve and mineral resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drilling, testing, and production, as well as a material change in metal prices or a change in the planned mining method, subsequent to the date of the estimate, may justify revision of such estimates and may differ, perhaps materially, and investors are cautioned against attributing undue certainty to mineral reserves and mineral resources.

I. Operating Properties

A. Mexico

(i) La Colorada Mine

Project Description and Location

The La Colorada underground silver mine is located in the Chalchihuites district in Zacatecas State, Mexico, approximately 99 kilometres south of the city of Durango and 156 kilometres northwest of the city of Zacatecas.

Our wholly-owned subsidiary, Plata Panamericana, owns and operates the mine. The La Colorada property, including certain exploration concessions outside the mining area, is comprised of 56 mining claims totalling approximately 8,395 hectares, and we also have control over approximately 1,119 hectares of surface rights covering the main workings. All of the La Colorada mineral reserves and resources and all of the known mineralized zones, mine workings, the processing plant, effluent management and treatment systems, and tailings disposal areas are located within the mining claims controlled by us.

We pay an annual fee to maintain the claims in good standing. To the best of our knowledge, La Colorada is not subject to any royalties or encumbrances, but is subject to certain duties imposed by the Mexican government as described under the heading “Mining Operations”.

To the best of our knowledge, our operations at La Colorada currently comply in all material respects with applicable Mexican environmental laws.

To the best of our knowledge, all permits and licenses required to conduct our activities on the project have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The La Colorada mine is accessed primarily from the city of Durango by a continuously maintained 120 kilometre all-weather, paved, two lane highway (Highway 45) and by a 23 kilometre public, all weather, gravel road. The mine is also accessible from the city of Zacatecas by similar types of roads.

The main municipality in the district is the city of Chalchihuites, 16 kilometres northwest of La Colorada, with a population of approximately 1,000. A long history of silver mining in Zacatecas State has resulted in an experienced workforce in the region. La Colorada provides a camp on site to house about 300 workers and provides daily transport for local employees.

The physiography of the region is characterized by wide flat valleys and narrow, relatively low mountain ranges and hills, which are typically vegetated with mesquite and cactus. Topographic relief is between 2,100 metres and 2,550 metres above sea level.

The climate at the project site is arid to semi-arid, with a rainy season occurring from July to September, which can be extreme and may cause regional flooding and wash-outs. However, in general, precipitation in the area is quite low and the mine is able to operate year round.

The La Colorada mine surface infrastructure is located on land owned by us, and besides a new power line right-of-way being implemented as part of the expansion project, no additional surface rights requirements are anticipated over the life of the mine. La Colorada operates two separate tailings storage facilities and sufficient storage capacity exists for the current mineral reserves. All of the waste rock generated is currently used as backfill material for the cut and fill stope mining method.

The mine purchases power from the national power utility, Comisión Federal de Electricidad, and has a 1.8 megawatt diesel power station for back up use. The mine also has plans to construct a new 115 kilovolt power line as part of the ongoing mine expansion project. Water for the mining operation is supplied from the underground mine dewatering systems. As permitted by Mexican law, underground water is pumped to the surface and stored in head tanks for use in the milling process and for domestic services. Underground water is also pumped to a water treatment plant to provide potable water. The current water supply is adequate for the existing and planned future requirements of the mine.

History

The first known mining in the Chalchihuites district began during pre-colonial times, when indigenous people produced silver and malachite. The village of Chalchihuites was founded during Spanish colonization in the 16th century and the mineral deposits in the area were intermittently exploited. By the 19th century the Spanish mines were operating continuously, producing on the order of 30 million ounces of silver and 39,000 ounces of gold district-wide. The War of Independence curtailed production from this and many other silver producing areas between 1910 and 1920.

In 1925, the Dorado family operated mines at two locations on the La Colorada property. From 1929 to 1955, Candelaria y Canoas S.A., a subsidiary of Fresnillo S.A., installed a 100 tonne per day flotation plant and worked the old dumps of two previous mines on the La Colorada property. From 1933 to the end of World War II, La Compañía de Industrias Peñoles also conducted mining operations on a single breccia pipe on the property. From 1949 to 1993, Compañía de Minas Victoria Eugenia S.A. de C.V. operated a number of mines on the La Colorada property.

In 1994, Minas La Colorada S.A. de C.V. (“MLC”) acquired the exploration and exploitation claims and surface rights of Compañía de Minas Victoria Eugenia S.A. de C.V. Until 1997, MLC conducted mining operations on three of the old mines on the La Colorada property at a rate of approximately 150 tonnes per day.

Historically, exploration has been in the form of development drifting on the veins. Prior to our ownership, 131 diamond drill holes had been drilled for a total of 8,665 metres.

In 1997 we entered into an option agreement with MLC, during which time we conducted exploration and diamond drilling programmes as part of our due diligence reviews. We resampled four of 14 drillholes completed by MLC, and the results of these samples form part of the database of samples we use for the estimation of mineral resources and reserves. We acquired the La Colorada mine from MLC in April 1998 and have focussed our production on the Candelaria, Estrella, and Recompensa mines. No activity takes place at the Campaña mine.

Geological Setting

The La Colorada property is located on the eastern flanks of the Sierra Madre Occidental mountain range at the contact between the Lower Volcanic Complex and the Upper Volcanic Supergroup. The La Colorada property lies 16 kilometres southeast of Chalchihuites and 30 kilometres south-southwest of Sombrerete, two mining camps with significant silver and base metal production from vein and associated skarn deposits, such as at the San Martin and Sabinas mines.

The oldest rocks exposed in the mine area are Cretaceous aged carbonates and calcareous clastic rocks of the Cuesta del Cura and Indidura formations. Overlying the calcareous rocks is a conglomerate unit containing clasts derived mostly from the sub adjacent sedimentary rocks. In the Chalchihuites district this unit is of Early Tertiary age and is referred to as the Ahuichila Formation.

Most of the outcrop in the mine area is represented by altered dacite of the regional Lower Volcanic Complex. The stratigraphically highest rocks in the mine area are felsic tuffs correlated with the Upper Volcanic sequence. These tuffs unconformably overlie the trachyte along the southern property boundary.

Thirteen breccia pipes have been mapped on the surface or in underground workings. The pipes are round to ovoid in shape, up to 100 metres in diameter, and can extend vertically more than 400 metres below the surface. The breccias contain clasts of limestone and trachyte, often mineralized, in an altered trachyte matrix. Clasts of vein material have been found in the breccias suggesting that the pipes postdate the vein emplacement.

East to northeast striking faults form the dominant structures in the project area and controlled the deposition of mineralization by acting as conduits for mineralizing hydrothermal fluids. Most of these faults dip from moderately to steeply to the south. Stratigraphic contacts are displaced from ten to over a hundred metres lower on down-dropped blocks.

Exploration

Mining had taken place at La Colorada for several decades prior to any modern exploration work. During that time most of the major structures became known and production data was used to design diamond drilling programs, which comprise the bulk of the exploration activities. For those reasons there has been little surface sampling or geophysics and other surveys.

Our initial exploration program was completed between September 1997 and March 1998 to evaluate the economic potential while the property was under an option agreement with the previous owners. Following the encouraging results of that program the decision was made to acquire the mine. For the past several years we have typically drilled on the order of 100 to 200 drillholes each year from surface and underground. The primary objectives of our drilling programs are to increase the quantity and confidence in the mineral resource and reserve estimates with step-out and tighter drilling patterns on known structures, to outline new inferred mineral resources, and test the main structures at depth.

Channel sampling and detailed geological and structural mapping is performed in ore development and stopes for grade control and reconciliation purposes and to collect close spaced data for mineral resource and reserve estimation. The mine operation completes drifting in close proximity and along vein structures, providing extensive reconciliation data. The results of these reconciliations are usually within ±5%. The channel sample results are also used to predict mill feed grade, reconciled monthly to the plant head grade, and are usually in the ±2% range. Channel sample results are used, either on their own or in conjunction with diamond drill sample results, for the estimation of mineral reserves and resources.

All drilling at La Colorada is diamond core drilling and is performed using industry standard wire line methods from both surface and underground. The work is performed by either company employees with a company owned drill or by specialized drilling contractors. All diamond drilling is performed under the supervision of the La Colorada mine geology department.

There are no known sample recovery, contamination, or bias issues that could have a material impact on the reliability of the sample results.

Mineralization

La Colorada is a typical epithermal silver-gold deposit, with a transition in the lower reaches of the deposit to a more base metal predominant system.

There are three separate active mining areas on the property, including the Candelaria, Estrella, and Recompensa areas. The main structure at Candelaria strikes generally east west. The west part of the vein is referred to as HW and the east part is referred to as NC2, and there are a number of off-splits from these veins. The Estrella area includes the Amolillo vein, which is a split from the HW vein, and the Palomas vein, which is a split from Amolillo. The Recompensa zone produces or has produced from three areas: the Recompensa vein; Erika, which is a split from the Recompensa vein; and the Yuri replacement body, which lies between Erika and Recompensa.

Four dominant styles of mineralization are present at La Colorada, including breccia pipes, vein-hosted mineralization, replacement mantos within limestone, and deeper seated transitional mineralization.

Mineralization in the breccia pipes generally has lower silver values and elevated base metal values. Mineralization is associated with intense silicification and occurs as disseminated galena and sphalerite with minor chalcopyrite and bornite. Sulphides are found in the clasts and the matrix.

Most mineralized veins on the property strike east to northeast and dip moderately to steeply to the south. Veins occur in the dacite and limestone units and cut across the bedding and contacts with little change in the width or grades of the vein. Mineralized widths in the veins are generally less than two metres, but may be wider in the presence of a surrounding halo of replacement or brecciated material. The HW Corridor at the Candelaria mine strikes east-west and dips moderately to the south, with true widths of approximately up to 15 metres, but most of the economic mineralization is located in quartz veins, which are on average one to two metres wide. In some cases vein fillings consist of quartz, calcite, and locally barite and rhodochrosite. Where the veins are unoxidised, galena, sphalerite, pyrite, native silver, and silver sulphosalts are present. The major mineralized veins are strongly brecciated and locally oxidised.

Manto style mineralization is found near vein contacts where the primary host rock is limestone. This style of mineralization was previously mined at Recompensa and is also present in areas of the Candelaria zone. The mantos appear to be controlled by thrust faulting adjacent to the veins, and can form bodies up to six metres wide. Most commonly, they occur in the footwall north of the steeply dipping vein, but depending on the orientation of the fault they can occur in the footwall, the hanging wall, or both. The mineralogy of the mantos is characterized by galena and sphalerite with minor pyrite and chalcopyrite. Gangue minerals include quartz, rhodochrosite, pyrolusite, and other manganese oxides.

The deep seated transition mineralization, also known as NC2 Deep at the Candelaria mine, consists of both vein type mineralization and more diffuse stockwork and breccia zones. There appear to be seven distinct zones within the transitional zone, and these can be sub-grouped into three main categories: vein mineralization, including the down dip extension of the HW and NC2 and veins in the hangingwall and footwall of both; a peripheral stockwork vein zone that envelopes the NC2 structure; and sub-horizontal manto-like stockwork zones in the NC2 hangingwall.

Deep drilling has defined a restricted manto replacement body with lower silver-gold grades and higher lead zinc grades at the 1,000 metre level and remains open to depth. It is adjacent to the known vein system which continues at that depth.

The current mineral resource and reserve currently comprises vein and manto hosted mineralization. The NC2 and HW Corridor veins at the Candelaria mine are economically the most important and contain over 40% of the mineral reserve and resource ounces of silver. These zones are characterized by a broad mineralized shear within limestone containing one or more quartz veins parallel to the orientation of the shear. The majority of the silver mineralization is found in the quartz veins which range from 2.0 to 2.9 metres wide. The HW and NC2 structures provide nearly 90% of the mine's current production. The two veins have a combined strike length of over 1,500 metres.

The NC2 vein is the most important source of sulphide silver mineralization and contains approximately 30% of the mineral resource and reserve ounces of silver. It is a narrow, one to seven metre wide mainly sulphide and partly oxide vein with a strike length of over 900 metres. It is open to the east where it is cut by a trachyte dyke, and has been confirmed by drilling and drifting to continue in both width and grade on the other side of the dike. The down-dip exploration potential is significant. In 2012, we drilled a hole that intersected the vein 400 metres below the current probable mineral reserves. There are a number of other splits from this vein.

The HW vein, also at the Candelaria mine, is a one to two metre thick vein with a strike length of over 1.1 kilometres. The HW Corridor consists of four structures. Two structures are brecciated-altered zones in the hangingwall of the HW vein, and the other two structures of the footwall are controlled by a broad mineralized

shear in limestone containing one or more quartz veins parallel to the orientation of the shear. The majority of the silver mineralization is found in the quartz veins which average two metres wide but can widen up to six to seven metres at the intersections with the HW vein.

At the Estrella mine, the Amolillo oxide/sulphide vein is located 500 metres north of the NC2 and HW vein complex and approximately along strike to the east of the Recompensa vein. The vein lies mostly within dacite host rock and limestone at depth, and has an average width of 1.9 metres and a strike length of approximately 1,300 metres. Our drilling results indicate that the Amolillo vein could be key to a possible mine expansion, as indicated in the La Colorada Report. Diamond drilling has intersected the vein 480 metres below the deepest mining level, and expanded the lateral extension to the east and west by 900 metres for a total of 1,300 metres of current strike length.

The Recompensa mine contributes the fewest silver ounces to the mineral resources and reserves. The main zones being exploited are the Recompensa and Erika veins and the Yuri manto replacement body located between the two veins. The Recompensa and Yuri are located more than a kilometre northwest of the NC2 and HW vein complex. The vein mineralization averages about 1.8 metres wide in the economically mineable zones, and contains a minor amount of oxide but mostly sulphide material. Erika is a hangingwall split from the Recompensa vein and is relatively narrow at an average width of 1.0 metres in the economically mined zone. It contains only sulphide material.

Drilling

We completed approximately 46,300 metres of diamond drilling during 2014, mainly at the NC2 and Amolillo structures. The drilling database contains on the order of thousands of drillholes from both surface and underground. In the past, underground holes were drilled BQ size until 2000 when the drillhole diameter in the HW corridor was increased to HQ size to improve core recovery. From 2008 to present the surface hole size has been increased to HQ and underground holes are drilled either at HQ, NQ or BQ sizes depending on the location and/or depth of the holes.

The holes generally range in length from 100 to 300 metres. Hole collar coordinates are surveyed by total station survey equipment.

Sampling and Analysis

The drill core is logged and sampled by a geologist using industry standard methods. The geologist marks the beginning and end of the samples, which vary in width depending upon the geology and the vein intersection. Trained staff cut the core in half with a diamond blade equipped saw. One half of the core is placed in a sample bag and the other half is returned to the core box and stored on a rack in the core library. A two piece sample tag with a bar code is filled out with information relevant to the sample. One half of the tag is inserted in the sample bag and the other half is used for data entry into the geology database.

Channel sampling is performed every three metres in development headings and every five metres in stopes by sampling crews under the supervision of the mine geologist. Vein and wall rock are sampled separately and with lengths selected according to geology. The sampler uses a hammer and chisel to take a representative sample of approximately two kg from across the marked location. A sample tag is inserted into the sample bag and the bag is closed to prevent contamination.

Both channel and drill core sample intervals are selected according to the width of geological features and are usually approximately a metre in width. All channels are sampled regardless of expected grade, and samples several metres into the hangingwall and footwall are also taken.

We have used four commercial labs in the past for exploration assaying at La Colorada, including Bondar Clegg (Vancouver, B.C.), ALS Chemex (Vancouver, B.C.), Luismin (Durango, Mexico) and ALS Chemex de México (Guadalajara, México). All gold and silver assays by the commercial labs have been done using fire assay with

either an atomic absorption (“AA”) or gravimetric finish on a 30 g charge. Base metals were assayed using acid digestion and AA determination. All samples are now prepared at the La Colorada mine laboratory operated by our employees. Samples are analyzed for gold and silver using fire assay with gravimetric finish, and for lead, zinc, copper, iron, and manganese by acid digestion followed by AA.

There were some core recovery problems in the underground drilling in the HW corridor prior to 2000 which was rectified by increasing the drilling core size from BQ to HQ, which improved both sample recovery and core quality. We identified no significant bias in the grade of the samples with poorer recovery. Since 2006, sample recovery has varied between 89% and 96%. We have identified no drilling, sampling, or recovery factors that could materially impact the reliability of the results, and the data is considered acceptable for mineral resource and reserve estimation.

To the best of our knowledge, the past core sample recovery issues were rectified and the number and location of the affected holes are not material to the current mineral resource and reserve estimate. Diamond drillholes and channel samples are oriented and spaced to ensure as representative a sample as possible. There are no known factors that could have resulted in any sample biases.

The La Colorada mine geology department conducts a quality assurance/quality control (“QAQC”) program that is independent from the laboratory. The program includes the insertion of standards and blanks to the on-site laboratory and the submission of pulp duplicate samples to an external laboratory. The QAQC data are reviewed daily and any failed samples are identified immediately. The results of the QAQC samples demonstrate acceptable accuracy and precision and that no significant contamination is occurring at the mine laboratory.

The La Colorada database has been audited a number of times by an external independent consultant and only minor transcription errors were found and corrected. The database software has built in validation tools that are used regularly along with visual verifications of the sample location when plotted on plans and sections. Assay data is transferred directly from the laboratory information management system (“LIMS”) to the geology database eliminating errors from manual data entry. We are of the opinion that the data quality and reliability is to industry standard and is sufficient for use in resource and reserve estimation and mine planning.

Security of Samples

Underground channel samples are brought directly from one of the portals to the on-site laboratory at the end of each shift. Underground drill cores are brought from underground to the core shack, which is fenced and locked when there are no geology department employees present. Once the drillhole has been logged and sampled, the samples are transported to the on-site laboratory. A work order accompanies all samples and is verified by the geologist and the laboratory worker. The samples are bar code labeled which are read at regular points from reception of the sample through to the final result. Assay results are safeguarded using a secure database for which each user is assigned only the required access.

Mineral Resource and Reserve Estimates

Management estimates that mineral reserves at La Colorada, as at December 31, 2014, are as follows:

La Colorada Mineral Reserves [1, 2, 3]					
Reserve Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**Grams of Gold per tonne**	**% Zinc**	**% Lead**
Proven	3.0	427	0.33	2.65	1.46
Probable	3.8	364	0.37	2.26	1.29
TOTAL	6.8	391	0.35	2.43	1.37

Notes:

1 Estimated using a price of $18.50 per ounce of silver, $1,250 per ounce gold, $2,000 per tonne of zinc and $2,000 per tonne of lead.

2 Mineral Reserves for La Colorada have been prepared under the supervision or were reviewed by, Michael Steinmann, P. Geo., and Martin Wafforn, P. Eng., as Qualified Persons as that term is defined in NI 43-101.
3 Lead and zinc grades shown are the average for the deposit. However, the base metals are only payable in the concentrates produced from the sulphide ores and not in the doré produced from the oxide ores.

Management estimates that mineral resources at La Colorada, as at December 31, 2014, are as follows:

La Colorada Mineral Resources [1, 2, 3]

Resource Category	Tonnes (Mt)	Grams of Silver per tonne	Grams of Gold per tonne	% Zinc	% Lead
Measured	0.3	153	0.13	0.59	0.33
Indicated	2.3	222	0.23	0.71	0.48
Inferred	3.4	251	0.51	3.02	1.77

Notes:
1 These mineral resources are in addition to mineral reserves. Estimated using a price of $18.50 per ounce of silver, $1,250 per ounce gold, $2,000 per tonne of zinc and $2,000 per tonne of lead.
2 Mineral resource estimates for La Colorada have been prepared under the supervision, or were reviewed by, Michael Steinmann, P. Geo., and Martin Wafforn, P. Eng., as Qualified Persons, as that term is defined in NI 43-101.
3 Lead and zinc grades shown are the average for the deposit. However, the base metals are only payable in the concentrates produced from the sulphide ores and not in the doré produced from the oxide ores.

Mineral resources are estimated using a polygonal method based on the data collected from both diamond drilling and underground channel samples. The data is plotted on sections and plans for review and interpretation by the geologist. Once the data is confirmed to represent the appropriate structure, a long section is produced of each structure to visualize the structure in its entirety. The structures are then divided into mineable blocks. The volume of the block is estimated from the average width of the vein or mineralization intersection of each drillhole or channel located within the mining block. The grade of each block is estimated by the length weighted average of the grade of the vein or mineralization of each intersection within the block. The samples are assessed and treated for extreme sample grades prior to averaging. The data is processed using Excel software structure by structure which is then combined to arrive at the total tonnes and grade of the mineral resource estimate. The mineral resource estimates are updated annually with new information and updated geological interpretations and depleted annually for mining in the previous year.

Weighted average bulk density values are applied to each mining block volume to estimate the tonnes of each block. The bulk density value is a mathematical function that varies depending on the lead and zinc grade of each sample. The function is derived from bulk density measurements and the lead and zinc grade of those samples.

Planned dilution is applied to each intersection. First a minimum of 2.18 metres true width is applied to the structure. This provides a minimum horizontal width of 2.4 metres in order to permit access for the scoop trams. Additional planned dilution is then added to account for the mining method which varies depending on whether the vein is present in development or stoping areas. A further 3% dilution is applied to account for backfill which is inadvertently mucked each lift during the cut and fill stoping. An additional 5% unplanned dilution is also applied in order to correlate with the reconciliation between the mineral reserve and the plant results.

Mining recovery is considered to be between 85% and 95% depending on vein width. This figure is based on experience and observation at each mining area and considers losses of ore in permanent pillars, losses into the backfill, and other losses such as those that may be caused by ground failures or other geomechanical conditions. The mine workers attempt, where possible, to recover all pillars, however, some crown pillar ore and some safety pillars inevitably remain to ensure safe working conditions for the miners in the stopes.

The procedure used to handle multiple commodities in the mineral resource and mineral reserve estimates is to apply a monetary value for each metal based on their respective grades and to add them to give the total value per tonne. The value per tonne considers the value paid for each metal, the expected metallurgical recovery of each metal to concentrate or to doré, and costs including insurance, penalties, refining, and transport.

Mineral resource confidence classifications are based on the proximity and density of geological and grade information in each block, as well as the interpretation and the experience of the mine geologist. Measured resources are assigned to blocks adjacent to the development or stope excavations, and which have been channel sampled. The classification is extended 50 metres vertically and 30 metres horizontally. Indicated resources are assigned to blocks adjacent to the measured blocks. They extend vertically from measured blocks but are not extended any further horizontally than measured blocks. Indicated classification is also assigned to blocks where diamond drilling spaced 50 metres and closer confirms grade and geological continuity. Inferred classification is assigned to blocks where there is sufficient geological and grade data to reasonably assume continuity but not enough to confirm or verify.

Mineral resources are then converted to mineral reserves depending on the resource classification and whether they can be economically mined. Mineral resources may not be converted to mineral reserves for reasons such as poor accessibility or mining recovery, or because the grade of the resource is not economic to mine. The operating costs are based on actual operating costs at the mine and are used to define the economic limit.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources at La Colorada.

Mining Operations

La Colorada produces oxide and sulphide ores from the Candelaria, Estrella and Recompensa underground mines. The amount of oxide material mined each year has decreased as the mine progresses deeper in the system. The La Colorada Report projects that approximately a quarter of the material mined during the remainder of the currently planned mine life will be oxide and sent to the oxide process plant while the remaining three-quarters will be sulphide and processed in the sulphide plant.

The mining method used at all three mines is cut and fill stoping. This method allows for improved ore recovery and selectivity from irregular, steeply dipping veins. Ground support is provided by rock bolts, with screen and shotcrete as required, as well as by backfilling the voids created by mining with development rock or mill tailings as the ore extraction advances.

Mine levels are 30 metres vertically apart. Cut and fill stoping begins at the bottom of each 30 metre panel and works upward in horizontal slices that follow the strike, dip, and width of the ore zone. Ore extraction begins by cutting a 2 metre thick slice from the bottom of the ore zone and removing the broken ore from the stope. As each successive slice of the stope is taken, the void below is backfilled to support the side walls and to provide a stable working platform for mining the next ore slice.

The cut sequence begins with drilling the mine face. Working on a platform of the ore broken in the previous advance, miners use jacklegs and stopers to drill blast holes into the ore in the mine face above the work platform. After drilling, blasting agent is loaded into the holes, and the material is broken and dropped to the floor below. This material then becomes the working platform for advancing the next cut.

After blasting, and after the atmosphere in the stope has been ventilated and is determined to be safe, roof support is completed by removing loose rocks from the newly exposed area and installing rock bolts.

The fill sequence is completed by bringing in backfill material and placing it in the void created by ore extraction. The advancing face of the backfill material is separated from the ore to limit ore dilution.

Either hand held drills or electric hydraulic jumbo drills are used for development mining to access the ore, depending on the size of the excavation required. The mine currently has sufficient ore development ahead of stoping to provide flexibility for planning and scheduling.

Ore extracted from the Candelaria and Estrella mines is currently hoisted approximately 450 metres to the surface through the El Aguila Shaft. Two different 300 tonne capacity bins are used to segregate sulphide from oxide/mixed ore. Once on surface, the ore is dumped into one of two 200 tonne capacity ore storage bins according to material type. The ore is removed from the bins and hauled to the appropriate mill crusher stockpile by 12 tonne capacity surface haul trucks. The hoist system is capable of delivering approximately 1,200 tonnes per day to the surface. When required, Candelaria and Estrella ore can be hauled up to the surface using one of the mine access ramps.

Ore extracted from the Recompensa mine is hauled to the surface by an underground mine truck fleet and stockpiled on the surface near the mine portals. The ore is then reclaimed from the stockpile and hauled to the appropriate mill crusher stockpile by surface haul trucks. Pending the results of further exploration drilling, no production is scheduled from the Recompensa mine in the current life of mine plan.

The operation currently produces approximately 430 tonnes per day of oxide ore and 870 tonnes per day of sulphide ore. Each type of ore is processed through separate circuits which share a single crushing plant. Material mined from the transition zone between the oxide and sulphide zones is typically treated as oxide ore for processing. The daily processing capacity of the oxide plant is nominally 650 tonnes of ore and the capacity of the sulphide plant is nominally 750 tonnes.

The oxide plant comprises a conventional cyanide leach plant consisting of crushing, grinding, leaching, Merrill Crowe zinc precipitation and on-site refining to produce precious metal doré. Doré bars produced at La Colorada typically contain 98% precious metal, primarily silver, some gold and 2% impurities. The sulphide plant is a conventional flotation plant comprised of crushing, grinding and selective lead and zinc froth flotation circuits to recover precious and base metals into separate lead and zinc concentrates.

Tailings from both plants are delivered as slurry to separate lined tailings storage facilities . Tailings from the sulphide plant are directed as required to a hydraulic backfill plant for re-use underground as backfill in the stopes.

As the maximum capacity of the mine in its existing configuration has been reached, an expansion project was approved in December 2013 to increase the overall production rate of the mine.

The mine's expansion will require the construction of new mining infrastructure, the development of new mining zones to reach deeper mineralization and the expansion of the sulphide ore processing plant. A new 600-metre deep bore hole shaft is planned between the main Candelaria area that contains the NC2 and HW veins, and the Estrella area that contains the Amolillo vein. The new shaft, which over the long term is necessary regardless of the expansion project, will increase hoisting capacity to 2,300 tonnes per day (“tpd”), accommodating ore and waste extraction as well as serving as the main access to working areas for mine personnel and materials. Preliminary engineering work for the new shaft and hoist has already been conducted and detailed engineering is currently underway. Construction of the new shaft is in progress and commissioning is expected to follow in the second half of 2016. The shaft and associated hoisting equipment will be designed such that it can be deepened in the future if justified by future exploration success.

Mining at both the Estrella and Candelaria areas is expected to continue utilizing the current cut-and-fill method. The capacity of the ventilation and dewatering systems will be increased to handle the mine's hot and wet ground conditions as mining operations extend at depth. The expansion plan also includes the addition of 22 new pieces of mining equipment to the fleet and the hiring of over 100 additional mining personnel.

Total throughput at La Colorada's processing plants will progressively increase from the 1,290 tpd achieved in 2014 to 1,500 tpd starting in 2016 and to 1,800 tpd by the end of 2017. While the oxide plant will not be modified due to La Colorada's limited remaining oxide mineral reserves, the sulphide plant will be expanded to treat the increased sulphide ore feed.

Expansion of the sulphide plant to nominally 1,500 tpd will be implemented through the installation of a new crusher and grinding mill. New lead and zinc flotation circuits will be built. The plan also includes an upgrade and expansion of the plant's dewatering circuits and installation of a new 115 kV power line connection to the national grid replacing the existing 33 kV lines. Work on the plant's expansion has commenced and is scheduled to be completed by mid-2016.

The total incremental expansion capital over the next four years has been estimated at $80 million, the majority of which is expected to be spent between 2014 and 2016. The sulphide plant expansion, additional mining equipment and accelerated development, plus several important infrastructure upgrades account for the largest portion of the incremental capital for the project. The economic analysis assumes that the expansion project can be completed without materially disrupting the current operation.

Production at La Colorada in 2014 was approximately 5.0 million ounces of silver, 2,600 ounces of gold, 7,700 tonnes of zinc, and 3,700 tonnes of lead. Metal recovery at La Colorada has been relatively constant over the past several years of production. In 2014, silver recovery averaged 80.5% from the oxide processing circuit and 93.2% from the sulphide processing circuit.

All precious metal doré produced at La Colorada is sent to one of two arm’s length precious metals refineries for refining under fixed term contracts. After refining, the silver and gold is sold on the spot market to various bullion traders and banks. All lead and zinc concentrate produced at La Colorada is sold to arm’s length smelters and concentrate traders under negotiated fixed term contracts.

To date, we have not experienced difficulty with renewing existing or securing new contracts for the sale of the La Colorada doré or concentrates, however, there can be no certainty that we will always be able to do so or what terms will be available in the future. We regularly review the terms of smelting and refining agreements and the terms are considered to be within industry norms. Please see “Risks Related to our Business – Trading Activities and Credit Risk”.

The revenue per type of concentrate and doré produced by the La Colorada mine for the past three years were as follows:

2014	Revenue[1, 2]	Quantity
Silver and Gold in Doré	$21.5 million	1,165,000 ounces of silver
		860 ounces of gold
Lead Concentrate[3]	$62.8 million	8,666 tonnes
Zinc Concentrate[3]	$13.7 million	13,201 tonnes
2013		
Silver and Gold in Doré	$28.5 million	1,230,000 ounces of silver
		1,070 ounces of gold
Lead Concentrate[3]	$61.7 million	8,023 tonnes
Zinc Concentrate[3]	$11.3 million	12,046 tonnes
2012		
Silver and Gold in Doré	$47.1 million	1,470,000 ounces of silver
		1,516 ounces of gold
Lead Concentrate[3]	$69.3 million	5,787 tonnes
Zinc Concentrate[3]	$10.0 million	9,111 tonnes

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 Lead concentrates contain payable silver and gold. Zinc concentrates contain payable silver.

Considerable exploration success during the year has extended the life of mine plan. Based on the La Colorada Report, there is potential that the mine will operate beyond 2027.

In 2013, the Mexican government enacted significant changes to its tax laws (the "Tax Reform") which took effect on January 1, 2014. The components of the Tax Reform expected to have the greatest impact on our Mexican operations are as follows:

(i) Reversal of the planned reduction to the corporate income tax rate from 30% to 28%.

(ii) Elimination of the Impuesto Empresarial a Tasa Única ("IETU"), a flat business tax of 17.5%.

(iii) Elimination of accelerated depreciation on exploration expenditures.

(iv) A new deductible Special Mining Duty ("SMD") of 7.5% applied to taxable earnings before interest, inflation, taxes, depreciation, and amortization.

(v) A new deductible extraordinary mining duty ("EMD") of 0.5% applied to the sale of gold, silver, and platinum.

The initial deferred tax impact of the Tax Reform was approximately $3.5 million.

As a result of the Tax Reform, in 2014 the principal taxes of Mexico affecting Plata Panamericana include income tax, SMD, EMD, annual fees for holding mineral properties, various payroll and social security taxes, and a refundable value added tax.

Plata Panamericana generated an income tax expense of approximately $4.5 million, $17.0 million and $14.2 million in 2014, 2013 and 2012, respectively. Included in the income tax expense is SMD of approximately $2.6 million and $3.1 million in 2014 and 2013 respectively.

Activities in 2015

In 2015, we anticipate producing between 4.90 million and 5.00 million ounces of silver, between 2,500 and 2,700 ounces of gold, 7,000 to 7,500 tonnes of zinc, and between 3,700 and 3,800 tonnes of lead.

Work relating to the production expansion project will be the primary focus of capital spending in 2015. Capital spending relating to the expansion project is expected to be between $75.0 million and $80.0 million in 2015, while total capital expenditures at La Colorada during the year are expected to be approximately $86.0 million and $92.0 million. Non expansion project capital spending at La Colorada includes a mine discharge water treatment plant, a ventilation raise, equipment overhauls, development exploration, and processing plant capital.

Environmental

An environmental impact statement ("EIS") and risk assessment on the La Colorada property was submitted to the Mexican environmental authorities in early March 1999. The EIS described the impact of proposed development and mining activities and provided conceptual plans for closure and remediation. The EIS was approved by the Mexican authorities in November 1999 and renewed in late 2010. The new permit is valid for five years. In 2013, the Mexican authorities approved a modification to the existing environmental permits that allow the proposed expansion of the mine and process plant up to 2,000 tonnes per day. A modification application to the plant expansion permit has been lodged and is expected to be approved in the first half of 2015.

La Colorada has voluntarily participated in the Mexican Environmental Protection Authority's ("PROFEPA") "Clean Industry" Program which involves independent verification of compliance with all environmental permits and the implementation of good practice environmental management procedures and practices. The mine obtained its first certification in 2008 and has been re-certified every two years since, with the most recent certificate awarded in 2014. The mine will go through the re-certification process again in 2016.

The main environmental focus at the La Colorada property is the stability of the historic tailings facilities and mine water discharges.

A closure cost estimate for La Colorada was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. Pan American has estimated the present value of the final site reclamation costs for the La Colorada property to be approximately $4.1 million as at December 31, 2014. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

A formal safety audit was conducted in December of 2006 at La Colorada by a third party consultant and Pan American's Director of Health and Safety, resulting in an update of all protocols and procedures. Subsequent audits are conducted by Pan American's Director of Health and Safety and safety managers from some of our other mines. The most recent safety audits have taken place in 2012 and 2014, and as of the end of December, 2014, the mine has accumulated more than 2.6 million hours of work without an LTI.

La Colorada was the recipient of the prestigious "Casco de Plata" award for 2007, 2009, and 2014, for the best safety record for underground mines in Mexico with in excess of 500 employees, and took second place in the same category in 2013. In both 2009 and 2014, La Colorada was awarded our Chairman's Safety Award. During 2014, personnel employed at the mine attended over 45,000 hours of training.

(ii) Alamo Dorado

Project Description and Location

The Alamo Dorado open pit silver mine is located 45 kilometres south-southeast of the town of Alamos in the southeast corner of the state of Sonora, near the border with the state of Sinaloa in northwest Mexico. The mine consists of two contiguous mining concessions, the 509 hectare Alamo Ocho concession and the 4,865 hectare Alamo Dorado concession, and five exploration concessions covering 6,014 hectares, and surface rights covering 763.64 hectares.

On February 20, 2003, Pan American acquired Corner Bay and its subsidiaries pursuant to a plan of arrangement. As a result, the Alamo Dorado mine is 100% owned and operated through a Mexican subsidiary of Pan American, MCB.

We pay an annual fee to maintain the concessions in good standing, and to our knowledge, we have met all of the necessary obligations to retain the project. To the best of our knowledge, the Alamo Dorado mine is not subject to any royalties or encumbrances, but is subject to certain duties imposed by the Mexican government as described under the heading “Mining Operations”.

Much of the surface rights with respect to Alamo Dorado are owned by ejido. An “ejido” is a Mexican institution established by the government during a period of land reforms in the early 1900’s and essentially consists of communal land tenure held by local community groups. We have surface rights agreements with a number of local ejido groups, including the Ejido Sombrerito, Ejido Zapote, Ejido Maquipo, Ejido El Carrizal and Ejido La Quintera, and with certain other private land owners allowing us access and use in connection with our exploration and mining activities. Our mining operations, waste storage areas and other facilities fall within these surface rights agreements.

All of the known mineralized zones, mineral resources and mineral reserves, mine workings, the processing plant, effluent management and treatment systems, and tailings disposal areas relating to Alamo Dorado are located within the boundaries of the Alamo Ocho and Alamo Dorado concessions and surface rights.

To the best of our knowledge, all permits and licenses required to conduct our activities on the project have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to Alamo Dorado is by a four lane paved highway that runs from the border town of Nogales, Sonora, through the cities of Hermosillo and Ciudad Obregon, and into the city of Navojoa. From Navojoa, there is a two lane paved road to the town of Alamos. The mine is located 40 kilometres southeast of Alamos, and access to the mine is primarily via an unpaved road. A secondary access route is also available that may be used for heavy deliveries and other shipments. Major airports in the state of Sonora are located in Hermosillo and Ciudad Obregon. The Ciudad Obregon airport is located approximately 75 kilometres north of Navojoa and 125 kilometres northwest of the mine. The town of Alamos is also serviced by a sealed airstrip.

Qualified workers can be recruited from local villages near the mine and in the town of Alamos, and there is also a large pool of experienced workers in Hermosillo and Ciudad Obregon. Workers commute locally to the mine in private or company owned vehicles.

The climate is transitional between the tropical climates further south and the subtropical desert typical of the Pacific coast of Baja California. The area is generally dry with the warmest period typically occurring between June and September. Precipitation occurs during a short but intense rainy season that typically extends from July through September. There are water crossings along the secondary access road that are impassable for short periods during heavy local downpours in the rainy season, however, the mine can be accessed and is operational year round.

The local terrain consists of the moderate to steep foothills that characterize the area located between the coastal plain of the Sea of Cortez to the west and the Sierra Madre Occidental mountain range to the east. Local elevation ranges from 300 metres above sea level to approximately 550 metres above sea level at the top of the ridge where the Alamo Dorado deposit is located. Vegetation is generally sparse and includes shrubs, cactus, grasses, and locally cultivated pastureland.

All of the mineral resources and reserves, mine workings, processing plant, tailings and waste disposal areas, and effluent management and treatment facilities are located within the boundaries of the mining leases and surface rights controlled by us.

Power is supplied by a 115 kilovolt power transmission line from a hydroelectric station located 35 kilometres from the mine. Water is supplied from wells located 27 kilometres to the southwest and pumped through a pipeline to the mine.

History

There is no record of any modern exploration conducted at Alamo Dorado prior to 1997, nor are there any records of production, although there is evidence of a few old adits in the general area. All recorded drilling at the property has been undertaken since 1997.

MCB geologists collected grab samples along a north trending ridge in 1997. After receiving positive assay results from those samples, MCB began a surface sampling program and made an agreement to purchase the Alamo Ocho concession from the previous owners. The surface sampling program outlined a 300 metre long north-south trending silver-gold anomaly situated along the east side of the Cerro Colorado Ridge.

Prior to our acquisition, exploration at Alamo Dorado was primarily comprised of reverse circulation drill campaigns conducted annually from 1998 to 2001. In 2000 a thorough mapping of surface exposures along drill access roads was undertaken. A more comprehensive 1:2500 scale geological mapping program was conducted in 2001 over an area of approximately four square kilometres in the project area. The results established the surface extents of the volcanic lithologic units, cross cutting dykes, and alteration patterns.

After acquiring the project, we commenced a feasibility study in 2003 based on an updated mineral resource and mineral reserve estimate and a proposed conventional milling and leaching circuit. In 2005, we approved a $17.6 million project to construct the mine. Site construction commenced in April 2005 and completion of the open pit mine and the processing facility was reached in the fourth quarter of 2006, and production of silver commenced in 2007. Total construction costs amounted to approximately $81.5 million.

Geological Setting

The Alamo Dorado mine is located in the Sierra Madre Occidental mountain range, a late Cretaceous to Tertiary age volcanic plateau that extends for hundreds of kilometres through northwestern Mexico. The volcanic sequence is divided into the Upper and Lower Volcanic Series. The Lower Volcanic Series is of late Cretaceous to early Tertiary age and consists of up to 1,000 metres of tuffs, flows, and volcanic breccias. The Upper Volcanic Series is of middle Tertiary age and consists of more than 1,000 metres of ash flow and ash fall tuffs that lie unconformably on the Lower Volcanic Series.

A period of particularly active tectonism, including intrusion and uplift, occurred between the deposition of the Lower Volcanic Sequence and the Upper Volcanic Sequence. Uplift and faulting of the Sierra Madre was accompanied by the intrusion of dykes along with the local emplacement of intrusive stocks and batholiths. Mining districts in the Sierra Madre are typically located along sheared and faulted structural zones formed in the Lower Volcanic Series, and to a lesser extent, within the underlying granitic intrusive. After emplacement of the granitic body, the area continued to be a centre of igneous activity, with the intrusion of at least seven distinct dykes or

plugs post-dating the granitic intrusion. Uplift of the Sierra Madre continued following volcanism in the Tertiary. Erosion of the uplifted area has resulted in deep canyons and rugged topography.

In the area of the Alamo Dorado property, the Upper Volcanic Series is present in the higher parts of the surrounding mountains, but has largely been removed by extensive erosion in the region. The rocks hosting mineralization at the mine consist of a sequence of deformed, steeply dipping, Mesozoic aged marine rocks that contain minor intercalated siliceous exhalite and pillow basalt. The Laramide Orogeny event probably caused at least the first phase of deformation which resulted in the development of a strong planar fabric and the metamorphism of the sediments to greenschist facies. Deformation of the rocks at Alamo Dorado was episodic and occurred before, during, and twice after the mineralizing events. The metamorphosed marine sedimentary rocks were intruded by a number of dykes and granodiorite stocks. Silver mineralization is mostly hosted by the metamorphosed volcanic rocks, but weak mineralization also occurs in a post-metamorphic porphyritic diorite dyke.

Exploration

The main form of exploration on the property has been through drilling campaigns using reverse circulation and diamond drill coring methods. Detailed geological mapping and structural interpretation as well as surface rock chip samples were historically used to identify promising targets for follow up by drilling. There are no known sample recovery, contamination, or bias issues that could have a material impact on the reliability of the sample results. The results of the drillhole samples are used for the estimation of mineral resources and mineral reserves. We also undertake geotechnical drilling to confirm that the geotechnical parameters applied in the pit wall designs are appropriate.

Both mine geologists and consulting structural geologists have carried out geological mapping on the property. Exploration drilling is currently carried out by a third party under the supervision of the Alamo Dorado mine geology department.

Mineralization

Stratiform, low sulphidation epithermal mineralization and alteration of the rocks at Alamo Dorado is controlled by a structural zone that has been folded and metamorphosed by regional deformation events. Silver and gold mineralization may have been associated with the emplacement of a diorite feldspar porphyry dyke and/or a granodiorite stock, both of which display hydrothermal alteration and contain silver mineralization.

Hypogene silver mineralization occurs predominantly as argentite with fine disseminated pyrite in quartz veins, within quartz crystals of siliceous gangue, and within fractures in siliceous gangue. It also occurs as tetrahedrite intergrown with pyrite, galena, and sphalerite. In the upper oxide environment the silver mineralization occurs in the form of silver chloride minerals, acanthite, and silver sulphosalts.

Drilling

Approximately 120 reverse circulation and 160 diamond drillholes have been drilled in or in the vicinity of the deposit, mainly on a 25 metre grid pattern over the currently defined mineral resources and reserves. No diamond drilling took place at the mine in 2014, in anticipation of the closure of the mine. In the recent past, drillholes were drilled using diamond drilling methods with HQ diameter surface drill rigs. The collar coordinates were surveyed using total station methods and downhole surveys were taken at regular intervals down the hole.

The information obtained from the reverse circulation and diamond drilling programs was used for the estimation of mineral resources and reserves.

Sampling and Analysis

Samples from reverse circulation drillholes were collected at intervals dependent upon the length of the drill rod, which at Alamo Dorado was 1.52 metres, and split to obtain a 3.5 to 5 kilogram sample. The drill core was logged and sampled by a geologist using industry standard methods. The geologist marked the location of the samples on the drill core, which varied in length depending on the width of the geological features, and was usually approximately 1.5 metres. The sample was split in half using a diamond bladed saw and placed in a sample bag and sealed. The other half of the drill core has been retained for future reference.

Drill core samples were prepared and analysed by ALS Chemex in Durango, Mexico, using fire assay with gravimetric finish methods for the analysis of gold and for silver. Trace silver content below the detection limit of the fire assay method was determined using aqua regia digest with inductively coupled plasma – atomic emission spectroscopy ("ICP-AES") finish.

Drill core recovery was good, while recovery for reverse circulation drilling was approximately 70%. Some of the reverse circulation drillholes were drilled wet, which may result in a less reliable sample, but no significant issues have been identified. There appears to be no drilling, sampling, or recovery factors that have had a material impact on the results of the data used to estimate mineral resources and reserves.

The Alamo Dorado mine geology department conducted a QAQC programme including the insertion of standards and blanks to the laboratory. The QAQC data were reviewed daily and any failed samples were identified and followed up on. To date, the results of the QAQC samples demonstrate acceptable accuracy and precision.

Regular checks were made on the database to ensure the data was correct. The database software has built in validation tools that were used as well as visual confirmation of the sample location when plotted in mining software. Assay data was transferred from the LIMS system at the laboratory to the geology database, eliminating any transcription errors.

Security of Samples

The drillholes were brought from the drill rig to the core shack and kept in a secure location. Once the drillhole was logged and sampled, the samples were collected by the commercial laboratory where they were maintained under the control of the laboratory. We have no reason to believe that the validity and integrity of the samples were compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves for the Alamo Dorado mine, as at December 31, 2014, are as follows:

Alamo Dorado Mineral Reserves [1, 2]			
Reserve Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**Grams of Gold per tonne**
Proven	2.8	60	0.25
Probable	0.6	84	0.61
TOTAL	3.4	64	0.31

Notes:
1 Estimated using a price of $17 per ounce of silver and $1,200 per ounce of gold.
2 Mineral Reserve estimates for Alamo Dorado were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Management estimates that mineral resources at Alamo Dorado, as at December 31, 2014, are as follows:

Alamo Dorado Mineral Resources [1, 2]			
Resource Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**Grams of Gold per tonne**
Measured	1.2	50	0.23
Indicated	1.0	79	0.39
Inferred	0.0	41	0.65

Notes:
1 These mineral resources are in addition to Alamo Dorado mineral reserves. Mineral resources were constrained within a pit shell using a price of $30 per ounce of silver and $1,400 per ounce of gold.
2 Mineral resource estimates for Alamo Dorado were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Mineral resources are estimated on an annual basis using the additional drillhole information acquired during the year, although no new drilling information was available in 2014. Previously, mineral resources were estimated using an indicator method with industry standard mining software. The block model dimensions were chosen with respect to the average drillhole spacing and mining selectivity and were set at a block size of 10 metres east, 10 metres north, and 5 metres in elevation. The drillhole samples were composited to 3 metres and top cut for extreme values. The composites were then flagged for a code depending on whether the sample was greater than or less than 39 grams per tonne silver equivalent. Variograms were calculated and modelled for the flagged sample composites, and used to estimate the probability that the cell will have an estimated grade greater or less than 39 grams per tonne silver equivalent. Composites coded as greater than 39 grams per tonne silver equivalent were then used to estimate silver and gold grades in cells flagged with a 50% or greater probability while composites coded as less than 39 grams per tonne silver equivalent were used to estimate the silver and gold grades in cells flagged with a less than 50% probability.

Three dimensional interpretations of lithology and silica content were prepared based on the drill hole logging information and coded to the block model. Bulk density was applied to the block model by lithology from 820 bulk density measurements. The block model was then depleted for previous mining and classified for confidence categories depending upon the confidence in the sample data, the estimate, and the density of available drillhole samples. Estimation validation was undertaken by comparing estimated and input composite grades and by comparing estimated grades against closer spaced grade control drilling.

Mineral reserves were estimated by preparing an optimized pit design in Whittle software based on measured and indicated blocks in the resource estimate. The mineral reserve was classified depending upon the resource classification and whether the blocks can be economically mined.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources at Alamo Dorado.

Mining Operations

Alamo Dorado is a conventional surface mine that utilizes hydraulic shovels, front end loaders, and mechanical trucks on 5 metre high benches. Ore control is carried out by sampling blast holes to provide closer spaced sample data for marking the ore and waste boundaries during mining. The mine stockpiles low grade and mineralized waste category material. High grade material is processed first to maximize the return on investment. As the mining operations wind down, a greater percentage of the mill feed will be sourced from the stockpiles.

Ore is treated by conventional crushing and semi-autogenous and ball mill grinding followed by thickening, agitated cyanide leaching, leach residue filtration, direct electrowinning to produce a cathode sludge, AVR (acidify, volatilize, and re-neutralize) cyanide recovery and recirculation, leach residue washing with AVR product solutions, dry stack tailings, and conventional silver and gold doré production from melting of the cathode sludge. The nominal design treatment rate is 4,000 tonnes per day of ore on a 24 hour per day schedule, but Alamo Dorado regularly exceeds this processing rate. The mine's tailings treatment process recovers approximately 45% of the sodium cyanide used and also neutralizes mill tailings, thus reducing the mine's environmental impact and reclamation costs. During 2014, we processed 1.8 million tonnes of ore, producing 3.5 million ounces of silver and 17,600 ounces of gold with metallurgical recoveries of 81.4% of silver and 86.3% of gold. Alamo Dorado was our largest producing gold mine for five of the six years between 2008 and 2013. It is anticipated that 2015 will be the final year of production from the open pit as the mine exhausts the last of the available ore that is accessible by open pit. Processing of the lower grade stockpile is expected to be completed in 2016.

Most production from Alamo Dorado is in the form of doré bars, which is refined at arm's length refineries prior to the sale of refined silver and gold to bullion banks and traders. We enter into multi-year refining contracts with refiners for the production from Alamo Dorado. The mine also produces a small amount of silver and gold in the form of a copper-lead rich precipitate from the AVR circuit. This material is typically sold to concentrate traders under annual contracts. We have not had any difficulty in securing contracts for the sale of Alamo Dorado doré and concentrates, however, there can be no certainty that we will always be able to do so or what terms will be available at the time. Please see "Risks Related to Our Business – Trading Activities and Credit Risk".

The revenue per type of concentrate and doré produced by the Alamo Dorado mine for the past three years were as follows:

2014	**Revenue[1, 2]**	**Quantity**
Silver and Gold in Doré	$90.5 million	3,590,000 ounces of silver 17,500 ounces of gold
AVR copper/silver Concentrates[3]	$0.0 million	320 tonnes
2013		
Silver and Gold in Doré	$158.7 million	5,519,557 ounces of silver 19,674 ounces of gold
AVR copper/silver Concentrates[3]	$1.4 million	790 tonnes
2012		
Silver and Gold in Doré	$196.5 million	5,427,541 ounces of silver 18,239 ounces of gold
AVR copper/silver Concentrates[3]	$4.8 million	643 tonnes

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 AVR concentrates contain payable silver and gold.

In 2013, the Mexican government enacted the Tax Reform (described in detail under the "Mining Operations" heading of the La Colorada section of this AIF). The initial deferred income tax impact of the Tax Reform was approximately $2.5 million.

As a result of the Tax Reform, in 2014 the principal taxes of Mexico affecting MCB include income tax, SMD, EMD, annual fees for holding mineral properties, various payroll and social security taxes, and a refundable value added tax.

MCB generated an income tax expense of approximately $1.6 million, $27.2 million and $39.8 million in 2014, 2013 and 2012 respectively. Included in the income tax expense is SMD of approximately $(0.3) million and $2.6 million for 2014 and 2013 respectively.

The income tax expense for 2014 includes a recovery of $6.0 million related to the impairment of property, plant, and equipment booked during the year. No impairments were booked for 2013 or 2012.

Activities in 2015

In 2015, we anticipate producing between 2.95 million and 3.20 million ounces of silver and between 15,500 and 16,600 ounces of gold.

In 2014, total capital expenditures at Alamo Dorado were negligible, totalling $0.3 million. No sustaining capital expenditure has been planned for 2015. Decommissioning obligations are expected to be incurred starting in two to three years while the remainder of the obligations are expected to be paid through 2028.

Environmental

The original environmental permitting work for Alamo Dorado considered options developed for the 2002 feasibility study, and was provided by MCB in conjunction with Aguayo Consultoría Ambiental, MCB's environmental consultant and coordinator. An EIS and risk assessment study, as well as ancillary documents were submitted by MCB to the Secretariat of Environment and Mineral Resources ("SEMARNAT") to identify potential major deficiencies and for appropriateness for permitting Alamo Dorado. SEMARNAT recommended a finding of no significant impact in the original impact statement/permitting document. Following completion of the updated feasibility study, the original EIS and risk assessment study documents were revised, resubmitted and approved by SEMARNAT. Project construction commenced in 2005 based on the approved EIS and an improved modification of the SEMARNAT Temporary Land Use Permit for the operation of a mill and disposal of non-toxic tailings in a dry stack tailings area.

MCB had an agreement with SEMARNAT for compensation activities for mitigation of the environmental impact of the Alamo Dorado project. MCB conducted its compensation activities on schedule during the term of the agreement (2005-2007) and within the framework of its agreement with SEMARNAT. Confirmation was received in August 2007 from SEMARNAT acknowledging the end of the third and final stage of the agreement.

The main environmental focus at the Alamo Dorado property is the stability of the tailings facility and mine water discharges.

Alamo Dorado has voluntarily participated in the PROFEPA "Clean Industry" Program which involves independent verification of compliance with all environmental permits and the implementation of good practice environmental management procedures and practices. PROFEPA awarded Alamo Dorado the "Clean Industry" distinction in 2013 and the mine is currently in the process of the biennial renewal of the certification.

A closure cost estimate for Alamo Dorado was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. We have estimated the present value of reclamation costs for the Alamo Dorado property at December 31, 2014 to be approximately $5.1 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

In 2005, a detailed emergency response plan was developed for the Alamo Dorado project that outlines responses to safety and environmental emergencies. In February 2007, a formal safety audit of the Alamo Dorado mine was completed by a third party consultant. Internal safety audits have been conducted most recently in 2012 and 2014 by Pan American's Director of Health and Safety and safety managers from other Pan American operations. During 2014, personnel employed at Alamo Dorado attended over 12,600 hours of safety related training. Alamo Dorado was awarded the "Casco de Plata" award in the open pit category for the best safety record in Mexico during 2008 and during 2010. In 2013, Alamo Dorado was the recipient of the Chairman's Safety Award for safety performance during 2012. The mine has recorded only one LTI since the start of the project.

(iii) Dolores

Project Description and Location

The Dolores open pit silver-gold mine is located in the Sierra Madre Occidental mountain range in the state of Chihuahua, in the municipality of Madera, approximately 250 kilometres west of the city of Chihuahua. The area of the concessions is 27,700 hectares.

In 2012, Pan American acquired all of the issued and outstanding shares of Minefinders by way of a plan of arrangement. Upon completion, Pan American owned 100% of Minefinders and its subsidiaries, including Minefinders' wholly owned Mexican subsidiary, CMD, which directly owns 100% of the three contiguous concessions referred to as Dolores, Silvia, and Unificacion Real Cananea, which comprise the Dolores mine. We pay an annual fee to maintain the concessions, and to our knowledge, all permits, licenses, and obligations required for the conduct of our activities at Dolores are currently in good standing. The mineral resources and mineral reserves, mining operations, waste storage areas, heap leach pad areas, and the processing plant site are all located within the concessions controlled by us.

Much of the surface rights on the property are owned by Ejido Huizopa. We have surface rights agreements with Ejido Huizopa and with several individual members of the Ejido allowing us irrevocable access and the right to carry out exploration and mining activities for a term of 15 years with a right to extend for a further 15 years. These surface rights provide us with access to our mining operations, waste storage areas, heap leach pad areas, and other facilities.

A net smelter return royalty of 2% payable on all metal production, plus an additional net smelter return royalty of 1.25% on gold production, is payable to RG Mexico Inc., a subsidiary of Royal Gold Inc. These royalties are only on the portion of the deposit contained within one of the three concessions. There are no other royalties relating to the property, but CMD is subject to certain duties imposed by the Mexican government as described under the heading "Mining Operations".

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main road access to the property is via 92 kilometres of maintained dirt access road from Yepachi, Chihuahua, to the mine site. Access is also possible by light aircraft landing on a dirt strip located about eight kilometres from the mine. The nearest population centre is at Chihuahua located 250 kilometres to the east. Employees travel to the mine either by road or by light aircraft, while materials come by road.

The topography at the mine site is rugged, with elevations ranging from 1,200 to 2,000 metres above sea level. Vegetation is typical of the foothills of the Sierra Madre and ranges from thorn scrub with cacti to oak and pine forests at higher elevations.

The climate is typical of the Sierra Madre with an average annual temperature of about 18° C, annual lows of -10° C, and highs of 45° C. The long term total annual rainfall for the region is between 600 and 750 millimetres with approximately 70 days of rainfall, with much of it occurring from between July and September as brief heavy

rainstorms. Snowfall is common in December and January but does not remain on the ground for long. Mining and exploration work is carried out year round.

There are sufficient surface rights for mining, processing, and waste disposal. Water for the operations is sourced from wells, historic underground workings, pit dewatering activities, and from the nearby Rio Tutuaca. Additional water rights have been acquired for the mine, and a dam and reservoir provide storm-water control and a primary water supply. A new power line project is currently underway to connect the mine to the power grid in Chihuahua state, which will replace the current diesel generated power upon completion.

The local economy is based on logging, ranching, and subsistence farming. Workers are sourced from nearby small villages, and we have recruiting and training programs in place to develop the local workforce. Much of the mine workforce is supplemented from Chihuahua and Hermosillo in the state of Sonora, 350 kilometres to the west. Both Sonora and Chihuahua states have a strong mining culture and provide a pool of experienced workers.

History

Placer mining began in the region of the Dolores mine in the 1860s and was followed by lode mining in 1898. A power line was installed from the town of Madera by 1915, and a 25 tonne per day stamp mill began treating the Dolores ore until early 1929 when it was destroyed by fire. Only sporadic production occurred from 1929 to 1931, and there are no records of any historical production after 1931. Incomplete mining records from between 1922 and 1931 indicate that on the order of 372,000 tonnes of ore containing over 116,000 ounces of gold and six million ounces of silver were mined from several underground mine operations, including Dolores.

The property remained inactive until 1993 when Minefinders Ltd. began acquiring a land position in the district. Minefinders began a full exploration programme in November 1995 and drilling started in September 1996, using both diamond and reverse circulation drilling methods. In July 1996 Minefinders granted Echo Bay Mines (“Echo Bay”) an option in the property. Echo Bay completed drilling, sampling, environmental data collection, and metallurgical testing. Minefinders bought out the Echo Bay interest, including the technical information collected by Echo Bay, in October 1997.

Minefinders completed a feasibility study for the project in June 2005, based upon the results of earlier studies, and completed a separate feasibility study in March of 2006 which formed the basis for Minefinders’ mine development. Following construction, Minefinders commenced mining in 2008. During the years 2008 and 2011, Minefinders produced 25.5 million tonnes and stacked 18.3 million tonnes on the leach pads, producing 210,660 ounces of gold and 6.2 million ounces of silver.

We acquired the Dolores mine at the end of March 2012 and began to operate the mine in April 2012.

Geological Setting

The Dolores mine is located in the Sierra Madre Occidental mountain range, which comprises a long northwest trending volcanic plateau. The region is dominated by rhyolitic ash flow tuffs of Oligocene age known as the Upper Volcanic Series. The Upper Volcanic Series unconformably overlies rocks of the slightly older Lower Volcanic Series which are comprised primarily of andesites with interlayered felsic ash flow tuff deposits of Eocene age. The deposition of the Lower Volcanic Series was accompanied by the emplacement of quartz diorite and granodiorite batholiths and small intrusive bodies. The majority of the epithermal and porphyry related precious metals deposits in the Sierra Madre are hosted in the Lower Volcanic Series. The oldest structural episode is related to the Laramide orogeny, which produced east striking, steeply dipping strike slip faults. Later extensional forces resulted in the regional development of north-south to northwest-southeast striking sub-vertical normal faults. The structures hosting mineralization in the Dolores area are believed to have controlled emplacement of a series of north-northwest trending andesite to latite intrusions. Zones of permeability associated with these faults and intrusive contacts formed conduits for the ascending mineralizing hydrothermal fluids.

The Dolores project is underlain by the Lower and Upper Volcanic Series. At the mine site the Lower Volcanic Series consists of gently tilted lavas, flow breccias, and tuffaceous rocks with a minimum thickness of 700 metres. It is conformably overlain by 100 to 200 metres of felsic latite volcaniclastic breccia. These units are overlain by the Upper Volcanic Series, which comprise a volcaniclastic assemblage of mostly felsic ignimbrites and tuffs. The Upper and Lower Volcanic Series are separated by a distinctive erosional rubble zone unconformity that formed after development of north-northwest trending anticlinal uplift. Subsequent erosion has exposed mineralized rocks of the Lower Volcanic Series in the Dolores district.

Exploration

Minefinders carried out 12 square kilometres of reconnaissance geological mapping, 6 square kilometres of detailed mapping, as well as 14.9 square kilometres of geophysical surveys (induced polarization surveys, resistivity surveys, and magnetic surveys). Minefinders also collected more than 10,000 rock chip samples from the surface and underground, and followed up on promising targets with both reverse circulation and diamond drilling. Since we acquired the Dolores property, we have continued with a programme of near mine surface geological mapping and diamond drilling. Sample assays from both Minefinders and our drilling programmes are used for the estimation of mineral resources and mineral reserves.

The objectives of our drilling programs are increasing confidence in the mineral resource and reserve estimates with tighter drilling patterns on known structures as well as outlining new inferred mineral resources at depth and to the south of the deposit.

Minefinders' staff geologists carried out surface mapping and sampling, and employed contractors to complete the geophysical and drilling programs. Our geologists and consulting geologists under our supervision now carry out surface geological mapping. We currently employ Rock Drill of Aguascalientes, Mexico, to undertake surface diamond drilling.

The reliability of the data obtained in Minefinders' exploration program could be affected by certain factors, including the use of reverse circulation drilling (which may result in a less reliable sample than diamond drillholes, particularly when the sample is wet) and orienting some of the drillholes down the dip of mineralization. Since acquiring the project, we have undertaken measures to ensure the data used for the estimation of mineral resources and reserves is reliable. This includes employing only diamond drilling methods for any new drill holes and orienting holes to obtain as perpendicular an intersection with mineralization as possible, and removing most of the down dip oriented drillholes from the estimate to minimize the risk of any sample grade bias. Reliability of the sample data has been considered when applying confidence categories to the mineral resource and reserve estimates.

Mineralization

Gold and silver mineralization at Dolores is present as low to medium sulphidation, epithermal gold-silver bearing veins, silica stock works, breccias, and replacements. The system is mostly structurally controlled within a north-northwest striking extensional fault system. Gold and silver mineralization identified on the surface at Dolores lies over an area 4,000 metres long and up to 1,000 metres wide, at elevations ranging between 1,100 metres to 1,700 metres above sea level. The extent of mineralization at depth and along strike has not been fully defined.

Relatively deep mineralization tends to be located in high grade veins typically five to ten metres wide, while at higher elevations these feeder veins change into wider, lower grade stock works, veinlets, and disseminations toward the less competent and more permeable overlying latite flows and tuffs of the Lower Volcanic Series. These wider areas are on the order of a few hundred metres. Near the surface, mineralization shows a strong structural control, but widens out owing to development of breccia and fractures adjacent to the main mineralizing conduits. The main mineralization occurs as a series of parallel structures trending to the north-northwest and dipping steeply to the west.

Mineralization is generally associated with quartz and may be composed primarily of iron-oxides, silver sulphosalts, electrum, and native gold in the oxidized zone and with pyrite, silver sulphides, native silver, visible gold, galena, and sphalerite deeper in the sulphide zone.

Drilling

Drillholes on the project include both reverse circulation and diamond drilling methods. Since we acquired the project in 2012, diamond drilling has been performed using HQ sized diamond drill rigs on the surface. Approximately 1500 drillholes have been completed at the project, mostly focussed on a pattern over the mineral resources and reserves, and roughly spaced 25 metres along strike. Collar coordinates are surveyed using total station or a multi-station GPS. Minefinders took downhole surveys of most diamond drillholes and few of the reverse circulation holes. Since acquiring the property, we have taken regular downhole surveys of all drillholes. The results of both the reverse circulation and diamond drillhole samples have been used to estimate mineral resources and reserves.

Sampling and Analysis

Reverse circulation drillholes were drilled either wet or dry, depending on ground conditions, and a 10 to 13 kilogram sample was selected from the length of the drill rod, which was 1.52 metres. Diamond drillhole samples are marked according to geological features by the project geologist after logging. Minefinders set the sample interval at 2 metres but varied the interval with respect to geological boundaries, while we set the sample interval according to the width of geological features. Most drill core samples have been taken at 2 metre intervals. The core samples were split in half by Minefinders using a hydraulic splitter. We have since changed this method and use a diamond bladed saw to improve the representativity of the sample.

Minefinders sent samples to either Bondar Clegg, ALS Chemex, or Inspectorate laboratories for preparation and analysis. Silver assays were initially prepared using aqua regia digest with atomic absorption spectrometry, but after later metallurgical test work indicated that the digestion technique may not be adequate, Minefinders re-assayed many samples using a multi-acid digestion technique and atomic absorption spectrometry, and switched to that technique for the remainder of their drilling campaigns. Depending on the year of analysis, any sample with an assay greater than 100 or 200 grams per tonne silver was re-assayed using fire assay with gravimetric finish. Gold was analyzed using fire assay with atomic absorption finish and with gravimetric finish if the assay was greater than one or two grams per tonne, depending on which laboratory was used. Since acquiring the project, we have sent samples to SGS Laboratories in Durango, Mexico. Samples are assayed for gold using fire assay with atomic absorption spectrometry finish, and by fire assay with gravimetric finish for samples greater than 10 grams per tonne of gold. Silver is analysed by three acid digestion with ICP-AES finish for trace silver values, by three acid digest with atomic absorption spectrometry finish for samples less than 300 grams per tonne silver, and by fire assay with gravimetric finish for samples containing greater than 300 grams per tonne silver.

We have mitigated the risk of sample grade bias by removing poorly oriented drillholes. There are some potential issues related to reliability of the reverse circulation samples that may affect the accuracy or reliability of the results, however, reconciliation of grade control estimates and mine production to the mineral resource estimates prepared since 2008 indicates that these potential issues have not had a material impact on the mineral resource and reserve estimates.

Minefinders submitted blank and standard samples with their drillhole samples at irregular time periods but had no effective quality assurance systems in place to ensure that the sample results were reliable. As part of our project review prior to acquisition, all samples in the database with anomalously high gold or silver content or with anomalous gold to silver ratios were compared against the original assay certificate. No significant discrepancies were found during this review. We also reviewed the geological logs, downhole surveys, collar coordinates, and the location of the drillholes. Since acquiring the Dolores mine, we have implemented an industry standard QAQC program including the submission of certified standards, blanks, and duplicate samples to the laboratory and review the results regularly to ensure the appropriate action is taken in the event of a QAQC failure.

Security of Samples

All samples are transported from the drill rig to the core logging shed by company employees and the shed is locked when no geological staff is present. Samples are secured in sealed plastic sample bags and collected from the mine by the commercial laboratory where they are maintained under the control of the laboratory. We have no reason to believe that the integrity of the samples has been compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves for the Dolores mine, as at December 31, 2014, are as follows:

Dolores Mineral Reserves [1, 2]

Reserve Category	Tonnes (Mt)	Grams of Silver per tonne	Grams of Gold per tonne
Proven	28.1	32	0.91
Probable	31.8	35	0.88
TOTAL	59.9	33	0.89

Notes:
1 Estimated using a price of $18.50 per ounce of silver and $1,250 per ounce of gold.
2 Mineral Reserve estimates for Dolores were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Management estimates that mineral resources at Dolores, as at December 31, 2014, are as follows:

Dolores Mineral Resources [1, 2]

Resource Category	Tonnes (Mt)	Grams of Silver per tonne	Grams of Gold per tonne
Measured	13.4	17	0.27
Indicated	21.9	26	0.63
Inferred	4.9	28	1.05

Notes:
1 These mineral resources are in addition to Dolores mineral reserves. Estimated resources are constrained within an optimized open pit shell and mineable underground shapes using metal prices of $30 per ounce of silver and $1,400 per ounce gold.
2 Mineral resource estimates for Dolores were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Mineral resource estimates were prepared using multiple indicator kriging within three dimensional geological interpretations using industry standard mining software. Geological interpretations of lithology, mineralization, and oxidation were prepared based on the geological logs of the drillholes and used to code the block model. The block dimensions were chosen according to the average drillhole spacing and mining selectivity, and was set at a parent block size of 12.5 metres east, 12.5 metres north, and 7.5 metres elevation, using sub-cells to obtain a good resolution fit of the cells at the interface with the wireframes. Silver and gold grades were estimated using multiple indicator or ordinary kriging into the parent cell. Bulk density was applied to the block model using a nearest neighbour estimate of spatially and geologically representative bulk density measurements of drill core samples. The block model was classified for measured, indicated, and inferred confidence categories depending on the location of the block relative to the number of drillhole intersections available to estimate each block, as well as other factors affecting confidence in the estimate.

The mineral resource estimate was then depleted for previous surface and underground mining. Planned dilution was applied to the block model by re-blocking to the standard mining unit (SMU) block size of 6.25 by 6.25 by 7.5 and weight averaging the grades of the mineralized blocks and sub-blocks with the estimated grade of the additional waste material. A value per tonne was estimated and applied to each block based on estimated gold and silver grades, estimated metallurgical recoveries, metal prices, and mining and processing costs. An optimized pit shell and design were prepared using the re-blocked resources block model to report proven and probable reserves. A second pit shell was prepared with the value per tonne calculations for each block re-estimated with resource metal prices to report mineral resources. Below the resource pit, mineral resources that may potentially be mined by underground mining methods were also defined.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs, lower metal prices or increasing taxation could have a negative impact on the estimated mineral reserves. There are currently no known factors which may have a material negative impact on the estimated mineral reserves or mineral resources at Dolores.

Mining Operations

Mining at Dolores is by standard open pit methods using shovels, loaders, and haul trucks. Each bench is 7.5 metres high. Angled reverse circulation drill holes perpendicular to the strike of mineralization are used for grade control to provide high quality data for interpreting the ore/waste contacts in advance of mining. Low to medium grade material may be placed on stockpiles allowing for the preferential crushing and stacking of higher grade material.

The mine uses conventional cyanide heap leaching technology to produce gold and silver doré. Broken ore is trucked from the open pit to the crushing plant, where it is crushed, conveyed to the leach pads, and placed on the pads using conveyors and a radial stacking system. A distribution piping and nozzle system is used to irrigate the heaps with cyanide solution. The leaching period can cover years, and continues as subsequent lifts are placed on the pads. The pregnant solution is collected in a pond, clarified, and processed through a Merrill-Crowe circuit to precipitate gold and silver from solution onto zinc dust. The solution is pumped to filter presses, where the resulting material containing zinc, gold, and silver is dried. The dried material is then melted in a furnace to form doré bars.

We stacked 6.1 million tonnes on the leach pads and produced 4.0 million ounces of silver and approximately 66,800 ounces of gold in 2014.

All production from Dolores is in the form of doré bars, which is refined at arm's length refineries prior to the sale of refined silver and gold to bullion banks and traders. Pan American currently has a multi-year refining contract in place with a refiner in the USA. We have not had any difficulty in securing contracts for the sale of Dolores doré, however, there can be no certainty that we will always be able to do so or what terms will be available at the time. Please see "Risks Related to Our Business – Trading Activities and Credit Risk".

Pan American's revenue from the doré produced by the Dolores mine was as follows:

2014	Revenue[1,2]	Quantity
Silver and Gold in Doré	$156.6 million	3,911,600 ounces of silver 64,301 ounces of gold
2013		
Silver and Gold in Doré	$164.0 million	3,360,730 ounces of silver 61,559 ounces of gold
2012[3]		
Silver and Gold in Doré	$139.4 million	2,385,045 ounces of silver 40,038 ounces of gold

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 Includes only the period of April 1, 2012 to December 31, 2012 during which we owned the Dolores mine.

In 2013, the Mexican government enacted the Tax Reform (described in detail under the "Mining Operations" heading in the La Colorada section of this AIF). The initial deferred income tax impact of this reform was approximately $78.5 million.

As a result of the Tax Reform, in 2014 the principal Mexican taxes affecting CMD, the entity which holds the Dolores mine, include income tax, SMD, EMD, annual fees for holding mineral properties, various payroll and social security taxes, and a refundable value added tax.

CMD generated an income tax (recovery) of approximately $(80.3) million, approximately $(46.1) million and $8.2 million in 2014, 2013 and 2012, respectively. Included in the income tax is SMD of approximately $(11.8) million and $40.7 million in 2014 and 2013 respectively.

The income tax in CMD includes a recovery of approximately $66.8 million and $118.7 million related to the impairment of property, plant, and equipment at Dolores and at the La Virginia exploration project in 2014 and 2013 respectively.

In 2014, total capital expenditures at Dolores were approximately $44.9 million, primarily for capitalized stripping to develop access to ore that is to be mined in future periods, near-mine exploration drilling, access roads and camp upgrades, and mining equipment replacements. $17.3 million of this expenditure was invested in projects including the second phase of the leach pad 3 expansion, advancement of the new power line, and processing optimization studies.

Activities in 2015

In 2015, we anticipate producing between 4.00 and 4.15 million ounces of silver and between 75,000 and 80,000 ounces of gold.

We currently expect sustaining capital spending of between $30.0 and $35.0 million at Dolores in 2015, primarily for pre-stripping activities, truck rehabilitation, loading and drilling equipment rehabilitation, and the installation of a process solution treatment plant. In addition to sustaining capital expenditures, capital expenditures relating primarily to the power line installation and optimization projects are expected to require between $15.0 and $17.0 million.

Environmental

Permit applications for construction and operation of Dolores, including an EIS, and a Technical Justification Study for Change of Land-Use, and Risk Study were approved by SEMARNAT in April 2006. An additional modification to the mine permit was made to allow the construction of an underground exploration ramp in 2012.

Prior to our acquisition of the project, problems related to the stability of heap leach Pad 1 developed in 2010 and significant leakage was detected through the pad liner that was unable to be contained by the leak collection system. This issue resulted in cessation of stacking and irrigation on the pad and the relocation of approximately 2 million tonnes of ore to a newly constructed heap leach Pad 2. Soil and water sampling below Pad 1 in 2012 confirmed that no residual cyanide was present, however full remediation of the liner system will be required if Pad 1 were ever to be used for production again. At the request of PROFEPA, we submitted an approximate schedule for the relocation of residual ore from Pad 1 commencing in 2017, depending on economic and technical factors, and during 2014 we relocated approximately 617,600 tonnes of this residual ore to Pad 2 ahead of the committed schedule.

The first phase of heap leach Pad 3 was completed and commissioned in the fourth quarter of 2013 with a subsequent second phase completed by the end of 2014, giving a total capacity constructed at Pad 3 to-date of approximately 17.5 million tonnes. It is expected that the third phase of Pad 3 construction will commence before the end of 2015. There is future potential to join Pad 3 to a reconstructed Pad 1 in a configuration that would significantly improve the stability and overall capacity of the original Pad 1. As well as receiving some Pad 1 residual ore, Pad 2 is being utilized for continued trickle-down leaching using a staged leach application circuit in combination with leachate solution application to Pad 3 which is expected to continue for several years depending on economic output.

Dolores has voluntarily participated in the PROFEPA “Clean Industry” Program which involves independent verification of compliance with all environmental permits and the implementation of good practice environmental management procedures and practices. The mine obtained its first certification in 2010 and was re-certified again on June 8, 2012. The mine is currently completing the recertification process with PROFEPA.

A closure cost estimate for Dolores was prepared according to State of Nevada approved SRCE methodology in 2012 and is updated every year. We have estimated the present value of reclamation costs for the Dolores property at December 31, 2014 to be approximately $9.5 million. See “Narrative Description of the Business – Environmental Protection” for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

Internal safety audits were conducted at Dolores in 2012, 2013, and 2014. During 2014, personnel employed at Dolores attended over 106,900 hours of safety related training. Dolores was the recipient of the Chairman’s Safety Award for safety performance during 2013, and has achieved greater than 6.2 million hours worked since the last LTI. In 2013, Dolores was the recipient of the prestigious “Casco de Plata” award for the best safety record for open pit mines in Mexico with in excess of 500 employees.

B. Peru

(i) Huaron Mine

Project Description and Location

Huaron is an underground silver mine located 320 kilometres northeast of Lima in the province of Pasco in the Central Highlands of Peru. The nearest town is Cerro de Pasco, a major mining center, and is connected to Lima by road and rail. The area of the PAS Huaron concessions spans approximately 29,344 hectares.

Huaron is 100% owned and operated by PAS Huaron, a Peruvian entity which is approximately 99.94% held, directly or indirectly, by Pan American. The concessions owned by us give us exclusive right to explore, develop, exploit, and market all of the products. Mining concession titles have been granted by and are registered with the Institute of Geology, Mining, and Metallurgy of Peru, and we pay an annual fee to keep the licenses in good standing.

To the best of our knowledge, Huaron is not subject to any agreements or encumbrances except for a Peruvian mining royalty tax and a special mining tax, which are described later.

The known mineralized zones, mineral resources, mineral reserves, mine workings, the processing plant, existing tailing impoundments, effluent management and treatment systems, and waste rock storage facilities are located within our concessions.

To the best of our knowledge, all permits and licenses required to conduct our activities on the project have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

Access to the Huaron mine is by a continuously maintained 285 kilometre paved highway between Lima and Unish and a 35 kilometre road between Unish and Huaron. There are two other longer and more difficult access routes by gravel road. There is also a light aircraft strip at the town of Vicco, which is located approximately 30 minutes flying time from Lima, at which point an additional 30 minutes of driving is required to reach Huaron.

The nearest city is Cerro de Pasco, a major mining center with a population of approximately 70,000 people, which is connected to Lima 320 kilometres to the southwest by road and rail. Employees commute to the property via company sponsored buses, company vehicles, or privately owned vehicles. Materials, fuel, and the concentrates we produce are transported to their destinations by road. Concentrates may also be transported by rail.

The climate at the mine site is classified as “cold climate” or “boreal” with average annual temperatures ranging from 3°C to 10°C. The Huaron mine operates throughout the entire year. The topography at the mine site is hilly with locally steep slopes, at elevations ranging from 4,250 metres to 4,800 metres above sea level. Natural vegetation consists mainly of grasses forming meadows which have permitted development of varied livestock operations.

As far as we are aware, the surface rights for mining operations are sufficient and secure. We are authorized to use up to 320 litres per second of water obtained from a system of nearby lakes for mining activities through payment of a water use permit. This volume of water is more than sufficient for the mine’s requirements. The primary source of power for the mine is the Peruvian national power grid and is sufficient for the mine’s current requirements.

Peru’s economy is dependent upon mining and the Huaron property is located in a historical mining area with a sufficient supply of experienced mining personnel to support operations.

History

The underground mine, mill, and supporting villages were originally built in 1912 by a subsidiary of the French Penarroya Company. In 1987 the mine was sold to Mauricio Hochschild and Cia Ltda ("Hochschild"). In April, 1998, a portion of the bed of the nearby Lake Naticocha collapsed and flooded the neighbouring Animon underground mine. Through interconnected tunnels, the lake water entered and flooded the Huaron Mine, causing its closure.

After the April 1998 flooding, the Huaron mine operations were shut down, the labour force was terminated, the camp closed, and work was undertaken to clean up the flood damage, drain the workings, and prepare for an eventual mine re-opening. The water level in the lake, which provided the source of floodwater, is currently maintained well below the level where it flooded into the old workings and we do not expect further flooding. In September 2000, the Animon mine, in accordance with a settlement agreement reached with Cía. Minera Huaron S.A., constructed a channel to route water around the lake to provide water for the Huaron mine operation and to reduce the water in upstream lakes to prevent agricultural flooding, which had created local social pressures.

We acquired a majority interest in the Huaron mine from Hochschild in 2000 and began full-scale operations in 2001. We subsequently acquired the remaining interest in the mine and, following a demerger from Pan American Silver Mina Quiruvilca S.A. in connection with the sale of the Quiruvilca mine in 2013, Pan American now holds, directly or indirectly, approximately 99.94% of PAS Huaron.

Prior to our acquisition of the mine, approximately 22 million tonnes of silver-rich base metal sulphide ore were produced at the property. Silver made up about 49% of historic sales value, with zinc, lead, and copper contributing 33%, 15%, and 3% of the remaining portion. Ore from the mine was processed on site by crushing, grinding, and flotation to produce copper, lead, and zinc concentrates, as it is today.

Geological Setting

The Huaron property is located within the Western Cordillera of the Andes Mountains and the regional geology is dominated by Cretaceous aged Machay Group limestones and Tertiary aged Pocobamba continental sedimentary rocks, which are referred to as the Casapalca Red Beds. These groups have been deformed by the Huaron anticline, the dominant structural feature of the area. The limestones and sedimentary rocks are strongly folded and intruded by quartz monzonites and quartz monzonite dikes and associated fracturing. Following the intrusion of the dikes, the sedimentary rocks were further compressed and fractured, and the fractures were subsequently mineralized by hydrothermal fluids.

The main lithology in the area of Huaron is a sequence of continental redbeds which unconformably overlay massive marine limestones. A series of andesites and dacites outcrop to the west of the mine. North-south trending sub-vertical porphyritic quartz monzonite dykes cross cut the mine stratigraphy.

Thinly bedded marls and sandstones known as the lower redbeds are present in the central part of the mine and at lower elevations. The upper redbeds are present on the eastern side of the mine, and are comprised of calcareous chert overlying sandstone and marls, in turn overlying the Barnabe quartzite conglomerate at the base of the sequence. On the western side of the mine, the stratigraphy consists of a series of interbedded conglomerates and sandstones.

Huaron is located within an anticline formed by east-west compressional forces. The axis of the anticline strikes approximately north-south and plunges gently to the north. There are two main fault systems. One system comprises north-south striking thrust faults, parallel to the axis of the anticline and the other comprises east-west striking tensional faults.

Exploration

Since Huaron is an active mining operation, current exploration is conducted using a combination of underground diamond drilling and channel sampling from drifts excavated along the mineralized zones. Generally, underground drillholes that intersect promising economic grade mineralization are followed up by drifting. Vein intersections and sample grade information from both the channel samples and the diamond drillholes are used to estimate mineral resources and mineral reserves.

Underground diamond drilling utilizes an external drilling contractor supervised by us.

Channel sampling and diamond drilling generally provide reliable data for the estimation of mineral resources and mineral reserves, provided that appropriate measures are taken to minimize material loss, to prevent contamination, and to ensure a representative sample is taken. Ground conditions for diamond drilling are generally good, resulting in high core recovery, and measures are taken to minimize potential contamination. There are no known issues that could materially impact the reliability of the results.

Mineralization

Huaron is a hydrothermal polymetallic deposit of silver, lead, zinc, and copper mineralization hosted within structures likely related to the intrusion of monzonite dikes, principally located within the Huaron anticline. Mineralization is encountered in veins parallel to the main fault systems, in replacement bodies known as “mantos” associated with the calcareous sections of the conglomerates and other favourable stratigraphic horizons, and as dissemination in the monzonitic intrusions at vein intersections.

The mineralized veins vary from a few centimetres to up to 10 metres wide, and may extend along strike for up to 1,800 metres. Most of the structures show open mineralization at depth and along strike and have excellent exploration potential. Vein orientations vary but generally trend east-west or north-south. The current mineral reserves are based on approximately 100 different structures which have been grouped into 13 families of mineralized trends according to location and orientation.

The first pulse of mineralization was associated with the emplacement of intrusive bodies and the subsequent opening of structures, when zinc, iron, tin, and tungsten minerals were deposited. This was followed by a copper, lead, and silver rich stage, and finally by an antimony/silver phase associated with quartz.

The most important economic minerals are tennantite-tetrahedrite (containing most of the silver), sphalerite, and galena, but more than 90 other minerals have been identified. The principal gangue minerals are pyrite, quartz, calcite, and rhodochrosite. Enargite and pyrrhotite are common in the central copper core of the mine and zinc oxides and silicates are encountered in structures with deep weathering. Silver is also found in pyrargyrite, proustite, polybasite, and pearceite.

There is a definite mineral zoning at Huaron. There is a central copper core where the principal economic mineral is enargite and the structures contain copper with pyrite and quartz. This area was extensively mined by previous operators but further mining in this area is dependent on metal grades and prices overcoming the negative economic impacts of high arsenic and antimony content and poor metal recoveries. To the east and west of the central core silver, lead, and zinc minerals are associated principally with calcite and rhodochrosite. Areas to the north of the central core contain silver, lead, and zinc minerals associated with pyrite. A narrow band running north-south along the general axis of the anticline contains principally sphalerite and sulfosalts with rhodochrosite.

Drilling

Due to Huaron’s long mine life, there is extensive diamond drillhole coverage within reach of the underground workings. We orient diamond drillholes to intersect the targeted vein as close to perpendicular as possible and they are spaced as regularly as possible to ensure representative sample coverage.

All underground holes are drilled by an external drilling contractor under our supervision using BQ, NQ, and HQ diameter industry standard underground diamond drill rigs. The collar coordinates and bearing and dip are surveyed with a total station instrument and the drill hole deviation is measured regularly using a down hole survey instrument.

Diamond drilling at Huaron generally provides reliable data for the estimation of mineral resources and mineral reserves, provided appropriate measures are taken to minimize sample material loss, to prevent sample contamination, and to ensure an unbiased, representative sample is taken. Ground conditions for diamond drilling at Huaron are generally good, resulting in high drill core recovery, and measures are taken to minimize potential contamination. There are no known drilling, sampling, or recovery factors that could materially impact the accuracy and reliability of the results.

Sampling and Analysis

Diamond drillhole samples are split in half with a diamond bladed saw after the core has been logged and the sample intervals have been marked by the geologist. Channel samples are collected with a hammer and chisel every 4 metres across the vein in stoping areas, every 2 metres across the vein in sublevels and drifts, and every 1 metre in vertical developments. Each channel sample weighs between 4 kg and 6 kg and is taken perpendicular to the structure after the face has been cleaned with a water hose or hard brush to reduce the risk of sample contamination.

Samples from both channel samples and diamond drillholes are selected according to geological intervals and the width of the intersection with the vein, and vary between 0.1 metres and 1.5 metres in length. Unmineralized hangingwall and footwall host rocks are sampled for at least 3 metres beyond visible mineralization. Internal unmineralized material located between mineralized intersections is sampled over the entire length if the unmineralized zone is less than 6 metres wide.

The rock mass is generally of good quality and there have been few issues regarding sample loss or contamination during sample collection and splitting. There are no known drilling, sampling, or recovery issues that could materially impact the reliability of the results.

Both channel and drill core samples are placed in new, clean plastic bags with two sample number tags on the inside and one number and barcode tag on the outside, and sealed with a metal strip.

Both the channel and the underground diamond drillhole samples are sent to the on-site laboratory at Huaron, which is not certified by any standards association but is managed and operated by the international commercial laboratory firm, SGS. Assays are performed using acid digestion and atomic absorption spectroscopy, and analysed for silver, zinc, lead, and copper content.

The laboratory conducts a routine internal quality assurance/quality control (“QAQC”) programme. For each batch of 20 samples at least one duplicate sample and one certified standard is submitted by the laboratory. The laboratory information management system eliminates as much manual data entry as possible and ensures that no transcription errors occur when applying the assay results to the sample intervals in the geological database.

A QAQC programme supervised by the geology department is also implemented which includes the submission of one certified standard and one blank on a daily basis to the onsite laboratory. Duplicate samples comprising one quarter of the second half of the diamond drill core and duplicate samples obtained by collecting a sample of equal weight from the same channel sample location as the original are also submitted, both to the onsite laboratory and to a second laboratory to act as a check on the onsite laboratory. A system is in place to ensure that any failed QAQC samples are identified and that the required corrective action is taken in a timely manner, which usually involves a review of procedures to ensure that the established sample preparation and analysis protocols are being followed.

Security of Samples

No out of the ordinary security measures are taken with the samples, but as the samples are prepared and analysed within the confines of the general mine security enclosures, there is no reason to believe that the validity and integrity of the samples have been compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves at the Huaron mine, as at December 31, 2014, are as follows:

Huaron Mineral Reserves [1, 2, 3]

Reserve Category	Tonnes (Mt)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Proven	6.5	165	2.86	1.35	0.35
Probable	4.2	166	2.89	1.52	0.40
TOTAL	10.7	166	2.87	1.42	0.37

Notes:
1 Estimated using a price of $18.50 per ounce of silver, $2,000 per tonne of zinc, $2,000 per tonne of lead and $6,800 per tonne of copper.
2 Mineral Reserve estimates for Huaron were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.
3 Numbers may not add due to rounding.

Management estimates that mineral resources at the Huaron mine, as of December 31, 2014, are as follows:

Huaron Mineral Resources [1, 2]

Resource Category	Tonnes (Mt)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Measured	2.1	155	2.76	1.46	0.50
Indicated	1.5	161	2.88	1.44	0.60
Inferred	8.4	154	2.67	1.45	0.32

Notes:
1 These mineral resources are in addition to Huaron mineral reserves. Estimated using a price of $18.50 per ounce of silver, $2,000 per tonne of zinc, $2,000 per tonne of lead and $6,800 per tonne of copper.
2 Mineral resource estimates for Huaron were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Mineral resource estimates are prepared on an annual basis and updated with the additional diamond drilling and channel samples collected during the year, using a variation of the polygonal method in AutoCAD and Excel software. Each vein structure is projected onto a longitudinal section and divided into a series of geometrical blocks created to best fit an area of mineralization into a minable block, if the mineralization present is considered economic. The dimensions of the mining blocks are based on mining levels, stope layouts, and previously mined out areas, and range in length from between 20 metres and 70 metres. They are generally on the order of 50 metres long and 20 metres high.

The average true width of the vein intersections is applied to the block area to determine the volume. Sample grades are reviewed and treated for extreme values if necessary, and then the average grade of the intersections within each block is assigned to the block. Bulk density values are applied to the volume of the block

to estimate the tonnes of each block, based on the average bulk density measured from samples selected from the different veins.

The blocks are then depleted for previous mining. Planned mining dilution is applied to each block considering the width, dip angle, mining method, and expected ground conditions of each vein and an allowance is made for expected mining losses. A value per tonne is applied to each block based on metal content, metal prices, concentrate sales terms, concentrate quality, processing recovery, transportation, refining, and other selling costs such as storage fees, port fees, etc. Metallurgical recoveries are determined separately for each group of veins or structures to account for variability in the recovery. Any blocks that do not meet the criteria of resources are removed. Each block is classified for measured, indicated, and inferred confidence categories depending on the location of the block relative to mine workings, the type of sample available in each block, and the number of samples available to estimate each block.

We have been operating the Huaron mine since 2001 and the nature of the deposit, the mining operations, and the mineral processing are well understood. Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources.

Mining Operations

Mining is undertaken using a combination of conventional cut and fill, mechanised cut and fill and mechanized sub-level long hole stoping methods. The selection of the mining method depends on the location, width, orientation, and ground conditions of the vein to be mined, as well as the ground conditions of the hangingwall and footwall. Conventional cut and fill stoping is typically used in the narrowest veins, where blast holes are drilled using hand held jackleg drills and slushers are used to remove the blasted ore. Mechanised cut and fill is often used in areas where sufficiently wide and economic veins are present or where additional mining faces are present. Drilling is undertaken with hand held drills (jacklegs or stopers) or electric hydraulic jumbo drill and broken ore is removed using scoop trams. Cycloned mill tailings are piped into the cut and fill stopes as backfill. Mechanized sub-level long hole stoping is now the primary mining method at the mine. Sub levels are typically developed on 10 to 15 metre vertical intervals depending on the expected ground conditions. Long hole drilling is conducted with electric hydraulic drills with broken ore removed by remote control scoop trams. Unconsolidated development waste is used for backfill.

A combination of haul trucks and electric locomotives are in place for haulage from the upper parts of the mine. A rehabilitated shaft with a tower mounted friction hoist is used for hoisting ore and occasionally waste to the surface. Ore sourced from below the 500 level is hauled to the surface crusher using a combination of diesel haul trucks and hoisting in the mine shaft.

Huaron operates an 870,000 tonne per year capacity mill using froth induced flotation technology to produce silver in copper, lead, and zinc concentrates. The mill flowsheet consists of three-stage crushing, ball mill grinding, and selective flotation of the ore to concentrates, followed by thickening and filtering of the concentrates.

Tailings from the processing plant are classified in a hydro-cyclone to obtain two products, the coarser fraction is returned underground hydraulically to act as backfill material in the cut and fill mining areas and the fine material is delivered to a tailing impoundment area via a pipeline. The tailing impoundment area is constructed primarily of waste rock from the mine. The tailings facilities are continually reviewed and expanded as required, and engineered and constructed to ensure geotechnical stability by Pan American's independent consultants. Monitoring instrumentation is in place to confirm that the performance of the facilities is within design limits.

In 2014, the mill processed approximately 893,000 tonnes of ore with metallurgical recoveries averaging 83.2% for silver, 68.0% for zinc, 71.5% for lead, and 77.5% for copper. Metal production during the year was approximately 3.6 million ounces of silver, 14,200 tonnes of zinc, 6,000 tonnes of lead, and 5,900 tonnes of copper.

The silver rich zinc, lead, and copper concentrates from Huaron are sold under contracts with arm's length smelters and concentrate traders. Huaron receives payment for an agreed percentage of the silver, zinc, lead, or copper contained in the concentrates it sells after deduction of smelting and refining costs, based on average spot prices over defined 30-day periods that may differ from the month in which the concentrate was produced. Under these circumstances, we may, from time to time, fix the price for a portion of the payable metal content during the month that the concentrates are produced. To date, we have been able to secure contracts for the sale of all Huaron concentrates produced, however, there can be no certainty that we will always be able to do so or what terms will be available at the time. Please see "Risks Related to Our Business – Trading Activities and Credit Risk".

The revenue per type of concentrate produced by the Huaron mine for the past three years were as follows:

2014	**Revenue[1, 2]**	**Quantity (Tonnes of Concentrate)**
Zinc Concentrate[3]	$21.3 million	30,058
Lead Concentrate[3]	$19.3 million	12,095
Copper Concentrate[3]	$54.3 million	22,497
2013		
Zinc Concentrate[3]	$20.5 million	28,788
Lead Concentrate[3]	$22.1 million	11,905
Copper Concentrate[3]	$50.2 million	13,822
2012		
Zinc Concentrate[3]	$20.5 million	26,718
Lead Concentrate[3]	$25.6 million	10,147
Copper Concentrate[3]	$54.7 million	9,430

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 Zinc and lead concentrates contain payable silver. Copper concentrates contain payable silver and gold.

The life of mine plan is based on the mineral reserves and contemplates an annual processing rate of 870,000 tonnes (2,384 tonnes per day) throughout the mine life for a remaining mine life of approximately 12 years. The projected mine life may increase if the current mineral resources can be converted to mineral reserves or if additional mineral resources are defined and can be converted to mineral reserves.

Since the mine is in operation, any sustaining capital expenditures are justified on an on-going basis. Capital expenditures at Huaron during 2014 totalled $17.3 million, primarily on tailings storage facility expansion, mine development, and exploration drilling.

The principal Peruvian taxes affecting Huaron include income tax, an employee profit sharing tax, annual fees for holding mineral properties, various payroll and social security taxes, a refundable value added tax, a mining royalty tax, and a Special Mining Tax ("SMT"). The royalty is applied on a company's operating income and is based on a sliding scale with marginal rates ranging from 1% to 12% with a minimum royalty rate of 1% of sales regardless of its profitability.

In December 2014, the Peruvian Parliament approved a bill that is effective January 1, 2015 and decreases the corporate income tax rates from 30% in 2014, to 28% in 2015 and 2016, to 27% in 2017 and 2018, and to 26% in 2019 and future years. There was a deferred income tax recovery of $1.5 million recorded in 2014 associated with the change.

The new law also increases the withholding taxes on dividends paid to non-Peruvian-resident shareholders from 4.1% in 2014, to 6.8% in 2015 and 2016, to 8% in 2017 and 2018, and to 9.3% in 2019 and future years.

Huaron generated an income tax expense of approximately $1.5 million, $4.7 million, and $6.9 million in 2014, 2013, and 2012 respectively. Included in the income tax expense was the Peruvian mining royalty tax and SMT, of approximately $1.2 million, $1.1 million, and $1.2 million in 2014, 2013, and 2012 respectively.

In addition, employee profit sharing taxes of approximately $0.5 million, $1.1 million, and $1.1 million were generated in 2014, 2013, and 2012, respectively. These amounts are not included in the income tax expense above.

Activities in 2015

In 2015, Huaron is forecast to produce between approximately 3.70 and 3.80 million ounces of silver and between 1,000 and 1,200 ounces of gold. Base metal production is expected to be between 13,500 and 14,000 tonnes of zinc, between 6,100 and 6,200 tonnes of lead, and between 4,750 and 5,000 tonnes of copper.

Capital spending plans at Huaron in 2015 are expected to be between $8.0 million and $10.0 million to allow us to continue our long term mine developments, including tailings storage facility expansion, ventilation raises and mining equipment, camp additions, and equipment maintenance, as well as near-mine exploration.

Environmental

In October 2003, the Peruvian government passed legislation requiring active mining operations to file closure plans. In October 2005, administrative rules associated with this legislation were promulgated which laid out detailed closure requirements and required that detailed closure plans and cost estimates be filed by October 2006.

The original closure plan for Huaron was filed by mid-year 2004 and in August of 2006, we submitted a comprehensive closure plan for Huaron to the Ministry of Energy and Mines (“MEM”) in accordance with that ministry’s regulations and the updated rules. The closure plan was prepared by third party consultants registered with the Peruvian authorities as qualified to present closure plans to the MEM. The closure plan includes a summary of the proposed closure scheme for each of the major areas of impact such as mine water, tailings areas, waste rock dumps, plant site infrastructure, and underground mine. A detailed cost estimate was prepared based on our and the consultant’s shared experience with closure works and experience with other projects in Peru. As required by the MEM, the costs were summarized in three phases: concurrent closure, final closure, and post closure. Updated closure plans are filed as required, with the most recent closure plan modification approved on 24 October 2012.

The most significant environmental issue currently associated with the mine is relatively high metal concentrations in the waters discharged from the mine and localized areas of acid rock drainage from the mine’s tailings deposit areas. All waters are captured and treated in a treatment plant to achieve compliance with discharge limits. Peruvian legislation sets out the progressive implementation of new, stricter water quality limits both for discharges and receiving waters. An “Adaptation Plan” which sets out a program of baseline monitoring and data collection to evaluate future compliance of Huaron with the new limits was presented to the MEM on September 3, 2012. The plan, which sets out a three year program to achieve compliance with the new proposed limits, is still under evaluation and the schedule for implementation of new guideline limits is not yet confirmed.

An agreement signed in 2000 allows Volcan Compañia Minera S.A.’s (“Volcan”) Chungar mine, which neighbours Huaron, to discharge water from its mine dewatering into the Huaron drainage tunnel. The agreement also requires Volcan to contribute to the costs of tunnel maintenance and water treatment and discharge, however provisions of the agreement which would enable water quality and flow measurement between the mines were not implemented and no payments have been made. In 2014 an independent consultant engaged

jointly by both companies concluded that the flow from Chungar to Huaron represents 19% of the total flow in the drainage tunnel and recommended the installation of a permanent monitoring system for ongoing verification. We are currently negotiating the details of the monitoring and future payments with Volcan and the scale of benefits, if any, to Pan American is still unclear.

A closure cost estimate for Huaron was prepared according to State of Nevada approved Standard Reclamation Cost Estimator methodology in 2011 and is updated every year. The current present value of closure expenditures at Huaron as at December 31, 2014 is estimated at $6.4 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

Internal safety audits are conducted annually by Pan American's Director of Health and Safety and safety managers from our other operations at Huaron. All Huaron employees are required to undergo safety and environmental training and all new underground employees are required to undergo task specific training prior to being assigned to their first position. During 2014, personnel at Huaron attended over 253,000 hours of training and at the end of 2014 had achieved greater than 1.8 million work hours without an LTI.

(ii) Morococha Mine

Project Description and Location

The Morococha mine is an underground silver mine located 137 kilometres east of Lima in the province of Yauli. The nearest city is La Oroya, approximately 38 kilometres to the east. The area of the concessions owned by Argentum covers approximately 10,522 hectares, and there are an additional 106 hectares of concessions held with different third party participations.

Morococha is owned and operated by Argentum, a Peruvian company in which Pan American, through our subsidiary Pan American Peru, has a 92.01% voting common share interest (the remaining interest is held by Alejandro Gubbins and Compañía Minera Casapalca S.A.). In addition, we have, directly or indirectly, the majority of the non-voting investment shares resulting in a total ownership interest of approximately 92.3% as at December 31, 2014 (excluding certain investment shares held by Argentum itself).

Morococha is comprised of three economic administrative units ("UEA") and various concessions held outside of these UEAs, for a total of 541 mining concessions with an area of approximately 10,522hectares, as well as two processing concessions. The three UEAs contain 454 mining concessions and two processing concessions owned outright by Argentum and 11 concessions transferred to Argentum from Silver Lead Mining Company S. A. There are also 36 concessions under a lease agreement with Corporación Minera Sacracancha S.A.C., 31 concessions under option from Minera Chinalco Peru ("MCP"), and nine concessions held by agreement with different third parties. The majority of the mining concessions comprising Morococha are contiguous.

The known mineralized zones, mineral reserves and resources, mine workings, processing plants, effluent management and treatment systems, and the mine's tailings and waste disposal areas are contained within the boundaries of these concessions. These mining concessions give us the exclusive right to explore, develop, and exploit, as well as the right to market all of the products. Mining concession titles for these properties have been granted by and are registered with the Public Registry of Peru, and we pay an annual fee to keep the licenses in good standing.

Argentum did not hold registered legal title of most of the surface lands that overlie the mining concessions which comprise Morococha when we acquired Morococha in 2004, including lands on which Morococha's process plants, shafts and access roads were located. These rights were all formerly owned by Centromin. Centromin granted Argentum a right to use certain of Centromin's surface lands throughout the useful life of its mining operations, provided such use does not interfere with the development of a mine in respect of the

Toromocho disseminated copper system, which overlies certain of Argentum's mining concessions and underground mining operations. Argentum had an obligation to pay Centromin $60,000 (adjusted annually for inflation) quarterly commencing May 28, 2003 as consideration for this right. Argentum's and its predecessors' use of these surface lands have been exercised for decades with Centromin's knowledge and Argentum's claim to its continued use of these surface rights was based on concepts of rights acquired through long term use often referred to as adverse possession.

Peru Copper Inc. ("Peru Copper"), a copper mining company carrying on business in Peru, acquired mining concessions and surface rights to the Toromocho property from Centromin. In June 2007, Aluminum Corporation of China ("Chinalco") purchased 100% of the outstanding shares in Peru Copper, and formed MCP.

In 2005, Argentum, with the opposition of Centromin, engaged in a number of administrative and judicial proceedings to obtain legal title to surface lands and underground access that comprise part of the rights that were acquired by Peru Copper from Centromin. Following Peru Copper's acquisition of Centromin's rights, we began preliminary discussions with Peru Copper, and later with Chinalco and MCP, in respect of negotiating a resolution to the surface rights issues between the parties.

In May 2008, MCP acquired certain surface rights from Centromin (currently, Activos Mineros S.A.) covering the main Morococha area that had been reserved for the Toromocho project by the Government of Peru. In addition, MCP acquired rights including surface lands in the Morococha area where the Morococha mine administration and operations are taking place, as well as certain underground areas. Certain of the underground areas acquired by MCP would also provide Pan American with easier and less costly underground access to some areas of the Morococha concessions.

In June 2010, we reached an agreement with MCP that defined each party's long term surface rights and therefore provides certainty to the land situation for the Morococha property. The primary focus of the agreement is on the lands and concessions around the Morococha mine and MCP's Toromocho copper project. Under the terms of the agreement, Argentum will relocate the core Morococha facilities, including the administration offices, warehouse, maintenance facilities, mine compressors, and some camp facilities and construct a new concentrator over a five year period and transfer certain mineral concessions and access rights to MCP that it needs in order to proceed with the development of Toromocho, including the surface lands within the planned open pit mining area of the Toromocho project. In exchange, Argentum will receive a package of surface rights, easements, and other rights to relocate the facilities and to continue uninterrupted operations, and will also obtain rights to a number of mineral concessions outside the planned Toromocho pit area where high grade silver veins have been identified. Lastly, Argentum will receive periodic cash payments from MCP totalling $40 million, which will offset a portion of the capital required for the facility relocation. The transfer of lands and rights and the cash payments will occur over a period of time in accordance with meeting certain milestones. In addition to the foregoing, the parties agreed to dismiss the judicial and administrative claims between them. To date, Minera Argentum has received a total of $24.0 million (pre-tax) from MCP and has completed a number of phases of the relocation effort. We have completed the abandonment and demolition of all buildings in the Central Shaft area, the construction of the replacement facilities located north of the central highway, but has not yet relocated the plant. We continue to operate the plant, the location of which is projected to eventually interfere with the advance of the Toromocho open pit. Depending on economic justification, mineral reserve growth, and the advance of the Toromocho open pit, the plant will need to be replaced or relocated. Although no up to date engineering studies are available, the estimated cost of a new 800,000 tonne per annum processing plant could be significant. This cost would be partially offset by the remaining payments due from MCP to honour the June 2010 agreement. Please see "Risks Related to Our Business – Title to Assets".

To the best of our knowledge, and other than as described above, Morococha is not subject to any agreements or encumbrances except for a Peruvian mining royalty tax and a special mining tax, which are described below.

To the best of our knowledge, all permits and licenses required to conduct our activities on the project have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

Morococha is accessible via Peru's paved central highway, by travelling approximately 137 kilometres east of Peru's capital city of Lima, ther 2.9 kilometres north via a public, all-weather gravel road. Rail service from Lima is also available via a national rail line that passes adjacent to the operations.

Mining has taken place at Morococha and nearby areas such as Casapalca for more than 100 years, resulting in a well-developed regional transportation and power infrastructure and a large local labour pool. Peru's economy is dependent on mining and currently there is a sufficient local source of mining personnel and related infrastructure.

The climate of the operations area is typical of the Andean Cordillera in Peru, with two distinct seasons – wetter summer months (November through March) and dryer, colder winter months (April through October). Because all mining currently takes place underground, climate has minimal effect on production at Morococha, which operates throughout the year. The topography of the mine operating area is characterized by steep, rugged ridges and peaks ranging in elevation from 4,400 metres to over 5,100 metres above sea level. Vegetation is sparse and wildlife is limited to mostly birds and small mammals, amphibians, and reptiles.

The mine is authorized through payment of a water use permit to take water from the nearby Huacracocha and Venecia lakes for mining and processing activities and typically uses on the order of 1.1 million cubic metres per annum. The mine is also permitted to take water from Huacracocha Lake for human consumption and typically uses approximately 50,000 cubic metres per annum for that use. This permitted volume of water is more than sufficient for the mine's requirements.

The mine is also authorized to dispose of mine tailings at the adjacent Huascacocha Lake, which has been used for this purpose since 1960. Several mine development waste disposal sites exist and are sufficient to meet the needs of mining operations.

The primary source of power for the mine is the Peruvian national power grid and is sufficient for the mine's current requirements. The nearby areas of Casapalca and La Oroya provide a large local labour pool.

History

Mining began in the region around Morococha before the 1500s, and production has been continuous in the district since the late 1800s. The former owners of the mines that comprise the Morococha operations conducted only minimal systematic exploration in the district. Most of the older exploration efforts were limited to underground development along strike of known structures, which was immediately followed by stope development and mining. The Morococha District has excellent exploration potential owing to the prevalence of carbonate units favourable for replacement mineralization as well as the significant vertical extents of known mineralization. As a result, drilling was not typically part of the exploration efforts. Prior to our acquisition of Morococha, little effort was given to the exploration and economic evaluation of areas that were not immediately adjacent to the existing mine workings. Previous operators utilized both surface and underground diamond drilling only to test for potential economic mineralization in the various veins, replacement mantos, and skarn bodies. Once the presence of economic mineralization was confirmed, the vein or manto was accessed by underground crosscutting and drifting for further exploration.

Between 1915 and 1918, much of the district was reorganized and incorporated into Cerro de Pasco Mining Company ("Cerro de Pasco"). By 1924, Cerro de Pasco was producing at a rate of 1,500 tonnes per day from primarily copper ores containing 6% copper. Between 1929 and 1934, Cerro de Pasco excavated the 11.5 kilometre long Kingsmill Tunnel, successfully dewatering all of the Morococha District mine workings above the 4,020 metre elevation of the tunnel. The Kingsmill Tunnel is still in use and is a vital feature of the Morococha mining district.

In the 1940s, the Gubbins family began operating mines in the Morococha District through Minera Santa Rita S.A. and Minera Yauli S.A., which were subsequently consolidated in the late 1990s into Sociedad Minera

Corona S.A. (“SMC”). Cerro de Pasco continued to operate in other areas around the Morococha District until 1974, when its mines were nationalized by the Peruvian government. Production from the Cerro de Pasco mines in the district continued under the Peruvian national mining company, Centromin, until 2003, when SMC acquired these operations from Centromin through privatization.

On January 20, 2004, we entered into an agreement with 14 individuals, estates and companies, all of whom were arm’s length to us and are members of the Gubbins family or entities in which members of the Gubbins family hold beneficial interests (the “Morococha Vendors”), to purchase 92.014% of the voting shares of Argentum, a sociedad anónima organized under Peruvian company law, for $35,425,390 in cash. Argentum acquired, through a corporate restructuring undertaken under Peruvian company law, the Anticona and Manuelita mining units and related infrastructure and processing assets from SMC. At the time of acquisition, Argentum held in its treasury as cash, all profits earned by SMC’s Anticona and Manuelita mining operations since November 1, 2003. The transaction was subject to regulatory approval and a number of conditions, including: (i) the completion of the corporate restructuring; (ii) the listing on the Lima Stock Exchange of 100% of the shares of Argentum, including those issued in connection with the corporate restructuring; and (iii) our successfully undertaking a public bid for not less than 92.014% of the voting shares of Argentum through the Lima Stock Exchange.

On February 24, 2004, we entered into a further agreement with the Morococha Vendors to purchase all of the issued and outstanding shares of Empresa Minera Natividad S.A. (“Natividad”), a corporation organized under Peruvian company law which holds mining concessions and operations that are complementary to the Anticona and Manuelita mining units, for $1.5 million in cash. Closing of the acquisitions of Argentum and Natividad occurred contemporaneously in August 2004, with effect as of July 1, 2004 and in 2005, Argentum amalgamated with Natividad. Argentum made all necessary applications for delisting its shares from the Lima Stock Exchange and the delisting process was completed in 2006. In addition, Pan American Peru continues to acquire the labour shares in Argentum when able to do so. The labour shares were created as a means through which workers would be able to take part in our success (but do not afford the holders of such shares influence over our decision-making, as they are non-voting), and are held either by current workers, former workers or by third parties who have bought labour shares in the free market.

Extensive mining has taken place at the property prior to Pan American’s acquisition in 2004, but there are no known reliable historical production figures. For the 15 years between 1989 and 2003, approximately 7.9 million tonnes of ore was mined at a grade of 227 ppm Ag, 0.5% Cu, 1.7% Pb, and 4.6% Zn.

Geological Setting

Morococha is located on the eastern side of the Western Cordillera of the Andes Mountains. The host rocks for the mineralization in the Morococha district comprise a 2,000 metre thick Palaeozoic to Mesozoic aged sequence of schists, volcanic rocks, and predominantly carbonate sediments cut by a series of Upper Tertiary aged intrusions. The structures that account for the majority of the vein mineralization in the Morococha district trend predominantly northeast to east-northeast.

The structural setting of the area is dominated by shallowly northwest plunging folds, the most important of which is the anticlinal feature referred to as the Yauli Dome, which trends north-northwest and divides the district roughly in half. The Mitu volcanics outcrop in the core of the dome, with Pucará limestones on the east and other sediments on the west. Continued compression apparently gave rise to early northwest trending shears, and the uplifting effect of the intrusion of quartz monzonite stocks produced an arching of the Yauli Dome and an associated phase of tension faulting generally trending perpendicular (northeast-southwest) to the axis of the anticline. This latter set is the most heavily mineralized set of fractures and accounts for the majority of fault hosted mineralization in the Morococha District.

Vein mineralization formed along the dominant system of northeast trending tensional faults. With the exception of an agglomerate unit in the upper Mitu Group and the sedimentary breccias in the upper and lower Pucará, the Mitu volcanics, Anticona diorite, and much of the sedimentary sequence are good vein hosts.

Mineralization associated with the veins is mostly fracture filling in nature except in some carbonate hosts where irregular replacement can take place in the wall rocks.

Replacement manto mineralization is generally restricted to receptive stratigraphic horizons where favourable lithologies are intersected by mineralized veins or are proximal to pre-mineral intrusives. Some of the replacement mineralization occurs as structurally controlled irregular chimneys within generally favourable stratigraphic horizons. Intrusive contact related skarn bodies are common the in the Pucará, generally in areas of pre-mineral intrusives, giving rise to contact related silicification and/or calc-silicate alteration. For the most part these skarns are generally small and irregular, with disseminated rather than massive sulphide mineralization.

Exploration

Since Morococha is an active mining operation, exploration is conducted using a combination of underground diamond drilling and channel sampling from drifts excavated along the mineralized zones. Generally, underground drillholes that intersect promising economic grade mineralization are followed up by drifting. Vein intersections and sample grade information from both the channel samples and the diamond drillholes are used to estimate mineral resources and mineral reserves of the volumes anticipated to be mined.

Channel samples are collected from the backs of drifts, the ribs of crosscuts, the backs of stopes, and the ribs of raises. The channel samples are taken every two metres across the veins or mantos in exploration drifts and the stopes are sampled on two metre centres along strike. The samples are always taken perpendicular to the structures, and where cross-cutting vein systems or other mineralization is present, care is taken to avoid sampling along the strike of the cross cutting structure. The surface to be sampled is cleaned to avoid sample contamination by washing with a hose and scrubbing with a brush. The samples are collected using a hammer and chisel, and weigh between 4.0 to 6.0 kg, and are usually between 0.2 m and 2.0 m wide.

Channel sampling generally provides reliable data for the estimation of mineral resources and mineral reserves, provided that appropriate measures are taken to prevent contamination and to ensure a representative sample is taken. Because the channel samples are taken at a regular spacing in drifts above and below the mineral reserve volumes, the samples are as spatially representative as possible. There are no known issues that could materially impact the reliability of the results.

Mineralization

Mineralization at Morococha includes epi-mesothermal silver-zinc-lead-copper veins, bedded silver-base metal replacements or mantos (which together account for the majority of the previously mined and presently known mineralization at Morococha), intrusive-sediment contact skarns, and the quartz porphyry-hosted Toromocho disseminated copper system. The size and geometry of individual ore shoots are lithology and structure dependent. Shoots range up to 400 metres in length with some traced for over 800 metres down plunge. Economic widths in the veins range from 0.5 metres to more than 6.0 metres. Vein width averages in the district are on the order of 1.2 metres.

Replacement manto mineralization is generally restricted to receptive stratigraphic horizons where favourable lithologies, especially carbonates, are intersected by mineralized veins or are proximal to pre-mineral intrusive rocks. Mantos can have a significant strike extent where the veins are closely spaced, and can range from less than one metre to up to 12 metres in width.

Ore and gangue mineralogy is similar in veins and mantos but varies considerably. Sphalerite, galena, and chalcopyrite are the most important primary minerals for zinc, lead, and copper while silver is generally present as freibergite (silver-tetrahedrite) or argentiferous galena. Gangue generally consists of quartz, calcite, barite, and rhodochrosite.

Similar to most large Peruvian polymetallic deposits, Morococha exhibits a distinct lateral and vertical metal zonation. The central Toromocho copper deposit grades outward through a lead-zinc minor silver zone and

then into an outermost zone that is richer in silver with significant lead-zinc grades. There is also a distinct trend of higher silver grades at higher elevations on the west side of the Morococha mine. Silver assays of greater than 2,200 grams per tonne are not uncommon above 4,800 metres above sea level, and greater than 300 grams per tonne silver grades are also common in the outer silver-lead-zinc zone above the 4,400 metre elevation. In veins with significant vertical extents, silver grades tend to decrease as zinc grades increase with depth.

The hydrothermal alteration present at Morococha is typical of central Peruvian zoned polymetallic deposits.

Drilling

We orient diamond drillholes to intersect the targeted vein as close to perpendicular as possible and they are spaced as regularly as possible to ensure representative sample coverage. Both surface and underground holes are drilled by external drilling contractors under Pan American supervision using BQ, NQ, and HQ diameter industry standard underground diamond drill rigs. The collar coordinates and the bearing and dip are surveyed with a total station instrument and the drillhole deviation is measured regularly using a downhole survey instrument.

Diamond drilling at Morococha generally provides reliable data for the estimation of mineral resources and mineral reserves, provided appropriate measures are taken to minimize material loss, to prevent contamination, and to ensure a representative sample is taken. Ground conditions for diamond drilling at Morococha are generally good, resulting in high drill core recovery, and measures are taken to minimize potential contamination. There are no known drilling, sampling, or recovery factors that could materially impact the accuracy and reliability of the results.

Sampling and Analysis

Diamond drillhole samples are cut in half with a diamond bladed saw after the core has been logged and the sample intervals have been marked by the geologist. Downhole intervals are logged for fracture density and core recovery to determine the rock quality, and for lithology, structure, and alteration types.

The veins mostly comprise massive sulphides in a clear and sharp contact with the unmineralized wall rock. For sampling diamond drillholes, the geologist marks the sample intervals across the entire vein width and at least 3 metres into the hangingwall and footwall waste beyond the vein contacts. Sample intervals within the veins vary in length between 0.10 and 1.5 metres, depending on the total vein width and the complexity of the mineralization. Unmineralized intervals less than 6 metres wide between the veins are sampled at a maximum length of 1.5 metres.

The channel samples are taken every two metres across the veins or mantos in exploration drifts and the stopes are sampled on two metre centres along strike. The samples are always taken perpendicular to the structures, and where cross-cutting vein systems or other mineralization is present, care is taken to avoid sampling along the strike of the cross cutting structure. If the vein contains different types of mineralization, separate samples are taken of each type. Mantos are similarly sampled across their entire width, perpendicular to the mineralization. The surface to be sampled is cleaned to avoid sample contamination by washing with a hose and scrubbing with a brush. The samples are collected using a hammer and chisel, and weigh between 4.0 to 6.0 kg.

The rock mass is generally of good quality and there have been few issues regarding sample loss or contamination during sample collection and splitting. There are no known drilling, sampling, or recovery issues that could materially impact the reliability of the results.

Security of Samples

No out of the ordinary security measures are taken with the samples, but as the samples are prepared and analysed within the confines of the general mine security enclosures, there is no reason to believe that the validity and integrity of the samples have been compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves for the Morococha mine, as at December 31, 2014, are as follows:

Morococha Mineral Reserves [1, 2, 3]

Reserve Category	Tonnes (Mt)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Proven	2.4	181	3.32	1.18	1.15
Probable	2.7	202	3.90	1.36	0.67
TOTAL	5.1	192	3.63	1.27	0.90

Notes:
1 Estimated using a price of $18.50 per ounce of silver, $2,000 per tonne of zinc, $2,000 per tonne of lead and $6,800 per tonne of copper.
2 Mineral Reserve estimates for Morococha were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons, as that term is defined in NI 43-101.
3 Tonnes are shown for 92.3% of the Morococha property. Through our subsidiary, Pan American Peru, we have a 92.3% interest in the Morococha property.

Management estimates that mineral resources at the Morococha mine, as at December 31, 2014, are as follows:

Morococha Mineral Resources [1, 2, 3]

Resource Category	Tonnes (Mt)	Grams of Silver per tonne	% Zinc	% Lead	% Copper
Measured	0.5	125	3.32	1.16	0.33
Indicated	1.0	163	4.05	1.34	0.53
Inferred	6.5	247	3.27	1.31	0.44

Notes:
1 These mineral resources are in addition to mineral reserves. Estimated using a price of $18.50 per ounce of silver, $2,000 per tonne of zinc, $2,000 per tonne of lead and $6,800 per tonne of copper.
2 Mineral resource estimates for the Morococha mine were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.
3 Tonnes are shown for 92.3% of the Morococha property.

Mineral resource estimates are prepared on an annual basis and updated with the additional diamond drilling and channel samples collected during the year, using a variation of the polygonal method in AutoCAD and Excel software. Each vein structure is projected onto a longitudinal section and divided into a series of geometrical blocks created to best fit an area of mineralization into a minable block, if the mineralization present is considered economic. The dimensions of the mining blocks are based on mining levels, stope layouts, and previously mined out areas, and range in length from between 20 metres and 70 metres. They are generally on the order of 50 metres long and 20 metres high.

The average true width of the vein intersections is applied to the block area to determine the volume. Sample grades are reviewed and treated for extreme values if necessary, and then the average grade of the intersections within each block is assigned to the block. Bulk density values are applied to the volume of the block

to estimate the tonnes of each block, based on the average bulk density measured from samples selected from the different veins.

The blocks are then depleted for previous mining. Planned mining dilution is applied to each block considering the width, dip angle, mining method, and expected ground conditions of each vein, and an allowance is made for expected mining losses. A value per tonne is applied to each block based on metal content, metal prices, concentrate sales terms, concentrate quality, processing recovery, transportation, refining, and other selling costs such as storage fees, port fees, etc. Processing costs are assumed to be the same for all ore types, and metallurgical recoveries are based on averages for all of the groups of veins or structures. Any blocks that do not meet the criteria of resources are removed. Each block is classified for measured, indicated, and inferred confidence categories depending on the location of the block relative to mine workings, the type of sample available in each block, and the number of samples available to estimate each block.

Mineral resource blocks classified as measured and indicated that can be mined economically are converted to mineral reserves. Some small isolated blocks may be removed if the cost associated with development, production, and logistics make them uneconomic to mine. A value per tonne is applied to each block based on metal content, metal prices, concentrate sales terms, concentrate quality, metallurgical recovery, transportation, refining, and other selling costs such as storage fees, port fees, etc. A minimum required value per tonne cut-off is calculated for the blocks depending on the block location in the mine. A minimum required value per tonne cut-off is calculated for the blocks depending on the block location in the mine. As the plant has an annual processing capacity of 800,000 tonnes and the annual mining capacity is currently 630,000 tonnes, the minimum required value per tonne cut-off is calculated to be a percentage of the full break even cost. This allows for processing of incremental material that pays for all of the variable costs of the operation, utilizing more of the existing plant capacity, and providing a margin for profitability. Processing costs are assumed to be the same for all ore types, and metallurgical recoveries are based on averages for all of the groups of veins or structures.

Any blocks which are considered uneconomic after these parameters are applied either remain as mineral resources or may be removed from the inventory completely if they do not meet the criteria of resources. The mineral reserves are classified as proven or probable depending on the resource classification.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources.

Mining Operations

Underground mining operations at Morococha consist primarily of conventional and mechanized overhand cut and fill, long hole open stoping, and stope development. The selection of the mining method depends on the location, width, orientation, and ground conditions of the vein to be mined, as well as the ground conditions of the footwall and hangingwall. Classified tailings pumped hydraulically to stopes and waste rock are used for backfill where needed.

Conventional cut and fill stoping is typically used in the narrowest veins, where blast holes are drilled using hand held jackleg drills and slushers are used to remove the blasted ore. Depending on ground conditions, the blast holes are drilled either upward or horizontally with a hand held drill. Mechanised cut and fill is often used in areas where the development of an access ramp can be economically justified. This is typically the case where sufficiently wide and economic veins are present or where economic mineralization is present in wider manto or replacement ore bodies. Drilling is undertaken with hand held drills (jacklegs or stopers) or electric hydraulic jumbo drills and the broken ore is removed using scoop trams. Mechanized cut and fill mining using development jumbos is limited to horizontal holes only. Sub-level long hole mining is undertaken in wider spatially continuous economic veins with good wall conditions.

In the Manuelita and Sulfurosa areas of the mine, locomotives transport the ore in rail cars from the chutes to the shafts for hoisting. Highway dump trucks then haul the ore from the coarse ore bins at the shaft to the stockpiles at the mill. In the Codiciada and Alapampa areas of the mine, ore is transported to underground stockpiles using scoop trams and then loaded onto haul trucks for transportation to surface via a haulage ramp. Later in the mine life, underground development from the Alapampa area to the Yacumina area will be necessary to provide access and ore haulage.

The Yauli (also known as the Manuelita) production shaft provides access from an underground adit down to the Kingsmill drainage tunnel level at an elevation of 4,020 metres above sea level. It is equipped with two 2.6 tonne skips which feed into chutes from where it is then transported in rail cars by a small locomotive to an adjacent subsurface truck loading facility. The Maria shaft provides access from surface down to one level above the Kingsmill tunnel, and is comprised of a single split drum hoist with two skips, each with a capacity of 2 tonnes.

We plan to develop the Manuelita and Sulfurosa areas of the mine to 70 m below the Kingsmill drainage tunnel. This development was started by a previous operator and is now in the process of being extended and expanded using a small inclined shaft to haul waste and a limited amount of ore up to the Kingsmill tunnel elevation, where it is transferred to the Manuelita shaft. The long term plan for the development of these zones includes the deepening of the Manuelita shaft.

Morococha operates an 803,000 tonne per year capacity mill, known as the Amistad mill, using froth induced selective flotation technology to produce silver in zinc, lead, and copper concentrates. The mill flowsheet consists of two-stage crushing, ball mill grinding, selective flotation of the ore to concentrates, followed by thickening and filtering of the concentrates. About half of the tailings from the concentrator are pumped to a hydrocyclone for classification, then the classified fines are combined with the other half of the tailings and pumped to the Huascacocha tailings facility. The underflow from the hydrocyclone is stored in a tank and then transported back underground where it is used for hydraulic backfill.

In 2014, the mill processed approximately 613,800 tonnes of ore with metallurgical recoveries of 86.4% for silver, 77.2% for zinc, 74.0% for lead, and 72.2% for copper. Total metal production for the year was approximately 2.6 million ounces of silver, 17,100 tonnes of zinc, 5,100 tonnes of lead, and 3,300 tonnes of copper.

The Morococha mine produces silver-rich zinc, lead, and copper concentrates which are sold under contracts that are negotiated periodically with arm's length smelters and concentrate traders. Morococha receives payment for an agreed percentage of the silver, zinc, lead, and copper contained in the concentrates it sells, after the deduction of smelting and refining costs. We have not had any difficulty securing contracts for the sale of Morococha concentrates; however, there can be no certainty that we will always be able to do so or what terms will be available at the time. Please see "Risks Related to Our Business - Trading Activities".

The revenue per type of concentrate produced by the Morococha mine for the past three years were as follows:

2014	**Revenue[1, 2]**	**Tonnes**
Zinc Concentrate[3]	$25.5 million	35,893
Lead Concentrate[3]	$17.8 million	10,113
Copper Concentrate[3]	$35.7 million	15,557
2013		
Zinc Concentrate[3]	$24.1 million	33,763
Lead Concentrate[3]	$16.9 million	8,423
Copper Concentrate[3]	$41.3 million	11,713

2012		
Zinc Concentrate[3]	$20.1 million	27,245
Lead Concentrate[3]	$20.1 million	7,816
Copper Concentrate[3]	$38.4 million	7,875

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 Zinc and lead concentrates contain payable silver. Copper concentrates contain payable silver and gold.

The life of mine plan is based on the mineral reserves and contemplates, on a 100% basis, an annual processing rate of 630,000 tonnes (1,726 tonnes per day) and then gradually increasing as more mining areas become available in Manuelita and Sulfurosa below the Kingsmill tunnel, in Alapampa, and later in Yacumina. This processing rate results in a remaining mine life of an estimated 7.3 years. The Morococha deposit is extensive and if current mineral resources can be converted to mineral reserves and/or if new mineral resources are defined and can be converted to mineral reserves, then a new plant will be required to replace the current Amistad plant prior to 2020. The future economic justification of a new plant will rely primarily on mineral reserve growth and metal prices. Although no up to date engineering studies are available, the estimated cost of a new 800,000 tonne per annum processing plant could be significant, on the order of up to $100 million. This cost would be partially offset by the remaining payments due from MCP to honour the June 2010 agreement.

The bottom level of the currently estimated mineral reserves and the life of mine plan is assumed to be the Kingsmill drainage tunnel in all areas except for the Manuelita and Sulfurosa, where the bottom is 70 m below the bottom of the Kingsmill tunnel. There is no reason to believe that the veins and other mineralized structures stop at the Kingsmill tunnel, and so if pumping operations can be conducted economically, the mine life could be extended considerably..

The principal taxes of Peru affecting Argentum include income tax, an employee profit sharing tax, annual fees for holding mineral properties, various payroll and social security taxes, a refundable value added tax, a mining royalty tax, and the SMT. Please see the Huaron "Mining Operations" section above for a description of the SMT and revised mining royalty tax.

In December 2014, the Peruvian Parliament approved a bill that is effective January 1, 2015 and decreases the corporate income tax rates from 30% in 2014, to 28% in 2015 and 2016, to 27% in 2017 and 2018, and to 26% in 2019 and future years. There was a deferred income tax recovery of $1.3 million recorded in 2014 associated with the change.

The new law also increases the withholding taxes on dividends paid to non-Peruvian-resident shareholders from 4.1% in 2014, to 6.8% in 2015 and 2016, to 8% in 2017 and 2018, and to 9.3% in 2019 and future years.

Argentum generated an income tax (recovery) expense of $(3.6) million, $(0.7) million, and $3.1 million in 2014, 2013, and 2012 respectively. Included in the income tax expense is the revised Peruvian mining royalty tax and SMT, of approximately $0.8 million, $0.8 million and $0.8 million in 2014, 2013, and 2012 respectively.

In addition, employee profit sharing taxes of $NIL were generated in 2014, 2013, and 2012. These amounts are not included in the income taxes above.

Capital expenditures at Morococha during 2014 totalled $10.2 million, primarily on long term mine development advances and infrastructure, exploration drilling, plant upgrades, and equipment overhauls.

Activities in 2015

In 2015, based on an ownership interest of approximately 92.3% of Argentum, our proportionate interest in Morococha's production is forecast to be between 2.3 and 2.4 million ounces of silver, between 2,000 and 2,500 ounces of gold, between 14,500 and 15,000 tonnes of zinc, between 4,200 and 4,400 tonnes of lead, and between 3,240 and 3,490 tonnes of copper.

In 2015, we anticipate spending between approximately $6.0 million and $8.0 million in sustaining capital, the majority of which are allocated for near mine exploration drilling, mining equipment, and studies on deepening the Manuelita mine area beneath the primary drainage tunnel.

Environmental

In October 2003, the Peruvian government passed legislation requiring active mining operations to file closure plans. In October 2005, administrative rules associated with this legislation were promulgated which laid out detailed closure requirements and required that detailed closure plans and cost estimates be filed by October 2006.

The original closure plan for Morococha was filed by mid-year 2004, and in August of 2006, we submitted a comprehensive closure plan for Morococha to the MEM in accordance with that ministry's regulations and new rules. The closure plan was prepared by third party consultants registered with the Peruvian authorities as qualified to present closure plans to the MEM. The closure plan includes a summary of the proposed closure scheme for each of the major areas of impact such as mine water, tailing facilities areas, waste rock facilities, plant site infrastructure, and the underground mine. A detailed cost estimate was prepared based on Pan American's and the consultant's shared experience with closure works and experience with other projects in Peru. As required by the MEM, the costs were summarized in three phases: concurrent closure, final closure, and post closure. Updated closure plans are filed as required, with the most recent closure plan modification approved in 2012.

Peruvian legislation sets out the progressive implementation of new, stricter water quality limits both for discharges and receiving waters. An "Adaptation Plan" which demonstrates compliance of the Huascacocha lagoon discharge with the new limits was presented to the MEM on 3 September 2012.

The most significant environmental liability identified at the Morococha mine is the mine's potential share of the cost to operate the Kingsmill Tunnel water treatment plant. The Kingsmill Tunnel is an 11.5 kilometre long underground opening excavated between 1929 and 1934 to dewater the Morococha district mine workings above 4,020 metres above sea level. The water treatment plant was built and is currently being operated by MCP to treat the 1.5 to 1.8 cubic metres per second of water draining from the Kingsmill Tunnel into the Rio Yauli. Morococha's share of the cost was defined by a hydrogeological study completed in 1997 which apportioned responsibility for the costs of constructing and operating the treatment plant as follows: (i) Centromin (72.2%); (ii) our Morococha operations (12.3%); (iii) Soc. Minera Puquiococha (8.5%); (iv) Soc. Minera Austria Duvaz (4.9%); and (v) Minera Centrominas (2.1%). Subsequent to the apportionment of costs, it appears that in connection with the acquisition by MCP of the mining concessions near Morococha, MCP assumed the cost of the construction of the Kingsmill water treatment plant.

The treatment and operating costs for the water treatment facility are directly proportional to both constituent load and flow determined in the 1997 study. The distribution of responsibility stated in the 1997 study was accepted by all involved parties. Our potential share of the responsibility for treatment of the baseline flows, 12.3%, was included in the terms of its purchase of the applicable mining concessions. As a purchase contract entered into during 2003 between Natividad and Argentum establishes that the purchaser is responsible for incremental flows in those concessions, subsequent studies in 2004 were carried out to further characterize the baseline flow conditions in order to establish benchmarks for the determination of responsibility for potential future increases. The results of this study estimated that 38.46% of the baseline flows were derived from Natividad and Corona concessions now under our control. We challenged this estimate but our challenge was not accepted. The scope of the study and the resulting recommendations exceeded the terms of the

study and presented conclusions that conflicted with previous conclusions and the terms of our purchase of the applicable concessions. It appears that in connection with the acquisition by MCP of the mining concessions near Morococha, MCP also assumed the cost of treatment of the Kingsmill tunnel water so it can be used to supply MCP mineral processing plant.

A closure cost estimate for Morococha was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. The current present value of closure expenditures at Morococha as at December 31, 2014, is approximately $5.0 million. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health & Safety

In May 2006, a formal safety audit was conducted at the Morococha mine by a third party consultant and Pan American's Director of Health and Safety. Internal safety audits have been conducted each year since 2009 by Pan American's Director of Health and Safety and safety managers from our other operations. During 2014, personnel employed at Morococha attended a total of over 139,000 hours of training.

C. Bolivia

(i) San Vicente

Project Description and Location

The San Vicente underground silver-zinc mine is located in the south of Bolivia in the Province of Sud-Chichas, Department of Potosí, and covers an area of 8,159 hectares and consists of 15 concessions. San Vicente is located 460 kilometres south of the city of Oruro and 300 kilometres west of the city of Tarija.

Pan American holds a 95% interest in PASB. The remaining 5% of PASB is owned by Urion Holdings (Malta) Ltd. ("Urion"), an affiliate of Trafigura Baheer B.V. ("Trafigura") (which is described in more detail under "San Vicente - History"). PASB owns a 50% joint venture interest in, and is the operator of, the San Vicente project. The remaining interest in the joint venture project is held by Corporación Minera de Bolivia ("COMIBOL"), the Bolivian state mining company. All mining property concessions of the San Vicente mine are in the name of COMIBOL, and PASB is contractually responsible for paying the yearly mining tenure tax to maintain the concessions. All of the concessions include the rights for mining, water, and surface usage. As far as we are aware, all of the concessions are in good standing.

Pursuant to an option agreement entered into with COMIBOL with respect to the development of the San Vicente property, PASB is obligated to pay COMIBOL a participation fee of 37.5% (the "Participation Fee") of the operations cash flow. Once full commercial production of San Vicente began, the Participation Fee was reduced by 75% until PASB recovered its investment in the property in December 2012. Thereafter, the Participation Fee reverted back to its original percentage. In 2014, the royalties to COMIBOL amounted to approximately $10.4 million (2013 - $10.0 million).

A 2% net smelter royalty is also payable to Empresa Minera Unificada S.A. ("EMUSA"), a former partner of PASB on the project. The royalty is payable only after PASB recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater. The first royalty paid was $0.4 million in 2012. Payments of $0.7 million and $1.0 million were made in respect of this royalty during 2013 and 2014 respectively

A Bolivian state mining royalty is applied to gross metal value of sales (before smelting and refining deductions) and the royalty percentage is a sliding scale depending on metal prices. At current metal prices, the

royalty is 6% for silver metal value and 5% for zinc and copper metal value of sales. The royalty is income tax deductible; however, it is not creditable.

The known mineralized zones, mineral resources and reserves, mine workings, the processing plant, tailing impoundments, effluent management and treatment systems, and waste rock storage facilities are located within the concessions held by COMIBOL which are subject to the agreement between PASB and COMIBOL.

To the best of our knowledge, all permits and licenses required to conduct our activities on the mine have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The property is accessible by dirt road 100 kilometres west of the town of Tupiza and 150 kilometres south of Uyuni. The best routes are via the capital city of La Paz in the north or from Arica or Antofagasta to the west. From La Paz, a paved highway leads to the town of Challapata, and from there a gravel road, which serves as the major north-south route in the country, leads to Uyuni. Daily commercial flights operate between Uyuni and La Paz. Transport to the mine is by road for equipment and workers. Tupiza is connected to the rail system which serves Bolivia and connects with the ports of Arica and Antofagasta in Chile.

The San Vicente mine is located in a high plateau known as the Altiplano, which is characterized by its high elevation and arid climate. The topography at the mine is rugged and lies at approximately 4,400 metres above sea level. Vegetation is sparse and the only use of the ground, other than for mining activities, is as a wild pasture for llamas.

Daytime temperatures range from 4° C in winter and 14° C in summer. In the winter, night time temperatures are frequently below zero with extremes of -15° C. The average annual rainfall is 190 millimetres, with no rain falling from between May and September. Rainfall occurs mainly in the summer months, when up to 20 millimetres of rain can fall in one day. The mine operates year round.

We have sufficient surface rights and area for our mining operations. We have agreements in place to obtain the water required for mining and processing from a combination of water wells and surface water. A power transmission line approximately 20 kilometres in length connects the mine to the main grid line at Portugalete and supplies sufficient power for the plant and mining operations. The mine is located in a historical mining area and there is a sufficient local supply of mining personnel.

History

Mining in the area of San Vicente has occurred sporadically since colonial times when the initial exploitation was from veins exposed at the surface. The first written records of mining activity are from 1820, when the area was named the Guernica Mine. Several different owners operated the mine from 1911 through 1950. From 1950 until 1952, the mine was operated by the Aramayo Mining Company. In 1952, the Bolivian government nationalized the mine and placed it under the control of COMIBOL.

Following the discovery of new silver and zinc veins in the late sixties, COMIBOL constructed the 400 tonnes per day Vetillas concentrating plant in 1972. Only one product, a zinc concentrate rich in silver, was produced. Mine infrastructure at the site included an underground mine, the Vetillas flotation mill, power and water supplies, and worker housing.

The mine was operated by COMIBOL until 1993, at which time mining was suspended pending the privatization of mining in Bolivia. In 1995, the San Vicente mine was offered as part of a joint-venture contract by COMIBOL. On June 21, 1999, Pan American signed a joint-venture agreement (Contrato de Riesgo Compartido) with COMIBOL. At that time, PASB was a 100% subsidiary of Pan American. The mine was maintained by COMIBOL until the joint venture contract was signed.

Between late 2001 and early 2009, PASB and COMIBOL entered into a number of toll mining agreements with EMUSA to process San Vicente's ore at EMUSA's nearby Chilcobija mill. In 2003, PASB entered into a share purchase agreement with EMUSA, whereby EMUSA could acquire up to 49% of the outstanding shares of PASB. This agreement required EMUSA to fund feasibility and development related expenses to an aggregate of $2.5 million by May 1, 2005. By year end 2004, EMUSA had invested $2.34 million of the $2.5 million required to vest as a 49% owner of PASB, and EMUSA indicated it intended to proceed with the remaining investment to acquire a 49% interest.

In the fourth quarter of 2005, Pan American negotiated a shareholders' agreement with EMUSA and Trafigura (a minority stakeholder of EMUSA), which agreement contemplated an increase in our shareholding in PASB from 50% to 55%. Pursuant to this shareholders' agreement, which was signed in January 2006, EMUSA would hold 40% of the shares of PASB and Trafigura would hold the remaining 5%.

In July 2006, PASB and COMIBOL renegotiated the terms of the main joint venture contract, changing COMIBOL's participation fee to a fixed percentage participation fee of 37.5% of the operating cash flow subject to certain deductions in respect of development costs. The contract has a 30 year term. The original contract stated that for PASB to maintain its participation in the contract it should invest a minimum of $20 million dollars in the San Vicente project. Pursuant to an amendment to the contract signed in June 2006, PASB committed to build a new mill, tailings storage facilities and other civil works at San Vicente during an 18 month time period with a minimum additional investment of $23 million. The 18 month construction period commenced on June 10, 2007.

In 2007, Pan American purchased EMUSA's 40% interest in the project, increasing our share ownership from 55% to the current 95%, and Trafigura continued to hold its 5% interest in PASB.

Between 2008 and 2009, we completed construction of a new 750 tonnes per day capacity selective flotation plant and infrastructure as well as continued mining and toll treating ores under an agreement with COMIBOL. Commercial production commenced at the end of the first quarter of 2009.

Pan American and Trafigura entered into a new shareholders agreement in 2010 to reflect the new shareholder relationship. Trafigura assigned its 5% interest in PASB to its affiliate, Urion, in 2013.

Geological Setting

San Vicente is located 2.5 kilometres west of the prominent north-south striking San Vicente thrust fault, which forms the eastern limit of the intermountain Bolivian Altiplano basin. Mineralization at the mine site is hosted by conglomerates of Late Oligocene age. The clastic sediments are over-thrusted by a turbidite sequence of Ordovician age which outcrop on the east side of the mine. Mid-Miocene aged volcanic rocks are also present on site.

The regional sedimentary sequence consists of a basement of Palaeozoic marine siliciclastic sediments. This sequence was folded and later unconformably overlain by non-continuous Cretaceous aged continental sediments and a thick sequence of Tertiary aged continental clastic sediments (the Potoco and San Vicente formations). Sedimentation in the Tertiary aged basin was controlled by thrust faults to the east and west and contains various thin volcanic flows. A sequence of felsic volcanics forms the top of the Tertiary basin in the southern part.

An important lithology in the project area is the fanglomerates of the San Vicente formation which are in contact with Ordovician aged shales along the strike of the San Vicente fault. The fanglomerate consists of poorly sorted conglomerate with fragments of Palaeozoic sediments cross cut by younger quartz veins. The matrix is red in colour and consists of iron-bearing sandstone.

The structural environment of the mine area consists of a series of moderately to steeply dipping pre-mineral faults striking west-northwest.

Exploration

There is no known modern exploration on the property aside from the exploitation of silver from exposed veins. Our exploration program began in 1999 following the execution of the joint venture agreement with COMIBOL. The work started with mapping and sampling the surface and was followed by the construction of drill access roads and platforms. Surface diamond drilling was undertaken using HQ sized drill rigs and underground diamond drilling was done using NQ sized drill rigs. In addition to the diamond drilling, an extensive channel sampling program was undertaken in the mine, initially by COMIBOL and later by PASB. Soil sampling was conducted in six parallel lines on a 100 metre line spacing and a 50 metre sample spacing along the lines, which cut the extension of the Guernica vein, the Litoral area, and the extension of the San Francisco and San Lorenzo veins. The results of the underground channel samples and the surface and underground drillholes are used for the estimation of mineral resources and reserves.

Channel sampling was originally partially done by COMIBOL and later by PASB employees under the supervision of PASB geologists. Diamond drilling is executed by third party contractors under the supervision of PASB geologists.

Some of the channel samples taken by COMIBOL did not extend across the full width of the economic vein intersection and are therefore not representative of the entire mineralized zone. Where possible, COMIBOL's channel samples were replaced by channels sampled by PASB. Mineral resource blocks that are estimated using entirely COMIBOL channel samples have not been converted to mineral reserves and remain in the mineral resource categories.

Mineralization

San Vicente is a polymetallic vein deposit formed by hydrothermal systems associated with repeated calc-alkaline intrusions and their extrusive products forming vein type and disseminated polymetallic deposits. Mineralization in the district is known to cover an area of three by four kilometres to a depth of 300 metres. It consists of replacement veins filling pre-existing faults, replacements in brecciated conglomerates in the San Vicente fault, and mineralization in dacitic dykes.

The minerals of economic importance are sphalerite, tetrahedrite, chalcopyrite, and galena. Cassiterite, covellite, and bornite are found in some veins. The primary gangue minerals are quartz, pyrite, marcasite, and barite.

Drilling

Diamond drilling at the mine has been undertaken using a combination of HQ sized drill rigs at the surface and NQ sized drill rigs from underground. Downhole surveys are taken regularly down the drillhole. Drillhole spacing is variable and ranges from between 35 to 100 metres, depending on the vein.

Sampling and Analysis

Channel samples are taken by PASB from the backs of drifts, the ribs of crosscuts, the backs of stopes, and the ribs of raises. The channel samples are taken using a hammer and chisel every four metres across the veins in 20 centimetre wide channels approximately three centimetres deep. Stopes are channel sampled every 1.6 metres vertical cut on two metre centres along strike. The samples are prepared by Bondar-Clegg laboratories (now ALS Chemex) in Oruro, Bolivia or by SGS in La Paz and then sent to their respective Lima facilities for analysis of silver, zinc, lead, and copper content using atomic absorption spectroscopy. Any sample with a silver grade greater than 500 grams per tonne is re-assayed by fire assay, and samples with greater than 10% zinc are performed using titrimetric analysis.

The sample interval width is based on the visible vein width, which varies from 0.2 to 7.5 metres. Wide vein intersections are sampled in several intervals dependent upon the variations in visible mineralization. In areas

where the wall rock shows disseminated mineralization, additional samples are taken in regular intervals from 0.7 to 1.0 metres in length.

Diamond drillholes are split in half using a diamond bladed saw after the hole is logged by the geologist. One half of the drill core is submitted to the same laboratory as the channel samples and prepared and analysed using the same methods. The remaining half of the drill core is stored at the mine for reference.

There are no known core or sample recovery problems which could have materially impacted the accuracy and reliability of the results.

There is a bias in the COMIBOL channel methodology toward narrower vein widths and higher grades because they did not cover the entire width of the mineralization in the vein. This bias has been mitigated by replacing the COMIBOL channel samples by PASB channel samples wherever possible and by applying a lower resource confidence classification to blocks estimated with COMIBOL channel samples.

The sample locations are plotted in plan and section to ensure they are in the correct location. The QAQC programme includes the submission of certified standards and duplicate assays on sample pulps to the primary laboratory and the submission of check assays on coarse rejects to a secondary laboratory. The results of the QAQC programmes indicate that the sample assays are reliable for the estimation of mineral resources and reserves.

Security of Samples

During the entire procedure from drilling, sampling, and analysis, sample security is controlled by PASB employees or by the commercial laboratories once the samples have been delivered to the preparation facilities. We have no reason to believe that the validity and integrity of the samples has been compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves at the San Vicente mine, as at December 31, 2014, are as follows:

San Vicente Mineral Reserves [1, 2, 3]				
Reserve Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**% Zinc**	**% Lead**
Proven	1.9	460	3.03	0.39
Probable	0.7	425	2.44	0.49
TOTAL	2.7	451	2.86	0.42

Notes:
1 Estimated using a price of $18.50 per ounce of silver, $2.000 per tonne of zinc and $2,000 per tonne of lead.
2 Mineral Reserve estimates for the San Vicente mine were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.
3 Tonnes are shown for 95% of the San Vicente property as Pan American holds a 95% interest in PASB.

Management estimates that mineral resources at the San Vicente mine, as at December 31, 2014, are as follows:

San Vicente Mineral Resources [1, 2, 3, 4]				
Resource Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**% Zinc**	**% Lead**
Measured	0.6	169	2.45	0.15
Indicated	0.3	156	2.12	0.12
Inferred	3.0	366	2.68	0.33

Notes:
1 These mineral resources are in addition to San Vicente mineral reserves.
2 Estimated using a price of $18.50 per ounce of silver, $2,000 per tonne of zinc and $2,000 per tonne of lead.
3 Mineral resource estimates for San Vicente were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.
4 Tonnes are shown for 95% of the San Vicente property as Pan American holds a 95% interest in PASB.

Mineral resource estimates are prepared annually based on the additional drillhole and channel samples collected during the year, using industry standard mining software. The samples are composited to a common vein width and treated for extreme grades. A block model for each vein is constructed based on the vein intersections in the channel and drillhole samples. Bulk density is applied to the block model based on the average of bulk density measurements taken at each vein. Variography is undertaken for each metal and each vein and used in the estimation of silver, lead, and zinc grades using ordinary kriging interpolation. The estimate is validated and classified for confidence categories depending on the number of samples available to the estimate and the grade continuity in each vein. Any vein with a width of less than the minimum mining width of 0.8 metres is diluted with waste to reach the minimum mining width. Additional mining dilution is added to the resource considering the vein width and the dip angle of each vein. A mining recovery factor of 90% is applied to each block to account for loss of material left behind for stability and safety reasons, which mostly occurs in sills, man ways, and crown pillars. The dilution and loss applied to each vein is assessed each year and adjusted according to the actual dilution experienced during mining. The estimate is depleted annually to account for production occurring during the previous year.

Following the estimation of diluted tonnes and grade in each block, economic parameters are applied to the measured and indicated mineral resources and economic blocks are converted to proven and probable mineral reserves as appropriate. Any small isolated blocks that do not justify development, as well as any measured or indicated resource blocks that are uneconomic to mine each year, remain in the resource category. The economic parameters include an NSR value per tonne which is applied to each block using existing and projected smelter terms and current metal prices. A value per tonne cut-off is estimated including operating costs and mining costs dependent upon the mining method. Any measured resource block with a value per tonne greater than the cut off is converted to proven reserves, and any indicated resource block with a value per tonne greater than the cut off is converted to probable reserves.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources at San Vicente.

In early 2009, a new constitution was enacted in Bolivia that further entrenches the government’s ability to amend or enact certain laws, including those that may affect mining. On May 1, 2011 Bolivian President Evo Morales announced the formation of a multi-disciplinary committee to re-evaluate several pieces of legislation, including the mining law and this has caused some concerns amongst foreign companies doing business in Bolivia

due to the government's policy objective of nationalizing parts of the resource sector.

On May 28, 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). Among other things, the New Mining Law has established a new Bolivian mining authority to provide principal mining oversight (varying the role of COMIBOL) and sets out a number of new economic and operational requirements relating to state participation in mining projects. Further, the New Mining Law provides that all pre-existing contracts are to migrate to one of several new forms of agreement within a prescribed period of time. As a result, we anticipate that our current joint venture agreement with COMIBOL relating to the San Vicente mine will be subject to migration to a new form of agreement and may require renegotiation of some terms in order to conform to the New Mining Law requirements. We are assessing the potential impacts of the New Mining Law on our business and are awaiting further regulatory developments, but the primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the existing contract, and the full impact may only be realized over time.

Additional risks of doing business in Bolivia include being subject to new higher taxes and mining royalties (some of which have already been proposed or threatened) and threatened expropriation of assets, all of which could have a material adverse effect on our operations or profitability.

Please see the discussion under "Risks Relating to Our Business - Foreign Operations" for a further discussion of this risk.

Mining Operations

Ore is extracted at the San Vicente underground mine using conventional shrinkage stoping in areas where the veins are narrow and long hole mining in areas where the veins are wider. Access to the mine for workers and equipment is provided by ramps leading to adits at the surface while waste and ore material is hoisted to the surface using both haul trucks on the ramp and hoisting at the Pelayo shaft. Locomotives are used to move broken ore and waste on the levels.

San Vicente operates a 750 tonne per day capacity plant using a standard flotation process to produce a silver-zinc concentrate and a silver-lead concentrate, however this throughput is regularly exceeded during normal operations. Ore from the mine passes through a jaw crusher at the plant, and then is fed into a semi-autogenous mill/ ball mill grinding circuit. Following the concentration process in the flotation circuit, the concentrates are thickened and dewatered in filter presses prior to shipping. Tailings are stored in a tailings storage facility approximately 1.5 kilometres from the concentrator.In 2014, a total of 332,600 tonnes of ore were processed with metallurgical recoveries of 93.2% for silver, 78.1% for zinc, and 81.6% for lead. Total metal production for the year was approximately 4.2 million ounces of silver, 6,100 tonnes of zinc, and 500 tonnes of lead.

The San Vicente mine produces silver-zinc and silver-lead concentrates. Both the silver-zinc and the silver-lead concentrates are taken by truck and rail to ports in Chile for shipment. We have not had any difficulty in securing contracts for the sale of the San Vicente concentrates, however, there can be no certainty we will always

be able to do so or what terms will be available at the time. Please see “Risks Related to our Business – Trading Activities and Credit Risk”.

The revenue per type of concentrate produced by the San Vicente mine for the past three years were as follows:

2014	**Revenue[1, 2]**	**Quantity**
Zinc Concentrate[3]	$12.9 million	12,099 tonnes
Lead Concentrate[3]	$63.9 million	7,444 tonnes
2013	**Revenue[1, 2]**	**Quantity**
Zinc Concentrate[3]	$12.2 million	11,815 tonnes
Lead Concentrate[3]	$61.8 million	6,452 tonnes
2012	**Revenue[1, 2]**	**Quantity**
Zinc Concentrate[3]	$18.0 million	11,764 tonnes
Lead Concentrate[3]	$78.3 million	5,124 tonnes

Notes:
1 Consists of sales to arm’s length customers.
2 Calculated as gross revenue less treatment and refining charges.
3 Zinc concentrates contain payable silver. Lead concentrates contain payable silver and gold.

The principal tax of Bolivia affecting PASB includes income tax, asset and financial transaction taxes, export duties, a refundable value added tax and a mining surtax of 12.5% on the annual income of mining companies.

PASB generated a combined income tax and mining surtax expense of approximately $7.5 million, $5.5 million, and $8.5 million in 2014, 2013, and 2012, respectively.

The previously existing Complementary Mining Tax, which had a tax levy of 1% to 6% based on gross metal value of minerals, was transformed into a royalty with a similar tax levy percentage but is no longer creditable against the corporate income tax when the international metal prices are above a certain price level (for example, $5.50 per ounce of silver), but is deductible for income tax purposes.

During 2007 and early 2008, two significant tax exemptions were granted to PASB. First, a value added tax (“VAT”) and an import duty tax exemption on certain operating materials and supplies were granted in 2007. In 2008, under Regulation 877, the project was granted a VAT exemption on most imported equipment and duties associated with the importation of this equipment.

VAT on other project-related costs will be required to be paid; however, it is expected that these taxes will be recovered.

The mine life based on the current mineral reserves and processing rate is estimated to be seven years.

In 2014, capital expenditures at San Vicente totalled $3.4 million and consisted primarily of mine infrastructure upgrades, equipment overhauls, and exploration drilling.

Activities in 2015

The expected sustaining capital budget for 2015 at San Vicente totals between $4.0 million and $5.0 million, the major components of which include mill equipment refurbishment, mine equipment replacements, a ventilation raise, a pump station, and near mine exploration.

In 2015, we anticipate producing between 4.00 million and 4.15 million ounces of silver, between 6,000 and 6,500 tonnes of zinc, and between 500 and 600 tonnes of lead.

Environmental

In compliance with the Environmental Regulation for Mining Activities, PASB commissioned MINCO SRL, a Bolivian consulting firm, to conduct a base line environmental audit ("ALBA") of the San Vicente mine, as well as other environmental studies in satisfaction of Bolivian laws and regulations. The ALBA sets out the present situation of the environment at the project and identifies environmental liabilities regarding pre-existing waste rock dumps and the environmental impact on soil, water, vegetation and solid residues caused by previous mining activities conducted on the property.

Construction of the new processing plant, tailings facility and ancillary facilities at San Vicente required another update to the environmental licence that was originally issued in 2002. To this end, PASB presented the application in 2007 and was advised by the Bolivian authorities that a comprehensive environmental impact assessment ("EIA") would be required for the proposed projects due to the scope and nature of the proposed changes to the operations. After a public consultation period, PASB submitted a comprehensive EIA in December 2007. A review of the EIA was initiated by the Bolivian authorities and the environmental license was granted for the San Vicente mine in May 2008.

The most significant environmental issues currently associated with the San Vicente mine are related to the waste dumps, the need to pump low pH water from the mine, the permanent drainage from the Pelayo waste rock dump that runs into the San Vicente River, and water discharge from the San Juan and San Francisco adits. PASB constructed and operates an active chemical treatment system to improve the water quality and comply with its environmental permits. Improvements to the historic Pelayo waste rock dump were implemented in 2013 and 2014 to reduce contact with the San Vicente River.

In order to remediate environmental hazards or concerns caused by previous owners of the San Vicente mine, PASB has focused on the recommendations outlined in the EIA, together with the complementary studies of Health and Industrial Safety, the Handling of Solid Residues procedures, the Closure and Rehabilitation Plan and the Contingency Plan. As per the joint venture agreement between COMIBOL and PASB, the equipment, facilities and infrastructure become the property and responsibility of COMIBOL upon the cessation of operations.

A closure cost estimate for San Vicente was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. We have estimated the present value of reclamation costs for the San Vicente property to be approximately $2.5 million at December 31, 2014. Pan American has not accrued any amounts for any prior existing environmental liabilities. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

Internal safety audits are conducted annually at the San Vicente mine by Pan American's Director of Health and Safety and safety managers from some of our other mines. During 2014, personnel employed at the mine attended approximately 8,000 hours of safety training.

D. Argentina

(i) Manantial Espejo

Project Description and Location

The Manantial Espejo open pit and underground silver-gold mine is located in the Province of Santa Cruz, Argentina. The Manantial Espejo mine consists of 17 mineral concessions covering a total of 25,533 hectares and extending approximately 36 kilometres east-west and 19 kilometres north-south.

The mine is held 100% by our wholly owned Argentine subsidiary, MTA. The mineral concessions forming Manantial Espejo are, by law, subject to minimum expenditure requirements with respect to which we had entered into an agreement with the government of Argentina. We believe that MTA has continuously been in compliance with such agreement.

The property includes ownership of three surface properties purchased by MTA to facilitate support and to improve the performance of its mining and exploration activities. These surface rights cover an area of 43,207 hectares and at this time all mining and processing related activities occur within these properties.

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

All of the mineral resources and reserves, mine workings, plant facilities, tailings ponds, and waste storage areas are contained within the leases controlled by MTA.

To the best of our knowledge, all permits and licenses required to conduct our activities on the project have been obtained and are currently in good standing.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main access is via a wide gravel secondary road that connects the project with Puerto San Julian and Gobernador Gregores, the nearest major urban centers to the mine. Puerto San Julian is located 160 kilometres to the east on the Atlantic coast and Gobernador Gregores is located 60 kilometres to the west. Puerto San Julian has a population of approximately 5,500.

The topography of the region is generally characterized by relatively low-lying mesas with broad flat valleys. The project site has very limited development of soils and vegetation. The elevation of the project site is situated between 350 and 400 metres above sea level.

The climate at the project area is dry to arid. The average monthly temperatures vary between 1° Celsius in June and July and 15° Celsius in January and February. This area of Argentina is well known for fierce westerly winds, particularly from August to October when daily winds can gust to between 120 and 170 kilometres per hour. The highest average monthly precipitation of 21 millimetres occurs in the month of June. Snow frequently accumulates on site between June and August, and infrequent snowfall events can range up to about 50 millimetres or more. The mine operates year round.

We have sufficient surface rights for our mining and processing operations as well as for tailings and waste rock storage. Power is sourced from an approximately 200 kilometre long 132 kV transmission line connected to the national power grid. Water is sourced from underground mine water and surface mine dewatering wells.

The property is located in a remote area with a limited population but we have been able to attract and retain employees based on competitive benefits and wage rates, our community involvement, and by offering housing developed by us.

History

Reconnaissance exploration on the Manantial Espejo property was first carried out in the 1970s by the Argentinean government and in 1989, ownership of the original interest in the mineral properties constituting the Manantial Espejo project was acquired by Mr. Roberto Schupbach. Pursuant to an agreement entered into in 1991 between Mr. Schupbach and Compañía Minera San Jose S.A. (a wholly owned subsidiary of St. Joe Minerals), Mr.

Schupbach sold his mineral property rights to Minera San Jose. Later in the same year, St. Joe Minerals was acquired by Lac Minerals Ltd., and then in 1994 Barrick acquired Lac Minerals Ltd. and assumed ownership.

In 1996, Triton Mining Corporation ("Triton") entered into an option agreement with Barrick to earn the right to acquire an 80 percent interest in the project for a total cost of $2.5 million, such right Triton then assigned to its wholly owned subsidiary MTA. Exploration on the property was advanced in 1996 by Barrick, which completed 62 diamond drill holes on the property totalling 9,653 metres on the Maria Vein. In 1997, an additional 42 core drill holes were completed totalling 6,795 metres and a pre-feasibility study commenced for the construction of an open pit mine and cyanidation mill processing facility to treat and recover silver and gold from the Maria Vein resource.

In 1998, MTA completed making the required payments under the option agreement. Barrick and MTA subsequently incorporated Compañía Minera Alto Valle ("Alto Valle") for the purpose of holding beneficial title to the properties, and pursuant to a shareholders' agreement, Barrick held 20 percent and MTA held 80 percent of the shares of Alto Valle, respectively, and MTA was designated operator of the project.

In 1998, Blackhawk Mining Inc. ("Blackhawk") purchased all of the issued shares of Triton, which was a public company with shares traded on the Toronto Stock Exchange.

Also, in 1998, Silver Standard Resources ("SSR") entered into an option agreement with Triton to acquire a 50% interest in MTA. Then, in April of 2001, SSR acquired Barrick's 20% interest in Alto Valle (2,400 shares), half of which it agreed to sell to Blackhawk in consideration for an interest in an unrelated mining venture.

In 2002, SSR acquired Triton's remaining 50% interest in MTA, as well as Blackhawk's 1,200 shares in Alto Valle. Concurrently, SSR agreed to sell to us 50% of the shares of MTA and half of the shares (1,200) it held in Alto Valle directly. Pan American acquired this 50% interest in the project for a purchase price of $1,912,433, which consisted of a cash payment in the amount of $662,433 and a transfer of 231,511 common shares in the capital of Pan American valued at $1,250,000. In addition, we agreed to pay 50% of $200,000 in order to eliminate a 1.2% net smelter return royalty payable by SSR to Blackhawk and agreed to fund the first $3 million of joint venture expenditures following the issuance of a production notice. In March 2006, we negotiated and entered into a purchase agreement with SSR to acquire SSR's 50% interest in MTA and Alto Valle, respectively, thus becoming a 100% owner of the Manantial Espejo project.

In March 2006, we approved a project to construct and initiate operations of the Manantial Espejo mine. Simultaneously, we received approval of the EIS from the Santa Cruz Province of Argentina and signed an agreement with the Federal Government of Argentina and the Province of Santa Cruz to bring grid electrical power to the town of Gobernador Gregores with a sub-connection to Manantial Espejo.

In April 2006, following completion of a feasibility study, mine development activities were initiated and by 2008, mining operations had commenced in two open pits and two underground mines and a total of 239,900 tonnes of ore was stockpiled on site in preparation for plant operations. The commissioning of the Manantial Espejo plant began with dry commissioning activities in August 2008 and the mills, leach circuits, counter-current-decantation, Merrill Crowe and refinery were commissioned and commenced operations in mid-December 2008. Final completion and commissioning of the primary crusher, recycle pebble crusher and concentrate circuits were underway by mid-January 2009.

We celebrated the official inauguration of the Manantial Espejo gold and silver mine on March 16, 2009. The first doré was poured in mid-December 2008 and the mine commenced commercial production in January 2009. The mine quickly achieved design capacities during 2009.

In 2010, we completed a merger of MTA with Alto Valle.

Geological Setting

Manantial Espejo lies near the southwestern end of the Deseado Massif, a large igneous province dominated by ignimbrites of the Chon Aike and La Matilde Formations and minor andesites and basaltic andesites of the Bajo Pobre Formation, covering an area of about 60,000 square kilometres. The project area consists of a volcanic complex related to a collapsed caldera that domed during the latest extrusive episode. The lithologies of the area consist mostly of sub-aerial volcanic extrusive sequences of Jurassic age.

Silver and base metal mineralization in the Manantial Espejo district is spatially and genetically related to the Deseado Massif. The older volcanics form the basement unit and are locally mineralized. The Chon-Aike and La Matilde Formations host mineralization, which occurs at the faulted contacts of volcanic facies as well as at contacts of volcanic stages.

Exploration

Reconnaissance exploration on the Manantial Espejo mine was first carried out in the 1970s by the Argentinean government.

Exploration on the property was advanced in 1996 and 1997 by Barrick, which drilled 104 diamond holes totalling 16,500 metres on the María vein. In 1998, Triton, with SSR as the operator, drilled 1,024 metres in 18 diamond drillholes on the María vein, and in 1999, Triton completed some additional prospecting, soil sampling, mapping, and a further 1,417 metres of diamond drill core in 17 holes on other targets. In 2000, a reverse circulation and diamond drilling campaign was completed to sample the newly defined Karina, Unión, and Melissa deposits. In 2001, a reconnaissance campaign was conducted with the goal of expanding the mineral resources by drilling the María, Melissa, and Karina-Unión veins.

We began exploration efforts in 2002 by collecting 2,200 metres of surface trench sampling and completing 4,472 metres of diamond drilling on the María and Karina-Unión veins. Since 2002, we have completed diamond drilling programmes on an annual basis to estimate mineral resources and reserves.

All of the project exploration has been carried out by company geologists or contractors under the supervision of company geologists.

The majority of the data collected in the exploration programs comprises diamond drillholes, and there are no known issues affecting the reliability of the data collected from the drillholes.

Mineralization

The mineralized deposits at the Manantial Espejo mine are predominantly veins with short strike slip and larger down dip displacements. The styles of mineralization include massive quartz veins, vein breccias, sheeted and stockwork veining, and minor dissemination. Quartz is the main infill mineral.

Mineralization is interpreted as occurring at the intersection of west-northwest trending fault zones and arcuate structures that could be related to a possible volcanic center. Gold occurs mainly as electrum in pyrite while the silver occurs in a number of forms including argentiferous galena and silver sulphosalts. Sulphides account for up to 3% to 5% of the rock mass as veinlets and disseminations.

Mineralization at Manantial Espejo is hosted in four main veins known as María, Karina/Unión, Melissa, and Concepción. The majority of the mineralization outlined to date is in the María Vein. The vein is a thick silica vein exposed on surface for more than one kilometre and has been intersected at a depth of up to 275 metres. This vein averages 7.8 metres in true width and ranges from 0.63 metres to 20 metres. The vein is open to the east and at depth. Economic grade mineralization of the vein is less continuous. Open pit economic grade zones measure tens to hundreds of metres in longitudinal dimension. Underground economic grade zones measure tens of metres in longitudinal dimension, with over 100 metres of vertical extent in the María West area.

The sulphide content at María is low and consists of primarily 3% to 5% pyrite. Minor amounts of galena, sphalerite, chalcopyrite, bornite, chalcocite and covellite have been observed. Silver occurs as electrum along with minor amounts of argentite, acanthite, sulphosalts, and proustite-pyrargyrite. Gold occurs as electrum inclusions contained in pyrite. Very minor visible gold has been observed in drill core along goethite-coated fractures.

The Karina/Unión Vein is exposed on surface for a distance of 850 metres and has been drilled to a depth of 150 metres. The host rocks, alteration, and mineralogy of the vein are similar to the María Vein. Several interconnected high grade silver-gold epithermal veins in excess of 20 metre true widths have been observed in drillhole intersections.

The Melissa Vein has a faint surface expression that rarely outcrops. The mineralization and host geology is very similar to that encountered at the María Vein. Structurally, Melissa is thought to be the extensional component to the María shear system. The Melissa Vein has been defined by drill holes along a 300 metre strike length and 200 metres down dip and averages from between 1.5 metres and 2.5 metres wide.

The Concepción Vein is a single quartz vein. Mineralization occurs over a strike length of 600 metres and is open at depth and at both ends. The host rocks, mineralogy and alteration are similar to the other veins on the property.

The María Vein has been exposed by underground development and by open pit mining, the Karina/Unión Vein by open pit mining and the Melissa Vein by underground development.

Drilling

Drilling on the Manantial Espejo mine has been by diamond core, reverse circulation and wagon-mounted percussion drilling methods. The diamond core samples are considered to be of superior quality and representative of the deposits, and only five of the reverse circulation holes in the María vein have been used to estimate mineral resources and reserves.

All MTA core has been HQ diameter with the exception of re-entry into Barrick holes for deepening, for which NQ diameter was used. Diamond drillholes are located and oriented by geologists in the field to obtain drill spacing in the 25 to 50 metre range on vein, with closer spacing in the higher grade zones.

Sampling and Analysis

The drill core is logged for geological and geotechnical features by the site geologists. Samples are selected with respect to geological features, and average approximately 1.0 metres. The diamond drill core is sawn in half with a diamond bladed saw. One half of the sample is placed in a sample bag and sent to ALS Chemex in Mendoza for preparation and analysis, while the second half is stored at the mine for reference. Some of the holes with barren intervals were not sawed or sampled.

ALS Chemex assays the sample for gold using fire assay with atomic absorption finish and for silver by four acid digest with atomic absorption finish. Any samples with assays greater than 100 grams per tonne silver and/or 10 grams per tonne gold are re-assayed by fire assay with gravimetric finish.

There are no known drilling, sampling, or recovery factors that could materially impact the accuracy of reliability of the results.

The samples used to estimate mineral resources and reserves at Manantial Espejo are considered to be representative and there are no known factors that may have resulted in sample biases.

MTA geologists submit certified standard samples and blanks to the primary laboratory and approximately 10% of the samples are sent to Acme Analytical Laboratories S. A. of Santiago for check assays. Other data verification procedures include checking the drillhole location and downhole deviation by plotting in

plan and section. A number of independent database reviews have been undertaken by consultants, and only a few minor issues were noted.

Security of Samples

All drill core is delivered from the drill rigs to the core shed at the Manantial Espejo site by MTA personnel. Each sample is placed in a plastic bag and sealed, then grouped into larger bags for shipping. The bagged samples are transported by MTA personnel to Puerto San Julian, where they are then transported by bus or truck to Mendoza. Once the samples are received by ALS, they are maintained under the control of the laboratory.

There is no reason to believe that the validity and integrity of the samples has been compromised.

Mineral Resource and Mineral Reserve Estimates

Management estimates that mineral reserves at Manantial Espejo, as at December 31, 2014, are as follows

Manantial Espejo Mineral Reserves [1, 2]			
Reserve Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**Grams of Gold per tonne**
Proven	2.4	123	1.82
Probable	0.4	193	3.08
TOTAL	2.8	132	1.98

Notes:
1 Estimated using prices of $18.50 per ounce of silver and $1,250 per ounce of gold.
2 Mineral Reserve estimates for Manantial Espejo were prepared under the supervision of, or were reviewed by Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Management estimates that mineral resources at Manantial Espejo, as at December 31, 2014, are as follows:

Manantial Espejo Mineral Resources [1, 2]			
Resource Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**Grams of Gold per tonne**
Measured	2.8	66	0.79
Indicated	2.0	113	1.50
Inferred	0.3	129	1.98

Notes:
1 These mineral resources are in addition to Manantial Espejo mineral reserves using prices of $30 per ounce of silver and $1,800 per ounce of gold.
2 Mineral resource estimates for Manantial Espejo were prepared under the supervision of, or were reviewed by, Michael Steinmann, P.Geo., and Martin G. Wafforn, P.Eng., as Qualified Persons as that term is defined in NI 43-101.

Mineral resource estimates are prepared on an annual basis using industry standard mining software and based on the information collected during drilling campaigns in the previous year. Three dimensional lithological and grade estimation domains are prepared with respect to geological and geostatistical exploratory data analysis. Interpretations of clay alteration, disseminated pyrite content, and bulk density are also applied to the model. The samples are treated for extreme grades and composited to a common length. Variograms are calculated for each metal by grade estimation domain and used to estimate gold and silver grades into the block model using ordinary kriging interpolation methods. The resource estimate is then classified for confidence categories based on the

density of available drillholes. The resource estimate is diluted with respect to the anticipated mining method in each resource estimate, and depleted for the previous year's mining. Metal prices, cost, revenue, and metal extraction parameters are estimated on an annual basis to define a silver equivalent cut-off grade.

Mineral reserves are estimated by discounting the mineral resources by 15% for mining losses associated with pillars left behind for stability and safety reasons. The mineral reserve estimate is then classified depending on the silver equivalent grade and the mineral resource classification. Optimized pit designs are prepared for each open pit mining area and geometries are prepared for underground mining panels.

Mineral reserve estimates are based on a number of assumptions that include metallurgical, taxation and economic parameters. Increasing costs or increasing taxation could have a negative impact on the estimation of mineral reserves. There are currently no known factors that may have a material negative impact on the estimate of mineral reserves or mineral resources at Manantial Espejo.

Mining Operations

Ore is mined at Manantial Espejo using a combination of conventional open pit and underground mining methods. The surface mining operations use 54 tonne trucks and front end loaders and track shovel loading equipment. The open pits are being mined using ten metre high benches in ore and waste. Ore and waste is transported out of the pits by truck haulage via ramps built into the walls of the pits. Truck haulage continues from the open pit ramp exit points on surface roads leading to waste dumps and the primary crusher ore feed stockpile. Open pits have been constructed for portions of the María, Karina-Unión, and Concepción deposits, however the Karina-Unión pit has now been mined out.

The considerable variation in dip and thickness of the various mineralized zones throughout the property requires the use of a number of different underground mining methods to maximize the profitability and recovery of the mineral reserves. The underground mining operations consist of either long-hole, cut and fill, or shrinkage methods to accommodate the geometry and accessibility of the deposit, although long-hole sub-level open stoping with delayed backfill is the primary mining method. Underground mining equipment includes 20 tonne capacity low profile haul trucks, 1.5 to 4.6 cubic metre capacity scoop trams, development face and long hole drill jumbos, and service equipment.

Ore from the Manantial Espejo deposits is treated by conventional crushing, semi-autogenous/ball mill grinding, bulk gravity concentration, intensive gravity concentrate agitation leaching, thickening, agitated cyanide leaching of the gravity tailings slurry, counter current decantation thickening, Merrill Crowe zinc precipitation, sulphur dioxide cyanide neutralization, conventional pulp tailings disposal and conventional silver and gold doré bar production from melting of the Merrill Crowe precipitate. The nominal treatment rate at design capacity is 2,000 tonnes per day of ore on a 24 hour per day schedule.

In 2014, we processed approximately 797,000 tonnes of ore with metallurgical recoveries of 92.1% silver and 95.4% gold, producing 3.7 million ounces of silver and 70,500 ounces of gold.

All production from the Manantial Espejo mine is in the form of doré bars, which is refined at arm's length refineries prior to the sale of refined silver and gold to bullion banks and traders. We have entered into multi-year refining contracts with two refineries for the production from Manantial Espejo. We have not had any difficulty in securing contracts for the sale of Manantial Espejo doré, however, there can be no certainty that we will always be able to do so or what terms will be available at the time. Please see "Risks Related to our Business – Trading Activities and Credit Risk".

During the past three years, the revenue produced by the Manantial Espejo mine was as follows:

2014	Revenue[1, 2]	Quantity
Silver and Gold in Doré	$156.1 million	3,859,900 ounces of silver 72,278 ounces of gold
2013		
Silver and Gold in Doré	$149.7 million	3,306,429 ounces of silver 55,617 ounces of gold
2012		
Silver and Gold in Doré	$180.8 million	3,501,609 ounces of silver 43,373 ounces of gold

Notes:
1 Consists of sales to arm's length customers.
2 Calculated as gross revenue less treatment and refining charges.

The principal Argentine taxes affecting MTA include income tax, asset and financial transaction taxes, export duties and a refundable value added tax. The export duties can potentially be reduced by a silver doré export credit of 2.05%.

MTA mine generated an income tax (recovery) expense of approximately $(23.1) million, $1.1 million, and $13.3 million in 2014, 2013, and 2012, respectively. Approximately $1.3 million included in the 2013 income tax expense is related to the asset tax liability determined for 2007 to 2013 (there are no asset tax liabilities included in the income tax expense for 2014 or 2012).

Included in the income tax in 2014 is a recovery of approximately $20.8 million related to the impairment of property, plant, and equipment at Manantial Espejo.

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

Capital expenditures at Manantial Espejo during 2014 totalled $26.7 million and consisted mainly of open pit pre-stripping, tailings dam expansion, and near mine exploration.

Activities in 2015

Capital investments in 2015 are expected to be between $12.0 million and $14.0 million, primarily on open pit pre-strip development and brownfield exploration.

In 2015, we anticipate producing between 3.65 and 3.80 million ounces of silver, and between 69,000 and 72,000 ounces of gold.

Environmental

An EIA for the project as required under the laws of the Province of Santa Cruz and the Argentine Republic was prepared including mine design, tailing design, utility supply, water development studies, impact assessment,

and records of extensive public consultation. In March 2006, we obtained approval of the EIA from the Province of Santa Cruz. The EIA is updated every two years.

No reclamation bond is currently required for mining operations in Argentina, however environmental reclamation insurance is required and we hold a policy for Manantial Espejo. A preliminary reclamation plan was developed for the project and included in the EIS submitted to the Argentine government during 2006.

A closure cost estimate for Manantial Espejo was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. Pan American has estimated the present value of reclamation costs for the Manantial Espejo mine to be approximately $8.8 million as at December 31, 2014. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

Health and Safety

Internal safety audits have been conducted annually by Pan American's Director of Health and Safety and safety managers from some of our other operations. Because of excellent safety performance at Manantial Espejo between 2008 and 2012, management decided in 2013 to conduct internal audits every two years. Consequently the Director of Health and Safety conducted an inspection in 2014 and the next is scheduled for 2016. Manantial Espejo was the recipient of the Chairman's Safety Award for safety performance in both 2010 and 2011, years in which Manantial Espejo went without any LTI's, and also worked all of 2013 without an LTI. Personnel at Manantial Espejo attended more than 9,000 hours of training during 2014.

II. Development Properties

(i) Navidad Property

Project Description and Location

The Navidad silver development property is located in Gastre Department in the Province of Chubut, southern Argentina and covers an area of 10,000 hectares. The project is 1,580 kilometres southwest of Buenos Aires and 360 kilometres west of Puerto Madryn.

We are the operators of the development project through our wholly owned subsidiary, Minera Argenta S. A. ("MASA"). The main Navidad property block, containing all of the current resources, has been granted Manifestación de Descubrimiento ("MD") permits. An MD is an exploration permit granted to properties on which mineralization has been discovered. There are four main MDs at the Navidad property, each of which is 2,500 ha in area. MASA also holds the rights to additional MD's in the Province of Chubut. Several of these additional MD's are located adjacent to or near the main Navidad claim block along strike of the mineralized trend, but most are located in three different areas approximately 50 kilometres to 150 kilometres to the south. All of these MD's are in good standing with the mining authorities of the Province of Chubut.

Our tenements are subject to Argentinean law and policy, which may in the future result in surrender of certain of its tenements outright and/or the reduction in area of its holdings.

Silver Wheaton Corp., through its subsidiary, Silverstone Resources (Barbados) Corp., has the right to purchase 12.5% of the life of mine payable silver produced at the Loma de La Plata deposit pursuant to a convertible debenture that, upon conversion, committed the parties to a future "silver stream" agreement. This agreement remains to be negotiated with Silver Wheaton Corp.

There is a provincial royalty of 3% of the "Operating Income" in the Province of Chubut. Operating Income is defined as revenue minus production cost (not including mining costs), treatment and transportation charges.

The Navidad property is not currently subject to any other royalties, back-in rights, payments, encumbrances or similar agreements.

The Province of Chubut passed a law in 2003 (Law 5001) that prohibits open pit mining and the use of cyanide in mineral processing in the entire province, effectively preventing the development of Navidad. After a number of years of debate on the future of mining in Chubut, on December 5, 2014, a new law (Law XVII No. 127) came into force in Chubut which suspended the start of all metalliferous mining activity in the Province for a period of 120 days and established that mining projects must obtain social license through a public consultation process and binding referendum prior to any mining exploitation activity beginning. We are currently awaiting further regulatory developments and assessing this new law and the potential impacts on the Navidad project. Please see the discussion below under "Risks Relating to Our Business – Restrictions on Mining".

All of the known mineral resources and potential mine workings, tailings ponds, and waste deposits are located within the MDs controlled by MASA.

Accessibility, Climate, Infrastructure, Local Resources and Physiography

The Navidad project is 1,580 kilometres southwest of Buenos Aires and 360 kilometres west of Puerto Madryn and is accessible by road and air.

Daily flights are available from Buenos Aires to Trelew, located about 370 kilometres by road from the site to the southeast near the Atlantic coast. The nearest airport, which also has regularly scheduled flights, is located in Esquel, about four hours' drive to the southwest by gravel road. The provincial capital of Rawson is located 20 kilometres east of Trelew. The communities nearest to the Navidad property are Gastre, with a population of approximately 800 inhabitants, 35 kilometres to the northwest, and Gan Gan, with a population of approximately 900 inhabitants, about 47 kilometres to the east. Both communities are located on Provincial Highway #4, a gravel highway that passes just north of the property. The Navidad property is accessible year round. Mining personnel are expected to be sourced from within both the local communities and elsewhere in Argentina.

The climate is semi-arid with average monthly temperatures ranging from 1°C to 20°C. High winds frequently occur from October through December, but may also occur at other times throughout the year. Monthly average precipitation ranges between 7 mm and 29 mm, with the highest precipitation during the winter months from May to August that may occur as either rain or snow. Field activities run throughout the year and are typically not curtailed by weather conditions.

The Navidad property is located in the Patagonian Plateau region with steppe vegetation characterised by low and compact bushes of grass and by stocky shrubs of less than a metre high. Elevation ranges from 1,060 metres to 1,460 metres with gentle topographic relief interrupted by local structurally controlled ridges.

Access to land for drilling and other exploration activities is allowed through outright surface ownership as well as through a series of easement contracts with neighbouring surface owners. We hold large surface land rights covering all known mineral resources through MASA. The remaining surface rights belong to several other land holders and access is either in negotiation or has been granted through agreements with the owners.

Our base of operations for the Navidad property is in Gastre and Gan Gan. Facilities include offices, modular living facilities, and core-storage warehouses. Communications are provided by land-line telephone service and satellite internet. The Gastre modular living facilities provide lodging and meals for up to 20 people. The Gastre warehouses include three drill core storage sheds, a logging and sampling shed, metal shop, vehicle workshop, and a regional exploration office. Electrical power is provided by small generators.

In Gan Gan, we have built two core storage facilities as well as an office on land purchased on the western edge of town. The office serves as a base of operation for its social and community relations personnel, while the warehouses contain older drill core from the Navidad property.

Near the Navidad property a small camp facility has been installed at an acquired farmhouse with electrical power provided by several small generators. Drilling contractors and consultants were located in the temporary camp. Alex Stewart Assayers Argentina S.A. ("Alex Stewart") formerly operated a sample preparation lab at the campsite. Communication is provided by a satellite internet uplink. Other infrastructure on site includes storage areas for drill supplies and contractors. There are several water supply bore holes authorized by the Chubut Provincial Water Institute to pump water for camp use and diamond drilling.

History

The first known exploration program that included the Navidad property area consisted of a preliminary regional geochemical sampling program conducted by Normandy Argentina ("Normandy") in mid-2000 to locate additional deposits to supplement those known at its Calcatreu Property, a gold and silver deposit located approximately 80 kilometres from Navidad. The program consisted of 1,200 bulk leach extractable gold (BLEG) stream sediment samples taken from drainage systems overlying Jurassic volcanic rocks in the Province of Chubut in the general vicinity of Calcatreu, Mina Angela, Gastre, Lagunita Salada, Gan Gan, and other areas. This program took place on what was then considered open exploration ground, and resulted in the identification by Normandy of various anomalies, including the Flamingo Prospect and Sacanana, which is today known as Navidad.

In January and February 2002, Newmont Mining ("Newmont") purchased Normandy's worldwide mining interests, and in March 2002, Newmont decided to sell all of its interests in Argentina. In September 2002, IMA Exploration Inc. ("IMA") signed a confidentiality agreement in order to obtain a copy of the Information Brochure and technical data related to Newmont's Argentinean interests, which included the Calcatreu Project. In December 2002, IMA applied for exploration concessions (cateos) over the area formerly known as Sacanana and now known as Navidad, utilizing and relying upon the Normandy BLEG data (known as BLEG A), and began undertaking a regional exploration program over the Navidad area, including regional mapping and sampling. From December 2002 to July 2006, IMA conducted diamond drilling, geochemical sampling, geophysical exploration, and mineral resource estimates at Navidad.

In January 2003 Aquiline entered into an agreement with Newmont, which was completed in July 2003, to purchase all of the shares of Normandy and Newmont's 100% interest in Calcatreu, and acquired all of Newmont's assets including the BLEG A data. In May 2003 Aquiline reviewed the BLEG A data and found that the ground covered by the BLEG A data had already been claimed by IMA. After failure to receive a credible response from IMA as to how they could otherwise have made a legitimate discovery at Navidad without having breached the terms of the confidentiality agreement, Aquiline went on to file suit in the Supreme Court of British Columbia in March 2004.

The Supreme Court of British Columbia awarded ownership of the Navidad property to Aquiline on 14 July 2006 following a court case with IMA where IMA was found to have breached the Confidentiality Agreement. IMA subsequently appealed to the Court of Appeal for British Columbia, but lost the appeal by unanimous decision in June 2007. An Application for Leave to Appeal to the Supreme Court of Canada was filed by IMA in September 2007. Sole ownership rights were granted to Aquiline by the Supreme Court of Canada on December 20, 2007, subject to Aquiline making payment to IMA which would reimburse the latter for its accrued exploration expenditures up to the July 2006 court decision. Aquiline's final payment to IMA was made on February 8, 2008, giving Aquiline full ownership of the Navidad property.

From October 2006, Aquiline undertook diamond drilling, geophysical and geochemical exploration, metallurgical test work, resource estimates, and a preliminary economic assessment for Loma de La Plata.

On October 14, 2009, we announced a friendly offer to acquire all of the issued and outstanding securities of Aquiline. On December 7, 2009, we acquired approximately 85% of the issued and outstanding shares of Aquiline and extended our bid to December 22, 2009, and on that later date, we took up approximately an additional 7% of the issued and outstanding shares in the capital of Aquiline. Since the offer to acquire the Aquiline shares was accepted by holders of more than 90% of the Aquiline shares, on December 23, 2009, we provided notice to the remaining shareholders of our intention to exercise our right to acquire the remaining issued and

outstanding Aquiline shares pursuant to the compulsory acquisition provisions of the Business Corporation Act (Ontario). Pursuant to the compulsory acquisition, we acquired the balance of the Aquiline shares on or about 22 January 2010.

Early in 2010, we took possession of the Navidad property. We continued with a rigorous drilling campaign, metallurgical testing, hydrologic analysis, environmental studies, and several other works on the Navidad property site during 2011. A preliminary economic assessment of the Navidad property deposits was completed in January 2011. Metallurgical testing of both older and new drill core continued at G&T in Kamloops, British Columbia. Crushing and grinding test work was completed at the SGS laboratories in Santiago, Chile.

Geological Setting

The Navidad Project is located on the southwest edge of the Northern Patagonia Massif in southern Argentina. This boundary of the massif is coincident with the Gastre Fault System, a mega-structural feature believed to be the result of continental-scale northeast to southwest extension that produced a series of northwest to southeast trending half grabens and tectonic basins. Granitoid rocks of the basement in the northern part of the Province of Chubut belong to the Palaeozoic age Mamil Choique and Lipetren formations. Locally these rocks are exposed at surface in windows through the overlying Mesozoic age volcanic and sedimentary rocks. At Navidad the Mesozoic sequence consists of the Lonco Trapial Formation and overlying Cañadón Asfalto Formation. The latter of these formations hosts the Navidad mineralization.

The oldest rocks are Palaeozoic aged (Mamil Choique Formation) and crop out along the west side of the area. They comprise red and grey granitoids, cut by aplite dykes and quartz-rich pegmatites. These crystalline basement rocks are overlain by a Jurassic sequence of volcanic (Lonco Trapial Formation), and sedimentary (Cañadón Asfalto Formation) rocks. These are the host for silver mineralization at Navidad. The contact between the Mamil Choique and Lonco Trapial formations lies about 6.5 kilometres southwest of Navidad.

The older rocks are overlain unconformably by the Cretaceous aged Cerro Barcino Formation of the Chubut Group, comprising continental sandstones, conglomerates and tuffs. The youngest rocks are Miocene aged plateau basalts of the Pire Mahuida Volcanic Complex.

The oldest rocks at the Navidad Project comprise the Mamil Choique Formation. This is overlain by ignimbrites, volcanic agglomerates, and lavas of the Lonco Trapial Formation. These rocks crop out on the southwest side of a complex, faulted sedimentary basin filled by sandstones, mudstones and limestones of the Cañadón Asfalto Formation. Lonco Trapial ignimbrites also occur on the northeast side of the basin. The basin includes, and is defined by, three northwest-striking major fault zones, generally referred to as ‘trends’. These comprise the Argenta, Esperanza, and Navidad trends. The Navidad Trend, which includes the bulk of the silver mineralization, occurs in the immediate hanging wall of a major northeast-striking fault known as the Sauzal Fault. Most of the economic mineralization is hosted by the upper of two trachytic andesite lava flows referred to as latite. The latites overlie an extensive andesite flow.

Exploration

The first exploration on the Navidad property area consisted of a preliminary regional geochemical sampling program conducted by Normandy in mid-2000. The program consisted of 1,200 BLEG stream sediment samples taken from drainage systems overlying Jurassic age volcanic rocks in the Province of Chubut in the general vicinity of Calcatreu, Mina Angela, Gastre, Lagunita Salada, Gan Gan, and other areas. This program resulted in the identification of various anomalies, including the Flamingo Prospect and the Navidad project.

IMA commenced initial detailed outcrop mapping of the Navidad Project along the Navidad Trend in 2003 at both 1:500 and 1:5,000 map scales. During 2004 this mapping was expanded to cover a wider portion of the

mineral tenement at 1:5,000 and 1:10,000 map scales. Commencing in 2002 and continuing through 2006, IMA collected soil, rock chip and stream silt samples over the Navidad Project. A total of 1,852 rock, 6,411 soil and 63 stream sediment geochemical samples are listed in the IMA database spatially related to the Project area. This work led to the identification of nearly all mineralized bedrock exposures known on the Property. The best example of soil geochemistry leading to the identification of a mineralized zone is that of Loma de La Plata. Collectively the anomalous rock chip samples clearly delineate the Navidad, Esperanza and Argenta trends, as does the soil geochemistry. Between 2003 and 2006, IMA completed 367 drillholes for 60,921 metres on the property.

Between October 2006 and June 2009, Aquiline focused exploration efforts on identifying new exploration targets with diamond drilling, with delineation and infill drilling at the Loma de La Plata deposit, and with minor infill drilling of the other previously identified mineralized zones. Exploration for additional deposits through the use of fence drilling across prospective covered areas was also undertaken. Geological mapping and geophysical and geochemical exploration also progressed to provide data for structural interpretation. Prior to our acquisition of the property, 950 drillholes for 188,881 metres had been drilled on the property.

We continued exploration drilling on several open or new targets along the mineralized trends as well as infill drilling at Loma de La Plata, Valle Esperanza, Barite Hill, Calcite Hill, Calcite NW, the Connector Zone, and Galena Hill during 2010 and 2011, completing approximately 129,500 metres of diamond drillholes. These infill drillholes also provided new samples for metallurgical analysis. In addition, condemnation and geotechnical drilling was conducted in the various planned facility areas during 2010.

All exploration work on the project has been undertaken by employees of IMA, Aquiline, or MASA, or by contractors under the supervision of these employees. Proingeo S. A. and Quantec Geoscience Argentina S. A. both conducted geophysical exploration programmes on the property under the direction of IMA. Detailed geological mapping and structural interpretation has been carried out under the direction of MASA.

All of the samples collected during surface exploration have been used to guide the location of diamond drillholes. There are no known issues regarding the quality of the surface exploration or diamond drilling samples, and none of the surface exploration samples have been used to estimate mineral resources.

Mineralization

To date, the Navidad property comprises eight individual epithermal mineral deposits in the Navidad, Esperanza, and Argenta trends. The six deposits of the Navidad Trend occur along strike over a distance of about 5.8 kilometres and are essentially continuous. They comprise, from northwest to southeast: Calcite NW, Calcite Hill, Navidad Hill, Connector Zone, Galena Hill, and Barite Hill. The Valle Esperanza deposit occurs on the east flank of the Esperanza Trend and is found approximately 400 metres south-southwest of Galena Hill. The Loma de La Plata deposit occurs in the north part of the Argenta Trend, approximately 2.2 kilometres southwest from Calcite Hill.

In all of the Navidad deposits the gangue minerals are principally calcite with minor barite. Silica is less important and occurs mostly as chalcedony and late amethyst. Ore minerals recognizable with a hand lens include native silver, clots of black sulphide comprising argentite/acanthite, discrete grains of sphalerite, galena, chalcopyrite, cuprite, bornite, native copper, and copper carbonates (malachite, azurite). Similar styles of mineralization and a similar paragenesis occur in most of the deposits. However, the proportion of sulphides varies considerably. Loma de La Plata is silver-rich, but is sulphide-poor and contains very low levels of lead, zinc, and copper. Various pulses of mineralization are observed, principally at Galena Hill.

The principal metal association is Ag-Pb. Other associations include Ag-Pb-Cu and Cu-Ag and, more rarely, Ag-Zn. Occasionally there is Ag only, or Cu-Pb-Zn or simply isolated occurrences of these base metals. This suggests that deposition occurred through successive pulses of mineralization. Gold appears to be totally absent from the system.

Mineralization is mostly hosted in the upper latite, but important mineralization occurs in the lower latite at Galena Hill. In a few places the underlying andesite also hosts high grade mineralization. Deposits with mostly latite-hosted mineralization include Loma de La Plata, Valle Esperanza, Calcite Hill, and Galena Hill. Sedimentary rocks and volcaniclastics that overlie or are laterally equivalent to the upper latite also host significant mineralization. Deposits where the mineralization is dominantly hosted by these rock types include Calcite NW, Navidad Hill, Barite Hill, and Connector Zone.

High grade mineralization mostly occurs in permeable host rocks. Examples of primary porosity include coarse volcaniclastic rocks and autobrecciated lava flows. Secondary porosity occurs as crackle brecciation of the brittle lava flows, hydrothermal eruption breccias, and tectonic breccias. At both Valle Esperanza and Loma de La Plata, the autobrecciated upper latite acted as an aquifer, sealed by overlying organic-rich sedimentary rocks (mudstones, limestones). The sediments were unconsolidated and are commonly slumped. Mixing of reduced water, derived from the organic-rich sediments, and rising metal-laden hydrothermal fluid probably triggered sulphide precipitation.

Drilling

All diamond drilling on the Navidad property undertaken by all operators since the first drillhole in November 2003 has been completed by Boart Longyear Connors Argentina S.A. of Mendoza, Argentina, who was subsequently taken over by Boart Longyear in 2007. Nearly all holes have been drilled at HQ3 diameter with 3 metre long rods, except for rare instances where the drillhole was collared at HQ size diameter and subsequently reduced to NQ diameter down the drillhole and where larger diameter PQ holes were drilled to collect metallurgical samples. Approximately 320,000 metres of drilling have been completed on the Navidad property, mostly on 25 metre centres across the eight deposits. The results of these drilling campaigns are used to estimate mineral resources at the project.

Drill hole collar coordinates were surveyed by a surveying contractor using total station methods prior to 2009 and by differential GPS for later holes. Downhole surveys were taken at regular intervals down the hole.

Sampling and Analysis

After the hole was logged, the sample interval was selected according to geological features, and varied from between 1 metre and 3 metres long. Prior to 2010, sampling commenced from the top of the drillhole, and from 2010 onwards sampling often commenced at just above the zone of anticipated silver mineralization.

The drill core was cut in half with a diamond-bladed core saw. Then, one half was sent for geochemical analysis and the other half remains in the core boxes at our core storage facilities in Gastre and Gan Gan for future reference.

All diamond drill core samples at the Navidad property have been analysed by Alex Stewart Assayers Argentina S.A. of Mendoza, Argentina, and have been analysed by fire assay for silver with gravimetric finish and gold for AAS finish and ICP-ES for 19 elements using the ICP ORE technique.

There are no known drilling, sampling, or drill core recovery factors that could materially impact the accuracy and reliability of the results and the data is considered suitable for use in mineral resource estimates. Drill core logging, cutting, sampling, and sample preparation and analytical techniques at the Project follow industry practices.

There are no known issues with sample quality, and the samples are believed to be representative and free from sample biases.

The QAQC protocol employed by Alex Stewart consisted in batches of 50 samples for fire assay and up to 100 samples for ICP. Fire assay batches included one preparation blank, one analytical blank, one coarse duplicate, four pulp duplicates, one international certified standard for base metal and silver, one uncertified in-house

standard, and two standards made from pure silver to calibrate losses in cupellation. ICP batches included two blanks, four standards, and 10% duplicates.

Certified standards, blanks, and field duplicates were routinely inserted by the project geologist with sample submissions as part of the project sample assay QAQC programme. Analysis of the QAQC samples submitted with the geological samples used to estimate mineral resources at Navidad indicates that there is no significant source of bias, cross contamination, or inaccuracy.

On two separate occasions in 2003 and 2007, Smee and Associates conducted a laboratory inspection and considered the laboratory to conform to industry best practice methods for analysis.

Independent consultants from Snowden Mining Industry Consultants have visited the property on a number of occasions, and reviewed geological plans and cross sections, selected diamond drillhole logs and the corresponding drill core intersections, reviewed the logging, cutting, and sampling procedures, selected mineralized intersections for independent analyses, and compared assays in the database against the original assay certificates. No issues were identified during these reviews.

Security of Samples

Sample security is a low risk considering the remote nature of the project and the core storage facilities. There is no reason to believe that the validity and integrity of the samples have been compromised.

Mineral Resource Estimates

Management estimates that mineral resources at the Navidad property, as at April, 2009, are as follows:

Navidad Mineral Resource [1, 2]				
Resource Category	**Tonnes (Mt)**	**Grams of Silver per tonne**	**% Lead**	**% Copper**
Measured	15.4	137	1.44	0.10
Indicated	139.8	126	0.79	0.04
Inferred	45.9	81	0.57	0.02

Notes

1 Estimated and reported above a 50 g/t AgEQ using a silver equivalence formula of AgEQ = Ag + (Pb × 10,000/365) and a price of $12.52 per ounce of silver and $1,100 per tonne of lead. The most likely cut-off grade for these deposits is not known at this time and must be confirmed by the appropriate economic studies. The estimated metal content does not include any consideration of mining, mineral processing, or metallurgical recoveries.

2 Mineral resource estimates for Navidad were prepared by Pamela De Mark, P. Geo., as a Qualified Person as that term is defined in NI 43-101.

Mineral resource estimates were prepared as of April 2009 using industry standard mining software. Geological interpretations and modelling of lithological and mineralization domains was completed based on the information on the drillhole logs. Samples were composited to a common length and indicator variogram analysis and modelling was undertaken by mineralization domain for silver, lead, and copper grades. A three dimensional block model was prepared with a block size of 12.5 metres east, 12.5 metres north, and 5 metres elevation, based on the average drillhole spacing and anticipated mining selectivity. Bulk density values were applied to the block model by domain according to the mean of bulk density measurements made on drill core samples. Silver and lead grades were estimated into the blocks using multiple indicator kriging and copper grades were estimated using ordinary kriging. The estimate was validated by comparing global and local grade trends of the input composite and estimated grades. The mineral resources were classified for confidence categories with respect to the confidence in the data and the interpretation, and the drillhole density. Resources were reported above a cut-off

grade of 50 grams per tonne silver equivalent, using metal prices of $12.52 per ounces of silver and $1,100 per tonne of lead.

There are material governmental and legal factors that affect the mineral resources at Navidad and the conversion of the mineral resources to mineral reserves. Legislation in place in the Province of Chubut currently prohibits open pit mining and the use of cyanide in the entire province. No cyanide will be used to process the material anticipated to be mined at Navidad, but given the depth and orientation of the deposits, the economic mine plan involves open pit mining. On December 5, 2014, a new law came into force in Chubut which suspended the start of all metalliferous mining activity in the Province for a period of 120 days and established that mining projects must obtain social license through a public consultation process and binding referendum prior to any mining exploitation activity beginning. We are currently awaiting further regulatory developments in connection with this new law and will continue to assess the potential impacts on the Navidad project. Because of these governmental and legal factors, the otherwise economically viable portions of the deposit cannot be estimated as mineral reserves at this time.

On October 26, 2011, the Federal Government of Argentina promulgated an “economic emergency” decree requiring all oil, gas and mining exporters to repatriate 100% of revenue receipts, in an attempt to stem ongoing capital flight. The Government of Argentina has also instituted certain other currency and import and export controls. See “Risks Related to Our Business – Foreign Operations”.

Mining Operations

A preliminary economic assessment completed in 2011 anticipated a daily production rate of 15,000 tonnes per day from open pit mines at the eight deposits using shovels and 150 tonne trucks. The mine schedule, based on the current mineral resources, was anticipated to last nearly 15 years after a pre-production and construction period with an additional 18 months of re-handling ore from a low grade stockpile for plant feed after mining is completed.

The process plant was anticipated to consist of a gyratory crusher, stockpile, and a 15,000 tonne per day capacity semi-autogenous/ball mill with flotation and filtration, producing a copper silver concentrate and a lead silver concentrate. Metallurgical recoveries were anticipated to vary depending on the concentrate type and head grade, and ranged from 78% silver, 52% copper, and 57% lead for copper silver concentrates and 34% silver, 33% copper, and 77% lead for lead silver concentrates. We had no contracts in place for the sale of the concentrates at the time of the assessment.

The principal Argentine taxes affecting MASA include income tax, asset and financial transaction taxes, and a refundable value added tax.

MASA generated an income tax expense of $0.1 million in each of 2014 and 2013.

In 2014, an impairment charge of $286.1 million was recorded related to property, plant, and equipment at Navidad but there was no tax impact was recorded as a result of this impairment.

In 2014, $4.4 million was spent on activities at Navidad, while in 2013, $2.8 million was spent.

Activities in 2015

Over the past two years, the Navidad project budget assumed that the law in the Province of Chubut would not be amended in a manner which encouraged further investment at this stage and hence, our activities at Navidad were guided by an investment plan which focussed primarily on satisfying the legal requirements necessary to maintain our property interests under the current mining law. We plan to continue with such maintenance requirements, but also anticipate additional activities relating to the public consultation process previously discussed. All expenditures will be expensed as incurred.

Environmental

Drilling at the Navidad property requires a separate permit for each affected tenement valid for one year, subject to the submission of an EIS update within a one year period from the date of granting each successive permit. An updated EIS is required to cover the exploration activities, environmental impacts and mitigation/monitoring actions implemented in the period following the last permit. The level of the exploration activity dictates the level of study required.

Environmental and social baseline studies have been completed for the Navidad property. The most recent EIS update was submitted in 2011 and is currently under administrative review by the Chubut Ministry for the Environment and Control of Sustainable Development. This drilling permit in connection with the EIS would allow for the operation of up to eight drill rigs, however no drilling is planned in the immediate future. Rehabilitation of the drilling platforms and impacted areas is carried out continuously and we maintain an extensive environmental management and monitoring program on site.

Water rights are treated separately from environmental permits. Two extraction wells have been permitted for use in exploration activities.

Currently, Chubut's Law 5001 prohibits open pit mining and the use of cyanide in mineral processing in the entire province. However, as previously discussed, amendments to the law are currently being considered and Law 5001 banning open pit mining methods would need to be changed before permits for the development of Navidad can be obtained.

A closure cost estimate for Navidad was prepared according to State of Nevada approved SRCE methodology in 2011 and is updated every year. We have estimated the present value of reclamation costs for the Navidad development property to be approximately $0.4 million at December 31, 2014. Minera Argenta holds environmental reclamation insurance for the Navidad property in accordance with Argentinean law. See "Narrative Description of the Business – Environmental Protection" for further disclosure regarding forward looking statements related to reclamation costs.

III. Non-Material Properties and Interests

Other Operations, Exploration, Resource and Investment Properties

We gained ownership of several exploration projects in connection with the acquisition of Minefinders in 2012, including the La Virginia and La Bolsa projects in Mexico. Pan American is considering opportunities with respect to these projects, but they are not material properties for the purposes of NI 51-102.

We also own interests in other investment and resource properties in each of the jurisdictions in which it operates, and in Canada and the United States, including the Waterloo property in California and the Hog Heaven property in Montana. Pan American does not consider these investment and resource properties to be material properties for the purposes of NI 51-102.

Mineral Property Expenditures

The following table sets out our acquisition, exploration and development expenditures (rounded, in thousands) for the periods indicated:

			2014	2013	2012
Acquisition			$ NIL	$ NIL	$ NIL[1]
Development	Huaron		$ 17,327	$ 15,474	$ 22,936
	Morococha		10,199	18,652	27,194
	Alamo Dorado		293	7,621	10,936
	Dolores		44,886	86,641	57,118
	La Colorada		31,400	13,574	21,700
	Manantial Espejo		26,741	12,002	15,858
	Navidad		-	246	11,318
	San Vicente		3,415	8,165	3,053
	Other		730	357	1,259
		TOTAL[2]	$ 134,991	$ 162,732	$ 171,372
Exploration	Huaron		$ 1,312	$ 936	$ 813
	Morococha		1,453	1,722	2,335
	Alamo Dorado		336	1,297	1,806
	Dolores		1,602	3,856	2,420
	La Colorada		9	225	1,129
	Manantial Espejo		1,657	608	217
	Navidad		4,437	2,515	8,726
	San Vicente		-	-	-
	La Preciosa		-	-	581
	Other[3]		2,419	4,316	18,719
		TOTAL[2]	$ 13,225	$ 15,475	$ 36,746

Notes:
1 Minefinders was acquired by way of a share transaction with a cash component paid that was exceeded by cash acquired.
2 Numbers may not add due to rounding.
3 Includes spending on the early stage La Virginia, La Bolsa and Waterloo projects as well as other indirect exploration spending.

Metals Trading

We take the view that our precious metals production should not be hedged, thereby allowing the maximum exposure to precious metal prices. However, in times of extreme price volatility or deteriorating market conditions, the Board of Directors may make exceptions to this approach and authorize management to enter short-duration hedging for a limited portion of our forecasted production of precious metals in order to protect our margins at its higher cost operations.

During 2013, we hedged approximately 25% of our silver and gold production, contracting for the sale of 5.3 million ounces of silver and 24,000 ounces of gold. On September 10, 2013, we decided to accelerate the closing out of its outstanding silver and gold hedges after a re-evaluation of the financial risk of further price declines. The total realized loss recognized from closing our silver and gold hedges in 2013 was $5.1 million. At December 31, 2014 there were no outstanding positions under this program.

We have engaged in forward sales of base metals production from our mines over the past several years, however there were no forward sales in 2014. The forward sales of base metals in 2012 and 2013 were as follows:

- During 2012, we settled 2,000 tonnes of zinc in forward sales at an average price of approximately $2,000 per tonne, and 1,600 tonnes of lead forward sales at an average price of approximately $2,000 per tonne. We realized a gain of approximately $0.3 million from the settlement of zinc and lead contracts during 2012.

- During 2013, we settled 10,000 tonnes of zinc in forward sales at an average price of approximately $1,990 per tonne, and 600 tonnes of lead forward sales at an average price of approximately $2,050 per tonne. We realized a gain of approximately $1.1 million from the settlement of zinc and lead contracts during 2013.

Please see the discussion below under “Risks Related to Our Business – Trading Activities and Credit Risk”.

RISKS RELATED TO OUR BUSINESS

We face a number of risks in our business. Several of them can have a material adverse effect on our operations and on the value of our securities, and we discuss them in this next section.

Metal Price Fluctuations

The majority of our revenue is derived from the sale of silver, zinc, gold, and, to a lesser degree, copper and lead, and therefore fluctuations in the price of these commodities represents one of the most significant factors affecting our operations and profitability. In addition, since base metal and gold sales are treated as a by-product credit for the purposes of calculating cash costs per ounce of silver, this non-IFRS measure is highly sensitive to base metal and gold prices. From time to time, we mitigate the risk associated with our base metal production by committing some of our forecast base metal production to forward sales and options contracts. The Board of Directors of Pan American continually assesses Pan American’s strategy towards our base metal exposure, depending on market conditions.

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; and
- reduced demand resulting from obsolescence of technologies and processes utilizing silver.

A decrease in the market price of silver, gold and other metals could affect the commercial viability of our mines and our production assumptions. Lower prices could also adversely affect our ability to finance future exploration and development of our mineral properties and mines, including the development of capital intensive projects such as Navidad, all of which would have a material adverse effect on our financial condition, results of operations and future prospects. There can be no assurance that the market prices will remain at current levels or that such prices will improve. Declining market prices for these metals could materially adversely affect our operations and profitability.

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. Pan American further discusses key assumptions used in measuring the recoverable amounts of its mining assets and sensitivity of the recoverable amounts to metal prices as well as operating costs in Note 11 of Pan American's Audited Consolidated Financial Statements for the year ended December 31, 2014. Due to the sensitivity of the recoverable amounts to long term metal prices as well as unforeseen factors including changes to mine plans and cost escalations, any significant change in the key assumptions and inputs could result in impairment charges in future periods.

Foreign Operations

All of our current production and revenue is derived from our operations in Peru, Mexico, Argentina and Bolivia. As our business is carried on in a number of developing countries, it is exposed to a number of risks and uncertainties, including:

- expropriation or nationalization without adequate compensation;
- economic and regulatory instability;
- military repression and increased likelihood of international conflicts or aggression;
- possible need to obtain political risk insurance and the costs and availability of this and other insurance;
- unreliable or undeveloped infrastructure;
- labour unrest;
- lack of availability of skilled labour;
- difficulty obtaining key equipment and components for equipment;
- regulations and restrictions with respect to import and export and currency controls;
- changing fiscal regimes;
- high rates of inflation;
- the possible unilateral cancellation or forced re-negotiation of contracts;
- inability to obtain fair dispute resolution or judicial determinations because of bias, corruption or abuse of power
- unanticipated changes to royalty and tax regimes;
- extreme fluctuations in currency exchange rates;
- volatile local political and economic developments;
- uncertainty regarding enforceability of contractual rights;
- difficulty understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, mines and mining operations, and with respect to permitting;
- violence and more prevalent or stronger organized crime groups;
- terrorism and hostage taking;
- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions; and
- increased public health concerns.

In most cases, the effect of these factors cannot be accurately predicted and we are unable to determine the impact of these risks on our future financial position or results of operations. Our exploration, development and production activities may be substantially affected by risks and uncertainties which are, in many cases, outside of our control. We currently have no political risk insurance coverage against these risks.

In late 2013, the Mexican government enacted significant changes to its tax laws which took effect on January 1, 2014. Among the many changes included in the Tax Reform, there is a reversal of the planned reduction to the corporate income tax rate from 30% to 28%, an elimination of the IETU, an elimination of accelerated depreciation on exploration expenditures, the new deductible SMD of 7.5% applied to taxable earnings before interest, inflation, taxes, depreciation, and amortization, and a new deductible EMD of 0.5% applied to the sale of gold, silver, and platinum.

Local opposition to mine development projects has arisen in Peru in the past, and such opposition has at times been violent. In particular, in November 2004, approximately 200 farmers attacked and damaged the La Zanja exploration camp located in Santa Cruz province, Peru, which was owned by Compañía de Minas Buenaventura and Newmont Mining Corporation. One person was killed and three injured during the protest. There can be no assurance that similar local opposition will not arise in the future with respect to Pan American's foreign operations. If we were to experience resistance or unrest in connection with our foreign operations, it could have a material adverse effect on our operations or profitability.

In September 2011, Peru's Parliament approved a law that increased mining taxes to fund anti-poverty infrastructure projects in the country, effective October 1, 2011. The law changed the scheme for royalty payments, so that mining companies that had not signed legal stability agreements with the government had to pay royalties of 1% to 12% on operating profit; royalties under the previous rules were 1% to 3% on net sales. In addition to these royalties, such companies were subject to a special mining tax (the SMT) at a rate ranging from 2% to 8.4% of operating profit. Companies that had concluded legal stability agreements (under the General Mining Law of Peru (1992)) are required to pay a "special contribution" of between 4% and 13.12% of operating profits. The change in the royalty and the new tax had no material impact on the results of our Peruvian operations. Under the previous tax scheme, royalties were based on net revenue. In the case that the calculated royalty payments are less than 1% of net revenue, then we will pay a minimum royalty of 1% of net revenue. The SMT is also based on operating profits and a tax rate that varies depending on operating margins.

In December 2014, the Peruvian Parliament approved a bill that decreases the corporate income tax rate applicable to our Peruvian operations. The law is effective January 1, 2015 and decreases the corporate income tax rate from 30% in 2014, to 28% in 2015 and 2016, to 27% in 2017 and 2018, and to 26% in 2019 and future years. In addition, this law increases the withholding tax on dividends from 4.1% in 2014, to 6.8% in 2015 and 2016, to 8% in 2017 and 2018, and 9.3% in 2019 and future years.

Since the 2005 national elections, there have been some concerns of nationalization amongst foreign companies doing business in Bolivia, particularly in the oil and gas industries. There is no certainty the government of Bolivia will not take steps to implement such measures targeting the mining industry. In early 2009, a new constitution was enacted that further entrenches the government's ability to amend or enact such laws, including those that may affect mining, and which enshrined the concept that all natural resources belong to the Bolivian people and that the state was entrusted with its administration. In early 2011, media reports from Bolivia indicated that the Bolivian government was considering unilaterally terminating contracts and taking control of several privately-operated mines formerly operated by the government. On May 1, 2011, Bolivian President Evo Morales announced the formation of a multi-disciplinary committee to re-evaluate several pieces of legislation, including the mining law.

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

Government regulation in Argentina related to the economy has increased substantially over the past year. In particular, the government has intensified the use of price, foreign exchange, and import controls in response to unfavourable domestic economic trends. As an example of the changing regulations which have affected our activities in Argentina, on October 26, 2011, the Federal Government of Argentina promulgated an “economic emergency” decree requiring all oil, gas and mining exporters to repatriate 100% of revenue receipts in an attempt to stem ongoing capital flight. The Argentinean Ministry of Economy and Public Finance (the “Ministry”) also reduced the time within which exporters were required to repatriate net proceeds from export sales from 180 days to 15 days after the date of export. As a result of this change, the Manantial Espejo operation temporarily suspended doré shipments for a period in early 2012 while local management reviewed how the new resolution would be applied by the government. In response to petitions from numerous exporters for relief from the new resolution, shortly thereafter the Ministry issued a revised resolution which extended the 15-day limit to 120 days and the effect of the delayed shipments and sales was made up during the quarter ended September 30, 2012.

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

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

Expropriation is a risk in several jurisdictions in which we have operations, most notably in Argentina and in Bolivia as described above. Although we do not presently anticipate that any of our properties will be the subject of expropriation, we cannot guarantee that this will not occur, particularly in light of historical precedence and also recent cases involving oil and gas operations and at least one mining operation. Such governmental actions may have a material adverse effect on our operations and profitability.

Restrictions on Mining

Many of the jurisdictions in which we operate have certain laws or policies that impose restrictions on mining. For example, there are currently laws in the Province of Chubut, Argentina which, among other things, prohibit open pit mining and the use of cyanide in mineral processing across the entire Province. As currently enacted, these laws in the Province of Chubut would likely render any future construction and development of the Navidad property uneconomic or not possible at all.

On December 5, 2014, a new law came into force in Chubut which suspended the start of all metalliferous mining activity in the Province for a period of 120 days and established that mining projects must obtain social license through a public consultation process and binding referendum prior to any mining exploitation activity beginning. We are currently awaiting further regulatory developments in connection with this new law and will continue to assess the potential impacts on the Navidad project.

There is no guarantee that the present restrictions on mining will be removed or that they will not become more restrictive, or that new constraints will not be imposed. Such restrictions, particularly those affecting the development of the Navidad property, could have a material adverse effect on our future profitability, growth and value.

Governmental Regulation

In addition to restrictions on mining, our operations, exploration and development activities are subject to extensive Canadian, United States, Peruvian, Mexican, Argentinean, Bolivian, and other foreign federal, state, provincial, territorial, and local laws and regulations governing various matters, including:

- environmental protection;
- permitting;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development, production, and post-closure reclamation of mines;
- imports and exports;
- transportation;
- price controls;
- taxation;
- mining royalties;
- labour standards, employee profit-sharing and occupational health and safety, including mine safety; and
- historic and cultural preservation.

The costs associated with compliance with these laws and regulations can be substantial, and future laws and regulations, changes to existing laws and regulations (including the imposition of higher taxes and mining royalties which have been implemented or threatened in the countries in which we do business) or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of our operations and delays in the development of our properties. Moreover, these laws and regulations may allow or encourage governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of our past and current operations, or possibly even those actions of parties from whom we acquired our mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It is difficult understanding and complying with the regulatory and legal framework in some jurisdictions in which we operate due to their arcane, inconsistent and sometimes unsophisticated nature. We may inadvertently fail to comply with such laws. This non-compliance can lead to financial restatements, fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local or foreign parties as joint venture partners with carried or other interests and other material negative impacts on us. We may also be

required to compensate private parties suffering loss or damage by reason of a breach of any such laws, regulations or permitting requirements. We may also be subject to abuse of power of foreign governments who impose, or threaten to impose, fines, penalties or other similar mechanisms, without regard to the rule of law and which could result in financial or other losses, reduction, removal or expropriation of rights or entitlements, or other negative impacts on us, some of which could be material.

In December 2012, the government of Mexico introduced changes to the federal labour law which, among other things, made certain amendments to the law relating to the use of service companies and subcontractors, and the obligations with respect to employee benefits. In some cases, these amendments may also have a carry-over effect on the distribution of profits to workers and this could result in additional, and potentially significant, financial obligations for a business. We are evaluating these amendments in detail, but currently believe that we continue to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for us. During 2013, we continued to monitor developments in Mexico and to assess the potential impact of these amendments.

Taxation and royalties with respect to mining are often subject to change and in many resource rich countries, are vulnerable to increases in both poor and good economic climates. In late 2013, the Mexican government enacted significant changes to its tax laws that took effect on January 1, 2014, which included the SMD, inflation, taxes, depreciation, and amortization, and a new EMD of 0.5% applied to the sale of gold, silver, and platinum. The addition of new taxes, specifically those aimed at mining companies, could have a material impact on our operations and will directly affect profitability and our financial results.

Obtaining and Renewing of Permits

In the ordinary course of business, we are required to obtain and renew governmental permits for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on our part. The duration and success of our efforts to obtain and renew permits are contingent upon many variables not within our control including the interpretation of applicable requirements implemented by the permitting authority. We may not be able to obtain or renew permits that are necessary to our operations, or the cost to obtain or renew permits may exceed what we believe we can recover from a given property once in production. Any unexpected delays, failure to obtain such permits, a failure to comply with the terms of the permit or costs associated with the permitting process could delay the development or impede the operation of a mine, which could adversely impact our operations and profitability.

Ownership and Operating Hazards and Risks

The ownership, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental and health hazards;
- industrial accidents, explosions and third party accidents;
- the encountering of unusual or unexpected geological formations;
- ground falls and cave-ins;
- flooding;
- labour disruptions;
- mechanical equipment and facility performance problems;
- earthquakes; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in:

- environmental damage and liabilities;
- work stoppages, delayed production and resultant losses;
- increased production costs;
- damage to, or destruction of, mineral properties or production facilities and resultant losses;
- personal injury or death and resultant losses;
- asset write downs;
- abandonment of assets
- monetary losses;
- claims for compensation of loss of life and/or damages by third parties in connection with accidents (for loss of life and/or damages and related pain and suffering) that occur on our property, and punitive awards in connection with those claims; and
- other liabilities.

These risks could result in damage to, or destruction of, mineral properties, production facilities and other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. Advancements in science and technology and in mine design, methods, equipment and training have created the possibility of reducing some of these risks, but there can be no assurances that such occurrences will not take place and that they will not negatively impact us, our operations and our personnel.

In addition to those other risks identified above, mining operations are also subject to ownership and operating risks relating to the valuable nature of the product being produced. Our Mexican operations have both suffered from armed robberies of doré within the past three years. We have instituted a number of additional security measures and a more frequent shipping schedule in response to these incidents. We have subsequently renewed our insurance policy to mitigate some of the financial loss that would result from such criminal activities in the future, however a substantial deductible amount would apply to any such losses in Mexico.

Liabilities that we incur may exceed the policy limits of our insurance coverage or may not be insurable, in which case we could incur significant costs that could adversely impact our business, operations, profitability or value.

Exploration and Development Risks

The long-term operation of our business and its profitability is dependent, in part, on the cost and success of our exploration and development programs. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that our mineral exploration and development programs will result in any discoveries of economic quantities of mineralization. There is also no assurance that even if economic quantities of mineralization are discovered that a mineral property will be brought into commercial production. Development of our mineral properties will follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable development and production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond our control. As a result, there can be no assurance that our acquisition, exploration and development programs will yield new mineral reserves to replace or expand current mineral reserves or that they will result in additional production. Unsuccessful exploration or development programs could have a material adverse effect on our operations and profitability.

Replacement of Reserves

The Huaron, Morococha, La Colorada, Dolores, Alamo Dorado, Manantial Espejo and San Vicente mines are our current sources of metals production. Current life-of-mine plans provide for a defined production life for mining at each of our mines. If our mineral reserves are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at our current operating mines or through the acquisition or development of additional producing mines, this could have an adverse impact on our future cash flows, earnings, results of operations, and financial condition, and this may be compounded by requirements to expend funds for reclamation and decommissioning.

Imprecision in Mineral Reserve and Mineral Resource Estimates

There is a degree of uncertainty attributable to the estimation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity and grade of mineral resources and mineral reserves must be considered as estimates only and no assurances can be given that the estimated levels of metals will be produced or that we will receive the price assumed in determining our mineral reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. By their nature mineral reserve and mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and interpretations that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of metals, as well as increased capital or production costs or reduced recovery rates may render mineral reserves uneconomic and may ultimately result in a reduction of mineral reserves. The extent to which resources may ultimately be reclassified as proven or probable mineral reserves is dependent upon the demonstration of their profitable recovery. The evaluation of mineral reserves or mineral resources is always influenced by economic and technological factors, which may change over time. No assurances can be given that any resource estimate will ultimately be reclassified as proven or probable mineral reserves or that mineralization can be mined or processed profitably. If our mineral reserve or mineral resource figures are inaccurate or are reduced in the future, this could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition.

Inaccuracies in Production and Cost Estimates

We prepare estimates of future production and future production costs for our operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of mineral reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour availability and productivity; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out our activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the mineral reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; and risks and hazards associated with mining described above under "Ownership and Operating Hazards and Risks". In addition, there can be no assurance that silver recoveries or other metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production, or that the existing known and experienced recoveries will continue. Costs of production may also be affected by a variety of factors, including: changing stripping ratios, ore grade metallurgy, labour costs and productivity, costs of supplies and services (such as, for example, fuel and power), general

inflationary pressures, and currency exchange rates. Failure to achieve production estimates could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources, and water supply are important determinants for capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of our projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of our projects will be commenced or completed on a timely basis, if at all; the resulting operations will achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of our advanced projects will not be higher than anticipated. In addition, unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations and profitability.

The equipment on site at the Morococha property, particularly the Amistad plant, is old and may require higher capital investment than we have estimated.

Environmental Legislation, Regulations and Hazards

All phases of our operations are subject to environmental regulation in the various jurisdictions in which we operate. Environmental legislation in almost all jurisdictions are evolving in a manner which will require stricter standards and will be subject to increased enforcement, fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on our behalf and may cause material changes or delays in our intended activities. Changes in environmental regulation, if any, may adversely impact our operations and profitability. In addition, environmental hazards may exist on our properties which are currently unknown to us. We may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanup actions, even in cases where such hazards have been caused by previous or existing owners or operators of the property, or by the past or present owners of adjacent properties, or by natural conditions. The costs of such cleanup actions may have a material adverse effect on our operations and profitability.

Our operations at Dolores involve heap leaching and this method of mineral processing may be employed in the future at other mines and projects. Heap leaching often employs sodium cyanide, a hazardous material, to leach metal-bearing ore and then collect the resulting metal-bearing solution. There is an inherent risk of unintended discharge of hazardous materials in the operation of leach pads. Should sodium cyanide escape from a leach pad and collection infrastructure or otherwise be detected in the downstream surface and ground water points, we could become subject to liability for remediation costs, which could be significant and may not be insured against. In addition, metal production could be delayed or halted to prevent further discharges and to allow for remediation. Such delays or cessations in production could be long-term or, in some cases, permanent and any interference with production could result in a significant reduction in, or loss of, cash flow and value for us. While appropriate steps may be taken to prevent discharges of sodium cyanide and other hazardous materials into the ground water, surface water, and the downstream environment, there is inherent risk in the operation of leach pads and there can be no assurance that a release of hazardous materials would not occur.

We operate 7 tailings dams in total at all our mines except Dolores. In 2013 and 2014 we conducted detailed internal dam safety reviews of all seven tailings dams. Those reviews, completed in August and September 2014, found that the dam design, construction, operation and monitoring at all of our tailings dams are generally in line with the Canadian Dam Safety Guidelines and best practice. Additionally, an independent dam safety review for the Huaron tailings dam was commissioned to Newfields consultants of Denver, Colorado. The review concurred with the previously completed internal review. Design of all of our tailings dams includes

detailed consideration of dam stability under static and dynamic (pseudostatic) seismic conditions to ensure exceedance of relevant safety factors. While appropriate steps may be taken to prevent dam safety incidents, there are inherent risks involved with tailings facilities, including among other things seismic activity, particularly in seismically active regions such as Peru, and the ability of field investigations completed prior to dam construction to detect weak foundation materials. There can be no assurance that a dam or other tailings facility safety incident will not occur and such an incident could have a material adverse effect on our operations and profitability.

Responsibility for the operation of a water treatment plant for the Kingsmill Tunnel and the tailings mitigation program at Huascacocha Lake, near the Morococha mine, have been apportioned by Water Management Consultants Inc. in environmental studies among the Morococha mine and the mining companies operating neighbouring projects. The continued development of the Toromocho Project by MCP may alleviate some of our funding requirements. There can be no guarantee, however, that our proportionate share of the costs of such environmental projects will not change and this may affect cash flow from the Morococha mine operations.

Reclamation Obligations

Reclamation requirements vary depending on the location of the property and the managing governmental agency, but they are similar in that they aim to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. We are actively providing for or carrying out any required reclamation activities on our properties. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and have a material adverse effect on our financial resources.

Trading Activities and Credit Risk

We generally take the view that our precious metals production should not be hedged, thereby allowing the maximum exposure to precious metal prices. However, in times of extreme price volatility or deteriorating market conditions, the Board of Directors may make exceptions to this approach and authorize management to enter short-duration hedging for a limited portion of our forecasted production of precious metals. Decisions relating to hedging may have material adverse effects upon our financial performance, financial position and results of operations.

The zinc, lead and copper concentrates produced by us are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require us to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing us to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply 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. For example, the Doe Run Peru smelter, a significant buyer of our production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. We continued to sell copper concentrates to other buyers but on inferior terms. The Doe Run Peru smelter remains closed and we are owed approximately $8.2 million under the terms of our contract with Doe Run Peru. We continue to pursue all legal and commercial avenues to collect the amount outstanding.

At December 31, 2014, we had receivable balances associated with buyers of our concentrates of $29.3 million (2013 - $31.7 million). All of this receivable balance is owed by eight well known concentrate buyers and the vast majority of our concentrate is sold to those same counterparts.

Silver doré production is refined under long term agreements with fixed refining terms at three separate refineries worldwide. We generally retain the risk and title to the precious metals throughout the process of refining and therefore are exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that we may not be able to fully recover our precious metals in such circumstances. At

December 31, 2014 we had approximately $44.7 million contained in precious metal inventory at refineries (2013 - $54.7 million). We maintain insurance coverage against the loss of precious metals at our mine sites, in-transit to refineries, and while at the refineries.

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 the credit risk of our counterparties to the extent that our trading positions have a positive mark-to-market value.

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 AIF, 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.

Competitive Conditions

The mining industry is intensely competitive, particularly in the acquisition of additional mineral reserves and mineral resources in all of its phases of operation, and we compete with many companies possessing similar or greater financial and technical resources.

Our competitive position is largely determined by our costs compared to other producers throughout the world and our ability to maintain our financial integrity through the lows of the metal price cycles. Costs are governed to a large extent by the location, grade, and nature of mineral reserves as well as by operating and management skills. In contrast with diversified mining companies, we focus on silver production, development, and exploration, and are therefore subject to unique competitive advantages and disadvantages related to the price of silver and to a lesser extent, the price of gold and base metal by-products. If silver prices substantially increase, we will be in a relatively stronger competitive position than diversified mining companies that produce, develop, and explore for other minerals in addition to silver. Conversely, if silver prices substantially decrease, we may be at a competitive disadvantage to diversified mining companies.

Economic Dependence

We have 14 customers that account for 100% of our concentrate and silver and gold sales revenue. We have four customers that accounted for 30%, 16%, 13% and 10% of total sales in 2014. The loss of certain of these customers or curtailment of purchases by such customers could have a material adverse effect on our results of operations, financial condition, and cash flows.

Exchange Rate Risk

We report our financial statements in United States Dollars (“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 Pan American’s 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.

The local currencies that we have the most exposure to are the Peruvian Nuevo sol ("PEN"), Mexican pesos ("MXN") and Argentine pesos ("ARS").

In order to mitigate this exposure, we maintain a portion of our cash balances in PEN, MXN and Canadian dollars and, from time to time, enter into forward currency positions to match anticipated spending. At December 31, 2014, we had no foreign currency contract positions. We were holding cash and short term investments of $74.3 million in CAD$ and $18.7 million in Mexican pesos at the end of 2014.

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

In addition to the foregoing, governmental restrictions and controls relating to exchange rates also impact our operations. In Argentina, for example, the government has established an official exchange rate that, although said to be floating, is significantly different than the unofficial exchange rates prevailing outside of institutions and which are more readily utilized in the local economy to determine prices and value. Our investments in Argentina are primarily funded from outside of the country and are therefore required to be converted at the official exchange rate. As a result, conversion of foreign currencies like United States dollars at the official exchange rate has the effect of reducing purchasing power and substantially increasing relative costs in an already high inflationary market. Maintaining operating revenues in Argentine pesos could also expose us to the risks of peso devaluation and high domestic inflation.

Liquidity Risk

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

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

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

Employee Recruitment, Retention and Human Error

Recruiting and retaining qualified personnel is critical to our success. We are dependent on the services of key executives including Pan American's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing our interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As our business activity grows, we will require additional key financial, administrative, and mining personnel as well as additional operations staff. There can be no assurance that we will be successful in attracting, training, and retaining qualified personnel as competition for persons with these skill sets increases. If we are not successful in attracting, training, and retaining qualified personnel, the efficiency of our operations could be impaired, which could have an adverse impact on Pan American's future cash flows, earnings, results of operations, and financial condition.

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage our interests, even when those efforts are successful, people are fallible and human error and mistakes could result in significant uninsured losses to us. These could include, but are not limited to, loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, erroneous or incomplete filings or non-fulfillment of other obligations, significant tax liabilities in connection with any tax planning effort we might undertake or

mistakes in interpretation and implementation of tax laws and practices, and legal claims for errors or mistakes by our personnel.

Employee Relations

Some of our employees and contractors are unionized. In particular, unions have been established at our operations in Peru, Argentina, and Bolivia. Although we have reached agreements with our various unions and place significant emphasis on maintaining positive relationships with the unions and employees, we have experienced labour strikes and work stoppages in the past. Should they occur, some labour strikes and work stoppages have the potential to materially affect our operations and thereby adversely impact our future cash flows, earnings, production, and financial conditions.

Title to Assets

The validity of mining or exploration titles or claims or rights, which constitute most of our property holdings, can be uncertain and may be contested. 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 and that such exploration and mining titles or claims will not be challenged or impugned by third parties. We operate in countries with developing mining laws and changes in such laws could materially impact our rights to our various properties or interests therein.

Although we have received title opinions for those material properties in which we have a material interest (or if we have not been able to obtain such opinions, have made a determination, which we believe is reasonable in the circumstances, to accept the risks associated with the subject property), there is no guarantee that title to such properties will not be challenged or impugned. 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. Our properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects. Although we may update our title opinions from time to time in connection with corporate activities such as financings or acquisitions, we do not update all of our title opinions regularly. As such, circumstances and facts may change such that some or all of our previously obtained title opinions may be inaccurate or outdated.

As discussed under “Risks Related to our Business – Foreign Operations”, we are subject to expropriation risk in a number of countries in which we operate, most notably in Bolivia and Argentina. Both of these countries have recently seen expropriations or nationalizations in the resource industries and it is not an uncommon occurrence from a historical perspective. Expropriation, or the threat of expropriation, is often as a result of poor economic conditions within a country or has underlying political rationales. Foreign authorities have in some cases also taken the position that the lack of development or advancement of a project is a basis on which to expropriate or to extinguish property rights. Some of the jurisdictions in which we operate are subject to a number of these factors and therefore the risk is heightened. In particular, the economic and political environment in Argentina is such that the threat of expropriation in the mining industry is not unrealistic and, in connection with our Navidad project in particular, we may be at even greater risk of expropriation or extinguishment of rights given our current activity level at the project. Since there have been no amendments to the law that would permit open-pit mining in the Province of Chubut, our activities at Navidad have changed from rapidly advancing the project to instead developing and filing an investment plan focused primarily on satisfying the legal requirements necessary to maintain our property interests under the current mining law. There is a further risk that if the federal or provincial governments in Argentina are dissatisfied with our activities at Navidad, this could also impact our operations at the Manantial Espejo mine. Expropriation, extinguishment of rights and any other such similar governmental actions would likely have a material adverse effect on our operations and profitability.

In many jurisdictions in which we operate, legal rights applicable to mining concessions are different and separate from legal rights applicable to surface lands; accordingly, title holders of mining concessions in many jurisdictions must agree with surface land owners on compensation in respect of mining activities conducted on such land. We have not held ownership title to most of the surface lands in the areas that overlie our mining

concessions comprising the Morococha property, nor in the areas where administration and operations are taking place therein, but were used by us pursuant to a usufruct agreement. In May 2008, MCP acquired certain surface rights from Centromin (currently, Activos Mineros S.A.) covering the main Morococha area that had been reserved for the Toromocho project by the Government of Peru. In addition, MCP acquired rights including surface lands in the Morococha area where the Morococha mine administration and operations are taking place, as well as certain underground areas. Certain of the underground areas acquired by MCP would also provide us with easier and less costly underground access to some areas of the Morococha concessions.

Beginning in 2005, with the opposition of Centromin, we engaged in a number of administrative and judicial proceedings to obtain legal title to surface lands and underground access that comprise part of the rights that were acquired by Peru Copper from Centromin.

In June 2010, we reached an agreement with MCP which clearly defines each party's long term surface rights and therefore provides certainty to the land situation for our Morococha mine. The primary focus of the agreement is on the lands and concessions around the Morococha mine and MCP's Toromocho copper project. Under the terms of the agreement, Argentum will relocate the core Morococha facilities over a 5 year period and transfer certain mineral concessions and access rights to MCP that it needs in order to proceed with the development of the Toromocho project, including the surface lands within the planned open pit mining area of the Toromocho project. In exchange, Argentum will receive a package of surface rights, easements and other rights to relocate the facilities and to continue uninterrupted operations, and will also obtain rights to a number of mineral concessions outside the planned Toromocho pit area where high-grade silver veins have been identified. Lastly, Argentum will receive periodic cash payments from MCP totalling $40 million, which will off-set a portion of the capital required for the facility relocation. The transfer of lands and rights and the cash payments will occur over a period of time in accordance with meeting certain milestones. In addition to the foregoing, the parties agreed to dismiss the judicial and administrative claims between them. Although this agreement has diminished the risks associated with the Morococha land situation, there is no certainty that the required milestones will be met, that the relationship will continue in an amicable fashion and that the future relocation and other costs associated with the commitments in the agreement will not render continued operations at the Morococha mine uneconomic.

We acquired our interest in the Manantial Espejo project on the understanding that while strict compliance with the mining law had not occurred, prior owners had reached an agreement with the mining authorities to bring the property, to the extent possible under existing law, into compliance. With respect to the required minimum expenditure threshold originally applicable to Barrick Gold Corp.'s operations at Manantial Espejo, we were able to secure a different expenditure threshold with the Argentine government. Until recently, although we have always complied with the terms of this agreement, we could never be certain that the original non-compliance of previous owners would not impair title to the properties. On March 23, 2006 the Argentine government approved the Environmental Impact Statement we submitted to it, effectively authorizing construction of the mine. There can be no guarantee that this approval waives a significant amount of uncertainty and confirms that the government recognizes and will abide by our title to the properties.

Acquisitions

An element of our business strategy is to make selected acquisitions. For example, Pan American completed the acquisition of Corner Bay and with it, the Alamo Dorado mine, in February 2003, the acquisition of Argentum and the Morococha mine in August 2004, the acquisition from Silver Standard Resources Inc. in 2006 of a 50% interest in the Manantial Espejo project, in May 2007 an additional 40% interest in respect of the San Vicente mine, the acquisition of Aquiline and the Navidad and Calcatreu properties in January 2010, and the acquisition of Minefinders and the Dolores mine in 2012. We expect to continue to evaluate acquisition opportunities on a regular basis and intend to pursue those opportunities that we believe are in our long-term best interests. The success of our acquisitions will depend upon our ability to effectively manage the integration and operations of entities we acquire and to realize other anticipated benefits. The process of managing acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of management

resources. There can be no assurance that we will be able to successfully manage the integration and operations of businesses we acquire or that the anticipated benefits of our acquisitions will be realized.

Competition for New Properties

The mining industry is exceptionally competitive, particularly with respect to properties that produce, or are capable of producing, silver, gold and other metals. Mines have limited lives and, as a result, Pan American continually seeks to replace and expand reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where we would consider conducting exploration and/or production activities. Because we face strong competition for new properties from other mining companies, some of which have greater financial resources than we do, we may be unable to acquire attractive new mining properties on terms that we consider acceptable. Competition for resources at all levels is intense, particularly affecting the availability of manpower, drill rigs, mining equipment, and production equipment. Competition in the mining business for limited sources of capital could adversely impact our ability to acquire and develop suitable silver mines, silver developmental projects, silver producing companies, or properties having significant exploration potential. As a result, there can be no assurance that our acquisition and exploration programs will yield new mineral reserves to replace or expand current mineral reserves.

Limited Supplies and Supply Chain Disruptions

Our operations depend on an uninterrupted supply of reagents (including, but not limited to, cyanide at some operations), production inputs and other supplies and resources such as skilled personnel. Supply may be interrupted due to a shortage or the scarce nature of inputs, especially with regard to chemical reagents. Supply might also be interrupted due to transportation and logistics associated with the remote location of some of our operations, and government restrictions or regulations which delay importation of necessary items. Any interruptions to the procurement and supply of reagents, production inputs and other supplies, or the availability of skilled personnel, could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Developments regarding Aboriginal and Indigenous Peoples

We operate in areas inhabited by aboriginal and indigenous peoples and by local communities. Developing laws and movements respecting the acquisition of lands and other rights from such people and communities may alter decades old arrangements or agreements made by prior owners of our mines and properties or even those made by us in more recent years. There can be no guarantee that we have entered into all agreements with aboriginal and indigenous people and with local communities in accordance with the laws governing aboriginal and indigenous peoples and local communities or that future laws and actions will not have a material adverse effect on our rights to explore or mine, or our financial position, cash flow and results of operations. Furthermore, it is not uncommon for local communities and aboriginal and indigenous peoples to challenge agreements or arrangements previously entered into for various reasons. If we cannot maintain an agreement with aboriginal or indigenous peoples or with the communities within which we operate, there may be significant disruptions in our operations and activities, or we may be unable to operate at all in such areas.

Community Action

In recent years communities and non-governmental organizations (“NGOs”) have become more vocal and active with respect to mining activities at or near their communities. These communities and NGOs have taken such actions as road closures, work stoppages, and lawsuits for damages. These actions relate not only to current activities but often in respect of decades old mining activities by prior owners of mining properties. Such actions by communities and NGOs may have a material adverse effect on our financial position, cash flow and results of operations or may force the cessation of mining activities altogether.

Internal Control over Financial Reporting

We documented and tested during our most recent fiscal year our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act ("SOX"). SOX requires an annual assessment by management and an independent assessment by our Independent Registered Public Accounting Firm of the effectiveness of our internal control over financial reporting. We may fail to achieve and maintain the adequacy of our internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of SOX. Our failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our common shares or market value of our other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. There can be no assurance that we will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Future acquisitions of companies may provide us with challenges in implementing the required processes, procedures and controls in our acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to us.

No evaluation can provide complete assurance that our internal control over financial reporting will detect or uncover all failures of persons employed by us to disclose material information otherwise required to be reported. The effectiveness of our control and procedures could also be limited by simple errors or faulty judgments. In addition, as we continue to expand, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that we continue to improve our internal control over financial reporting. Although we intend to devote substantial time and incur costs, as necessary, to ensure ongoing compliance and to adopt new standards and practices as required, we cannot be certain that we will be successful in complying with Section 404 of SOX.

Compliance

We are subject to complex laws and regulatory regimes that differ in the various jurisdictions in which we operate and are sometimes extra-jurisdictional in application. Ensuring that such laws and regulatory requirements are understood and followed by our personnel is difficult and we may inadvertently fail to comply with such laws and requirements or they may be contravened by our personnel. While we have established programs, policies and training to reduce and mitigate risks in certain areas, including anti-corruption compliance, there is no guarantee such programs, policies or training will prevent violations of the law, particularly by individual employees or agents. Violations of such laws, particularly those relating to corruption, could lead to the imposition of substantial fines, penalties or other civil or criminal prosecution or sanctions. Such fines penalties or other civil or criminal prosecutions and sanctions could have a material adverse effect on our business and severely damage our reputation.

Claims and 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 relate to current or ex-employees, some of which involve claims of significant value, for matters ranging from workplace illnesses such as silicosis to claims for additional profit-sharing and bonuses in prior years. Furthermore, we are in some cases the subject of claims by local communities, indigenous groups or private land owners relating to land and mineral rights and such claimants may seek sizeable monetary damages against us and/or the return of surface or mineral rights that are valuable to us and which may impact our operations and profitability if lost. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to us. We carry liability insurance coverage and establish provisions for matters that are probable and can be reasonably estimated. In

addition, we may be involved in disputes with other parties in the future that may result in litigation, which may result in a material adverse effect on our financial position, cash flow and results of operations.

DIRECTORS AND EXECUTIVE OFFICERS

The names and municipalities of residences of our directors and executive officers as at December 31, 2014, the positions held by them with Pan American at that time and their principal occupations for the past five years are set out below:

Name and Municipality of Residence	Position with Pan American	Principal Occupation During the Past Five Years
Ross J. Beaty[5] Vancouver, B.C. Canada	Director and Chairman (director of Pan American since September 30, 1988)	Business Executive and Chairman of Pan American.
Geoffrey A. Burns [4,5] North Vancouver, B.C. Canada	Director, President and Chief Executive Officer (director of Pan American since July 1, 2003)	President of Pan American since July 1, 2003, Chief Executive Officer of Pan American since May 11, 2004.
Michael Carroll[1,5] Walnut Creek, California, U.S.A.	Director of Pan American since January 1, 2011	Corporate Director
Christopher N. Dunn [2,3,5] Vancouver, B.C. Canada	Director since January 1, 2012	Corporate Director, non-executive Managing Partner of Ero Resource Partners LLC, an equity investment firm.
Neil de Gelder, Q.C. [1, 3] Vancouver, B.C. Canada	Director since July 3, 2012	Executive Vice President of Stern Partners, a private diversified investment firm.
Robert P. Pirooz, Q.C. Vancouver, B.C. Canada	Director, General Counsel (director of Pan American since April 30, 2007)	General Counsel since January 2003.
David Press[1,2,4] West Vancouver, B.C. Canada	Director of Pan American since May 13, 2008	Corporate Director
Walter T. Segsworth[2, 4,6] West Vancouver, B.C. Canada	Director of Pan American since May 12, 2009	Corporate Director

Name and Municipality of Residence	Position with Pan American	Principal Occupation During the Past Five Years
STEVEN BUSBY Vancouver, B.C. Canada	Chief Operating Officer	Chief Operating Officer since May 13, 2008; Senior Vice President, Project Development & Technical Services of Pan American from August 2003 to May 13, 2008.
A. ROBERT DOYLE North Vancouver, B.C. Canada	Chief Financial Officer	Chief Financial Officer of Pan American since January 2004.
MICHAEL STEINMANN North Vancouver, B.C. Canada	Executive Vice President, Corporate Development & Geology	Executive Vice President, Corporate Development & Geology since September 1, 2008; Senior Vice President, Geology & Exploration of Pan American from November 2005 to August 2008.

Notes:
1 Member of the Audit Committee.
2 Member of the Human Resources and Compensation Committee.
3 Member of the Nominating and Governance Committee.
4 Member of the Health, Safety and Environment Committee.
5 Member of the Finance Committee.
6 Mr. Segsworth is our Lead Independent Director.

The directors of Pan American are elected at each annual general meeting to hold office until the next annual general meeting or until their successors are elected or appointed. As at December 31, 2013, the board consisted of eight directors six of whom, Ross Beaty, Christopher N. Dunn, Neil de Gelder, Michael Carroll, David Press and Walter Segsworth, qualify as unrelated directors who are independent of management. The board has established five committees: the Audit Committee, the Human Resources and Compensation Committee, the Health, Safety and Environment Committee, the Nominating and Governance Committee, and the Finance Committee. Detailed information regarding the duties and obligations of the Audit Committee is annexed as Appendix "A" to this AIF. The board does not have an Executive Committee. The composition of the various committees as at December 31, 2014 is set forth in the preceding table.

As at March 27, 2015, the directors and officers of Pan American named above as a group exercised control or direction or beneficially owned, directly or indirectly, 2,930,576 common shares of Pan American representing approximately 1.93% of the issued and outstanding common shares of Pan American.

Except as noted below, none of Pan American's directors or executive officers:

(a) are, as at the date of this AIF, or have been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Pan American) that,

(i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(b) are, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including Pan American) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) have, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Robert Pirooz was formerly a director of Pacific Ballet British Columbia Society (the "Ballet"). On December 23, 2008, within a year following Mr. Pirooz's resignation from the board of directors of the Ballet, the Ballet filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act*. Subsequently, on January 9, 2009, the proposal was unanimously accepted by the creditors of the Ballet.

In addition, none of Pan American's directors and executive officers has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in making an investment decision.

Audit Committee

As at December 31, 2014, the members of the Audit Committee were Michael Carroll (Chair), Neil de Gelder, and David Press. The Board of Directors has determined based on the information provided by each director that all members of the Audit Committee meet the independence requirements set out in National Instrument 52-110 – *Audit Committees*, and as defined under the rules and regulations of the Nasdaq Stock Market. All members of the Audit Committee are financially literate and Michael Carroll, an individual serving on the audit committee of the Board of Directors, is an audit committee financial expert, as that term is defined in General Instruction B(8)(b) of Form 40-F.

The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, impose any duties, obligations or liabilities on such person that are greater than those imposed on members of the audit committee and the Board of Directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

Relevant Education and Experience of Audit Committee Members

The relevant education and experience of each member of the Audit Committee that is relevant to the performance of the Audit Committee responsibilities are as follows:

Michael L. Carroll (Chair) is a Certified Public Accountant with over 30 years of financial management expertise, primarily with publicly traded mining companies and has previously served on the audit committee of another public company.

Neil de Gelder, Q.C., has over 25 years of experience as a lawyer specializing in corporate, mergers and acquisitions and financing matters with a major Canadian law firm, frequently advising boards of publicly traded companies. He has been the Executive Director of the British Columbia Securities Commission, and is currently Executive Vice-President of a private diversified investment firm based in Vancouver. In this capacity, he is routinely involved in

reviewing internal management financial reporting and external audited and unaudited financial statements from the perspective of an owner or director. Mr. de Gelder has served on a wide variety of corporate, Crown, charitable and community boards over the years, including serving on the audit committee of a B.C. venture capital fund. Mr. de Gelder is a frequent participant in seminars presented by the Institute of Corporate Directors and by audit firms relating to audit committees and financial matters.

David Press is a mining engineer with almost 40 years of diversified experience in the mining industry, including the evaluation and investigation efforts for potential acquisitions. Mr. Press graduated from Nottingham University with an honours degree in mining engineering in 1967. In addition to his previous experience in public companies, since becoming a director of Pan American, Mr. Press has attended a number of finance related seminars and courses, including satisfying the academic requirements for the Directors Education Program of the Institute of Corporate Directors which includes audit and finance modules.

External Auditor Service Fees

Audit Fees

The aggregate fees billed by Deloitte LLP, Pan American's Independent Registered Public Accounting Firm, for the fiscal years ended December 31, 2013 and 2014 for professional services rendered by Deloitte LLP for the audit of Pan American's annual consolidated financial statements or services that are normally provided by Deloitte LLP in connection with statutory and regulatory filings or engagements for such years were $2,073,000 and $2,064,000, respectively.

Audit-Related Fees

The aggregate fees billed by Deloitte LLP for the fiscal years ended December 31, 2013 and 2014 for assurance and related services rendered by it that are reasonably related to the performance of the audit or review of Pan American's consolidated financial statements and are not reported above as audit fees were $22,000 and $28,000, respectively. For 2013 and 2014, such fees related primarily to the review of certain of our securities filings and subsidiary audit procedures.

Tax Fees

The aggregate fees billed by Deloitte LLP for the fiscal years ended December 31, 2013 and 2014 for professional services rendered by it for tax compliance, tax advice, tax planning and other services were $149,000 and $81,000, respectively. In 2013 and 2014, such fees related primarily to the provision of services related to transfer pricing, preparation of tax reports and Canadian audit support relating to tax.

Other Fees

The aggregate fees billed by Deloitte LLP for the fiscal years ended December 31, 2013 and 2014 for products and services provided by Deloitte LLP, other than the services reported in the preceding three paragraphs, were $33,000 and $10,000, respectively.

Audit Committee Pre-Approval Policies

All audit and non-audit services performed by the Independent Registered Public Accounting Firm are pre-approved by the Audit Committee.

Conflicts of Interest

Certain officers and directors of Pan American are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. However, the directors are required by law to act honestly and in good faith with a view to act in the best interests of Pan American and our shareholders and to disclose any personal

interest which they may have in any material transaction which is proposed to be entered into by us and to abstain from voting as a director for the approval of any such transaction.

EXCEPTIONS FROM NASDAQ CORPORATE GOVERNANCE REQUIREMENTS

Under Rule 4350(a) of the Nasdaq Stock Market Rules (the "Nasdaq Rules"), a foreign private issuer (as defined in Rule 12b-2 under the U.S. Securities Exchange Act of 1934, as amended) may follow its home country practice in lieu of certain of the corporate governance requirements of the Nasdaq Rules. Pursuant to Rule 4350(a), Pan American follows British Columbia practice with respect to quorum requirements in lieu of Nasdaq Rule 4350(f).

Nasdaq Rule 4350(f) requires that the minimum quorum for a shareholder meeting is 33-1/3% of the outstanding common shares, whereas Pan American's articles provide that the minimum quorum for a meeting of the holders of our common shares is two individuals who are shareholders, proxy holders representing shareholders or duly authorized representatives of corporate shareholders personally present and representing shares aggregating not less than 25% of the issued shares of Pan American carrying the right to vote at that meeting. In the event there is only one shareholder, the quorum is one person personally present and being, or representing by proxy, that shareholder, or in the case of a corporate shareholder, a duly authorized representative of that shareholder. Pan American's quorum requirement complies with the *Business Corporations Act* (British Columbia), which requires that unless the memorandum or articles otherwise provide, two shareholders entitled to vote at a meeting of shareholders, whether in person or represented by proxy, constitute a quorum. Furthermore, the rules of the Toronto Stock Exchange, upon which Pan American's common shares are also listed, do not contain specific quorum requirements.

DIVIDENDS

On February 15, 2010, Pan American announced that our Board of Directors had approved a semi-annual cash dividend to holders of our common shares. In conjunction with this approval, the Board declared its first cash dividend of $0.025 per common share to holders of record of our common shares as of the close of business on February 26, 2010. Pan American approved further dividends of $0.025 per common share on August 11 and November 8, 2010 and on February 15, May 18, August 10, and November 8, 2011. On February 22, 2012, Pan American announced our first dividend of the year and increased the amount of that dividend to $0.0375 per common share. Pan American approved another dividend of $0.0375 per common share on May 15, 2012, before increasing the amount to $0.050 per common share for dividends announced on August 14 and November 7, 2012. Pan American increased our dividend once again when we approved a dividend of $0.125 per common share on February 20, 2013 and approved additional dividends of $0.125 per common share on each of May 13, August 14 and November 13, 2013, and on February 19, May 8, August 13 and November 13, 2014, and most recently on February 18, 2015. Each of these dividends was designated to be an eligible dividend for the purposes of the *Income Tax Act* (Canada). Specific dates and amounts of future dividends will be determined by the Board on an ongoing basis.

MARKET FOR SECURITIES

Pan American's common shares are listed and posted for trading on the Toronto Stock Exchange (under the symbol PAA) and the Nasdaq stock market (under the symbol PAAS). The majority of trading of our common shares takes place on the Nasdaq exchange. The following table outlines the closing share price trading range and volume of shares traded by month in 2014:

Toronto Stock Exchange (CAD$)				Nasdaq Stock Market (US$)			
Month	**High**	**Low**	**Volume**	**Month**	**High**	**Low**	**Volume**
January	14.95	12.35	6,546,905	January	13.45	11.45	40,056,704
February	17.41	13.58	7,496,485	February	12.24	15.63	40,969,686
March	16.83	14.01	6,273,486	March	12.65	15.19	36,090,746
April	15.10	13.58	4,932,712	April	12.32	13.86	24,968,217
May	14.74	13.02	3,458,119	May	12.02	13.54	22,729,026
June	16.63	13.15	3,988,375	June	12.05	15.50	25,669,798
July	17.02	15.45	3,971,042	July	14.33	15.97	22,183,473
August	16.77	15.11	3,219,239	August	13.75	15.34	19,884,294
September	15.57	12.18	3,980,383	September	10.86	14.31	31,055,320
October	12.65	10.39	5,533,018	October	9.22	11.32	47,083,899
November	12.35	9.97	5,314,856	November	8.75	10.93	55,170,477
December	12.33	10.11	7,871,612	December	8.69	10.75	72,309,178

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

A description of certain legal proceedings to which we are a party appear under the heading "Commitments and Contingencies" in Note 28 to our Audited Consolidated Financial Statements for the year ended December 31, 2014.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of our knowledge, there were no directors or executive officers or any associate or affiliate of a director or executive officer with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Pan American.

TRANSFER AGENTS AND REGISTRAR

The transfer agent and registrar for the common shares of Pan American is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia, and Computershare Trust Company, N. A. at its office in Denver, Colorado, USA.

MATERIAL CONTRACTS

We did not enter into any material contracts, other than material contracts entered into in the ordinary course of business, during the most recently completed financial year that remain in effect.

INTERESTS OF EXPERTS

Deloitte LLP, an Independent Registered Public Accounting Firm, is the auditor of Pan American and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The qualified persons as defined by NI 43-101 who have prepared or supervised the preparation of Pan American's mineral reserve and mineral resource estimates as at December 31, 2014 and who supervised the preparation of and approved the scientific and technical information disclosed in this AIF are Michael Steinmann, President, Martin Wafforn, Vice President, Technical Services, Pamela De Mark, Director of Resources, and Americo Delgado, Director of Metallurgy, all of whom are employees of Pan American.

Michael Steinmann, P. Geo., Martin Wafforn, P. Eng., Pamela De Mark, P. Geo., and Americo Delgado, P.Eng. are the companies or persons who have prepared or certified a statement, report or valuation described in this AIF.

None of Michael Steinmann, P. Geo., Martin Wafforn, P. Eng., Pamela De Mark, P. Geo., or Americo Delgado, P. Eng. beneficially owns, directly or indirectly, 1% or more of any class of Pan American's outstanding securities.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Pan American's securities, and securities authorized for issuance under equity compensation plans, is contained in Pan American's Information Circular for the most recent annual meeting of shareholders. Additional financial information is also provided in Pan American's Audited Consolidated Financial Statements for the years ended December 31, 2014 and 2013, and Management's Discussion and Analysis for the year ended December 31, 2014. Additional information relating to Pan American may be found on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

"Mineral Resource" - A mineral resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

"*Inferred Mineral Resource*" – That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological grade and continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"*Indicated Mineral Resource*" – That part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with a level of confidence sufficient to allow the appropriate *application* of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"*Measured Mineral Resource*" – That part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"*Mineral Reserve*" – A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"Probable Mineral Reserve" - The economically mineable part of an indicated, and in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"Proven Mineral Reserve" - The economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

APPENDIX "A"

PAN AMERICAN SILVER CORP.
(the "Company")

AUDIT COMMITTEE CHARTER

MISSION

Senior management of Pan American Silver Corp. (the "Company"), as overseen by its Board of Directors (the "Board"), has primary responsibility for Pan American's financial reporting, accounting systems and internal controls. The Audit Committee (the "Committee") is a standing committee of the Board established for the purposes of: (i) overseeing the integrity of Pan American's financial statements and accounting processes of Pan American; and (ii) overseeing the external auditor's qualifications and independence. The external auditors of Pan American will report directly to the Committee.

COMPOSITION AND MEETINGS

1. The Committee shall be composed of at least three independent directors. [1]

2. All members of the Committee shall, to the satisfaction of the Board, be Financially Literate and at least one member will be a Committee Financial Expert ("Financially Literate" and "Committee Financial Expert" are defined in the Definitions section of this Charter).

3. The members of the Committee shall be appointed by the Board, based on the recommendation of the Nominating and Governance Committee, to serve one year terms and are permitted to serve an unlimited number of consecutive terms.

4. The Committee shall appoint a chair (the "Chair") from among its members who shall be an unrelated director.

5. The Committee will make every effort to meet at least four times per year and each member is entitled to request that an additional meeting be called, which will be held within one week of the request for such meeting. A quorum at meetings of the Committee shall be two members.

6. The external auditor may request the Chair to call a meeting of the Committee to consider any matter that the auditor believes should be brought to the attention of the directors or the shareholders of Pan American.

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[1] In order to be considered "independent", the following applies:

(a) Pursuant to the Canadian Securities Administrators' Multilateral Instrument 52-110 "Audit Committees", a member of the Committee must not have a direct or indirect material relationship with Pan American. A "material relationship" is a relationship which could, in the view of Pan American's Board, be reasonably expected to interfere with the exercise of a member's independent judgment.

(b) Pursuant to United States securities laws, a member of the Committee may not accept directly or indirectly any consulting, advisory, or other compensatory fee from Pan American or any of its subsidiaries; nor be an affiliated person, as such term is defined in Rule 10A-3 of the Securities and Exchange Act of 1934, of Pan American or any of its subsidiaries.

7. The Committee will make every effort to ensure that minutes of the Committee meetings be distributed to all members of the Committee with copies to the chief financial officer and the external auditor.

RESPONSIBILITIES

Charter

The Committee will review this Charter periodically, but at least once per annum, and recommend to the Board any necessary amendments.

Financial Information

The Committee will review and discuss with the external auditors:

1. the audited annual financial statements, and recommend to the Board they be approved for inclusion in Pan American's annual report;

2. interim financial statements, and the notes related thereto, and recommend to the Board they be approved for inclusion in Pan American's quarterly financial release;

3. other financial information included in Pan American's annual report;

4. quarterly and annual Management Discussion and Analysis;

5. the annual and interim earnings press releases before Pan American publicly discloses the information contained therein;

6. any press release to be publicly disseminated which contains material information of a financial nature; and

7. the AIF.

External Auditors

1. The Committee will recommend to the Board the external auditor to be nominated for appointment by shareholders at each annual general meeting of Pan American.

2. The Committee will review the performance of the external auditor and, where appropriate, recommend to the Board the removal of the external auditor.

3. The Committee will confirm the independence and effectiveness of the external auditor, which will require receipt from the external auditor of a formal written statement delineating all relationships between the auditor and Pan American and any other factors that might affect the independence of the auditor.

4. The external Auditor will report directly to the Audit Committee.

5. The Committee will oversee the work of the external auditor generally, and review and report to the Board on the planning and results of external audit work, including:

   (a) the external auditor's engagement letter or other reports of the auditor;

   (b) the reasonableness of the estimated fees and other compensation to be paid to the external auditor;

   (c) the form and content of the quarterly and annual audit report, which should include, *inter alia*:

(i) a summary of Pan American's internal controls and procedures;

(ii) any material issues raised in the most recent meeting of the Committee;

(d) any other related audit, review or attestation services performed for Pan American by the external auditors; and

(e) an assessment of the external auditor's performance.

6. The Committee will actively engage in dialogue with the external auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the external auditor and take, or recommend the Board take, appropriate actions to oversee the independence of the external auditor.

7. The Committee will review and pre-approve all non-audit services provided to Pan American or its subsidiaries by the external auditor prior to the commencement of such services. Pre-approval of non-audit services will be satisfied only if the requirements as set out in National Instrument 52-110 "Audit Committees" are satisfied.

8. The Committee will monitor the relationship between management and the external auditor and resolve any disagreements between them regarding financial reporting.

Accounting System and Internal Controls

The Committee will:

1. obtain reasonable assurance from discussions with (and/or reports from) management, and reports from external and internal auditors that Pan American's financial and accounting systems are reliable and that the prescribed internal controls are operating effectively;

2. in consultation with the external auditor and the Disclosure Committee of the Board, review the integrity of Pan American's financial reporting process and the internal control structure;

3. review the acceptability of Pan American's accounting principles and direct the auditors' examinations to particular areas of question or concern, as required;

4. request the auditors to undertake special examinations (e.g., review compliance with conflict of interest policies);

5. together with management, review control weaknesses identified by the external and internal auditors; and

6. review the appointments of the chief financial officer and key financial executives.

Internal Audit

The Committee will:

1. review activities, organization structure and qualifications of the internal audit function;

2. review the resources, budget, reporting relationships and planned activities of the internal audit function;

3. review internal audit findings and determine that they are being properly followed up;

4. annually review and recommend changes, if any, to the internal audit procedures; and

5. review with Pan American's legal counsel any legal matter that could have a significant impact on Pan American's financial statements.

Ethical and Legal Responsibilities

1. The Committee will review and monitor Pan American's compliance with applicable legal and regulatory requirements, particularly those related to financial reporting and disclosure.

2. The Committee will review all related-party transactions.

Complaints

The Committee will establish procedures for:

1. the receipt, retention and treatment of complaints received by Pan American regarding accounting, internal accounting controls or auditing matters; and

2. the confidential, anonymous submission by employees of Pan American and its subsidiaries of similar concerns.

AUTHORITY

1. The Committee shall have the authority to:

   (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

   (b) set and pay the compensation for any advisors employed by the Committee; and

   (c) communicate directly with the internal and external auditors.

2. The Committee shall have the power, authority and discretion delegated to it by the Board which shall not include the power to change the membership of or fill vacancies in the Committee.

3. A resolution approved in writing by the members of the Committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.

4. The Board shall have the power at any time to revoke or override the authority given to or acts done by the Committee except as to acts done before such revocation or act of overriding and to terminate the appointment or change the membership of the Committee or fill vacancies in it as it shall see fit.

5. The Committee shall have unrestricted and unfettered access to all Company personnel and documents and shall be provided with the resources necessary to carry out its responsibilities.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised in Pan American's financial statements.

"**Committee Financial Expert**" means a person who has the following attributes:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised in Pan American's financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls and procedures for financial reporting; and

(e) an understanding of audit committee functions;

acquired through any one or more of the following:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions; or

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience.

Exhibit 1.2



Management's Discussion and Analysis for the Year Ended December 31, 2014

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

March 26, 2014

INTRODUCTION

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

This MD&A refers to various non-Generally Accepted Accounting Principles ("non-GAAP") measures, such as "all-in sustaining cost per silver ounce sold", "cash costs per ounce of silver", "total cost per ounce of silver", "adjusted earnings" and "basic adjusted earnings per share", which are used by the Company to manage and evaluate operating performance at each of the Company's mines and are widely reported in the mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these non-GAAP measures as calculated by the Company, additional information has been provided in this MD&A. Please refer to the section entitled "Alternative Performance (Non-GAAP) Measures" beginning on page 46 for a detailed description of all-in sustaining cost per silver ounce sold, total cost per ounce of silver, adjusted earnings and basic adjusted earnings, as well as the cash cost calculation, details of the Company's by-product credits and a reconciliation of these measures to the Audited Consolidated Financial Statements.

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

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

The scientific or technical information in this MD&A, which includes mineral reserve and resource estimates for the Huaron, Morococha, Alamo Dorado, La Colorada, Dolores, Manantial Espejo, San Vicente, Pico Machay, La Bolsa and Calcatreu properties were based upon information prepared by or under the supervision of Michael Steinmann, P.Geo., President and Martin G. Wafforn, P.Eng., Vice President Technical Services, who are "Qualified Persons" for purposes of National Instrument 43-101 - *Standards of Disclosure of Mineral Projects* ("NI 43-101"). Navidad resource estimates were prepared by Pamela De Mark, P. Geo., Director, Resources

who is also a Qualified Person for purposes of National Instrument 43-101. Mineral resource estimates for Hog Heaven and Waterloo are based on historical third party estimates.

This MD&A includes estimates of future silver and other metal sale prices as well as production rates for silver and other metals, future cash and total costs of production at each of the Company's properties, and capital expenditure forecast at each of the Company's properties which are all forward-looking estimates. No assurance can be given that the forecasted sale prices of silver and other metals, quantities of silver and other metals will be produced, or that projected cash costs or forecast capital costs will be achieved. Expected future metal prices, production, cash costs and capital costs are inherently uncertain and could materially change over time. The Company's actual mineral production, cash costs, and capital expenditures may differ materially from the forecasts in this MD&A. Readers should review those matters discussed herein under the heading "Risks and Uncertainties" and are advised to read the "Cautionary Note Regarding Forward Looking statements" contained herein.

CORE BUSINESS AND STRATEGY

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

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

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

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

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

employees, the local communities and the government agencies, all of whom we view as partners in our enterprise.

Pan American's priority at every operation is the safety of our employees. We believe that comprehensive and continuous training is fundamental to the safety of our employees. With our safety training and strictly enforced safety procedures, our goal is to continually improve our safety performance and remain industry leaders in the health and safety of our workers.

The Company recognizes that the skills, innovation and dedication of our employees and contractors are important drivers of our success. We also recognize the vital contribution they make to the economic prosperity of the communities in which we operate. As such, we offer leading career development opportunities, competitive remuneration, an engaging working environment and a supportive culture where fairness, respect, safety and diversity are valued and practiced.

The Company is committed to operating our mines and developing new projects in an environmentally responsible manner. We have developed a comprehensive environmental policy, which all operations adhere to and apply to their short and long-term plans. This policy addresses topics that include water use and recycling, waste disposition, the research and use of alternative energies, compliance with required laws, closure requirements and education initiatives. Each operation runs unique environmental programs according to its location, needs, resources and processes. We have a proactive approach to minimizing and mitigating environmental impacts during all phases of the mining cycle from exploration through project development and into full mining operations. This is accomplished by applying prudent design and operating practices, continuous monitoring and by providing training and education for the employees and contractors who work at our facilities.

HIGHLIGHTS OF 2014

OPERATIONS & PROJECT DEVELOPMENT

- ***Record Silver and Gold Production***

Silver production in 2014 was a record 26.1 million ounces, comfortably within management's 2014 forecast range and slightly higher than the 26.0 million ounces produced in 2013. This new annual silver production record was achieved with production gains at La Colorada, Manantial Espejo, Dolores and Huaron, and despite the expected silver production decline at Alamo Dorado. As anticipated, 2014 gold production also set a new Company record at 161,500 ounces, 8% higher than 2013, achieved through increased production at Dolores and Manantial Espejo.

- ***Annual Cash Costs and AISCSOS Targets Achieved***

Consolidated cash costs, net of by-product credits for 2014 of $11.46 per silver ounce were well below management's 2014 guidance of $11.70 to $12.70 per ounce on account of better than expected performances at La Colorada, Huaron and Morococha, partly offset by slightly higher than expected cash costs at San Vicente and Manantial Espejo.

All-in sustaining costs per silver ounce sold net of by-product credits ("AISCSOS") in 2014 were $17.88, in line with guidance of $17.00 to $18.00, and a slight decrease from the $17.91 in 2013. Excluding the effects of downward net realizable value ("NRV") adjustments to inventories during the year (2014 NRV adjustments: $1.17 per ounce), 2014 AISCSOS were $16.71 per ounce a 4% decrease from 2013 NRV adjusted AISCSOS of $17.40.

- ***Dolores Project Development***

The Company announced the positive results of a Preliminary Economic Assessment ("PEA") for the Dolores expansion project in the second quarter of 2014. As disclosed in the PEA the Dolores project contemplates the addition of a milling and pulp agglomeration circuit to the processing flow sheet to enhance silver and gold recoveries of higher grade mineralization, as well as the development of an underground mine to extract mineral resources that exist beneath the ultimate open pit floor and to the south of the current final pit. The PEA results indicated that this project has the potential to generate an estimated after-tax net present value of the incremental cash flow of $90 million at an 8% discount rate, which represents an internal rate of return of 33%, and a capital payback period of 1.7 years using metal prices of $22 per ounce of silver and $1,300 per ounce of gold. The project would increase average annual silver production to an estimated 5.04 million ounces, while average annual gold production would increase to an estimated 148,000 ounces. The PEA contemplated an incremental capital investment of $105 million. The project economics remain accretive at the Company's current reserve prices of $18.50 per ounce of silver and $1,250 per ounce of gold. The Company has deferred making a construction decision for the next 12 months while modest 2015 investments (estimated at $2.5 million) are planned for additional studies and continued delineation of the underground accessible mineralization in order to further de-risk this opportunity.

- ***La Colorada Organic Growth***

The Company continued with the expansion of its La Colorada mine in Mexico, based on the positive results of a PEA published in late 2013. The PEA demonstrates that the relatively low-risk expansion project has the potential to provide robust after-tax economic returns using a $19.00 per ounce long-term silver price. During 2014, the following progress on the expansion project was achieved: completed the basic engineering package for the new processing plant, ordered all major equipment for the plant, and commenced detailed engineering and equipment fabrication; selected the plant engineering procurement and construction contractor; completed over 1,500 meters of development to enable access at the future shaft bottom, and completed a ventilation raise to provide the necessary ventilation to advance project development; and, awarded the raise boring contract for the new shaft, and commenced the pilot hole drilling.

- ***Robust Proven and Probable Silver Mineral Reserves***

As at December 31, 2014, Pan American's mineral reserves are estimated to contain 299.9 million ounces of silver and 2.3 million ounces of gold, down from the 323.5 million ounces of silver and 2.5 million ounces of gold reported a year ago. The Company used long term metal prices assumptions of $18.50 per ounce of silver and $1,250 per ounce of gold to estimate its current reserves at its operating mines except at Alamo Dorado where metal prices of $17.00 per ounce of silver and $1,200 per ounce of gold were used. At the same time, the Company reported that its measured and indicated silver mineral resources increased 2% to 731.5 million ounces, while measured and indicated gold mineral resources increased 13% to 1.8 million ounces. For the complete breakdown of mineral reserves and resources by property and category, refer to the section "Mineral Reserves and Resources" of this MD&A.

FINANCIAL

- ***Challenging Metal Price Environment***

The mining industry generally, and precious metal producers in particular, were impacted by a sharp decline in metal prices in 2014. The Company's financial performance year over year was negatively affected by the decrease in silver and gold prices with reduced revenue and mine operating earnings as well as the triggering of impairment charges to certain mineral properties and goodwill.

- ***Strong Operating Cash Flow, Liquidity, and Working Capital Position***

Despite the 2014 decrease in metal prices, cash flow from operations was $124.2 million which, together with strong balance sheet liquidity allowed the Company to comfortably fund sustaining and expansionary capital expenditures of $131.8 million during the year. The Company had cash and short term investment balances of $330.4 million and a working capital position of $522.7 million at December 31, 2014, a decrease of $92.3 million and $166.4 million, respectively, from a year ago. Total debt stood at a modest $60.4 million at the end of 2014.

- ***Return of Value to Shareholders***

Strong operating cash flow facilitated the continued return of value to shareholders in 2014 by way of approximately $75.8 million in dividend payments. The Company paid quarterly dividends during 2014 of $0.125 per common share or $0.50 per common share on an annual basis. The Company received approval for a fourth share repurchase program in late 2014, an initiative which started in September, 2011. At the date of this MD&A and since 2010 the Company has returned a total of $356.7 million to shareholders by way of dividends and share repurchase programs.

2015 OPERATING OUTLOOK

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

2015 Silver Production, Cash Costs and AISCSOS Forecasts:

	Silver Production (million ounces)	Cash Costs per ounce [1]	AISCSOS [1]
La Colorada	4.90 – 5.00	$ 8.50 – $9.25	$ 10.95 – $11.70
Dolores	4.00 – 4.15	$ 8.50 – $10.00	$ 17.00 – $18.50
Alamo Dorado	2.95 – 3.20	$14.00 – $14.50	$ 14.30 – $14.80
Huaron	3.70 – 3.80	$13.00 – $13.75	$ 16.00 – $17.00
Morococha	2.30 – 2.40	$12.75 – $14.25	$ 16.00 – $17.50
San Vicente	4.00 – 4.15	$11.00 – $12.00	$ 12.25 – $13.25
Manantial Espejo	3.65 – 3.80	$10.50 – $11.75	$ 13.80 – $15.05
Consolidated Total	**25.50 – 26.50**	**$10.80 – $11.80**	**$15.50 – $ 16.50**

(1) Cash costs per ounce and AISCSOS are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of how these measures are calculated. The cash cost forecasts assume by-product credit prices of $2,200/tonne ($1.00/lb) for zinc, $2,000/tonne ($0.91/lb.) for lead, $6,800/tonne ($3.08/lb.) for copper, and $1,200/oz. for gold.

The Company expects its seven mines to produce between 25.50 million and 26.50 million ounces of silver in 2015, similar to 2014 production of 26.11 million ounces. Improved grades at Dolores and San Vicente along with increased throughput rates at San Vicente and Huaron are expected to increase silver production sufficiently to offset the anticipated decrease in silver production at Alamo Dorado due to lower silver grades as open pit mining winds down. La Colorada, Morococha, and Manantial Espejo are expected to maintain silver production levels consistent with those in 2014.

Cash costs for 2015 are expected to be between $10.80 and $11.80 per ounce of silver, net of by-product credits, relatively similar to 2014 cash costs of $11.46 per ounce. The Company expects operating costs to increase in 2015, primarily from increased open pit waste mining rates at Manantial Espejo, increased ore stockpile inventory draw-downs at Dolores, and labor cost increases across the Company. The cost increases are expected to be partially offset by reduced open pit mining rates at Alamo Dorado, reduced inventory variations at Manantial Espejo, the continued downward trend in certain costs correlated with decreased oil prices, benefits from reduced growth in demand for certain consumables, and from sustained devaluation of the Mexican Peso, Peruvian Sol and Argentine Peso.

Consolidated AISCSOS in 2015 is expected to be between $15.50 and $16.50 per ounce, a substantial decrease from the 2014 AISCSOS of $17.88 per ounce. The expected year-over-year AISCSOS decrease is primarily driven by the following anticipated factors:

- A decrease in cost of sales due primarily to lower net realizable value adjustments expected for 2015 and the devaluation of the Mexican Peso,
- An increase in by-product credits driven largely by higher gold production
- A decrease in royalty payments resulting from lower metal prices; and,
- A reduction in sustaining capital expenditures.

2015 By-product Production Forecasts:

	Gold (koz)	Zinc (kt)	Lead (kt)	Copper (kt)
La Colorada	2.5 – 2.7	7.00 – 7.50	3.70 – 3.80	–
Dolores	75.0 – 80.0	–	–	–
Alamo Dorado	15.5 – 16.6	–	–	0.01 – 0.01
Huaron	1.0 – 1.2	13.50 – 14.00	6.10 – 6.20	4.75 – 5.00
Morococha	2.0 – 2.5	14.50 – 15.00	4.20 – 4.40	3.24 – 3.49
San Vicente	–	6.00 – 6.50	0.50 – 0.60	–
Manantial Espejo	69.0 – 72.0	–	–	–
Consolidated Total	**165.0 – 175.0**	**41.00 – 43.00**	**14.50 – 15.00**	**8.00 – 8.50**

Gold production is expected to increase to between 165,000 ounces and 175,000 ounces, almost exclusively driven by a 12,100 ounce (18%) increase in gold production from Dolores anticipated through improved grades as the mine develops into the higher gold grade portion of the deposit. Zinc, copper and lead are expected to remain relatively similar to 2014 production volumes.

2015 Capital Expenditure Forecasts

Pan American expects a reduction in sustaining capital investments compared to 2014, due to reduced pre-stripping at Manantial Espejo, fewer mining equipment purchases, and underground infrastructure developments at Huaron and Morococha as the multi-year mechanization program at Peruvian operations is largely complete. In total, the Company plans to spend between $71.0 and $84.0 million on sustaining capital at its seven operating mines, which includes approximately $10.0 million to complete approximately 83 kilometers of development diamond drilling, down from the $99.1 million spent on sustaining capital in 2014. Further details of planned sustaining capital at each operation can be found in the “2015 Mine Operations Forecasts” section of this MD&A.

Pan American also expects to invest between $90.0 and $97.0 million on long term development and expansion projects, which are mainly for the La Colorada expansion project and at Dolores for the construction of the new power line. The following table details the forecast capital investments at the Company's operations and projects in 2015:

	2015 Forecast Capital Investment ($ millions)
La Colorada	11.0 – 12.0
Dolores	30.0 – 35.0
Alamo Dorado	–
Huaron	8.0 – 10.0
Morococha	6.0 – 8.0
San Vicente	4.0 – 5.0
Manantial Espejo	12.0 – 14.0
Sustaining Capital Total	**71.0 – 84.0**
La Colorada expansion Project	75.0 – 80.0
Dolores projects	15.0 – 17.0
Project Capital Total	**90.0 – 97.0**
Consolidated Total	**161.0 – 181.0**

The La Colorada expansion project is expected to advance substantially during 2015 with a forecast expenditure of between $75.0 and $80.0 million primarily for the following: $25.8 million for the new hoist and new shaft installations, which is targeted for completion by mid-2016; $29.4 million for construction of the new plant which is also targeted for completion by mid-2016; $3.7 million on on-going underground mine development and additional equipment; $3.1 million for the new power line; and $3.0 million for the expansion of site infrastructure. Key milestones planned for 2015 include completing the physical excavation and detailed engineering for all shaft works, installing the new hoist, fabricating and installing a new headframe, advancing the lining and equipping of the shaft, and completing construction of the new plant sufficiently that commissioning can be completed by mid-year 2016.

2015 General and Administrative Cost Forecast

Our 2015 general and administrative costs ("G&A"), including share based compensation, are expected to be approximately $17.5 million, relatively consistent with 2014 G&A. This figure is subject to fluctuations in the Canadian dollar ("CAD") to USD exchange rate, and the Company's ability to allocate certain costs incurred at head office that are directly attributable to operating subsidiaries.

The following table compares our 2015 forecast G&A against those incurred over the previous two years, as well as G&A on a per ounce of silver produced basis, which is a non-GAAP measure.

	Forecast	Actual	
	2015	2014	2013
General and administrative costs (in '000s of USD)	$ 17,500	$ 17,908	$ 17,596
Silver production (in '000s of ounces) [1]	26,000	26,112	25,959
General and administrative costs per silver ounce produced [2]	$ 0.67	$ 0.69	$ 0.68

(1) Forecast silver production at the mid-point of the guidance given in this MD&A for the Company's existing operations.
(2) G&A cost per silver ounce produced is a non-GAAP measure used by the Company to assess G&A costs relative to production. It is calculated as G&A costs divided by total ounces of silver production in the period.

2015 Exploration and Project Development Expense Forecast

Exploration and project development expenses for Pan American in 2015 are expected to total approximately $16.5 million, which is a $3.3 million increase from 2014 and includes advancing surface exploration on targets defined for certain Mexican and Peruvian properties, as well as holding costs for various exploration properties, including Navidad.

2015 Mine Operation Forecasts

Management's expectations of each mine's operating performance in 2015 are set out below, including discussion on expected production, cash costs and AISCSOS, and capital expenditures.

- ***La Colorada mine***

La Colorada 2015 silver production is expected to be similar to the 5.0 million ounces produced in 2014. The 2015 mine plan contemplates a processing rate of between 1,260 to 1,275 tonnes per day, with sulphide ore from the Candelaria mine zone comprising 60% of the total mine production, which is similar to the 2014 distribution. Oxide mine feed is anticipated to represent the remaining 40% of the processing feed with the majority coming from the Estrella mine zone.

With similar distributions of sulphide and oxide feed planned for 2015, it is expected that base metal by-product production will be consistent with 2014 production.

2015 cash costs per ounce of $8.50 to $9.25 are expected to increase from the $8.14 per ounce in 2014, primarily due to minor interferences expected from the new shaft excavation project somewhat reducing underground mine productivities, which are expected to be partially offset by Mexican Peso devaluation.

Sustaining capital expenditure at La Colorada in 2015 is expected to decrease from 2014 levels down to $11.0 to $12.0 million. The major elements making up this planned sustaining capital are as follows: $7.2 million in mine related capital, the largest components being a mine discharge water treatment plant (primarily sediment removal), a ventilation raise, and equipment rehabilitation; $1.4 million in development exploration; and $1.1 million in processing plant capital.

AISCSOS at La Colorada for 2015 is expected to be between $10.95 and $11.70 per ounce, in-line with the $10.90 per ounce reported in 2014.

In addition, capital expenditures relating to an expansion project for the La Colorada mine are expected to require $75.0 million to $80.0 million in 2015. Please see “2015 Capital Expenditure Forecast” section for a detailed description of these expenditures.

- ***Dolores mine***

We expect reasonably similar heap stacking rates at Dolores during 2015 as compared to 2014. However, we anticipate an improvement in silver production to between 4.00 million and 4.15 million ounces, from 3.98 million in 2014, as a result of an increase in silver grades offset by an expected in-heap inventory build-up. Similarly, gold grades are expected to improve significantly, again partially offset by the in-heap inventory build-up, resulting in forecasted 2015 gold production of between 75,000 ounces and 80,000 ounces, up from the 66,800 ounces in 2014.

The expected increase in 2015 silver and gold production, a continuance of the general downward trend in certain costs associated with lower oil prices and reduced growth in demand for certain consumables and sustained Mexican Peso devaluation result in forecasted 2015 cash costs per ounce of between $8.50 and $10.00 per ounce, a substantial decrease from the $12.94 per ounce cash costs for Dolores in 2014.

Sustaining capital expenditures at Dolores is forecast at between $30.0 million and $35.0 million, an increase from the $27.6 million expended in 2014. The sustaining capital planned for 2015 is primarily comprised of pre-stripping activities, truck rehabilitations, loading and drilling equipment rehabilitations and the installation of a contingent process solution treatment plant to address unexpectedly large precipitation and/or power outage events.

AISCSOS at Dolores for 2015 is expected to be between $17.00 and $18.50 per ounce, significantly down from the $27.02 per ounce reported in 2014 due primarily to the expectation that NRV adjustments on inventories of $23.3 million in 2014 will not be incurred in 2015.

In addition to sustaining capital expenditures, capital expenditures relating primarily to a new power line installation and process plant optimization projects are expected to require between $15.0 million and $17.0 million.

- ***Alamo Dorado mine***

As anticipated the Alamo Dorado mine will continue along a declining production profile as it enters the final year of its open pit mine life. Although anticipated throughput of 1.7 million tonnes is expected to remain relatively consistent with 2014 levels, a larger percent of the mill feed will be sourced from the lower grade mined ores and stockpiles. 2015 silver production is expected to be between 2.95 million and 3.20 million ounces, a decline of at least 8% from 2014 production of 3.47 million ounces. Similarly, gold production is anticipated to decrease from 2014 levels as a result of expected decreased grades.

Despite lower operating costs in 2015, cash costs per ounce are expected to increase from $12.89 in 2014 to between $14.00 and $14.50 per ounce in 2015 due to the lower silver and gold production as well as lower gold prices.

Given that Alamo Dorado is in its final years, no sustaining capital expenditure has been planned for 2015.

AISCSOS at Alamo Dorado for 2015 is expected to be between $14.30 and $14.80 per ounce, up from $13.05 per ounce reported in 2014 due to the anticipated decrease in silver sales from processing lower grade mined ores and stockpiles.

- ***Huaron mine***

We anticipate a continued positive trend in increased mining and milling rates at Huaron in 2015, resulting in a modest increase in silver produced to between 3.7 million and 3.8 million ounces from the 3.64 million ounces produced in 2014. The increased throughput rates are the result of the increased amount of ore available by mechanized long-hole mining, which is a benefit of the previous years' investments. Zinc and copper production are expected to decrease as a result of lower grades, while lead production is expected to remain relatively consistent.

Cash costs per ounce of between $13.00 and $13.75 per ounce are expected to increase from the 2014 level of $11.56 per ounce, primarily driven by a decline in by-product credits resulting from lower copper, lead and gold prices anticipated for 2015.

Sustaining capital expenditure in 2015 of between $8.0 million and $10.0 million is expected to be significantly lower than the $17.3 million in 2014. The 2015 capital budget is primarily comprised of a tailings dam expansion, near-mine diamond drilling, ventilation raises and mining equipment, camp additions and general equipment maintenance.

AISCSOS at Huaron for 2015 is expected to be between $16.00 and $17.00 per ounce, representing an average 13% decrease from the $19.07 per ounce reported in 2014 due primarily to lower sustaining capital expenditures.

- ***Morococha mine***

Milled tonnes, silver grades and recoveries, and silver production in 2015 are all expected to be relatively consistent with 2014 levels. 2015 copper production is expected to increase due to an improvement in copper grades and recoveries from mine sequencing, while zinc and lead production should remain stable with 2014 levels.

Cash costs are anticipated to remain between $12.75 and $14.25 per ounce in 2015, comparable to 2014 cash costs of $13.22 per ounce. Cash costs at Morococha in 2015 are expected to benefit from an increase in copper by-product credits, offset by an increase in concentrate treatment costs and lower lead production.

Morococha's sustaining capital for 2015 is expected to be between $6.0 million and $8.0 million, substantially lower than the 2014 capital spending of $10.2 million. The major components of the 2015 capital expenditures includes: $1.5 million in near-mine diamond drilling, $1.3 million in mining equipment, and $1.0 million on studies for deepening the Manuelita mine area beneath the primary drainage tunnel.

AISCSOS at Morococha for 2015 is expected to be between $16.00 and $17.50 per ounce, a 10% to 17% decrease from the $19.39 per ounce reported in 2014 primarily due to lower sustaining capital.

· ***San Vicente mine***

In 2015, we expect similar throughput rates and recoveries to the 2014 levels, and a modest improvement in silver grades due to mine sequencing and reductions in mine dilution through mining method improvements. The aggregate effect is expected to result in 2015 silver production of between 4.0 million and 4.15 million ounces, an increase from the 3.95 million ounces produced in 2014. Anticipated improvements in zinc and lead grades are expected to drive increased zinc and lead by-product production as well.

Expected 2015 cash costs per ounce of between $11.00 and $12.00 are lower than 2014 cash costs of $13.16 per ounce, due primarily to an expected improvement in by-product credits resulting from higher zinc and lead production. In addition, cash costs are expected to benefit from reductions in royalties from reduced metal prices as well as reduced concentrate treatment costs.

The 2015 expected sustaining capital at San Vicente is between $4.0 million and $5.0 million, an increase from sustaining capital levels in 2014. Major components of the 2015 sustaining capital budget includes $1.0 million in mill equipment refurbishment, $1.1 million in mine equipment replacements, a ventilation raise and pump station installations and $0.6 million in exploration.

AISCSOS at San Vicente for 2015 is expected to be between $12.25 and $13.25 per ounce, a slight decline from the $13.78 per ounce reported in 2014, as the same factors expected to reduce cash costs in 2015 described above will also benefit AISCSOS.

· ***Manantial Espejo mine***

The 2015 silver production objective for the Manantial Espejo mine is to maintain silver production levels consistent with those achieved in 2014. We anticipate a slight decline in silver grades to be offset by modestly higher throughput rates. Gold grades, recoveries, and production levels in 2015 are expected to be consistent with 2014 gold production.

Under the assumption that the devaluation of the Argentine peso will keep pace with local inflation rates during 2015, we expect that production costs will increase primarily from increased waste mining rates, and a swing in inventory variations from last year's inventory build-up to an expected reduction of inventory in 2015. Combined with decreased gold credits, driven by the decline in gold price from 2014, we expect higher cash costs from $10.12 per ounce for 2014 to between $10.50 and $11.75 per ounce in 2015.

Sustaining capital expenditure in 2015 is expected to be between $12.0 million and $14.0 million, a significant decrease from the $26.7 million spent in 2014. The majority of the 2015 capital budget is related to Maria open pit pre-stripping activities. The other major element of the 2015 sustaining capital budget is $2.5 million expected for brownfield exploration spending focused during January through June 2015.

AISCSOS at Manantial Espejo for 2015 is expected to be between $13.80 and $15.05 per ounce, a significant decrease from the $17.93 per ounce reported in 2014 due mainly to lower sustaining capital and lower net realizable value adjustments than were incurred in 2014.

2014 OPERATING PERFORMANCE

The following table reflects silver production and cash costs, net of by-product credits, at each of Pan American's operations in 2014 as compared to 2013.

	Silver Production (ounces '000s)		Cash Costs[1] ($ per ounce)	
	2014	2013	2014	2013
La Colorada	4,979	4,566	$ 8.14	$ 9.43
Dolores	3,982	3,503	12.94	7.47
Alamo Dorado	3,473	5,079	12.89	7.45
Huaron[5]	3,635	3,304	11.56	15.46
Morococha[2][5]	2,370	2,397	13.22	18.14
San Vicente[3]	3,949	3,967	13.16	15.51
Manantial Espejo	3,725	3,144	10.12	8.55
Consolidated Total[4]()	26,112	25,959	$ 11.46	$ 10.96

(1) Any reference to "cash costs" in this MD&A is defined as cash costs net of by-product credits. Please refer to the section Alternative Performance (Non-GAAP) Measures for a detailed description of the cash cost calculation, details of the Company's by-product credits and a reconciliation of this measure to the Audited Consolidated Financial Statements.

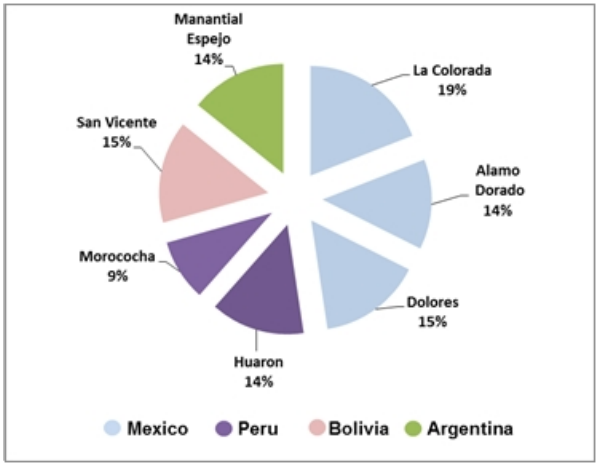
(2) Morococha data represents Pan American's 92.3% interest in the mine's production.

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

(4) Totals may not add due to rounding.

(5) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15); a $2.87 per ounce increase to Huaron cash costs (2013 - $0.85); and a $1.72 per ounce increase to Morococha cash costs (2013 - $0.58). Please refer to Note 3 under the table "Total Cash Costs and Total Production Costs per Ounce of Payable Silver, net of by-product credits" included in the Alternative Performance (Non-GAAP) Measures section of this MD&A for further details.

The graph below presents silver production by mine in 2014:



Pan American's 2014 silver production of 26.1 million ounces was relatively consistent with 2013 production levels of 26.0 million ounces. Stable silver production was largely achieved as a result of the following: record silver production at La Colorada which increased 9% from the prior year via increased throughput; a 14% increase in Dolores silver production from higher throughput and the increased leach times provided by the larger leach pad 3; and a throughput driven 10% increase in silver production at Huaron, a result of successful multi-year mine mechanization efforts. Also, San Vicente posted near-record annual silver production due to higher throughput, despite a two-week work stoppage during the third quarter of 2014. These production increases offset the expected decline in Alamo Dorado silver production as the mine approaches the end of its planned mine-life.

2014 silver production was well within management's forecast range of between 25.75 million and 26.75 million ounces, as described in the December 31, 2013 MD&A. Dolores, Huaron and La Colorada all exceeded 2014 guidance; San Vicente achieved 2014 guidance levels despite the work stoppage, while Alamo Dorado, Morococha, and Manantial Espejo were below 2014 guidance.

Pan American's consolidated cash costs net of by-product credits for 2014 were $11.46 per silver ounce, which compares to cash costs of $10.96 per ounce for 2013. The 2014 consolidated cash costs of $11.46 per ounce were less than the 2014 guidance of $11.70 to $12.70 per ounce, and were 5% higher than the 2013 adjusted cash costs of $10.96 per ounce. The year over year increase to cash costs was primarily attributable to increased cash costs at Dolores and Manantial Espejo, primarily from large swings in inventory variations, and at Alamo Dorado, from the expected grade reductions. Consolidated cash costs were also negatively affected by decreased by-product credits at the Dolores and Alamo Dorado mines, which were largely driven by declining gold prices. These increases were partially offset by decreased cash costs at the Peruvian operations, San Vicente, and at the La Colorada mine, all driven mainly from increased by-product production and unit cost benefits of increased throughputs.

The following tables set out the Company's by-product production over the past two years and the average market metal price metal produced:

By-Product Production	2014	2013
Gold (ounces '000s)	**161.5**	**149.8**
Zinc (tonnes '000s)	**43.5**	**42.1**
Lead (tonnes '000s)	**15.0**	**13.5**
Copper (tonnes '000s)	**9.0**	**5.5**

Average Market Metal Prices	2014	2013
Silver/ounce	**$ 19.08**	**$ 23.79**
Gold/ounce	**$ 1,266**	**$ 1,411**
Zinc/tonne	**$ 2,164**	**$ 1,909**
Lead/tonne	**$ 2,096**	**$ 2,141**
Copper/tonne	**$ 6,862**	**$ 7,322**

Consolidated gold production in 2014 was 161,500 ounces, an 8% increase from 2013 production levels. The year over year increase was mainly the result of additional gold produced at Manantial Espejo and Dolores in 2014. Both the Dolores and Manantial Espejo gold

production increases were primarily a result of higher throughput rates in 2014 compared to 2013.

Pan American's 2014 base metals production increased significantly from 2013 levels. Consolidated copper production rose to a Company record 9,000 tonnes, 64% greater than 2013 due to significant production increases at Huaron and Morococha. Consolidated lead production increased 11% from 2013 to 15,000 tonnes, with higher production achieved at La Colorada and Morococha, partially offset by lower production at San Vicente. Consolidated zinc production rose 3% from 2013 to 43,500 tonnes, primarily on account of higher production at La Colorada.

2014 AISCSOS

The following table reflects the quantities of payable silver sold and AISCSOS at each of Pan American's operations for 2014, as compared to 2013.

	Payable Silver Sold (ounces '000s)		AISCSOS[1] ($ per ounce)	
	2014	2013	2014	2013
La Colorada	**4,726**	4,449	**10.90**	12.14
Dolores	**3,912**	3,361	**27.02**	24.07
Alamo Dorado	**3,607**	5,566	**13.05**	8.58
Huaron	**3,025**	2,878	**19.07**	23.23
Morococha	**2,125**	2,216	**19.39**	30.80
San Vicente[2]	**4,177**	3,702	**13.78**	15.75
Manantial Espejo	**3,860**	3,306	**17.93**	16.84
Consolidated Total[2] [3]	**25,431**	25,478	**17.88**	17.91

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

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for year ended December 31, 2013 was a $0.42 decrease to the Company's previously reported consolidated AISCSOS of $18.33.

(3) Totals may not add due to rounding.

AISCSOS in 2014 were $17.88 per ounce, similar to the $17.91 per ounce AISCSOS in 2013. As shown in the table below, the relatively consistent year over year AISCSOS resulted from increased production and refining costs in 2014, which were significantly affected by larger negative NRV adjustments, offset by higher by-product credits and decreased sustaining capital and exploration expenses than in 2013. Consolidated silver sales quantities remained consistent from 2013 to 2014.

Individual Operations

The following tables summarize the metal production and cash costs achieved for each individual operation compared to that forecasted in the 2013 annual MD&A. Following the summary tables is analyses of each operation's 2014 operating performance as compared to 2013, as well as an analysis of 2014 operating performance compared to management's 2014 guidance. Reported metal figures included in tables in this section are volumes of metal produced.

	2014 Silver Production (million ounces)			2014 Cash Costs[1] ($ per ounce)		
	Forecast [2]	Actual		Forecast [2]	Actual	
La Colorada	4.85 - 4.95	4.98	ü	$ 9.00 - $9.50	$ 8.14	ü
Dolores	3.60 - 3.85	3.98	ü	$12.25 - $14.25	12.94	ü
Alamo Dorado	3.75 - 3.80	3.47	û	$12.50 - $13.50	12.89	ü
Huaron	3.40 - 3.50	3.64	ü	$14.50 - $15.00	11.56	ü
Morococha	2.50 - 2.60	2.37	û	$15.00 - $16.50	13.22	ü
San Vicente	3.90 - 4.00	3.95	ü	$12.50 - $13.00	13.16	û
Manantial Espejo	3.75 - 4.05	3.73	û	$ 8.75 - $10.00	10.12	û
Consolidated Total[3]	25.75 - 26.75	26.11	ü	$11.70 - $12.70	$ 11.46	ü

(1) Refer to footnotes to previous tables in the 2014 Operating Performance section of this MD&A
(2) Forecasted amount per guidance included in the annual MD&A for fiscal 2013 dated March 26, 2014.
(3) Totals may not add due to rounding.

	2014 Gold Production (koz)			2014 Zinc Production (kt)		
	Forecast [2]	Actual		Forecast [2]	Actual	
La Colorada	2.60 - 2.80	2.57	û	6.50 - 7.00	7.70	ü
Dolores	64.00 - 68.00	66.82	ü	-	-	-
Alamo Dorado	17.00 - 19.00	17.56	ü	-	-	-
Huaron	0.60 - 1.20	1.16	ü	13.50 - 14.00	14.20	ü
Morococha[3]	1.80 - 2.00	2.92	ü	14.00 - 15.50	15.80	ü
San Vicente[4]	-	-	-	5.50 - 6.00	5.84	ü
Manantial Espejo	69.00 - 72.00	70.47	ü	-	-	-
Consolidated Total[2]	155.0 - 165.0	161.5	ü	39.5 - 42.5	43.5	ü

	2014 Lead Production (kt)			2014 Copper Production (kt)		
	Forecast [2]	Actual		Forecast [2]	Actual	
La Colorada	3.10 - 3.50	3.74	ü	-	-	-
Dolores	-	-	-	-	-	-
Alamo Dorado	-	-	-	0.07 - 0.07	0.03	û
Huaron	5.35 - 5.70	6.03	ü	3.35 - 3.55	5.88	ü
Morococha[3]	3.80 - 4.00	4.74	ü	1.78 - 2.08	3.08	ü
San Vicente[4]	0.45 - 0.50	0.50	ü	-	-	-
Manantial Espejo	-	-	-	-	-	-
Consolidated Total[2]	12.7 - 13.7	15.0	ü	5.2 - 5.7	9.0	ü

(1) Forecasted amount per guidance included in the annual MD&A for fiscal 2013 dated March 26, 2014.
(2) Totals may not add due to rounding.

- ***La Colorada mine***

	Twelve months ended December 31, 2014	2013
Tonnes milled – kt	**471.3**	448.7
Average silver grade – grams per tonne	**366**	352
Average silver recovery - %	**89.8**	89.9
Silver – koz	**4,979**	4,566
Gold – koz	**2.57**	2.58
Zinc – kt	**7.70**	6.76
Lead – kt	**3.74**	3.32
Cash cost per ounce net of by-products[1]	**$ 8.14**	$ 9.43
Total cost per ounce net of by-products[1]	**$ 10.09**	$ 11.27
AISCSOS[1]	**10.90**	12.14
Payable silver koz	**4,756**	4,365
Sustaining capital expenditures – thousands[2]	**$ 13,476**	13,574

(1) AISCSOS and Cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section "Alternative Performance (Non-GAAP) Measures" for a detailed reconciliation of these measures to our cost of sales.
(2) Sustaining capital expenditures excludes $17.9 million in 2014 related to investment capital incurred on the expansion project as disclosed in the Project Development Update and Alternative Performance (Non-GAAP) Measures sections

2014 versus 2013

Silver production at the La Colorada mine in 2014 was a record 5.0 million ounces, a 9% increase compared to 2013 silver production, making La Colorada the Company's largest silver producer. The 2014 production increase resulted from 5% higher throughput and a 4% increase in average silver grades which were achieved using additional equipment acquired as part of the mine's expansion project.

Despite the increased throughput, gold production in 2014 remained consistent with 2013 production levels due to a 4% reduction in average gold grades and a 3% decrease to gold recoveries compared to the prior year, stemming from the mine sequencing. Increased sulphide ore throughput had a positive effect on base metal grades and recoveries, yielding records in annual zinc production of 7,700 tonnes and lead production of 3,700 tonnes, 14% and 13% greater than 2013 production, respectively.

2014 cash costs, net of by-products were $8.14 per ounce, the lowest in the Company, and a 14% decrease from those in 2013. The decrease in cash costs resulted from a 9% increase in silver production coupled with a 17% increase in by-product credits driven by the previously discussed record base metal production, which was slightly offset by lower realized gold prices and gold production.

2014 AISCSOS decreased by 10% to $10.90 from $12.14 in the previous year due to a 4% decrease in production costs, a 6% increase in by-product credits and a 6% increase in the amount of payable silver ounces sold from 2013 levels.

2014 versus 2014 Guidance

Silver production at La Colorada in 2014 exceeded the high end of management's forecast range of 4.85 million to 4.95 million ounces as a result of realizing higher than expected throughput rates at the expected silver grades and recoveries. Base metal production benefited from the better than expected throughput rates, grades and recoveries, resulting in zinc and lead production which exceeded our guidance. Gold grades lagged management's expectation, leading to actual gold production falling short of guidance.

Actual cash costs of $8.14 per ounce were lower than management's forecast range of between $9.00 and $9.50 per ounce. Cash costs at La Colorada in 2014 were positively influenced by better than expected silver, zinc and lead productions.

Sustaining capital expenditures at La Colorada during 2014 totalled $13.5 million, consistent with the $13.6 million in 2013, though $5.5 million more than our 2014 forecast of $8 million. The 2014 sustaining capital included a $5.6 million investment in a tailings dam expansion at La Colorada, which was reclassified from project capital to sustaining capital. In addition, the 2014 sustaining capital included expenditures in mine ventilation, mine site exploration drilling, equipment replacements and overhauls, and infrastructure upgrades. This capital excludes $17.9 million spent on the La Colorada expansion project during the year which is further described in the 2014 Project Development Update section of this MD&A.

- ***Dolores mine***

	Twelve months ended December 31,	
	2014	**2013**
Tonnes milled - kt	**6,053.9**	5.351.9
Average silver grade – grams per tonne	**40**	48
Average gold grade – grams per tonne	**0.44**	0.46
Average silver recovery - %	**51.8**	42.7
Average gold recovery - %	**78.3**	82.1
Silver – koz	**3,982**	3,503
Gold – koz	**66.82**	65.23
Cash cost per ounce net of by-products[1]	**$ 12.94**	$ 7.47
Total cost per ounce net of by-products[1]	**$ 27.39**	$ 20.12
AISCSOS[1]	**27.02**	24.07
Payable silver koz	**3,969**	3,494
Sustaining capital expenditures – thousands[2]	**$ 27,632**	$ 36,159

(1) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales.

(2) Sustaining capital expenditures excluded $17.3 million and $50.5 million, in the 2014 and 2013 reporting periods, respectively, related to capital incurred on the leach pad and other expansion projects as disclosed in the Project Development Update section and Alternative Performance (non-GAAP) Measures section of this MD&A.

2014 versus 2013

Dolores produced 4.0 million ounces of silver in 2014, 14% higher than the 3.5 million ounces produced in 2013, a result of a 13% increase to stacking rates and a 9% improvement to silver recoveries which more than offset a 17% decrease to average silver grades. Improved recoveries in 2014 were realized from the benefits of the multi-stage leach process, whereby solutions recovered from the leaching of ore stacked on pad 2 were further enriched by the leaching of newly stacked ore on pad 3. In addition, the benefit of the increased heap leach

surface area on pad 3 continues to allow for longer primary leach cycle times, further enhancing recovery rates from previously experienced levels.

Gold production of 66,800 ounces in 2014 favourably compared to the 65,200 ounces produced in 2013, as the increased processing throughput was partially offset by a 5% decrease in gold grades and recoveries.

Dolores's cash costs per ounce were $12.94 in 2014, a significant increase from the 2013 cash costs of $7.47 due to a large inventory variation swing as ore stockpiles grew in 2013 and were reduced in 2014 following the expected mine sequencing, in addition to a 19% decline in by-product credits per ounce resulting from lower realized gold prices in 2014.

2014 AISCSOS increased by 12% to $27.02 from $24.07 in the previous year driven by a 25% increase in production costs, which included a $10.3 million increase in NRV adjustments, and a $4.7 million decrease in by-product credits, largely attributable to the decline in gold price. These negative AISCSOS factors were partially offset by the benefits of a 17% increase in payable silver ounces sold in 2014, an $8.5 million and $2.3 million reductions in sustaining capital and exploration expenses, respectively.

2014 versus 2014 Guidance

In 2014 silver production was 3% more than the top-end of management's guidance range of 3.6 million to 3.85 million ounces, a result of better than anticipated stacking rates and silver recoveries, which outweighed the effect of lower than expected average silver grades. Gold production was within management's guidance range of 64,000 ounces and 68,000 ounces.

Cash costs for 2014 were $12.94 per ounce of silver, within the $12.25 to $14.25 per ounce 2014 forecast range provided by management.

Sustaining capital expenditures in 2014 totalled $27.6 million 18% lower than the $32.5 million forecasted following a decision to lease several new mine haul trucks. The 2014 sustaining capital was mainly spent on stripping activities, mine site exploration, access roads and camp upgrades, and on mining equipment replacements. Sustaining capital excludes $17.3 million in project capital spent during the year, which is further described in the 2014 Project Development Update section of this MD&A.

- ***Alamo Dorado mine***

	Twelve months ended December 31,	
	2014	**2013**
Tonnes milled - kt	**1,763.0**	1,790.3
Average silver grade – grams per tonne	**75**	101
Average gold grade – grams per tonne	**0.37**	0.36
Average silver recovery - %	**81.4**	87.1
Silver – koz	**3,473**	5,079
Gold – koz	**17.56**	17.6
Copper – tonnes	**30**	120
Cash cost per ounce net of by-products[(1)]	**$ 12.89**	$ 7.45
Total cost per ounce net of by-products[(1)]	**$ 16.28**	$ 10.98
AISCSOS[(1)]	**13.05**	8.58
Payable silver - koz	**3,454**	5,043
Sustaining capital expenditures – thousands	**$ 293**	$ 7,621

(1) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales.

2014 versus 2013

As expected, 2014 silver production of 3.5 million ounces at Alamo Dorado was significantly less than the 5.1 million ounces produced in 2013. Silver production decreased primarily due to the planned processing of lower silver grade ores with lower silver recoveries which decreased by 26% and 7%, respectively.

Despite a slight decrease in throughput rates and gold recoveries from 2013 levels, the 2014 gold production was comparable to 2013 as a result of a 4% improvement in realized average gold grades in 2014.

Alamo Dorado's cash costs per ounce were $12.89 in 2014, a significant increase from the 2013 cash costs of $7.45 due primarily to increased waste mining and lower silver production as a result of processing lower silver grade ores, which was partially offset by improved by-product credits per ounce as gold production levels remained consistent year over year while silver production decreased substantially.

2014 AISCSOS increased by $4.47 to $13.05 from $8.58 in 2013. Although year over year direct production costs remained relatively consistent, the lower 2014 silver production resulted in 35% less payable silver ounces being sold in 2014, which along with a $1.9 million NRV adjustment drove the increase to AISCSOS in 2014.

2014 versus 2014 Guidance

Alamo Dorado's silver production in 2014 was 7% lower than the bottom end of management's forecast range of 3.75 million to 3.8 million ounces, the result of below expected silver recoveries on the lower grade ore processed in the year. Gold production was within management's guidance range of between 17,000 ounces and 19,000 ounces.

Cash costs of $12.89 per ounce were consistent with management's forecasted range of $12.50 to $13.50 per ounce as slightly higher operating costs per ounce were offset by better than expected gold by-product credits.

Capital expenditures at Alamo Dorado during 2014 totalled $0.3 million, slightly lower than management's guidance of $0.5 million.

- ***Huaron mine***

	Twelve months ended December 31,	
	2014	**2013**
Tonnes milled - kt	**892.8**	802.3
Average silver grade – grams per tonne	**154**	158
Average zinc grade - %	**2.41**	2.53
Average silver recovery - %	**83.2**	81.8
Silver – koz	**3,635**	3,304
Gold – koz	**1.16**	0.94
Zinc – kt	**14.20**	14.02
Lead – kt	**6.03**	5.84
Copper – kt	**5.88**	3.39
Cash cost per ounce net of by-products[2]	**$ 11.56**	$ 15.46
Total cost per ounce net of by-products[2]	**$ 15.54**	$ 19.51
AISCSOS[1]	**19.07**	23.23
Payable silver - koz[2]	**3,120**	2,879
Sustaining capital expenditures – thousands	**$ 17,327**	$ 15,474

(1) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales.

(2) Previously reported cash costs and total costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15) and a $2.87 per ounce increase to Huaron cash costs (2013 - $0.85). There was also an immaterial change to previously reported payable silver production as a result of this correction. Please refer to Note 3 under the table "Total Cash Costs and Total Production Costs per Ounce of Payable Silver, Net of By-Product Credits" included in the Alternative Performance (Non-GAAP) Measures section of this MD&A for further details.

2014 versus 2013

In 2014 mill throughput at Huaron increased by 11% relative to 2013 which more than offset a 3% decrease in average silver grades and resulted in a 10% increase in silver production to a record 3.64 million ounces. The increased throughput rate reflected the benefits obtained from the multi-year mine mechanization effort which also focused on high-grade copper ore zones and led to a 73% increase in copper production to a record 5,900 tonnes. Lead and zinc production were largely consistent with 2013 production levels increasing by 3% and 1%, respectively.

Cash costs at Huaron in 2014 decreased to $11.56 per ounce, 25% below 2013's cash costs. The lower cash costs were achieved primarily through reduced operating costs of the mechanized mining methods; unit cost benefits associated with the increased throughput rates, and improved by-product credits per ounce driven largely from record copper production partially offset by reduced copper prices.

2014 AISCSOS of $19.07 was 18% lower than the $23.23 in the previous years. The decrease was largely attributable to by-product credits which increased by $16.5 million, and a 5% increase in Huaron payable silver ounces sold, which resulted from increased silver production.

2014 versus 2014 Guidance

Silver production in 2014 was 4% above the high end of management's 2014 guidance of 3.4 million to 3.5 million ounces. The benefits of mechanized mining at Huaron has outperformed management's expectations and the associated higher throughputs obtained more than offset less than expected silver grades. The production of all base metals was above management's guidance as a result of better than expected throughput rates and metal recoveries.

The actual cash costs in 2014 were 20% better than the bottom of our forecast range of $14.50 to $15.00 per ounce. This positive performance was attributable to better than expected throughputs driving reduced unit costs as well as better than expected by-product production, primarily copper.

Capital expenditures at Huaron during 2014 totalled $17.3 million, compared to our forecast of $9.5 million. The increased sustaining capital expenditure related primarily to additional upgrades and underground 250-level development (primary drainage and haulage level) which was determined to be accretive in 2014 and thus progressed accordingly. Other costs included in 2014 sustaining capital included upgrades to the shaft loading pockets, mine site exploration, and a tailings dam raise.

- ***Morococha mine*** *(1)*

	Twelve months ended December 31,	
	2014	**2013**
Tonnes milled - kt	**566.3**	573.3
Average silver grade – grams per tonne	**152**	149
Average zinc grade - %	**3.60**	3.20
Average silver recovery - %	**86.39**	87.9
Silver– koz	**2,370**	2,397
Gold – koz	**2.92**	2.65
Zinc – kt	**15.80**	15.16
Lead – kt	**4.74**	3.77
Copper – kt	**3.08**	2.03
Cash cost per ounce net of by-products[3]	**$ 13.22**	$ 18.14
Total cost per ounce net of by-products[3]	**$ 22.23**	$ 26.76
AISCSOS[2]	**19.39**	30.80
Payable silver - koz[3]	**2,010**	2,046
Sustaining capital expenditures – thousands	**$ 10,199**	$ 18,653

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

(2) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales.

(3) Previously reported cash costs and total costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15) and a $1.72 per ounce increase to Morococha cash costs (2013 - $0.58). There was also an immaterial change to previously reported payable silver production as a result of this correction. Please refer to Note 3 under the table "Total Cash Costs and Total Production Costs per Ounce of Payable Silver, Net of By-Product Credits" included in the Alternative Performance (Non-GAAP) Measures section of this MD&A for further details.

2014 versus 2013

With a slight decrease in throughput rates from the prior year, Morococha produced 2.37 million ounces of silver in 2014, 1% less than in 2013. Mine sequencing into higher-grade lead and copper ores resulted in a 26% increase in lead production to 4,700 tonnes, a 52% increase in copper production to a record 3,100 tonnes, and a 4% increase in zinc production to 15,800 tonnes in comparison to 2013 production.

Cash costs at Morococha decreased by 27% in 2014 to $13.22 per ounce of silver due mainly to successful cost reductions as well as from substantially higher by-product production. The increased quantities of by-product metals produced were partially offset by lower copper and lead prices.

2014 AISCSOS was $19.39 a 37% decrease from $30.80 AISCSOS in 2013. Despite 3% less payable silver ounces sold from Morococha in 2014, AISCSOS decreased as a result of an $8.7 million reduction in direct operating costs, and an $8.8 million increase in by-product credits.

2014 versus 2014 Guidance

Silver production at Morococha in 2014 was 5% lower than the bottom end of management's guidance range of 2.5 million to 2.6 million ounces. Gold production was within management's guidance range, while actual copper, lead and zinc production all exceeded the top-end of management's guidance range by 48%, 19% and 2%, respectively. Actual throughput rates and silver grades fell 5% short of management's original expectations as the mechanization efforts have not been as successful as expected given worse than expected ground conditions driving a mine re-sequencing into higher grade lead and copper ores and lower grade silver ores. Gold, copper, lead and zinc grades all exceeded management's expectations by 47%, 39%, 23%, 6%, respectively; while recoveries remained consistent with expectations with the exception of zinc which was 8% less than originally planned.

Actual cash costs in 2014 were 12% lower than the bottom end of management's forecast range of $15.00 to $16.50 per ounce due primarily to successful cost reductions as well as from greater by-product production.

Sustaining capital expenditures at Morococha during 2014 totalled $10.2 million, compared to management's guidance of $9.0 million. The majority of the capital expenditures in 2014 were on mine development and infrastructure, mine site exploration, plant upgrades and equipment overhauls.

- ***San Vicente mine*** *(1)*

	Twelve months ended December 31, 2014	2013
Tonnes milled – kt	**316.0**	319.4
Average silver grade – grams per tonne	**417**	412
Average zinc grade - %	**2.37**	2.48
Average silver recovery - %	**93.2**	93.8
Silver – koz	**3,949**	3,967
Zinc – kt	**5.84**	6.20
Lead – kt	**0.50**	0.56
Cash cost per ounce net of by-products(2)	**$ 13.16**	$ 15.51
Total cost per ounce net of by-products(2)	**$ 15.36**	$ 18.07
AISCSOS(2)	**13.78**	15.75
Payable silver – koz	**3,636**	3,614
Sustaining capital expenditures – thousands	**$ 3,415**	$ 8,165

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

(2) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales. In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for year ended December 31, 2013 was a $0.42 decrease to the Company's previously reported consolidated AISCSOS of $18.33.

2014 versus 2013

In 2014, San Vicente's silver production remained consistent with the prior year as throughput rates, silver recoveries, and grades all remained stable. The steady throughput in 2014 was achieved despite a two-week shutdown in July that resulted from a strike at the mine. Zinc production decreased by 6% and lead production decreased by 11% primarily on account of decreased grades.

Cash costs at San Vicente decreased by 15% to $13.16 in 2014 as compared to 2013. The lower cash costs in 2014 resulted primarily from lower concentrate treatment and royalty costs from lower metal prices realized in 2014.

2014 AISCSOS decreased by 13% to $13.78 from $15.75 in the previous year. The 2014 decrease was primarily attributable to 13% more payable silver ounces being sold, along with a $4.8 million reduction to sustaining capital expense.

2014 versus 2014 Guidance

Attributable silver production in 2014 of 3.9 million ounces was in-line with management's forecast range of 3.9 million to 4.0 million ounces. 2014 silver production was able to meet forecasted amounts as a result of slightly better than expected grades and recoveries despite the mine having a two week shutdown in mid-2014. Actual zinc and lead production were within management's guidance.

Actual cash costs of $13.16 per ounce of silver were slightly higher than management's forecast range of $12.50 to $13.00 per ounce due to slightly higher than expected employment and concentrate treatment costs.

Capital expenditures at San Vicente during 2014 totalled $3.4 million, which was below management's forecast of $6.0 million, and significantly lower than the $8.2 million incurred in 2013, due to capital rationing initiatives. Capital spending in 2014 was primarily on mine infrastructure, equipment overhauls, and mine site exploration.

- ***Manantial Espejo mine***

	Twelve months ended December 31,	
	2014	2013
Tonnes milled -	**796.9**	719.6
Average silver grade – grams per tonne	**157**	150
Average gold grade – grams per tonne	**2.82**	2.81
Average silver recovery - %	**92.1**	91.3
Average gold recovery - %	**95.2**	95.4
Silver – koz	**3,725**	3,144
Gold – koz	**70.47**	60.82
Cash cost per ounce of silver net of by-product credits		
Cash cost per ounce net of by-products[(1)]	**$ 10.12**	$ 8.55
Total cost per ounce net of by-products[(1)]	**$ 20.76**	$ 19.03
AISCSOS[(1)]	**17.93**	16.84
Payable silver – koz	**3,717**	3,138
Sustaining capital expenditures – thousands	**$ 26,741**	$ 12,002

(1) AISCSOS and cash costs per ounce and total costs per ounce are non-GAAP measurements. Please refer to section Alternative Performance (Non-GAAP) Measures for a detailed reconciliation of these measures to our cost of sales.

2014 versus 2013

Silver production in 2014 at the Manantial Espejo mine was 3.7 million ounces, a 18% increase from 2013 production. This increase was the combined result of an 11% increase in throughput rates, a 5% improvement in silver grades, and a 1% improvement to silver recoveries largely achieved through successful plant optimization efforts.

2014 gold production of 70,500 ounces was 16% more than 2013 gold production of 60,800. The improved gold production was primarily driven by record mill throughput as gold grades and recoveries were consistent with those in 2013.

In 2014, cash costs at Manantial Espejo increased to $10.12 per ounce of silver, 18% higher than 2013 cash costs of $8.55 per ounce. The main drivers of the increased cash costs were a large swing in inventory variations moving from stockpile building in 2013 to stockpile draw-downs in 2014 partially offset by reduced non-capitalized waste mining rates. In addition, lower realized gold prices more than offset the benefit of increased year-over-year gold production.

2014 AISCSOS increased 6% to $17.93 from $16.84 AISCSOS in 2013 due largely to a $14.7 million increase in sustaining capital, and a $4.7 million increase in production costs from 2014 NRV adjustments. These 2014 negative AISCSOS factors were partially offset by an 18% increase in payable Manantial Espejo silver ounces sold, and a $13.9 million increase in by-product credits.

2014 versus 2014 Guidance

Manantial Espejo's actual throughput rates and silver recoveries were slightly better than expected, though average 2014 realized silver grades were lower than planned. The combined result was Manantial Espejo's 2014 silver production being slightly below management's forecasted range of 3.75 million to 4.05 million ounces.

2014 cash costs of $10.12 per silver ounce were 1% higher than the forecast range of $8.75 to $10.00 per ounce. The main driver for the higher than expected cash costs was lower than expected by-product credits driven by 2014 declining gold prices.

Sustaining capital expenditures at Manantial Espejo during 2014 totalled $26.7 million, 11% lower than the $30.0 million forecast for 2014 and $14.7 million higher than that in 2013. The 2014 sustaining capital expenditure was primarily for open pit pre-stripping as well as a tailings dam expansion and mine site exploration.

2014 PROJECT DEVELOPMENT UPDATE

The following table reflects the amounts spent at each of Pan American's significant projects in 2014, as compared to 2013 and 2012. Our accounting policies determine which portion of the amounts spent at our projects is capitalized and which portion is expensed during the period.

Project Development Spending (thousands of USD)	2014	2013	2012
Dolores Projects	$ 17,254	$ 50,482	$ 21,291
La Colorada Expansion	$ 17,924	$ -	$ -
Navidad [1]	$ 4,437	$ 2,761	$ 20,044
Morococha Project	$ -	$ -	$ 6,389
Other	$ -	$ 203	$ 4,244

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

- ***La Colorada Expansion***

Pan American invested $17.9 million on the La Colorada expansion, of which $5.6 million was used to purchase new underground mobile mining equipment and to advance project-related underground mine lateral development, $5.1 million was spent on engineering work and equipment purchases for the plant expansion, $3.4 million was spent on new community infrastructure, $1.5 million was spent on procurement of the new production hoist, $0.9 million in camp expansions and expanded site infrastructure, and the remainder was required to fund indirect project costs.
During 2014 the following progress on the expansion project was achieved:

§ Completed the basic engineering package for the new processing plant, ordered all major equipment for the plant, and commenced detailed engineering and equipment fabrication;

§ Selected the plant engineering procurement and construction contractor;

§ Completed over 1,500 meters of development to enable access at the future shaft-bottom, and completed a ventilation raise to provide the necessary ventilation to advance underground project development;

§ Purchased the required new mobile underground equipment;

- § Procured a new production hoist for the future shaft;
- § Awarded the shaft engineering and procurement contract; and,
- § Awarded the raise boring contract for the new shaft and commenced the pilot hole drilling.

· ***Dolores Projects***

The Company invested $17.3 million in project capital during 2014, the major items of which involved: the second phase of the Dolores' leach pad 3 expansion (approximately $14.2 million); advancement of the new power line (approximately $1.4 million); and performing processing optimization studies, which included completing a PEA on a Dolores expansion that adds a new milling and pulp agglomeration circuit and an underground mine (approximately $1.0 million).

The second phase of the expansion of leach pad 3 was essentially completed in 2014 both on schedule and on budget, and included the successful commissioning of a new solution pumping system. Pad 3 currently provides sufficient stacking room for ore production until mid-2017, at which time the completion of further lining on pad 3 will be required. Approximately $2.0 million of investment remain for the installation of a lime silo and conveyor belt which has been carried over into 2015.

The new Dolores power line project advanced during 2014. When completed the new line will replace the current diesel generated power with grid power from the state of Chihuahua. The project is expected to have a pay-back period of approximately 2 years. Approval for the design of the line and the supply of electrical power was received from the Mexican national power utility CFE in 2014. Working with a third party engineering and construction company, the Company advanced negotiations with local land owners regarding power line right of way acquisitions during the year, and an agreement was executed whereby the state power supply company will take ownership of the power line upon its completion, as required in Mexico. Environmental impact assessments were completed and submitted for regulatory approvals.

· ***Navidad***

At the Navidad project, the Company spent a total of $4.4 million in 2014, this was all expensed. The project was place on care and maintenance in the fourth quarter of 2013 and remained as such throughout 2014. The Company continued its focus on local community support activities in Chubut in 2014. Activities related to project engineering, procurement and development have been curtailed since late 2013 until a new law is passed allowing for open pit mining and any associated tax and royalty implications can be assessed.

2014 EXPLORATION AND PROJECT DEVELOPMENT RESULTS

The Company completed over 152.5 kilometers of diamond drilling in 2014. Through these exploration activities the Company discovered approximately 29.6 million ounces of new silver mineral reserves, while at the same time depleting 32.9 million ounces of contained silver through production, and re-categorizing 20.1 million ounces of silver reserves primarily due to lower metal prices. While reserves declined modestly, the average reserve silver grade increased by 4.1%, and average reserve gold grade rose by 5.5%.

The La Colorada mine, which holds Pan American's largest reserves, had a net addition of 5.5 million silver ounces in 2014 for a total of 86 million ounces of silver reserves, a 6% year-over-year increase. Exploration activities were restricted to certain areas at La Colorada, due to the development work for the expansion project.

The San Vicente mine replaced all of the 4.5 million ounces of silver mined during 2014 and added another 0.9 million ounces of new reserves.

As expected, lower precious metal price assumptions and depletion from 2014 production more than offset reserve additions at Dolores, Huaron, and Morococha. Net of 2014 production and exploration additions, reserves at Dolores declined by 0.8 million ounces of silver and increased by 52,000 ounces of gold, due to pit optimization. At Huaron, mineral reserves declined by 0.9 million ounces of silver and at Morococha reserves declined by a modest 0.2 million ounces.

The largest change in 2014 was at Manantial Espejo, where silver reserves declined by 3.4 million ounces and gold diminished by 44,000 ounces. These ounces have been moved from mineral reserves to mineral resources due to lower metal prices and may be re-classified should metal prices or the cost environment improve.

For a complete breakdown of the Company silver resources and reserves by property and category, refer to the section “Mineral Reserves and Resources” of this MD&A.

OVERVIEW OF 2014 FINANCIAL RESULTS

For the year ended December 31, 2014, Pan American generated a net loss of $544.8 million compared to a net loss of $445.8 million generated in 2013. Net losses in 2014 and 2013 were both primarily the result of pre-tax non-cash impairment charges on certain mineral property plant and equipment assets, in the amounts of $596.3 million and $540.2 million, respectively. The 2014 impairment charges, discussed in detail in “Net impairment of mining assets and goodwill” section of this MD&A, were directly attributable to decreases in metal prices in the later part of 2014. These market price decreases led the Company to lower the silver and gold prices assumptions used both to estimate reserves and in discounted life of mine cash flow models. Decreased realized metal prices had a negative effect on revenue which declined 9% in 2014 from 2013, and significantly contributed to the 2014 net loss. However, despite the 2014 increased net loss, 2014 net cash generated from operating activities increased to $124.2 million compared to the $119.6 million generated in 2013, as lower cash operating margins were more than offset by lower income taxes paid and working capital movements.

The following tables set out selected quarterly results for the past eight quarters, which are stated in thousands of USD except for the per share amounts. The dominant factor affecting results in the quarters presented below is the volatility of realized metal prices, industry wide cost pressures, and the timing of the sales of production which varies with the timing of shipments.

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

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

- ***Income Statement***

A net loss of $544.8 million was incurred in 2014 compared to a net loss of $445.8 million in 2013. The basic loss per share for 2014 was $3.60 compared to the $2.94 loss per share in 2013. The major contributors to the 2014 increased loss were: a $78.3 million increase to net of tax non-cash impairment charges taken on certain mineral property assets; a $72.6 million decrease in revenues, driven primarily by lower realized metal prices partially offset by increased sales volumes; a $50.9 million increase in cost of sales made up of increases to both depreciation and annual production costs, driven by increased throughput and higher negative non-cash NRV charges to in-process inventories; and, a combined $23.7 million decrease in net gains on derivatives, commodity contracts and asset sales. These factors were offset by various expense reductions in 2014, the most significant being a $131.5 million decrease in income tax expense (excluding the tax effect of the non-cash impairments), and a $2.3 million decrease in exploration and project development expenses.

The following table highlights the key items that affected net loss year over year:

Net loss for 2013			**$ (445,846)**
Decreased revenue:			
Lower realized metal prices, *net of changes in settlement adjustments*	$ (112,878)		
Higher quantities of metal sold	43,542		
Increased TCRCs	(3,226)		
Total change in revenue		**$**	**(72,562)**
Increased cost of sales:			
Higher production costs and Royalty charges	(39,086)		
Higher depreciation and amortization	(11,797)		
Total change in cost of sales			**(50,883)**
Net of tax 2014 impairment, incremental to 2013			(78,293)
Decreased net realized gain on derivatives, commodity contracts and asset sales			(23,739)
Decreased other income			(9,601)
Decreased income tax, *excluding effect of mineral property impairments*			131,510
Decreased exploration and project development expense			2,250
Decreased net finance and interest expense			1,292
Decreased FX loss			1,362
Net change in other items			(313)
Net loss for 2014		**$**	**(544,823)**

Revenue for 2014 was $751.9 million, a 9% decrease from 2013 revenue of $824.5 million. The decrease in revenue was driven by a $136.2 million price variance from lower metal prices realized for all metals but zinc, and a $3.2 million year over year increase in treatment and refining charges ("TCRC") included in revenue. These negative effects were offset by a $43.5 million positive volume variance from higher quantities of all metals sold, and approximately $23.3 million less in negative provisional price and quantity adjustments in 2014 compared to those in 2013.

The following table reflects the metal prices that the Company realized, and the quantities of metal sold during each period. Realized prices for all metals sold decreased from 2013 with the exception of zinc, which increased 13%. Silver and gold experienced the most significant decreases falling 20% and 9%, respectively. Silver sales volumes in 2014 were essentially the same as those in 2013, while copper and gold sales quantities increased significantly with 57% and 12% more metal sold in 2014 than 2013, respectively. Lead sales quantities increased 6% from 2013 while 2014 zinc sales volumes were consistent with 2013 levels.

	Realized Metal Prices Year ended December 31,		Quantities of Metal Sold Year ended December 31,	
	2014	2013	2014	2013
Silver[1] – ounces	**$ 18.53**	$ 23.29	**25,430,519**	25,478,014
Gold[1] – ounces	**$ 1,268**	$ 1,398	**158,095**	141,341
Zinc[1] – tonnes	**$ 2,160**	$ 1,908	**37,547**	37,510
Lead[1] – tonnes	**$ 2,085**	$ 2,141	**14,071**	13,262
Copper[1] – tonnes	**$ 6,825**	$ 7,251	**7,396**	4,718

(1) Metal price stated as dollars per ounce for silver and gold, and dollars per tonne for zinc, lead and copper.

Mine operating earnings were $8.1 million in 2014, a decrease of $123.4 million from the $131.5 million generated in 2013. Mine operating earnings are equal to revenue less cost of sales, which is considered to be substantially the same as gross margin. The decrease in mine operating earnings was primarily the result of the $72.6 million lower revenues noted above, and an increase in cost of sales, which was $50.9 million higher in 2014 than in 2013. The year over year increase to cost of sales was largely from higher production costs at Dolores and Manantial Espejo, mines which as discussed in the respective operations summaries experienced increased throughput and costs per ounce in 2014 compared to 2013. Also contributing to increased 2014 production costs was the 2014 inclusion of total negative period end in-process inventory NRV adjustments of $29.9 million compared to $13.0 million in 2013. The 2014 NRV inventory adjustments were comprised of a $19.7 million adjustment on heap inventory, and adjustments of $7.0 million, $0.9 million and $2.3 million on doré, stockpile and in-process inventories, respectively. The comparative total $13.0 million NRV adjustment in 2013 was comprised of adjustments for $10.3 million and $2.7 million on heap and doré inventories, respectively.

Impairments of mineral property plant and equipment assets and goodwill of $596.3 million pre-tax ($498.7 million net of tax) were recorded in 2014 relating to certain mining assets of the Company as summarized in the table below. This compares to the non-cash impairments of $540.2 million pre-tax ($420.4 million net of tax) recorded in 2013 primarily related to the Dolores mine and associated goodwill arising upon the acquisition of Minefinders in March 2012.

The following table summarizes the before and after tax impairment charges taken on the Company's mineral property assets in 2014 and 2013:

	December 31, 2014 (millions)		December 31, 2013 (millions)	
	Pre-tax	Net of tax	Pre-tax	Net of tax
Mine assets:				
Dolores mine[1]	**$ 170.6**	**$ 110.8**	$ 525.4	$ 405.6
Manantial Espejo mine	**76.7**	**55.9**	-	-
Alamo Dorado mine	**23.7**	**17.7**	-	-
Total mine assets	**$ 271.0**	**$ 184.4**	$ 525.4	$ 405.6
Development properties:				
Navidad property	**$ 286.1**	**$ 286.1**	$ -	$ -
Minefinders exploration properties[2]	**34.4**	**23.4**	14.8	14.8
Pico Machay property	**4.8**	**4.8**	-	-
Total development properties	**$ 325.3**	**$ 314.3**	$ 14.8	$ 14.8
Total	**$ 596.3**	**$ 498.7**	$ 540.2	$ 420.4

(1) The 2013 Dolores impairment charge includes a $184.7 million write-down to goodwill.

(2) The 2014 Exploration asset impairment includes a $4.1 million write-down to related goodwill, while the 2013 impairment includes a $7.1 million write down to related goodwill.

Due to a sustained decrease in metal prices that began during the third quarter of 2014 during the fourth quarter of 2014 the Company lowered the silver and gold prices used in its long term reserve prices and updated the metal prices used in the near-term and mid-term periods (up to 2018) in its life of mine cash flow models. The Company concluded that these changes constituted an indication of impairment in the fourth quarter of 2014. Based on the Company's estimation of the recoverable amounts of its mineral properties as at December 31, 2014, determined on a fair value less costs to sell basis, the Company concluded that impairment charges were required on the Dolores, Manantial Espejo and Alamo Dorado mines, as well as on the Navidad project, and certain non-core exploration properties.

The Company's key assumptions for each impairment test included the most current information on operating and capital costs, and risk adjusted project specific discount rates. The Company used a median of analysts' consensus pricing for the first four years of its economic modeling for impairment purposes, and long term reserve prices for the remainder of each asset's life. The prices used can be found in the key assumptions and sensitivity section below.

At its Dolores property, the Company determined that the carrying value of approximately $516.1 million, net of associated deferred tax liabilities was greater than its recoverable amount of $405.3 million when using a 5% risk adjusted discount rate. Based on the assessment at December 31, 2014, the Company recorded a further impairment charge related to the Dolores mine of $170.6 million before tax ($110.8 million net of tax) comprised of mineral property of $88.6 million, exploration and evaluation property of $72.0 million, and property, plant and equipment assets of $10.0 million.

At its Manantial Espejo property, the Company determined that the carrying value of approximately $142.1 million, net of associated deferred tax liabilities, was greater than its recoverable amount of $86.2 million when using a 9% risk adjusted discount rate. Based on the above assessment at December 31, 2014, the Company recorded an impairment charge related to the Manantial Espejo mine of $76.7 million before tax ($55.9 million net of tax) comprised of mineral property of $46.3 million, and property, plant and equipment assets of $30.4 million.

At its Alamo Dorado property, the Company determined that the carrying value of approximately $45.6 million, net of associated deferred tax liabilities, was greater than its recoverable amount of $27.6 million when using a 5% risk adjusted discount rate. Based on this assessment the Company recorded an impairment charge related to the Alamo Dorado mine of $23.7 million before tax ($17.7. million net of tax) comprised of mineral property of $7.4 million, and property, plant and equipment assets of $16.3 million.

With regard to its Navidad property, the Company concluded an impairment at December 31, 2014 was warranted given the sustained decrease in metal prices and thus the implied market value of exploration and development-stage mineral properties, and the relatively high discount rate utilized for the recoverability assessment which reflects the currently challenging Argentine economic and mining industry conditions. The Company used a range of expected FX assumptions, and a risk adjusted project specific discount rate of 11.25% to develop a discounted cash flow model. Additionally, the Company compiled market data to develop an in-situ based valuation of the property. The result indicated that an impairment of $286.1 million before tax ($286.1 million net of tax) comprised of $271.9 million exploration and evaluation property, $3.6 million of land, and $10.6 million of equipment was necessary to reduce the approximate carrying value of $486.5 million to the estimated recoverable value of $200.4 million, inclusive of land and equipment.

Furthermore, in the fourth quarter of 2014 the Company determined that its La Bolsa, La Virginia, and Pico Machay properties at December 31, 2014 all had recoverable values, on a fair value less cost of sales basis, below their carrying values. For the La Bolsa property an

impairment of $10.3 million before tax ($6.4 million net of tax) was warranted to reduce the carrying value of $25.2 million. The La Virginia property was written off entirely, including related goodwill $4.1 million, resulting in a total $24.1 million charge before tax ($17.0 million net of tax). At the Pico Machay property the Company determined that a $4.8 million impairment (both before and after tax) was appropriate to reduce the carrying value of approximately $22.2 million to $17.4 million.

Similarly, in 2013 primarily due to a sustained decrease in metal prices that began during the second quarter and continued through the balance of 2013, the Company concluded that impairment indicators existed and ultimately impairments were required at both June 30, 2013 and December 31, 2013.

For the June 30, 2013 impairment assessment the Company used then-current information for key assumptions on operating and capital costs, a long term silver price of $25 per ounce, a long term gold price of $1,350 per ounce, a range of possible outcomes related to a proposed Mexican royalty, and a risk adjusted project specific discount rate of 6%. Additionally, and consistent with prior periods, the Company used analysts' consensus pricing for the first four years of its economic modeling. At June 30, 2013, the Company determined that the carrying value related to the Dolores mine of approximately $1,061 million, including goodwill and net of associated deferred tax liabilities, was greater than its recoverable amount of $872.5 million. Based on the above assessment at June 30, 2013, the Company recorded a Dolores mine related impairment charge of $187.5 million net of tax ($188.6 million before tax) comprised of goodwill of $184.7 million, and non-current assets of $3.9 million.

In the fourth quarter of 2013 the Company lowered the silver and gold prices assumed in its reserve and resource estimates and its life of mine cash flow models which ultimately lead to a conclusion that an impairment charge of $218.1 million net of tax ($336.8 million before tax), was required on the Dolores asset, which was allocated pro-rata amongst the mineral property ($194.6 million), exploration and evaluation property ($116.1 million), and property, plant and equipment assets ($26.1 million). This Q4 2013 impairment was in addition to a June 30, 2013 Dolores net of tax impairment of $187.5 million ($188.6 million before tax), further discussed in the paragraph above. For the purposes of the December 31, 2013 impairment review, the Company's key assumptions included the most current information on operating and capital costs, a long term silver price of $22 per ounce, a long term gold price of $1,300 per ounce, the effects of the Mexican tax reforms that were substantively enacted at that time, and a risk adjusted project specific discount rate of 6%. The Company used a median of analysts' consensus pricing for the first four years of its economic modeling for impairment purposes, which had further deteriorated since June 30, 2013. At December 31, 2013, the Company determined that the carrying value related to the Dolores mine of approximately $723.1 million, net of associated deferred tax liabilities, was greater than its recoverable amount of $505.1 million.

Furthermore, at June 30, 2013, the Company reclassified certain exploration assets from assets held for sale to exploration and evaluation property which required assessment of their carrying amount based on fair value less costs to sell. These assets were classified as held for sale in the first quarter of 2013 when the Company entered into an agreement to potentially dispose of them and recorded an impairment charge of $18.3 million. At June 30 2013, it was determined that the estimated recoverable value of the non-current assets on a fair value less costs to sell basis required an impairment recovery of $3.4 million and brought the impairment charge of approximately $14.9 million as at June 30, 2013, for these properties.

Key assumptions and sensitivity

The metal prices used to calculate the recoverable amounts at December 31, 2014, December 31, 2013 and June 30, 2013 are based on analyst consensus prices and the Company's long term reserve prices, and are summarized in the following tables:

Metal prices used at December 31, 2014

Commodity Prices	2015-2018 average	Long term
Silver - $/oz.	$ 19.03	$ 18.50
Gold - $/oz.	$ 1,266	$ 1,250
Zinc - $/tonne	$ 2,423	$ 2,000
Copper - $/tonne	$ 6,996	$ 6,800
Lead - $/tonne	$ 2,255	$ 2,000

Metal prices used at December 31, 2013

Commodity Prices	2014-2017 average	Long term
Silver - $/oz.	$ 22.43	$ 22.00
Gold - $/oz.	$ 1,338	$ 1,300
Zinc - $/tonne	$ 2,184	$ 1,850
Copper - $/tonne	$ 7,001	$ 6,800
Lead - $/tonne	$ 2,205	$ 1,950

Metal prices used at June 30, 2013

Commodity Prices	2013-2016 average	Long term
Silver - $/oz.	$ 26.79	$ 25.00
Gold - $/oz.	$ 1,508	$ 1,350
Zinc - $/tonne	$ 2,238	$ 1,750
Copper - $/tonne	$ 7,436	$ 6,500
Lead - $/tonne	$ 2,221	$ 1,850

The Company assesses impairment, when events or changes in circumstances indicate that the related carrying value may not be recoverable, at the cash-generating unit level ("CGU"), which is considered to be individual mine sites or development properties. The discount rates used to present value the Company's life of mine cash flows are derived from the Company's weighted average cost of capital which was calculated as 7.5% for 2014 (2013 – 8%), with rates applied to the various mines and projects ranging from 4.75% to 11.25% depending on the Company's assessment of country risk, project risk, and other potential risks specific to each CGU.

The key assumptions in determining the recoverable value of the Company's mineral properties are metal prices, operating and capital costs, foreign exchange rates and discount rates. At December 31, 2014, the Company performed a sensitivity analysis on all key assumptions that assumed a negative 10% change to each individual assumption while holding the other assumptions constant. Under certain such scenarios the carrying value of the Company's mineral properties associated with the Huaron mine and the Morococha mine may exceed their recoverable amount for the purposes of an impairment test.

For the Huaron mine, either of a 2% decrease in the long term silver price, a 4% decrease in the long term zinc price, a 6% decrease in the long term lead price, a 9% decrease in the long term copper price, a 1% increase in operating costs, a 4% appreciation of the Peruvian sol, or an 8% increase in capital expenditures would all in isolation cause the estimated recoverable amount

to be equal to the CGU carrying value of $72.0 million (2013–$65.8 million). At December 31, 2013, none of these factors, if negatively affected by 10%, would have caused the carrying value to equal or exceed the recoverable value.

For the Morococha mine, either of an 8% decrease in the long term silver price, or a 7% increase in operating costs would in isolation, cause the estimated recoverable amount to be equal to the CGU carrying value of $121.4 million (2013–$125.6 million). At December 31, 2013, none of these factors, if negatively affected by 10%, would have caused the carrying value to equal or exceed the recoverable value.

In the case of the Dolores mine, the Alamo Dorado mine, the Manantial Espejo mine, the Navidad project and certain non-core exploration properties, which all have had their carrying values adjusted to fair value less cost to sell through impairment charges, a modest decrease in any one key assumption would reduce the recoverable amount below the carrying amount.

General and Administrative expense for 2014 was a $17.9 million comparable to the $17.6 million expense recorded in 2013. 2014 G&A expense included $2.5 million in share-based compensation, also comparable to the $2.2 million share based compensation included in 2013.

Exploration and project development expense was $13.2 million in 2014, a $2.3 million decrease compared to the $15.5 million expense in 2013. Both 2014 and 2013 exploration and project development expenditures were primarily related to greenfield exploration drilling activities predominantly within the vicinity of current operations. Also included in these expenses was approximately $4.8 million relating to the Navidad project compared to approximately $3.3 million of Navidad expense in 2013.

Investment income for the year ended December 31, 2014 totalled $2.8 million (2013 - $3.1 million) and consisted mainly of interest income and net gains from the sales of the securities within the Company's short-term investment portfolio.

Income taxes for 2014 were a $92.5 million recovery, a $109.3 million decrease from the $16.8 million income tax expense recorded in 2013. The 2014 and 2013 income tax provisions were comprised of current and deferred income taxes as follows:

	2014	2013
Current taxes		
Current tax expense in respect of the current year	**$ 35,763**	$ 54,365
Adjustments recognized in the current year with respect to prior years	**44**	1,326
	35,807	55,691
Deferred taxes		
Deferred tax recovery recognized in the current year	**(20,199)**	(865)
Adjustments recognized in the current year with respect to prior years	**2,862**	(523)
Adjustments to deferred tax attributable to changes in tax rates and laws	**(2,876)**	86,825
Reduction in deferred tax liabilities due to tax impact of impairment of mineral property, plant, and equipment	**(97,541)**	(119,800)
Reduction in deferred tax liabilities due to tax impact of net realizable value charge to inventory	**(10,547)**	(4,571)
	(128,301)	(38,934)
Provision for income taxes	**$ (92,494)**	$ 16,757

The decrease in the provision for income taxes was primarily a consequence of decreased taxable earnings generated at our operations as well as the effects of various temporary and permanent differences as shown in the table below. These result in an effective tax rate that

varies considerably from the comparable period and from the amount that would result from applying the Canadian federal and provincial statutory income tax rates to earnings before income taxes.

The main factors which have affected the effective tax rates for the year ended December 31, 2014 and the comparable period of 2013 were then non-deductible foreign exchange (gains)/losses, foreign tax rate differences, mining taxes paid, and withholding tax on payments from foreign subsidiaries.

In 2014, the Company recorded a non-cash impairment charge on non-current assets on several properties, and on goodwill associated with the La Virginia property. No tax benefit was recognized on a substantial portion of these impairment charges, mainly related to the non-current assets of Navidad and the goodwill related to La Virginia.
In 2013, the Company recorded a non-cash impairment charge on goodwill related to Dolores and other Minefinders' exploration properties. No tax benefit was recognized for these transactions.

The Company expects that these and other factors will continue to cause volatility in effective tax rates in the future.

	2014	2013
Loss taxes	**$ (637,315)**	$ (429,089)
Statutory tax rate	**26.00%**	25.75%
Income tax expense based on above rates	**$ (165,702)**	$ (110,490)
Increase (decrease) due to:		
Non-deductible expenses	**4,902**	5,198
Foreign tax rate differences	**(61,445)**	(22,164)
Change in net deferred tax assets not recognized:		
-Argentina exploration expenses	**847**	3,598
-Other deferred tax assets not recognized	**2,289**	2,042
Non-taxable unrealized gains on derivative financial instruments	**(350)**	(4,304)
Effect of other taxes paid (mining and withholding)	**8,050**	14,451
Non-deductible foreign exchange loss	**4,430**	242
Change to temporary differences on inventory	**2,647**	-
Impact of Peruvian tax rate change	**(2,876)**	-
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12	**3,272**	3,394
Impairment charges	**110,692**	41,166
Impact of Mexican tax reform	**-**	86,825
Other	**750**	(3,201)
	$ (92,494)	$ 16,757
Effective tax rate	**14.51%**	(3.91%)

* The 2014 statutory income tax rates in the countries that the Company has operations in are as follows: Argentina – 35%, Bolivia – 25%, Mexico –30%, Peru – 30%.

- ***Statement of Cash Flows***

Cash flow from operations generated $124.2 million in 2014, a 4% increase from the $119.6 million generated a year ago. A large part of the increase in cash flow from operations resulted from the $64.9 million decrease to income tax paid in 2014 compared to 2013, and a positive $32.9 million change in working capital movement which was a $11.6 million source of cash in 2014 compared to a $21.3 million use of cash flow in 2013. The major difference in year over year working capital movements was the effect of inventory balances decreases in 2014 versus

increases in 2013, which resulted in working capital cash generation of $11.3 million 2014 compared to a $25 million cash use in 2013. The positive effect of income taxes and working capital variances on 2014 cash flows offset the effect of lower cash operating margins driven largely by the previously discussed 2014 decline in realized metal prices.

Investing activities used $143.2 million in 2014, inclusive of $13.5 million spent on net short-term investments, and $1.9 million cash generated by asset dispositions. The balance of investing activities consisted primarily of spending $131.8 million on capital at the Company's mines and projects as described in the "2014 Operating Performance" section above. In 2013, investing activities used $125.3 million, inclusive of $19.9 million generated from net short-term investment liquidations and $13.7 million cash generated by asset dispositions.

Financing activities in 2014 used $83.9 million, whereas financing activities in 2013 used $90.2 million. Cash used in financing activities in 2014 consisted of $75.8 million paid as dividends to shareholders, $5.3 million in repayments of construction and equipment leases and $2.4 million in repayments of short-term debt.

In 2013, $90.2 million in cash was used in financing activities consisting of $75.8 million paid as dividends to shareholders, $6.7 million used in the share buy-back program, and $30.2 million in repayments of construction and equipment leases, which were offset by $23.5 million received as proceeds (in Argentine Pesos) from a short term bank loan received by one of the Company's subsidiaries for short term cash management purposes and mitigating exposure to foreign exchange risk.

- ***Income Statement Q4 2014***

Net losses for the three month periods ended December 31, 2014 and December 31, 2013 were $525.7 million and $293.1 million, respectively. Net losses in both periods were primarily the result of previously discussed pre-tax impairment charges taken in in both Q4 2014 and Q4 2013. The basic loss per share in Q4 2014 was $3.48 compared to the $1.94 loss per share in Q4 2013. The major contributors to the 2014 increased loss were: a $280.6 million increase to net of tax non-cash impairment charges taken on certain mineral property assets; a $29.3 million decrease in revenues, driven primarily by lower realized metal prices and decreased sales volumes; a $11.1 million increase in cost of sales primarily from increased depreciation and negatively affected NRV adjusted production costs, and a $11.8 million decrease in other income driven mainly by nonrecurring Morococha relocation payments received in 2013. These factors were offset by various expense reductions in 2014, the most significant being a $107.2 million decrease in income tax expense which excludes the tax effect of the non-cash impairments.

The following table highlights the key items that affected net loss quarter over quarter:

Q4 2013 net loss		**$ (293,064)**
Decreased revenue:		
Lower realized metal prices, *net of changes in settlement adjustments*	$ (25,354)	
Lower quantities of metal sold	(1,814)	
Increased TCRCs	(2,096)	
Total change in revenue		**$ (29,264)**
Increased cost of sales:		
Higher depreciation and amortization	(6,881)	
Higher production costs net of Royalty charges	(4,179)	
Total change in cost of sales		**(11,060)**
Net of tax 2014 impairment, incremental to 2013		(280,636)
Decreased other income		(11,793)
Increased exploration and project development expense		(3,288)
Decreased net realized gain on derivatives, commodity contracts and asset sales		(7,574)
Decreased income tax, excluding effect of mineral property impairments		107,145
Decreased net finance and interest expense		2,785
Decreased FX loss		1,472
Net change in other items		(456)
Q4 2014 net loss		**$ (525,727)**

Revenue for Q4 2014 was $163.1 million, a 15% decrease from revenue in the comparable period in 2013. At the end of the Q4 2014 the Company decided to defer the sale of approximately 7,000 ounces of gold and 150,000 ounces of silver produced at Manantial Espejo mine until the first quarter of 2015. While this negatively impacted fourth quarter revenues and operating cash flows, the Company did receive approximately $0.8 million of additional revenue when this production was sold. Other factors driving the 15% decrease include a $30.6 million price variance from lower metal prices realized for all metals but zinc, and a $2.1 million year-over-year increase in treatment and refining charges included in revenue, and $1.8 million negative volume variance from lower quantities of all metals sold. These negative variances were offset by approximately $5.2 million less in negative provisional price and quantity adjustments in Q4 2014 compared to those in Q4 2013.

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

	Realized Metal Prices Three months ended December 31,		Quantities of Metal Sold Three months ended December 31,	
	2014	2013	2014	2013
Silver(1) – ounces	**$ 15.70**	**$ 20.28**	**6,352,562**	**6,436,002**
Gold(1) – ounces	**$ 1,205**	**$ 1,285**	**35,686**	**39,746**
Zinc(1) – tonnes	**$ 2,233**	**$ 1,911**	**8,563**	**9,394**
Lead(1) – tonnes	**$ 1,960**	**$ 2,143**	**3,467**	**3,635**
Copper(1) – tonnes	**$ 6,621**	**$ 6,915**	**2,332**	**1,286**

(1) Metal price stated as dollars per ounce for silver and gold, and dollars per tonne for zinc, lead and copper.

Realized prices for all metals sold decreased from Q4 2013 with the exception of zinc which increased 17%. Silver, lead and gold experienced the most significant decreases falling 23%, 9% and 6%, respectively. Silver sales volumes in Q4 2014 were essentially the same as those

in 2013, while gold, zinc and lead decreased 10%, 9% and 5% respectively. The Company had record copper sales in Q4 2014, selling 81% more than in Q4 2013.

Mine operating loss in Q4 2014 was $21.4 million, representing a $40.3 million decrease from mine operating earnings of $19.0 million in the same quarter last year. The lower revenue described above, combined with higher production costs and depreciation and amortization, largely due to higher volumes, resulted in decreased mine operating earnings. Cost of sales for Q4 2014 of $184.5 million was an increase of 6% from $173.4 million in the comparable period last year. Q4 2014 results were also impacted by negative sales adjustments to previously reported provisional sales of $4.4 million (Q4 2013: $5.8) and by net realizable value adjustments of $2.2 million (Q4 2013: $8.4m).

Impairments of mining assets during 2014, as previously discussed, all took place in Q4 2014 and amounted to $498.7 million, net of tax ($596.3 million before tax), where Q4 2013 impairments to the Dolores mine, as described previously, amounted to $218.1 million, net of tax ($336.8 million before tax).

General and Administrative expense for Q4 2014 was $3.1 million comparable to the $2.6 million expense recorded in 2013. The slight quarter over quarter increase was driven by higher share based compensation in Q4 2014 compared to Q4 2013 as the comparable period included expense recoveries made on year-end adjustments with no such recovery in Q4 2014.

Exploration and project development expense in Q4 2014 was $4.3 million compared to the $1.0 million in Q4 2013. Approximately $1.7 million of the Q4 2014 expense related to Navidad project costs compared to nil in Q4 2013. Consistent with the annual exploration and project development, the fourth quarter expenses primarily related to greenfield exploration drilling activities were predominantly within the vicinity of current operations.

Income tax provision during Q4 2014 amounted to a recovery of $105.3 million compared to $19.3 million in Q4 2013. The main factors which impacted the effective tax rates for Q4 2014 versus the expected statutory rate were similar to those described above for the full year 2014. The primary reason for the change in the provision from an expense to a recovery was the tax impact of impairment charges.

- ***Statement of Cash Flows Q4 2014***

Cash flow from operations generated $0.8 million in Q4 2014, down from the $46.2 million generated one year ago. The decrease is largely explained by decreases in cash mine operating earnings, excluding non-cash depreciation and amortization, and by changes in working capital. The decrease was offset partially by a $14.4 million decrease in income taxes paid in Q4 2014 compared to Q4 2013. Changes in non-cash working capital generated $4.2 million in Q4 2014 compared to $13.0 million in Q4 2013, an $8.8 million decrease. The decreased cash flow from working capital changes was primarily attributable to a $13.2 million decrease in cash generated from receivables movements, which generated $0.7 million in Q4 2014 compared to $13.9 million in Q4 2013. Other significant movements were a $6.5 million decrease in cash generated by changes in liabilities and provisions, which generated $1.8 million in Q4 2014, compared to $8.3 million in Q4 2013, offset by an additional $10.9 million source of cash from movements in prepaid expenditures and inventories, which generated $1.7 million of cash-flow in Q4 2014 compared to a $9.2 million use of cash in Q4 2013.

Cash flow from ***investing activities*** generated $6.4 million in Q4 2014 compared to $13.4 million in Q4 2013. Investing activities in Q4 2014 included cash generation of $33.7 million in liquidations of short term investments, $30.1 million used in capital investments, and an aggregate $2.8 million in cash generated on asset sale proceeds and tax refunds. The Q4 2013

investing activities consisted primarily of $41.2 million in cash from liquidations of short term investments, an aggregate of $33.7 million used in capital investments at the operating mines, and $5.8 million in cash received from proceeds from asset sales and tax refunds.

Financing activities in Q4 2014 used $20.9 million and consisted of $18.9 million in dividend payments to our shareholders, $1.5 million in payments on construction and equipment leases, and $0.4 million used for the repayment of short term loans. Financing activities in Q4 2013 used $17.2 million and consisted primarily of $18.9 million in dividend payments to our shareholders, $2.6 million in payments on construction and equipment leases, offset by $4.9 million in proceeds received from a short term bank loan received by one of the Company's subsidiaries for short term cash management purposes and mitigating exposure to foreign exchange risk.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, a company indirectly owned by a trust of which a director of the Company, Robert Pirooz, is a beneficiary, was paid approximately $0.4 million (2013 - $0.4 million) for consulting services. Similarly, at December 31, 2014 and 2013 an accrual was recorded for consulting services for a nominal amount. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The remuneration of directors and other members of key management personnel during the year were as follows, in thousands of USD:

		2014		2013
Short-term benefits	**$**	**9,700**	$	8,274
Share-based payments		**2,487**		1,890
	$	**12,187**	$	10,164

LIQUIDITY POSITION

The Company's cash and short-term investments balances at December 31, 2014 totaled $330.4 million, which was a decrease of $92.3 million from the balances at December 31, 2013. The decrease in net cash and short term investments in 2014 resulted primarily from capital expenditures on property, plant and equipment, the payment of dividends to our shareholders, and the cash utilized to repay construction leases that outpaced cash generated by operating activities and proceeds from the sales of assets.

Pan American's investment objectives for its cash balances are to preserve capital, to provide liquidity and to maximize return. 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 at December 31, 2014 was $522.7 million, a decrease of $166.3 million from the prior year-end's working capital of $689.0 million. The decrease in working capital was primarily due to the decrease in cash and short-term investments described above, a reclassification of $34.8 million in long term loans to the current liabilities section of our balance sheet, a decrease in inventories of $31.8 million and a decline in trade and other receivable balances of $9.1 million. The reclassification of long term debt was based on the maturity date of a convertible

debenture note acquired through the Minefinders transaction in 2012 occurring on December 15, 2015. The decreases noted in inventories balances were driven primarily by negative net realizable adjustments while trade receivable balances were impacted by negative price adjustments to provisionally priced sales. Other changes to non-cash working capital were in the normal course of operations and fluctuated with the timing of payments, receipts and shipments.

The Company's financial position at December 31, 2014, and the operating cash flows that are expected over the next twelve months, lead management to believe that the Company's liquid assets are sufficient to fund currently planned sustaining and project capital expenditures for in 2015 of $161.0 million to $181.0 million and to discharge liabilities as they come due, including the redemption of the convertible note of approximately $34.8 million in December 2015. Please refer to the "2015 Capital Expenditure Forecasts" section of this MD&A for a more detailed description of the capital expenditures planned for each mine and projects in 2015. The Company remains well positioned to take advantage of strategic opportunities as they become available.

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

CAPITAL RESOURCES

Total attributable shareholders' equity at December 31, 2014 was $1,563.1 million, a decrease of $619.2 million from December 31, 2013, primarily as a result of the net loss incurred in the current year and dividends paid. As at December 31, 2014, the Company had approximately 151.6 million common shares outstanding for a share capital balance of $2,296.7 million (December 31, 2013 – 151.5 million and $2,295.2 million). The basic weighted average number of common shares outstanding was 151.6 million for the year ended December 31, 2014, and 151.5 million for year ended December 31, 2013.

On December 17, 2014, the Company announced that the Toronto Stock Exchange (the "TSX") accepted the Company's notice of its intention to make a normal course issuer bid ("NCIB") to purchase up to 7,570,290 of its common shares, representing up to 5% of Pan American's issued and outstanding shares. The period of the bid began on December 22, 2014 and will continue until December 21, 2015 or an earlier date should the Company complete its purchases. This is the Company's fourth consecutive NCIB program; however no shares have been repurchased under this program up until the date of this MD&A. Under the Company's previous program that ended on December 04, 2014, nil shares were purchased. Since initiating share buy backs in 2011, the Company has acquired and cancelled approximately 6.5 million of its shares.

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

Pan American maintains the NCIB because, in the opinion of its Board of Directors, the market price of its common shares, from time to time, may not fully reflect the underlying value of its mining operations, properties and future growth prospects. The Company believes that in such circumstances, the outstanding common shares represent an appealing investment for Pan

American since a portion of the Company's excess cash generated on an annual basis can be invested for an attractive risk adjusted return on capital through the share buy-back program.

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

As at December 31, 2014, the Company had approximately 1.4 million stock options outstanding, with exercise prices in the range of CAD $11.49 to CAD $40.22 and a weighted average life of 53.68 months. Approximately 1.0 million of the stock options were vested and exercisable at December 31, 2014 with an average weighted exercise price of $22.65 per share. Additionally, as described in note 17 of the 2014 Financial Statements entitled Long Term Debt, the Company has outstanding convertible notes associated with the Minefinders acquisition that could result in the issuance of a variable amount of common shares.

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

	Outstanding as at March 26, 2015
Common shares	151,643,372
Options	1,203,653
Total	**152,847,025**

The Company issued warrants as part of the Aquiline acquisition in December 2009 with an exercise price of CAD $35.00. These warrants expired without being exercised in December 2014.

FINANCIAL INSTRUMENTS

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its future production under forward sales or option contracts. However, at December 31, 2014 and at the date of this MD&A, the Company had no metal under contract.

A part of the Company's operating and capital expenditures is denominated in local currencies other than the USD. These expenditures are exposed to fluctuations in USD exchange rates relative to the local currencies. From time to time, the Company mitigates part of this currency exposure by accumulating local currencies, entering into contracts designed to fix or limit the Company's exposure to changes in the value of local currencies relative to the USD, or assuming liability positions to offset financial assets subject to currency risk. The Company held cash and short term investments of $74.3 million in CAD, $18.7 million in Mexican Pesos and $4.8 million in Peruvian Soles at the balance sheet date. At December 31, 2014 and at the date of this MD&A, all foreign currency forward contract positions had been closed out. During 2014, the Company maintained short term bank loans in Argentina and at December 31, 2014 had a balance outstanding of $17.6 million (2013: $20.1 million). These loans are denominated in Argentine Pesos and were drawn for the purposes of short term cash management and to partially offset the foreign exchange exposure of holding local currency denominated financial assets.

The Company did not record any gains or losses on its forward contracts and commodity and foreign currency contracts in 2014, compared to a loss of $4.6 million in 2013.

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

The Company's share purchase warrants with an exercise price of CAD $35 per share expired in December 2014. The change in the valuation of these share purchase warrants creates a permanent difference for tax purposes and resulted in significant volatility of our effective tax rate.

The conversion feature of the convertible notes acquired in the Minefinders transaction is carried at fair value and is adjusted each period. The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative were recognized initially at their respective fair values. The embedded derivative is now recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized as amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date. Assumptions used in the fair value calculation of the embedded derivative component at December 31, 2014 were expected stock price volatility of 53.57%, expected life of 1.0 years, and expected dividend yield of 5.44%.

During the years ended December 31, 2014 and 2013, the Company recorded a gain on the revaluation of the share purchase warrants and the convertible notes of $1.3 million and $16.7 million, respectively.

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

CLOSURE AND DECOMMISSIONING COST PROVISION

The estimated future closure and decommissioning costs are based principally on the requirements of relevant authorities and the Company's environmental policies. The provision is measured using management's assumptions and estimates for future cash outflows. The Company accrues these costs initially at their fair value, 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 it over the life of each mine on a unit-of-production basis except in the case of exploration projects for which the offset to the liability is expensed. The accretion of the discount due to the passage of time is recognized as an increase in the liability and a finance expense.

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is $99.7 million (2013 - $107.5 million) which has been discounted using discount rates between 1% and 21%. The provision on the statement of financial position as at December 31, 2014 is $43.2 million (2013 - $41.5 million). Decommissioning obligations at the Alamo Dorado and Manantial Espejo mines are estimated to be incurred starting in 2016 and 2017, respectively, while the remainder of the obligations are expected to be paid through 2026 or later if mine life is extended. Revisions made to the reclamation obligations in 2014 were primarily a result of increased site disturbance

from the ordinary course of operations at the mines as well as revisions to the estimates based on periodic reviews of closure plans and related costs, actual expenditures incurred, and concurrent closure activities completed. These obligations will be funded from operating cash flows, reclamation deposits, and cash on hand.

The accretion of the discount charged to 2014 earnings as finance expense was $3.2 million in line with $3.0 million in 2013. Reclamation expenditures incurred during the current year were $2.0 million (2013 - $0.4 million).

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

The Company does not have any off-balance sheet arrangements or commitments that have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, that are material, other than those disclosed in this MD&A and the 2014 Financial Statements and the related notes.

The Company had the following contractual obligations at the end of 2014:

	Payments due by period 2014				
	Total	Within 1 year[2]	2 - 3 years	4- 5 years	After 5 years
Current liabilities	$ 125,031	$ 125,031	$ -	$ -	$ -
Loan obligation	17,600	17,600	-	-	
Finance lease obligations[1]	8,425	4,238	4,187	-	-
Severance accrual	4,135	749	469	2,053	864
Provisions	3,121	3,121	-	-	-
Income taxes payable	22,321	22,321	-	-	-
Restricted share units (“RSUs”)	2,261	1,498	763		
Preferred share units (“PSUs”)	281	-	281		
Current portion of long term debt [4]	37,867	37,867	-	-	-
Total contractual obligations[5]	**$ 221,042**	**$ 212,425**	**$ 5,700**	**$ 2,053**	**$ 864**

(1) Includes lease obligations in the amount of $8.4 million (December 31, 2013 - $10.9 million) with a net present value of $8.0 million (December 31, 2013 - $10.2 million) discussed further in Note 16 of the 2014 Financial Statements and notes.
(2) Includes all current liabilities as per the statement of financial position less items presented separately in this table that are expected to be paid but not accrued in the books of the Company. A reconciliation of the current liabilities balance per the statement of financial position to the total contractual obligations within one year per the commitment schedule is shown in the table below.

December 31, 2014		Future interest component	**Within 1 year**
Current portion of:			
Accounts payable and other liabilities	$ 125,031	$ -	**$ 125,031**
Loan obligation	17,600	-	**17,600**
Current severance liability	749	-	**749**
Current portion of finance lease	3,993	245	**4,238**
Employee Compensation PSU’s & RSU’s	429	1,069	**1,498**
Convertible note	34,797	3,070	**37,867**
Provisions	3,121	-	**3,121**
Income tax payable	22,321	-	**22,321**
Total contractual obligations within one year	$ 208,041	$ 4,384	**$ 212,425**

(3) Includes RSU obligation in the amount of $2.2 million (2013 – $2.3 million) that will be settled in cash. The RSUs vest in two instalments, 50% in December 2014 and 50% in December 2015.
(4) Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 17 of the 2014 Financial Statements for further details.
(5) Amounts above do not include payments related to the Company’s anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 18 of the 2014 Financial Statements, and deferred tax liabilities.

ALTERNATIVE PERFORMANCE (NON-GAAP) MEASURES

- ***AISCSOS***

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

(In thousands of USD , unless stated otherwise)		Three months ended December 31, 2014	2013	Twelve months ended December 31, 2014	2013
Direct Operating Costs		**$ 138,484**	$ 127,812	**$ 538,251**	$ 517,646
Net Realizable Value Adjustments		**2,212**	8,411	**29,953**	12,967
Production Costs[1]		**140,695**	136,223	**568,204**	530,613
Royalties		**5,277**	5,570	**27,955**	26,459
Smelting, refining and transportation charges		**24,159**	22,063	**86,470**	83,244
Less by-product credits		**(84,141)**	(85,696)	**(361,309)**	(331,809)
Cash cost of sales net of by- products[1]		**85,989**	78,160	**321,320**	308,507
Sustaining capital[3]		**24,172**	25,086	**99,083**	111,647
Exploration		**4,278**	990	**13,225**	15,475
Reclamation cost accretion		**809**	757	**3,238**	3,030
General & administrative expense		**3,051**	2,602	**17,908**	17,596
All-in sustaining costs[1]	**A**	**$ 118,298**	$ 107,595	**$ 454,744**	$ 456,255
Payable ounces sold (in koz)	**B**	**6,352.6**	6,436.0	**25,430.5**	25,478.0
All-in sustaining cost per silver ounce sold, net of by-products [2]	**(A*$1000)/B**	**$ 18.62**	$ 16.72	**$ 17.88**	$ 17.91
All-in sustaining cost per silver ounce sold, net of by-products (Excludes NRV Adj.)		**$ 18.27**	$ 15.41	**$ 16.71**	$ 17.40

(1) Totals may not add due to rounding.
(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. For the three months ended December 31, 2013 ("Q4-13") the effect of this revision was a $0.31 decrease to the previously reported consolidated Q4-13 AISCSOS of $17.03**.** The effect of this revision for year ended December 31, 2013 was a $0.42 decrease to the Company's previously reported consolidated AISCSOS of $18.33.
(3) Please refer to the table below.

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

Reconciliation of payments for mineral property, plant and equipment and sustaining capital (in thousands of USD)	Three months ended December 31, 2014	2013	Twelve months ended December 31, 2014	2013
Payments for mineral property, plant and equipment[1]	**$ 30,131**	$ 33,669	**$ 131,761**	$ 159,401
Add/(Subtract)				
Advances received for leases[1]	**636**	331	**3,230**	3,331
Project capital (La Colorada expansion project, and Dolores projects)	**(6,595)**	(8,914)	**(35,908)**	(51,085)
Sustaining Capital[2]	**$ $24,172**	$ 25,086	**$ 99,083**	$ 111,647

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

	Three months ended December 31, 2014							
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	**Consolidated Total**
Direct Operating Costs	$ 11,676	$ 29,668	$ 18,309	$ 20,589	$ 16,583	$ 8,353	$ 33,307		**$ 138,484**
Net Realizable Value Adjustments	-	6,341	1,248	-	-	-	(5,377)		**2,212**
Production costs	$ 11,676	$ 36,009	$ 19,557	$ 20,589	$ 16,583	$ 8,353	$ 27,929		**$ 140,695**
Royalties	95	1,023	96	-	-	3,112	951		**5,277**
Smelting, refining and other direct selling charges	2,775	49	149	10,363	5,163	3,471	2,188		**24,159**
Less by-product credits	(5,980)	(17,859)	(5,870)	(18,525)	(15,198)	(2,681)	(18,027)		**(84,141)**
Cash cost per ounce of silver net of by-product credits[1]	$ 8,565	$ 19,222	$ 13,931	$ 12,428	$ 6,549	$ 12,254	$ 13,041	$	**$ 85,989**
Sustaining capital	1,488	7,962	67	4,970	3,149	992	5,543		**24,172**
Exploration	1	264	135	59	1,056	-	294	2,469	**4,278**
Reclamation cost accretion	59	90	58	150	96	56	274	25	**809**
General & Administrative expense	-	-	-	-	-	-	-	3,051	**3,051**
All-in sustaining costs[1]	$ 10,113	$ 27,538	$ 14,191	$ 17,607	$ 10,849	$ 13,302	$ 19,152	$ 5,545	**$ 118,298**
Payable silver ounces sold	1,098,949	882,500	816,061	787,616	537,071	1,117,385	1,112,980		**6,352,562**
All-in Sustaining Costs per Silver Ounce Sold	$ 9.20	$ 31.20	$ 17.39	$ 22.35	$ 20.20	$ 11.90	$ 17.21	N/A	**$ 18.62**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV Adj)	$ 9.20	24.02	$ 15.86	$ 22.35	$ 20.20	$ 11.90	$ 22.04		**$ 18.27**

(1) Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Consolidated Total
Twelve months ended December 31, 2014									
Direct Operating Costs	$ 49,992	$ 129,154	$ 65,519	$ 77,013	$ 68,873	$ 34,126	$ 113,573		**$ 538,251**
Net Realizable Value Adjustments	-	23,253	1,947	-	-	-	4,753		**29,953**
Production Costs	$ 49,992	$ 152,407	$ 67,466	$ 77,013	$ 68,873	$ 34,126	$ 118,326		**$ 568,204**
Royalties	436	4,888	457	-	-	17,900	4,273		**27,955**
Smelting, refining and other direct selling charges	11,142	178	633	32,146	19,799	13,638	8,934		**86,470**
Less by-product credits	(23,761)	(81,377)	(22,370)	(70,723)	(59,487)	(11,753)	(91,838)		**(361,309)**
Cash cost per Ounce of Silver net of by-product credits[1]	$ 37,808	$ 76,097	$ 46,187	$ 38,437	$ 29,185	$ 53,911	$ 39,695		**$ 321,320**
Sustaining capital	13,476	27,632	293	17,327	10,199	3,415	26,741		**99,083**
Exploration	9	1,602	336	1,312	1,453	-	1,657	6,855	**13,225**
Reclamation cost accretion	237	362	232	600	384	226	1,096	102	**3,238**
General & Administrative expense	-	-	-	-	-	-	-	17,908	**17,908**
All-in sustaining costs[1]	$ 51,530	$ 105,693	$ 47,048	$ 57,676	$ 41,221	$ 57,552	$ 69,189	$ 24,865	**$ 454,774**
Payable silver ounces sold	4,726,138	3,911,600	3,605,832	3,024,572	2,125,430	4,177,048	3,859,900		**25,430,519**
All-in Sustaining Costs per Silver Ounce Sold	$ 10.90	$ 27.02	$ 13.05	$ 19.07	$ 19.39	$ 13.78	$ 17.93	N/A	**$ 17.88**
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV Adj)	$ 10.90	$ 21.08	$ 12.51	$ 19.07	$ 19.39	$ 13.78	$ 16.69		**$ 16.71**

(1) Totals may not add due to rounding.

AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente[2]	Manantial Espejo	PAS CORP	Consolidated Total
Three months ended December 31, 2013									
Direct Operating Costs	$ 14,887	$ 32,288	$ 18,365	$ 19,265	$ 17,744	$ 6,025	$ 19,239		$ 127,812
Net Realizable Value Adjustments	-	12,967	-	-	-	-	(4,557)		8,411
Production Costs	$ 14,887	$ 45,255	$ 18,365	$ 19,265	$ 17,744	$ 6,025	$ 14,682		$ 136,223
Royalties	-	1,119	-	-	-	3,110	1,341		5,570
Smelting, refining and other direct selling charges	3,186	29	147	6,039	5,594	4,450	2,618		22,063
Less by-product credits	(6,275)	(22,695)	(8,787)	(13,392)	(14,187)	(2,159)	(18,201)		(85,696)
Cash cost per Ounce of Silver net of by-product credits[1]	$ 11,798	$ 23,707	$ 9,725	$ 11,911	$ 9,151	$ 11,426	$ 441		$ 78,160
Sustaining capital	2,161	10,314	542	3,019	2,823	1,864	4,362		25,086
Exploration	30	625	42	309	145	-	124	(286)	991
Reclamation cost accretion	53	80	48	137	99	70	244	26	757
General & Administrative expense	-	-	-	-	-	-	-	2,602	2,602
All-in sustaining costs[1]	$ 14,042	$ 34,727	$ 10,357	$ 15,376	$ 12,218	$ 13,360	$ 5,172	$ 2,342	$ 107,595
Payable silver ounces sold	1,290,798	955,000	1,305,008	730,651	578,615	835,919	740,010		6,436,002
All-in Sustaining Costs per Silver Ounce Sold[2]	$ 10.88	$ 36.36	$ 7.94	$ 21.04	$ 21.12	$ 15.98	$ 6.99	N/A	$ 16.72
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV Adj)	$ 10.88	$ 22.78	$ 7.94	$ 21.04	21.12	15.98	$ 13.15		$ 15.41

(1) Totals may not add due to rounding.

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. For the three months ended December 31, 2013 ("Q4-13") the effect of this revision was a $0.31 decrease to the previously reported consolidated Q4-13 AISCSOS of $17.03.

AISCSOS	Twelve months ended December 31, 2013								
	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	**Consolidated Total**
Direct Operating Costs	$ 51,831	$ 109,082	$ 66,044	$ 77,379	$ 77,590	$ 28,422	$ 107,299		$ 517,646
Net Realizable Value Adjustments	-	12,967	-	-	-	-	-		12,967
Production Costs[1]	$ 51,831	$ 122,049	$ 66,044	$ 77,379	$ 77,590	$ 28,422	$ 107,299		$ 530,613
Royalties	-	4,497	-	-	-	17,508	4,454		26,459
Smelting, refining and other direct selling charges	10,589	98	530	26,754	20,611	16,358	8,304		83,244
Less by-product credits	(22,421)	(86,098)	(27,922)	(54,240)	(50,711)	(12,440)	(77,976)		(331,809)
Cash cost per Ounce of Silver net of by-product credits[1]	$ 39,999	$ 40,546	$ 38,652	$ 49,893	$ 47,490	$ 49,847	$ 42,082		$ 308,509
Sustaining capital	13,574	36,159	7,621	15,474	18,653	8,165	12,002		111,648
Exploration	225	3,856	1,297	936	1,722	-	608	6,831	15,475
Reclamation cost accretion	211	321	192	549	397	280	977	103	3,030
General & Administrative expense	-	-	-	-	-	-	-	17,596	17,596
All-in sustaining costs[1]	$ 54,008	$ 80,882	$ 47,761	$ 66,852	$ 68,262	$ 58,293	$ 55,669	$ 24,530	$ 456,259
Payable silver ounces sold	4,448,788	3,360,730	5,565,694	2,878,029	2,216,331	3,702,012	3,306,429		25,478,014
All-in Sustaining Costs per Silver Ounce Sold[2]	$ 12.14	$ 24.07	$ 8.58	$ 23.23	$ 30.80	$ 15.75	$ 16.84	N/A	$ 17.91
All-in Sustaining Costs per Silver Ounce Sold (Excludes NRV Adj)	$ 12.14	$ 20.21	$ 8.58	$ 23.23	$ 30.80	$ 15.75	$ 16.84	N/A	$ 17.40

(1) Totals may not add due to rounding.

(2) In 2014 it was determined that certain charges to metal sales were being treated differently in the quantification of AISCSOS for the Company's San Vicente operation compared to the Company's other operations. As such previously reported AISCSOS for the San Vicente operation have been revised to quantify AISCSOS with a methodology consistent with that used by Company's other operations. The effect of this revision for year ended December 31, 2013 was a $0.42 decrease to the Company's previously reported consolidated AISCSOS of $18.33.

- ***Cash and Total Costs per Ounce of Silver, Net of By-Product Credits***

Pan American produces by-product metals incidentally to our silver mining activities. Sales of silver contributed approximately 54% of our total revenues for Q4 2014, compared to 60% in Q4 2013 while by-products were responsible for the remaining 46%, compared to 40% in Q4 2013. As a performance measure, we have adopted the practice of calculating the net cost of producing an ounce of silver, our primary payable metal, after deducting revenues gained from incidental by-product production, as a performance measure. This performance measurement has been commonly used in the mining industry for many years and was developed as a relatively simple way of comparing the net production costs of the primary metal for a specific period against the prevailing market price of that metal.

Cash costs per ounce, net of by-product credits, are utilized extensively in our internal decision making processes. We believe this metric is useful to investors as it facilitates comparison, on a mine by mine basis, notwithstanding the unique mix of incidental by-product production at each mine, the relative performance of each of our operations' relative performance on a period by period basis, and that performance relative to the operations of our peers in the silver industry on a consistent basis.

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

Total Cash Costs and Total Production Costs per Ounce of Payable Silver, net of by-product credits
(Unaudited in thousands of U.S. dollars)

		Three months ended December 31,		Twelve months ended December 31,	
		2014	2013	**2014**	2013
Production costs		$ 140,695	$ 136,223	$ 568,204	$ 530,613
Add/(Subtract)					
Royalties		5,277	5,570	27,955	26,459
Smelting, refining, and transportation charges		21,195	19,767	76,968	76,547
Worker's participation and voluntary payments		113	(531)	(484)	(1,067)
Change in inventories		8,966	4,050	15,835	(624)
Other		(1,461)	1,311	(5,653)	(5,408)
Non-controlling interests[1]		(1,204)	(1,239)	(4,746)	(5,967)
Metal Inventory write-down		(2,212)	(8,411)	(29,953)	(12,967)
Cash Operating Costs before by-product credits		171,369	156,740	648,126	607,586
Less gold credit		(51,794)	(57,882)	(201,317)	(205,204)
Less zinc credit		(19,676)	(18,680)	(81,357)	(69,688)
Less lead credit		(7,412)	(7,079)	(29,903)	(27,694)
Less copper credit		(16,935)	(9,872)	(52,856)	(35,609)
Cash Operating Costs net of by-product credits	**A**	75,554	63,228	282,693	269,391
Add/(Subtract)					
Depreciation and amortization		38,493	31,612	147,710	135,913
Closure and decommissioning provision		809	758	3,238	3,030
Change in inventories		3,712	525	7,422	5,451
Other		-	(248)	-	(971)
Non-controlling interests[1]		(493)	(494)	(1,938)	(2,109)
Total Production Costs net of by-product credits[3]	**B**	$ 118,072	$ 95,381	$ 439,124	$ 410,706
Payable Silver Production (koz.)	**C**	6,340.4	6,419.1	24,663.4	24,578.5
Cash Costs per ounce net of by-product credits[2]	**(A*$1000)/C**	$ 11.92	$ 9.85[2]	$ 11.46[2]	$ 10.96[2]
Total Production Costs per ounce net of by-product credits	**(B*$1000)/C**	$ 18.62	$ 14.86	$ 17.80	$ 16.71

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

(2) Previously reported cash costs and total costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15); a $2.87 per ounce increase to Huaron cash costs (2013 - $0.85); and a $1.72 per ounce increase to Morococha cash costs (2013 - $0.58). The fourth quarter 2013 cash costs have also been adjusted to correct for this overstatement. The effect of these corrections on the fourth quarter of 2013's cash costs was as follows: a $0.29 per ounce increase to consolidated cash costs; a $1.74 per ounce increase to Huaron cash costs and a $1.02 per ounce increase to Morococha cash costs.

(3) Totals may not add due to rounding.

		Three months ended December 31, 2014							
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 15,824	$ 33,909	$ 18,896	$ 29,001	$ 22,046	$ 15,736	$ 34,500	**$ 169,913**
Less gold credit	b1	$ (681)	$ (21,555)	$ (6,775)	$ (36)	$ (798)	$ (67)	$ (21,812)	**$ (51,724)**
Less zinc credit	b2	$ (4,154)	$ -	$ -	$ (6,177)	$ (6,110)	$ (2,586)	$ -	**$ (19,028)**
Less lead credit	b3	$ (1,897)	$ -	$ -	$ (3,049)	$ (2,069)	$ (211)	$ -	**$ (7,227)**
Less copper credit	b4	$ -	$ -	$ (32)	$ (9,746)	$ (6,604)	$ -	$ -	**$ (16,382)**
Sub-total by-product credits[1]	B=(b1+ b2+ b3+ b4)	$ (6,731)	$ (21,555)	$ (6,807)	$ (19,009)	$ (15,581)	$ (2,864)	$ (21,812)	**$ (94,360)**
Cash Costs net of by-product credits [1]	C=(A+B)	$ 9,093	$ 12,354	$ 12,089	$ 9,993	$ 6,465	$ 12,872	$ 12,688	**$ 75,553**
Depreciation, amortization & reclamation	D	$ 2,371	$ 17,337	$ 2,484	$ 3,223	$ 4,566	$ 2,131	$ 10,414	**$ 42,526**
Total production costs net of by-product credits [1]	E=(C+D)	$ 11,464	$ 29,691	$ 14,573	$ 13,216	$ 11,031	$ 15,003	$ 23,102	**$ 118,079**
Payable ounces of silver (koz)	F	1,202	951	859	818	516	1,084	911	**6,340**
Cash cost per Ounce of Silver net of by-product credits									
Total cash cost per ounce net of by-products	=C/F	$ 7.57	$ 12.99	$ 14.07	$ 12.22	$ 12.53	$ 11.88	$ 13.93	**$ 11.92**
Total production cost per ounce net of by-products	=E/F	$ 9.54	$ 31.22	$ 16.96	$ 16.16	$ 21.38	$ 13.84	$ 25.36	**$ 18.62**

		Twelve months ended December 31, 2014							
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 62,635	$ 135,665	$ 66,727	$ 107,990	$ 83,915	$ 59,287	$ 126,500	**$ 642,720**
Less gold credit	b1	$ (2,534)	$ (84,317)	$ (22,048)	$ (295)	$ (2,730)	$ (254)	$ (88,898)	**$ (201,075)**
Less zinc credit	b2	$ (14,128)	$ -	$ -	$ (25,414)	$ (28,381)	$ (10,504)	$ -	**$ (78,426)**
Less lead credit	b3	$ (7,265)	$ -	$ -	$ (11,817)	$ (9,340)	$ (663)	$ -	**$ (29,086)**
Less copper credit	b4	$ -	$ -	$ (164)	$ (34,394)	$ (16,884)	$ -	$ -	**$ (51,442)**
Sub-total by-product credits[1]	B=(b1+ b2+ b3+ b4)	$ (23,927)	$ (84,317)	$ (22,212)	$ (71,920)	$ (57,335)	$ (11,420)	$ (88,898)	**$ (360,028)**
Cash Costs net of by-product credits [1]	C=(A+B)	$ 38,708	$ 51,347	$ 44,516	$ 36,070	$ 26,581	$ 47,867	$ 37,602	**$ 282,692**
Depreciation, amortization & reclamation	D	$ 9,278	$ 57,372	$ 11,716	$ 12,417	$ 18,118	$ 7,979	$ 39,551	**$ 156,432**
Total production costs net of by-product credits [1]	E=(C+D)	$ 47,986	$ 108,720	$ 56,231	$ 48,488	$ 44,699	$ 55,846	$ 77,154	**$ 439,123**
Payable ounces of silver (koz)	F	4,756	3,969	3,454	3,120	2,010	3,636	3,717	**24,663**
Cash cost per Ounce of Silver net of by-product credits									
Total cash cost per ounce net of by-products	=C/F	$ 8.14	$ 12.94	$ 12.89	$ 11.56(2)	$ 13.22(2)	$ 13.16	$ 10.12	$ 11.46(2)
Total production cost per ounce net of by-products	=E /F	$ 10.09	$ 27.39	$ 16.28	$ 15.54	$ 22.23	$ 15.36	$ 20.76	**$ 17.80**

(1) Totals may not add due to rounding.

(2) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15); a $2.87 per ounce increase to Huaron cash costs (2013 - $0.85); and a $1.72 per ounce increase to Morococha cash costs (2013 - $0.58). The fourth quarter 2013 cash costs have also been adjusted to correct for this overstatement. The effect of these corrections on the fourth quarter of 2013's cash costs was as follows: a $0.29 per ounce increase to consolidated cash costs; a $1.74 per ounce increase to Huaron cash costs and a $1.02 per ounce increase to Morococha cash costs.

Three months ended December 31, 2013										
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 15,161	$ 32,484	$ 18,634	$ 25,198	$ 20,430	$ 16,116	$ 27,464	**$ 155,487**
Less gold credit	b1	$ (690)	$ (19,818)	$ (7,527)	$ (86)	$ (855)	$ -	$ (28,835)	**$ (57,810)**
Less zinc credit	b2	$ (3,001)	$ -	$ -	$ (5,585)	$ (6,850)	$ (2,536)	$ -	**$ (17,972)**
Less lead credit	b3	$ (1,697)	$ -	$ -	$ (2,934)	$ (1,868)	$ (402)	$ -	**$ (6,902)**
Less copper credit	b4	$ -	$ -	$ (281)	$ (5,461)	$ (3,810)	$ -	$ -	**$ (9,552)**
Sub-total by-product credits[1]	B=(b1+ b2+ b3+ b4)	$ (5,388)	$ (19,818)	$ (7,807)	$ (14,066)	$ (13,384)	$ (2,938)	$ (28,835)	**$ (92,236)**
Cash Costs net of by-product credits [1]	C=(A+B)	$ 9,773	$ 12,666	$ 10,827	$ 11,132	$ 7,046	$ 13,178	$ (1,372)	**$ 63,251**
Depreciation, amortization & reclamation	D	$ 2,245	$ 9,021	$ 3,676	$ 3,132	$ 4,622	$ 2,284	$ 7,173	**$ 32,153**
Total production costs net of by-product credits [1]	E=(C+D)	$ 12,018	$ 21,688	$ 14,503	$ 14,263	$ 11,668	$ 15,463	$ 5,801	**$ 95,404**
Payable ounces of silver (koz)	F	1,191	920	1,228	760	543	907	869	**6,419**
Cash cost per Ounce of Silver net of by-product credits									
Total cash cost per ounce net of by-products	=C/F	$ 8.20	$ 13.77	$ 8.81	$ 14.65	$ 12.97(2)	$ 14.53	$ (1.58)	$ 9.85(2)
Total production cost per ounce net of by-products	=E/F	$ 10.09	$ 23.57	$ 11.81	$ 18.77	$ 21.49	$ 17.05	$ 6.67	**$ 14.86**

Twelve months ended December 31, 2013										
		La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	**Consolidated Total**
Cash Costs before by-product credits	A	$ 61,554	$ 117,203	$ 62,454	$ 99,745	$ 84,087	$ 67,123	$ 110,810	**$ 602,976**
Less gold credit	b1	$ (2,894)	$ (91,113)	$ (24,194)	$ (177)	$ (2,611)	$ -	$ (83,995)	**$ (204,985)**
Less zinc credit	b2	$ (10,895)	$ -	$ -	$ (22,245)	$ (24,110)	$ (9,897)	$ -	**$ (67,148)**
Less lead credit	b3	$ (6,605)	$ -	$ -	$ (11,685)	$ (7,553)	$ (1,157)	$ -	**$ (27,000)**
Less copper credit	b4	$ -	$ -	$ (712)	$ (21,128)	$ (12,704)	$ -	$ -	**$ (34,544)**
Sub-total by-product credits[1]	B=(b1+ b2+ b3+ b4)	$ (20,394)	$ (91,113)	$ (24,907)	$ (55,235)	$ (46,978)	$ (11,055)	$ (83,995)	**$ (333,677)**
Cash Costs net of by-product credits [1]	C=(A+B)	$ 41,160	$ 26,090	$ 37,548	$ 44,510	$ 37,109	$ 56,068	$ 26,815	**$ 269,299**
Depreciation, amortization & reclamation	D	$ 8,010	$ 44,210	$ 17,813	$ 11,667	$ 17,648	$ 9,226	$ 32,885	**$ 141,460**
Total production costs net of by-product credits [1]	E=(C+D)	$ 49,170	$ 70,301	$ 55,361	$ 56,177	$ 54,757	$ 65,294	$ 59,700	**$ 410,759**
Payable ounces of silver (koz)	F	4,365	3,494	5,043	2,879	2,046	3,614	3,138	**24,578**
Cash cost per Ounce of Silver net of by-product credits									
Total cash cost per ounce net of by-products	=C/F	$ 9.43	$ 7.47	$ 7.45	$ 15.46	$ 18.14(2)	$ 15.51	$ 8.55	$ 10.96(2)
Total production cost per ounce net of by-products	=E/F	$ 11.27	$ 20.12	$ 10.98	$ 19.51	$ 26.76	$ 18.07	$ 19.03	**$ 16.71**

(1) Totals may not add due to rounding.

(2) Previously reported cash costs for the Company's Peruvian operations overstated copper by-product credits. Both consolidated and Peruvian annual cash costs for 2014 and 2013 have been adjusted to correct for this overstatement. The effect of these corrections on 2014's annual cash costs was as follows: a $0.50 per ounce increase to consolidated cash costs (2013 - $0.15); a $2.87 per ounce increase to Huaron cash costs (2013 - $0.85); and a $1.72 per ounce increase to Morococha cash costs (2013 - $0.58). The fourth quarter 2013 cash costs have also been adjusted to correct for this overstatement. The effect of these corrections on the fourth quarter of 2013's cash costs was as follows: a $0.29 per ounce increase to consolidated cash costs; a $1.74 per ounce increase to Huaron cash costs and a $1.02 per ounce increase to Morococha cash costs.

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

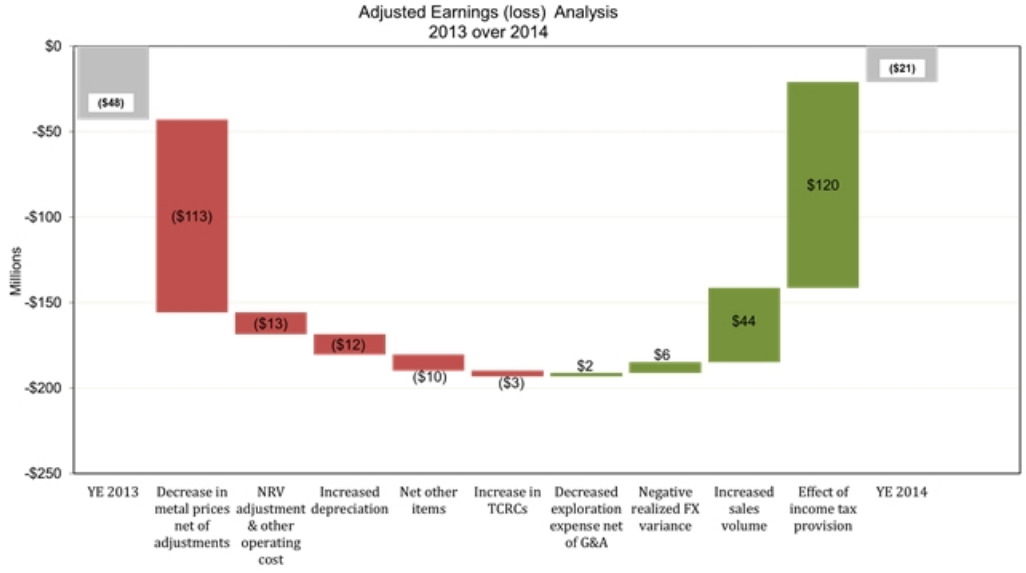
Adjusted earnings is a non-GAAP measure that the Company considers to better reflect normalized earnings as it eliminates items that may be volatile from period to period, relating to positions which will settle in future periods, and items that are non-recurring. Certain items that become applicable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

The following table shows a reconciliation of adjusted loss and earnings for the fourth quarter and full year of 2014 and 2013, to the net (loss) earnings for each period.

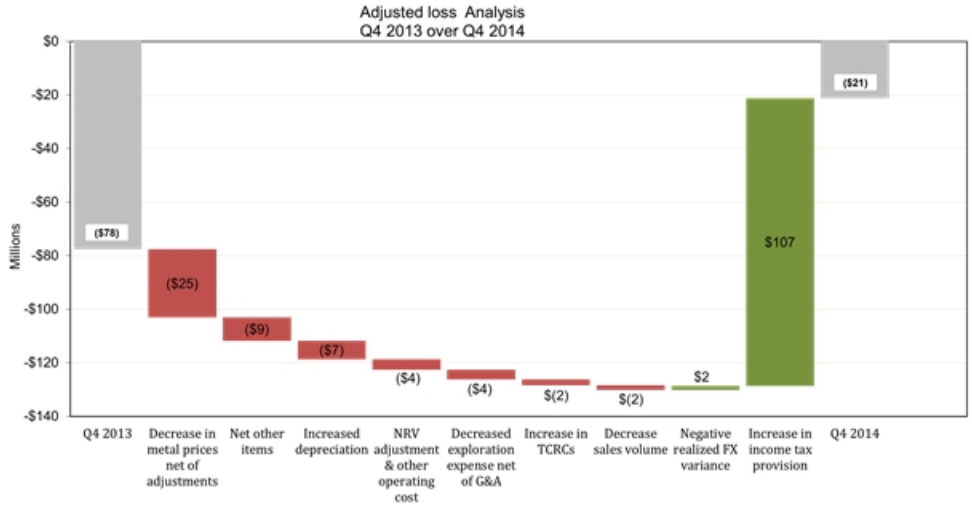
	Three months ended December 31,		Twelve months ended December 31,	
Adjusted Earnings Reconciliation	**2014**	2013	**2014**	2013
Net (loss) earnings for the period	**$ (525,727)**	$ (293,064)	**$ (544,823)**	$ (445,846)
Adjust derivative losses (gains)	**252**	(1,249)	**(1,348)**	(16,715)
Adjust gain on sale of mineral properties	**(945)**	(5,969)	**(1,145)**	(14,068)
Adjust unrealized foreign exchange (gains) losses	**(618)**	(656)	**4,034**	(922)
Adjust net realizable value of inventory	**10,982**	10,281	**36,578**	10,281
Adjust realized (gains) losses on silver and gold hedge program	**-**	(1,127)	**-**	5,127
Adjust realized and unrealized (gains) losses on commodity contracts	**-**	260	**-**	25
Adjust severance and acquisition costs	**-**	-	**-**	617
Adjust write-down of mining assets	**596,262**	336,785	**596,262**	540,228
Adjust for effect of taxes on above items	**(101,413)**	(122,909)	**(110,383)**	(121,571)
Adjusted (loss) earnings for the period	**$ (21,207)**	$ (77,648)	**$ (20,825)**	$ (42,844)
Weighted average shares for the period	**151,534**	151,428	**151,511**	151,501
Adjusted earnings (loss) per share for the period	**$ (0.14)**	$ (0.51)	**$ (0.14)**	$ (0.28)

(1) In 2014 the Company began excluding net realizable value adjustments to long term heap inventory from adjusted earnings, and as such certain prior period adjusted losses have been revised to reflect this treatment. As a result the adjusted losses for the three and twelve month periods ended December 31, 2014 decreased by $6,658 from the $(84,306) and $(49,502) adjusted losses previously reported for these periods, respectively.

The following graph illustrates the key factors leading to the change from adjusted net loss for the year ended December 31, 2013 to the adjusted net loss incurred in 2014.



The following graph illustrates the key factors leading to the change from adjusted net loss for Q4 2013 to that in Q4 2014.



RISKS AND UNCERTAINTIES

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

- ***Foreign Jurisdiction Risk***

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

All of Pan American's current production and revenue is derived from its operations in Peru, Mexico, Argentina and Bolivia. As Pan American's business is carried on in a number of

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

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

In December 2012, the Mexican government introduced changes to the Federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to employee benefits. These amendments may have an effect on the distribution of profits to workers and this could result in additional financial obligations to the Company. At this time, the Company believes that it continues to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for the Company. Based on this assessment, the Company has not accrued any amounts for the years ended December 31, 2012 or 2013. The Company will continue to monitor developments in Mexico to assess the potential impact of these amendments.

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

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

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

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

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

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

On May 28, 2014, the Bolivian government enacted Mining Law No. 535 (the "New Mining Law"). Among other things, the New Mining Law has established a new Bolivian mining authority to provide principal mining oversight (varying the role of COMIBOL) and sets out a number of new economic and operational requirements relating to state participation in mining projects. Further, the New Mining Law provides that all pre-existing contracts are to migrate to one of several new forms of agreement within a prescribed period of time. As a result, we anticipate that our current joint venture agreement with COMIBOL relating to the San Vicente mine will be subject to migration to a new form of agreement and may require renegotiation of some terms in order to conform to the New Mining Law requirements. We are assessing the potential impacts of the New Mining Law on our business and are awaiting further regulatory developments, but the primary effects on the San Vicente operation and our interest therein will not be known until such time as we have, if required to do so, renegotiated the existing contract, and the full impact may only be realized over time. In the meantime, we understand that pre-

existing agreements will be respected during the period of migration and we will take appropriate steps to protect and, if necessary, enforce our rights under our existing agreement with COMIBOL. There is, however, no guarantee that governmental actions, including possible expropriation or additional changes in the law, and the migration of our contract will not impact our involvement in the San Vicente operation in an adverse way and such actions could have a material adverse effect on us and our business.

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

- ***Metal Price Risk***

Pan American derives its revenue from the sale of silver, zinc, lead, copper, and gold. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. The table below illustrates the effect of changes in silver and gold prices on anticipated revenues for 2015. This analysis assumes that quantities of silver and gold produced and sold remain constant under all price scenarios presented.

Expected 2015 Revenue (000's USD)

Silver Price \ Gold Price	$900	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500
$14	$569,000	$585,000	$601,000	$617,000	$634,000	$650,000	$666,000
$15	$591,000	$607,000	$624,000	$640,000	$656,000	$672,000	$689,000
$16	$614,000	$630,000	$646,000	$662,000	$679,000	$695,000	$711,000
$17	$636,000	$653,000	$669,000	**$685,000**	$701,000	$718,000	$734,000
$18	$659,000	$675,000	$691,000	$708,000	$724,000	$740,000	$756,000
$19	$682,000	$698,000	$714,000	$730,000	$747,000	$763,000	$779,000
$20	$704,000	$720,000	$737,000	$753,000	$769,000	$785,000	$802,000
$21	$727,000	$743,000	$759,000	$775,000	$792,000	$808,000	$824,000

Pan American Silver takes the view that its precious metals production should not be hedged, thereby, allowing the Company to maintain maximum exposure to precious metal prices.

From time to time, Pan American mitigates the price risk associated with its base metal production by committing some of its forecasted base metal production under forward sales and option contracts, as described under the "Financial Instruments" section of this MD&A. The Board of Directors continually assesses the Company's strategy towards its base metal exposure, depending on market conditions.

Since base metal and gold revenue are treated as a by-product credit for purposes of calculating cash costs per ounce of silver and AISCSOS, these non-GAAP measures are highly sensitive to base metal and gold prices. The table below illustrates this point by plotting the expected cash cost per ounce according to our 2015 forecast against various price assumptions for the Company's two main by-product credits, zinc and gold.

Cash Cost per Ounce of Silver Produced (USD/oz)

Cash Costs

Zinc Price	Gold Price						
	$900	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500
$ 1,900	$13.25	$12.58	$11.91	$11.24	$10.58	$9.91	$9.24
$ 2,000	$13.11	$12.44	$11.77	$11.11	$10.44	$9.77	$9.10
$ 2,100	$12.97	$12.30	$11.64	$10.97	$10.30	$9.63	$8.96
$ 2,200	$12.85	$12.18	$11.51	**$10.84**	$10.18	$9.51	$8.84
$ 2,300	$12.70	$12.04	$11.37	$10.70	$10.03	$9.36	$8.69
$ 2,400	$12.56	$11.89	$11.22	$10.55	$9.88	$9.22	$8.55
$ 2,500	$12.42	$11.75	$11.08	$10.41	$9.75	$9.08	$8.41
$ 2,600	$12.28	$11.61	$10.95	$10.28	$9.61	$8.94	$8.27

The Company has long-term contracts to sell the zinc, lead and copper concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. These contracts include provisions for pricing the contained metals, including silver, based on average spot prices over defined 30-day periods that may differ from the month in which the concentrate was produced. Under these circumstances, the Company may, from time to time, fix the price for a portion of the payable metal content during the month that the concentrates are produced.

· ***Credit Risk***

The zinc, lead and copper concentrates produced by Pan American are sold through long-term supply arrangements to metal traders or integrated mining and smelting companies. The terms of the concentrate contracts may require the Company to deliver concentrate that has a value greater than the payment received at the time of delivery, thereby introducing the Company to credit risk of the buyers of our concentrates. Should any of these counterparties not honour supply arrangements, or should any of them become insolvent, Pan American 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.

For example, the Doe Run Peru ("DRP") smelter, a past significant buyer of Pan American's production in Peru, experienced financial difficulties in the first quarter of 2009 and closed. Pan American continued to sell copper concentrates to other buyers but on inferior terms. At the end of 2013 and at the date of this MD&A, Pan American is owed approximately $8.2 million under the terms of its contract with DRP for deliveries of concentrates that occurred in early 2009. The Company has established a doubtful accounts receivable provision for the full amount receivable from DRP. The Company continues to pursue all legal and commercial avenues to collect the amount outstanding.

At December 31, 2014 the Company had receivable balances associated with buyers of our concentrates of $29.3 million (2013 - $31.7 million). All of this receivable balance is owed by nine well known concentrate buyers and the vast majority of our concentrate is sold to those same counterparts.

Silver doré production is refined under long term agreements with fixed refining terms at four 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 our precious metals in such circumstances. At December 31, 2014 the Company had approximately $44.7 million (2013 - $54.7 million) of value contained in precious

metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metal doré and base metal concentrates at our mine sites, in-transit to refineries and while at the refineries and smelters.

Refined silver and gold is sold on 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.

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

Management constantly monitors and assesses the credit risk resulting from its 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.

- ***Interest Rate Risk***

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. At December 31, 2014, the Company had $8.0 million in lease obligations (2013 - $10.2 million) that are subject to an annual interest rate of 2.2%, and unsecured convertible notes with a principal amount of $36.2 million (2013 – $36.2 million) that bear interest at 4.5%, payable semi-annually on June 15 and December 15. The interest paid by the Company for the year ended December 31, 2014 on its lease obligations and equipment and construction advances was $0.4 million (2013 – $0.2 million).

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

The interest paid by the Company for the year ended December 31, 2014 on the convertible notes was $1.6 million (2013 – $1.6 million). The Company is not subjected to variable market interest rate changes as all debt included above have stated interest rates.

The average interest rate earned by the Company during the year ended December 31, 2014 on its cash and short term investments was 0.54%. A 10% increase or decrease in the interest earned from financial institutions on cash and short term investments would result in a $0.3 million increase or decrease in the Company's before tax earnings (2013 – $0.3 million).

- ***Exchange Rate Risk***

Pan American reports its financial statements in USD; however the Company operates in jurisdictions that utilize other currencies. As a consequence, the financial results of the Company's operations, as reported in USD, are subject to changes in the value of the USD relative to local currencies. Since the Company's revenues are denominated in USD and a portion of the Company's operating costs and capital spending are in local currencies, the Company is negatively impacted by strengthening local currencies relative to the USD and positively impacted by the inverse. The local currencies that the Company has the most exposure to are the Peruvian soles ("PEN"), Mexican pesos ("MXN") and Argentine pesos ("ARS"). The following table illustrates the effect of changes in the exchange rate of PEN and MXN against the USD on anticipated cost of sales for 2015, expressed in percentage terms:

		MXN/USD						
		$13.00	$13.50	$14.00	$14.50	$15.00	$15.50	$16.00
PEN/USD	$2.80	103%	102%	101%	100%	99%	98%	97%
	$2.85	102%	101%	101%	100%	99%	98%	97%
	$2.90	102%	101%	100%	99%	99%	98%	97%
	$2.95	102%	101%	100%	99%	98%	97%	97%
	$3.00	101%	101%	100%	99%	98%	97%	96%
	$3.05	101%	100%	99%	99%	98%	97%	96%
	$3.10	101%	100%	99%	98%	97%	96%	96%
	$3.15	100%	100%	99%	98%	97%	96%	95%

Under this analysis, our cost of sales is reflected at 100% of our forecasted foreign exchange assumptions for the PEN and MXN of 2.95 and 14.00 per one USD, respectively. Devaluation of the USD relative to the PEN and MXN has the effect of increasing our anticipated cost of sales above 100%, and vice versa.

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

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

- ***Liquidity Risk***

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

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

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows. The Company has in place a rigorous reporting, planning and budgeting process to help determine the funds required to support its normal operating requirements on an ongoing basis and its expansion plans. The Company continually evaluates and reviews capital and operating expenditures in order to identify, decrease and limit all non-essential expenditures. Pan

American expects to generate positive cash flow from operations in 2014 and to utilize this and the strength of its balance sheet to manage its liquidity position.

- ***Environmental and Health and Safety Risks***

Pan American's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental laws and regulations are complex and have tended to become more stringent over time. Pan American is required to obtain governmental permits and in some instances provide bonding requirements under federal, state, or provincial air, water quality, and mine reclamation rules and permits. Although Pan American makes provisions for reclamation costs, it cannot be assured that these provisions will be adequate to discharge its future obligations for these costs.

Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of permits and imposition of penalties. While the health and safety of our people and responsible environmental stewardship are our top priorities, there can be no assurance that Pan American has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially and adversely affect Pan American's business, results of operations or financial condition.

- ***Employee Relations***

Pan American's business depends on good relations with its employees. At December 31, 2014 there were approximately 6,983 employees and employees of mining contractors performing work for the Company, of which approximately 60% were represented by unions or covered by union agreements in Mexico, Peru, Argentina and Bolivia. The Company has experienced short-duration labour strikes and work stoppages in the past and may experience future labour related events.

The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Pan American's business activity grows, Pan American will require additional key mining personnel as well as additional financial and administrative staff. There can be no assurance that Pan American will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Pan American is not successful in this regard, the efficiency of its operations could be impaired, which could have an adverse impact on Pan American's future cash flows, earnings, results of operations and financial condition.

- ***Claims and Legal Proceedings***

Pan American is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business activities, including claims relating to ex- or current employees. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavourably to Pan American. The Company carries liability insurance coverage and establishes provisions for matters that are probable and can be reasonably estimated. In addition, Pan American may be involved in disputes with other parties in the future which may result in a material adverse impact on our financial condition, cash flow and results of operations. Please refer to Commitments and Contingencies Note 29 of the 2014 Financial Statements for further information.

- ***Corporate Development Activities***

An element of the Company's business strategy is to make selected acquisitions. The Company expects to continue to evaluate acquisition opportunities on a regular basis and intends to pursue those opportunities that it believes are in its long-term best interests. The success of the

Company's acquisitions will depend upon the Company's ability to effectively manage the operations of entities it acquires and to realize other anticipated benefits. The process of managing acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of management resources. There can be no assurance that the Company will be able to successfully manage the operations of businesses it acquires or that the anticipated benefits of its acquisitions will be realized.

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

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

Readers should also refer to Note 2 of the 2014 Financial Statements for the Company's summary of significant accounting policies.

Significant Judgments in the Application of Accounting Policies

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

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, subject to impairment analysis. In making this judgement, 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.

Commencement of commercial production: During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as mineral property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production based on a percentage of design capacity along with various qualitative factors including but not limited to the achievement of mechanical completion, continuous nominated level of production, the working effectiveness of the plant and equipment at or near expected levels and whether there is a sustainable level of production input available including power, water and diesel.

Assets' carrying values and impairment charges: In determining carrying values and impairment charges the Company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

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.

Business combinations: Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

Deferral of stripping costs: In determining whether stripping costs incurred during the production phase of a mining property relate to mineral reserves and mineral resources 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, 2014, the carrying amount of stripping costs capitalized was $54.1 million comprised of Manantial - $13.0 million, Dolores - $36.4 million and Alamo Dorado - $4.8 million (2013 - $59.2 million was capitalized comprised of $13.8, $32.8, and $12.6 million, respectively).

Replacement convertible debenture: As part of the 2009 Aquiline transaction the Company issued a replacement convertible debenture that allowed the holder to convert the debenture into either 363,854 Pan American shares or a silver stream contract. The holder subsequently selected the silver stream contract. The convertible debenture is classified and accounted for as a deferred credit. In determining the appropriate classification of the convertible debenture as a deferred credit, the Company evaluated the economics underlying the contract as of the date the Company assumed the obligation. As at December 31, 2014, the carrying amount of the deferred credit arising from the Aquiline acquisition was $20.8 million (2013 - $20.8 million).

Convertible Notes: The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative are recognized initially at their respective fair values. The embedded derivative is subsequently recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized at amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date.

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 recorded at the time the risks and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts may be caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair

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

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

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

Impairment of mining interests: While assessing whether any indications of impairment exist for mining interests, consideration is 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 and 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. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests. Impairments of mining interests are discussed in Note 11 of the 2014 Financial Statements.

Estimation of decommissioning and restoration 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 expenditure required to settle the present obligation of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine at the end of the reporting period. The carrying amount is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 15 of the 2014 Financial Statements 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.

Accounting for acquisitions: The provisional fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make certain judgments and estimates taking into account information available at the time of acquisition about future events, including, but not restricted to, estimates of mineral reserves and resources required, exploration potential, future operating costs and capital expenditures, future metal prices, long-term foreign exchange rates and discount rates. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, are retrospectively adjusted when the final measurements are determined (within one year of the acquisition date).

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 changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. Refer to Note 28 of the Audited Consolidated Financial Statements for further discussion on contingencies.

CHANGES IN ACCOUNTING STANDARDS

The Company adopted the following new accounting standards along with any consequential amendments, effective January 1, 2014

IFRIC 21 Levies ("IFRIC 21") is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. In IAS 37, the criterion for recognizing a liability includes the requirement for an entity to have a present obligation resulting from a past event. IFRIC 21 provides clarification on the past event that gives rise to the obligation to pay a levy as the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The application of IFRIC 21 did not result in an adjustment to the Company's consolidated financial statements.

Accounting standards issued but not yet effective

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

IFRS 15, Revenue from Contracts with Customers **("IFRS 15")** In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 1017. The Company will apply IFRS 15 beginning on January 1, 2017. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

CORPORATE GOVERNANCE, SOCIAL RESPONSIBILITY, AND ENVIRONMENTAL STEWARDSHIP

Governance

Pan American adheres to high standards of corporate governance and closely follows the requirements established by both the Canadian Securities Administrators and the SEC in the United States. We believe that our current corporate governance systems meet or exceed these requirements.

Our Board of Directors oversees the direction and strategy of the business and the affairs of the Company. The Board is comprised of eight directors, six of whom are independent. The Board's wealth of experience allows it to effectively oversee the development of corporate strategies, provide management with long-term direction, consider and approve major decisions, oversee the business generally and evaluate corporate performance. The Health, Safety and Environment Committee, appointed by the Board of Directors, provides oversight for the corporate social initiatives of the Company and reports directly to the Board.

We believe that good corporate governance is important to the effective performance of the Company and plays a significant role in protecting the interests of all stakeholders while helping to maximize value.

Community relations

We are committed to creating sustainable value in the communities where our people work and live. Guided by research conducted by our local offices, we participate in, and contribute to numerous community programs. They typically center on education and health, nutrition, environmental awareness, local infrastructure and alternative economic activities. Some of our key initiatives are:

- *Strengthening the production chain of livestock breeding.*
- *Value adding through the development of alpaca textiles weaving workshops with product commercialization in North America.*
- *Improving nutrition, focusing on children and pregnant women.*
- *Promoting community health with emphasis on immunizations, optometry, and focusing on oral health.*
- *Promoting tourism and local areas of interest such as the Stone Forest in Huayllay in Peru.*
- *Encouraging education for children and adults by contributing to teacher's salaries, and providing continuous support through different scholarships at a local and national level.*

Environmental Stewardship

We are committed to operating our mines and developing our new projects in an environmentally responsible manner. Guided by our Corporate Environmental Policy, we take every practical measure to minimize the environmental impacts of our operations in each phase of the mining cycle, from early exploration through development, construction and operation, up to and after the mine's closure.

We build and operate mines in varied environments across the Americas. From the Patagonian plateau to the Sierra Madre in Mexico, our mines are generally located in isolated places where information about environmental and cultural values is often limited. Our mines in Peru and Bolivia are situated in historic mining districts where previous operations have left significant environmental liabilities that have potential to impact on surrounding habitats and communities.

We manage these challenges using best practice methods in environmental impact assessment and teams of leading local and international professionals who clearly determine pre-existing environmental values at each location. These extensive baseline studies often take years of work and cover issues such as biodiversity and ecosystems, surface and groundwater resources, air quality, soils, landscape, archeology and paleontology, and the potential for acid rock drainage in the natural rocks of each new mineral deposit or historic waste or tailings dump. The data collected often significantly advances scientific knowledge about the environments and regions where we work.

The baseline information is then used interactively in the design of each new mine or to develop management and closure plans for historic environmental liabilities, in open consultation with local communities and government authorities. We conduct detailed modeling and simulation of the environmental effects of each alternative design in order to determine the optimum solution, always aiming for a net benefit.

Once construction and operations begin, we conduct regular monitoring of all relevant environmental variables in order to measure real impacts against baseline data and report to the government and communities on our progress. Community participation in environmental monitoring is encouraged across all our mines. We implement management systems, work procedures and regular staff training to ensure optimum day-to-day management of issues like waste separation and disposal, water conservation, spill prevention, and incident investigation and analysis.

We conduct corporate environmental audits of our operations to ensure optimum environmental performance. Environmental staffs from all mines participate in the audits which improves integration and consolidation of company-wide standards across our operations. In 2014, audits were conducted at Morococha, San Vicente and Huaron mines.

DISCLOSURE CONTROLS AND 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.

As of December 31, 2014, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2014, the Company's disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period that has materially affected or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

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

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

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

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

Management assessed the effectiveness of Pan American's internal control over financial reporting as at December 31, 2014, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concludes that, as of December 31, 2014, Pan American's internal control over financial reporting is effective.

Management reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors. Deloitte LLP, an independent registered public accounting firm, were engaged, as approved by a vote of the Company's shareholders, to audit and provide independent opinions on the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. Deloitte LLP has provided such opinions.

MINERAL RESERVES AND RESOURCES

MINERAL RESERVES – PROVEN AND PROBABLE

	Location	Classification	Tonnes (Millions)	Ag grade (g/t)	Contained Ag ounces (millions)	Au grade (g/t)	Contained Au ounces (thousands)	Cu grade (%)	Pb grade (%)	Zn grade (%)
Huaron	Peru	Proven	6.5	165	34.4	N/A	N/A	0.35	1.35	2.86
		Probable	4.2	166	22.6	N/A	N/A	0.40	1.52	2.89
Morococha (92.3%) [1]	Peru	Proven	2.4	181	13.9	N/A	N/A	1.15	1.18	3.32
		Probable	2.7	202	17.3	N/A	N/A	0.67	1.36	3.90
La Colorada	Mexico	Proven	3.0	427	41.0	0.33	31.9	N/A	1.46	2.65
		Probable	3.8	364	45.0	0.37	45.9	N/A	1.29	2.26
Dolores	Mexico	Proven	28.1	32	28.5	0.91	820.8	N/A	N/A	N/A
		Probable	31.8	35	35.6	0.88	897.3	N/A	N/A	N/A
Alamo Dorado	Mexico	Proven	2.8	60	5.4	0.25	22.6	N/A	N/A	N/A
		Probable	0.6	84	1.5	0.61	11.0	N/A	N/A	N/A
La Bolsa	Mexico	Proven	9.5	10	3.1	0.67	203.0	N/A	N/A	N/A
		Probable	6.2	7	1.4	0.57	113.1	N/A	N/A	N/A
Manantial Espejo	Argentina	Proven	2.4	123	9.5	1.82	141.5	N/A	N/A	N/A
		Probable	0.4	193	2.2	3.08	35.5	N/A	N/A	N/A
San Vicente (95%) [1]	Bolivia	Proven	1.9	460	28.4	N/A	N/A	N/A	0.39	3.03
		Probable	0.7	425	9.9	N/A	N/A	N/A	0.49	2.44
Total [2]		Proven + Probable	**106.9**	**87**	**299.9**	**0.82**	**2,322.5**	0.54	1.27	2.90

MINERAL RESOURCES – MEASURED AND INDICATED

	Location	Classification	Tonnes (Millions)	Ag grade (g/t)	Contained Ag ounces (millions)	Au grade (g/t)	Contained Au ounces (thousands)	Cu grade (%)	Pb grade (%)	Zn grade (%)
Huaron	Peru	Measured	2.1	155	10.3	N/A	N/A	0.50	1.46	2.76
		Indicated	1.5	161	7.8	N/A	N/A	0.60	1.44	2.88
Morococha (92.3%) [1]	Peru	Measured	0.5	125	2.1	N/A	N/A	0.33	1.16	3.32
		Indicated	1.0	163	5.0	N/A	N/A	0.53	1.34	4.05
La Colorada	Mexico	Measured	0.3	153	1.7	0.13	1.5	N/A	0.33	0.59
		Indicated	2.3	222	16.2	0.23	16.9	N/A	0.48	0.71
Dolores	Mexico	Measured	13.4	17	7.3	0.27	116.8	N/A	N/A	N/A
		Indicated	21.9	26	18.4	0.63	445.4	N/A	N/A	N/A
Alamo Dorado	Mexico	Measured	1.2	50	1.9	0.23	8.7	N/A	N/A	N/A
		Indicated	1.0	79	2.5	0.39	12.0	N/A	N/A	N/A
La Bolsa		Measured	1.4	11	0.3	0.90	31.4	N/A	N/A	N/A
		Indicated	4.5	9	1.1	0.50	59.8	N/A	N/A	N/A
Manantial Espejo	Argentina	Measured	2.8	66	5.9	0.79	70.5	N/A	N/A	N/A
		Indicated	2.0	113	7.3	1.50	97.0	N/A	N/A	N/A
San Vicente (95%) [1]	Bolivia	Measured	0.6	169	3.4	N/A	N/A	N/A	0.15	2.45
		Indicated	0.3	156	1.3	N/A	N/A	N/A	0.12	2.12
Navidad	Argentina	Measured	15.4	137	67.8	N/A	N/A	0.10	1.44	N/A
		Indicated	139.8	126	564.5	N/A	N/A	0.04	0.79	N/A
Pico Machay	Peru	Measured	4.7	N/A	N/A	0.91	137.5	N/A	N/A	N/A
		Indicated	5.9	N/A	N/A	0.67	127.1	N/A	N/A	N/A
Calcatreu	Argentina	Indicated	8.0	26	6.6	2.63	676.0	N/A	N/A	N/A
Total [2]		Measured + Indicated	**230.4**	**104**	**731.5**	**0.82**	**1,800.6**	0.06	0.86	2.29

MINERAL RESOURCES – INFERRED

	Location	Classification	Tonnes (Millions)	Ag grade (g/t)	Contained Ag ounces (millions)	Au grade (g/t)	Contained Au ounces (thousands)	Cu grade (%)	Pb grade (%)	Zn grade (%)
Huaron	Peru	Inferred	8.4	154	41.5	N/A	N/A	0.32	1.45	2.67
Morococha (92.3%) [1]	Peru	Inferred	6.5	247	51.7	N/A	N/A	0.44	1.31	3.27
La Colorada	Mexico	Inferred	3.4	251	27.5	0.51	55.4	N/A	1.77	3.02
Dolores	Mexico	Inferred	4.9	28	4.4	1.05	164.4	N/A	N/A	N/A
Alamo Dorado	Mexico	Inferred	0.0	41	0.0	0.65	0.0	N/A	N/A	N/A
La Bolsa	Mexico	Inferred	13.7	8	3.3	0.51	222.4	N/A	N/A	N/A
Manantial Espejo	Argentina	Inferred	0.3	129	1.1	1.98	16.8	N/A	N/A	N/A
San Vicente (95%) [1]	Bolivia	Inferred	3.0	366	34.8	N/A	N/A	N/A	0.33	2.68
Navidad	Argentina	Inferred	45.9	81	119.4	N/A	N/A	0.02	0.57	N/A
Pico Machay	Peru	Inferred	23.9	N/A	N/A	0.58	445.7	N/A	N/A	N/A
Calcatreu	Argentina	Inferred	3.4	17	1.8	2.06	226.0	N/A	N/A	N/A
Total [2]		Inferred	**113.3**	**99**	**285.5**	**0.71**	**1,130.8**	0.10	0.80	2.37

HISTORICAL ESTIMATES

Property	Location	Tonnes (Millions)	Ag grade (g/t)	Contained Ag ounces (millions)	Au grade (g/t)	Contained Au ounces (thousands)
Hog Heaven [3]	USA	2.7	167	14.6	0.62	53.9
Hog Heaven [3]	USA	7.6	133	32.7	0.70	171.9
Waterloo [4]	USA	33.8	93	100.9	N/A	N/A
Total [2]		**44.1**	**104**	**148.2**		**225.8**

Notes: Mineral reserves and resources are as defined by the Canadian Institute of Mining, Metallurgy and Petroleum.
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 March 28, 2014 for more 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.
Grades are shown as contained metal before mill recoveries are applied.

Pan American reports mineral resources and mineral reserves separately. Reported mineral resources do not include amounts identified as mineral reserves.

Metal prices used for all mines were: $18.50 per ounce of silver, $1,250 per ounce of gold, $2,000 per tonne of lead, $2,000 per tonne of zinc, and $6,800 per tonne of copper., except at Alamo Dorado due to its limited remaining mine life, where metal prices of $17.00 per ounce of silver and $1,200 per ounce of gold were used.
Metal prices used for reserves at all mines were: $18.50 per ounce of silver, $1,250 per ounce of gold, $2,000 per tonne of lead, $2,000 per tonne of zinc, and $6,800 per tonne of copper, except at Alamo Dorado due to its limited remaining mine life, where metal prices of $17.00 per ounce of silver and $1,200 per ounce of gold were used.
Metal prices for Dolores and Alamo Dorado resources were $30 per ounce of silver and $1,400 per ounce of gold.
Metal prices for Manantial Espejo mineral resources were $30.00 per ounce of silver and $1,800 per ounce of gold.
Metal prices used for Navidad were $12.52 per ounce of silver and $1,100 per tonne of lead.

Metal prices used for Calcatreu were $12.50 per ounce of silver and $650 per ounce of gold

(1) This information represents the portion of mineral reserves and resources attributable to Pan American based on its ownership interest in the operating entity as indicated.
(2) Totals may not add-up due to rounding.
(3) The historical estimate for Hog Heaven was prepared by Gregory Hahn, Chief Geological Engineer for CoCa Mines Inc., a previous owner of the property, in a report titled "Hog Heaven Project Optimization Study" dated May 1989, prior to implementation of NI 43-101. The historical estimate was based on extensive diamond drilling, and was estimated using a silver price of $6.50 per ounce and a gold price of $400 per ounce (these were relevant prices at the time of the estimate). Michael Steinmann, P.Geo, has reviewed the available data, including drill sections, surface maps, and additional supporting information sources, and believes that the historic estimate was conducted in a professional and competent manner and is relevant for the purposes of the Company's decision to maintain its interest in this property. In the study, the historic estimate was sub-categorized as follows:

Category	Tons	oz/ton Ag	oz/ton Au
Proven Reserves	2,981,690	4.88	0.018
Probable & Possible Reserves	904,200	10.40	0.020
Heap leach ore	316,100	1.56	0.014
Possible Resources	4,500,000	2.41	0.020
Inferred Resources	2,700,000	4.44	0.022

However, the Company has not completed the work necessary to verify the historical estimate. Accordingly, the Company is not treating the historical estimate as current, NI 43-101-compliant mineral resources based on information prepared by or under the supervision of a QP. These historical estimates should not be relied upon.

The Company believes that the historical estimate category of "proven reserves" for Hog Heaven most closely corresponds to 2,705,000 tonnes in the CIM definition category of "indicated mineral resources".

The Company believes that the historical estimate categories of "proven & possible reserves", "heap leach ore stockpile", "possible resources" and "inferred resources" most closely correspond to 7,639,000 tonnes in the CIM definition category of "inferred mineral resources".

(4) The historical estimate for Waterloo was initially prepared by Asarco Inc. in 1968. In September 1994 Robert J. Rodger, P.Eng., reviewed the Asarco reports and prepared a Technical Evaluation Report on the Waterloo property, prior to the implementation of NI 43-101. The Technical Evaluation Report confirmed that the historical estimate was based on reverse circulation drilling and underground sampling, and concluded the estimate was based on sound methodology. The historical estimate at Waterloo was prepared using a silver price of $5.00 per ounce (the relevant price at the time of the estimate). Michael Steinmann, P.Geo., has reviewed the Technical Evaluation Report and believes the historic estimate was conducted in a professional and competent manner and is relevant for purposes of the Company's decision to maintain its interest in the property. The Company believes that the historical estimate category of 37,235,000 tons (at 2.71 ounces per ton silver) of "measured and indicated reserves" most closely corresponds to 33,758,000 tonnes in the CIM definition category of "indicated mineral resource". However, the Company has not completed the work necessary to verify the historical estimate. Accordingly, the Company is not treating the historical estimate as current, NI 43-101 compliant mineral resources based on information prepared by or under the supervision of a QP. These historical estimates should not be relied upon.

Mineral resource and reserve estimates for Huaron, Morococha, La Colorada, Dolores, Alamo Dorado, Manantial Espejo, San Vicente, La Bolsa, Pico Machay, and Calcatreu were prepared under the supervision of, or were reviewed by Michael Steinmann, P. Geo., Executive Vice-President Corporate Development and Geology and Martin G. Wafforn, P. Eng., Vice-President Technical Services, each of whom are Qualified Persons as that term is defined in National Instrument 43-101 ("NI 43-101"). Navidad mineral resource estimates were prepared by Pamela De Mark, P. Geo., Director, Resources, formerly Sr. Consultant of Snowden Mining Industry Consultants, also a Qualified Person as that term is defined in NI 43-101. Mineral resource estimates for Hog Heaven and Waterloo are based on historical third party estimates.

TECHNICAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

CAUTIONARY NOTE TO US INVESTORS CONCERNING ESTIMATES OF RESERVES AND RESOURCES

THIS MD&A HAS BEEN PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF CANADIAN PROVINCIAL SECURITIES LAWS, WHICH DIFFER FROM THE REQUIREMENTS OF U.S. SECURITIES LAWS. UNLESS OTHERWISE INDICATED, ALL MINERAL 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 CLASSIFICATION SYSTEM. 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 INFORMATION CONCERNING MINERALIZATION, DEPOSITS, MINERAL RESERVE AND RESOURCE INFORMATION CONTAINED OR REFERRED TO HEREIN MAY NOT BE COMPARABLE TO SIMILAR INFORMATION DISCLOSED BY U.S. COMPANIES. IN PARTICULAR, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THIS MD&A USES THE TERMS ''MEASURED RESOURCES'', ''INDICATED RESOURCES'' AND ''INFERRED RESOURCES''. U.S. INVESTORS ARE ADVISED THAT, WHILE SUCH TERMS ARE RECOGNIZED AND REQUIRED BY CANADIAN SECURITIES LAWS, THE SEC DOES NOT RECOGNIZE THEM. UNDER U.S. STANDARDS, MINERALIZATION MAY NOT BE CLASSIFIED AS A ''RESERVE'' UNLESS THE DETERMINATION HAS BEEN MADE THAT THE MINERALIZATION COULD BE ECONOMICALLY AND LEGALLY PRODUCED OR EXTRACTED AT THE TIME THE RESERVE DETERMINATION IS MADE. U.S. INVESTORS ARE CAUTIONED NOT TO ASSUME THAT ANY PART OF A "MEASURED RESOURCE" OR "INDICATED RESOURCE" WILL EVER BE CONVERTED INTO A "RESERVE". U.S. INVESTORS SHOULD ALSO UNDERSTAND THAT "INFERRED RESOURCES" HAVE A GREAT AMOUNT OF UNCERTAINTY AS TO THEIR EXISTENCE AND GREAT UNCERTAINTY AS TO THEIR ECONOMIC AND LEGAL FEASIBILITY. IT CANNOT BE ASSUMED THAT ALL OR ANY PART OF "INFERRED RESOURCES" EXIST, ARE ECONOMICALLY OR LEGALLY MINEABLE OR WILL EVER BE UPGRADED TO A HIGHER CATEGORY. UNDER CANADIAN SECURITIES LAWS, ESTIMATED "INFERRED RESOURCES" MAY NOT FORM THE BASIS OF FEASIBILITY OR PRE-FEASIBILITY STUDIES EXCEPT IN RARE CASES. DISCLOSURE OF "CONTAINED OUNCES" IN A MINERAL RESOURCE IS PERMITTED DISCLOSURE UNDER CANADIAN SECURITIES LAWS. HOWEVER, THE SEC NORMALLY ONLY PERMITS ISSUERS TO REPORT MINERALIZATION THAT DOES NOT CONSTITUTE "RESERVES" BY SEC STANDARDS AS IN PLACE TONNAGE AND GRADE, WITHOUT REFERENCE TO UNIT MEASURES. THE REQUIREMENTS OF NI 43-101 FOR IDENTIFICATION OF "RESERVES" ARE ALSO NOT THE SAME AS THOSE OF THE SEC, AND RESERVES REPORTED BY THE COMPANY IN COMPLIANCE WITH NI 43-101 MAY NOT QUALIFY AS "RESERVES" UNDER SEC STANDARDS. ACCORDINGLY, INFORMATION CONCERNING MINERAL DEPOSITS SET FORTH HEREIN MAY NOT BE COMPARABLE WITH INFORMATION MADE PUBLIC BY COMPANIES THAT REPORT IN ACCORDANCE WITH U.S. STANDARDS.

Exhibit 1.3



CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

Management's Responsibility For Financial Reporting

The accompanying Consolidated Financial Statements of Pan American Silver Corp. were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Financial information appearing throughout our management's discussion and analysis is consistent with these Consolidated Financial Statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring employees, policies and procedure manuals, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are neither officers nor employees of Pan American Silver Corp. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues.

Deloitte LLP, Independent Registered Public Accounting Firm appointed by the shareholders of Pan American Silver Corp. upon the recommendation of the Audit Committee and Board, have performed an independent audit of the Consolidated Financial Statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

"signed"
Geoff Burns
Chief Executive Officer

"signed"
A. Robert Doyle
Chief Financial Officer

March 26, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated financial statements of Pan American Silver Corp. and subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated income statements, statements of comprehensive loss, cash flows and changes in equity for each of the years in the two year period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pan American Silver Corp. and subsidiaries as at December 31, 2014 and December 31, 2013, and their financial performance and their cash flows for each of the years in the two year period ended December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2015 expressed an unmodified opinion on the Company's internal control over financial reporting.

/s/ Deloitte LLP
Chartered Accountants
Vancouver, Canada

March 26, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Pan American Silver Corp. and subsidiaries (the “Company”) as of December 31, 2014, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated March 26, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte LLP
Chartered Accountants
Vancouver, Canada

March 26, 2015

Pan American Silver Corp.

Consolidated Statements of Financial Position

As at December 31, 2014 and 2013

(in thousands of U.S. dollars)

		December 31, 2014		December 31, 2013
Assets				
Current assets				
Cash and cash equivalents (Note 24)	**$**	**146,193**	$	249,937
Short-term investments (Note 8)		**184,220**		172,785
Trade and other receivables (Note 7)		**105,644**		114,782
Income taxes receivable		**37,626**		40,685
Inventories (Note 9)		**252,549**		284,352
Prepaids and other current assets		**4,464**		9,123
		730,696		871,664
Non-current assets				
Mineral properties, plant and equipment (Note 10)		**1,266,391**		1,870,678
Long-term refundable tax (Note 7)		**7,698**		9,801
Deferred tax assets (Note 27)		**2,584**		165
Other assets (Note 12)		**7,447**		8,014
Goodwill (Note 11)		**3,057**		7,134
Total Assets	**$**	**2,017,873**	$	2,767,456
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 13)	**$**	**126,209**	$	125,609
Loan payable (Note 14)		**17,600**		20,095
Current portion of long term debt (Note 17)		**34,797**		-
Provisions (Note 15)		**3,121**		3,172
Current portion of finance lease (Note 16)		**3,993**		4,437
Current income tax liabilities		**22,321**		29,319
		208,041		182,632
Non-current liabilities				
Provisions (Note 15)		**45,063**		43,817
Deferred tax liabilities (Note 27)		**160,072**		285,947
Share purchase warrants (Note 7, 19)		**-**		207
Long-term portion of finance lease (Note 16)		**4,044**		5,717
Long-term debt (Note 17)		**-**		34,302
Other long-term liabilities (Note 18)		**30,716**		26,045
Total Liabilities		**447,936**		578,667
Equity				
Capital and reserves (Note 19)				
Issued capital		**2,296,672**		2,295,208
Share option reserve		**22,091**		21,110
Investment revaluation reserve		**(485)**		(137)
Retained deficit		**(755,186)**		(133,847)
Total Equity attributable to equity holders of the Company		**1,563,092**		2,182,334
Non-controlling interests		**6,845**		6,455
Total Equity		**1,569,937**		2,188,789
Total Liabilities and Equity	**$**	**2,017,873**	$	2,767,456

Commitments and Contingencies (Notes 7, 28)

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD ON MARCH 26, 2015

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

Pan American Silver Corp.

Consolidated Income Statements

For the years ended December 31, 2014 and 2013
(in thousands of U.S. dollars)

		2014		2013
Revenue (Note 25)	$	**751,942**	$	824,504
Cost of sales				
Production costs (Note 20)		**(568,204)**		(530,613)
Depreciation and amortization (Note 10)		**(147,710)**		(135,913)
Royalties		**(27,955)**		(26,459)
		(743,869)		(692,985)
Mine operating earnings	$	**8,073**	$	131,519
General and administrative		**(17,908)**		(17,596)
Exploration and project development		**(13,225)**		(15,475)
Impairment charge (Note 11)		**(596,262)**		(540,228)
Foreign exchange losses		**(13,275)**		(14,637)
Losses on commodity and foreign currency contracts		**-**		(4,551)
Gain on sale of mineral properties, plant and equipment		**1,145**		14,068
Other (expenses) income (Note 26)		**(1,314)**		8,287
Loss from operations		**(632,766)**		(438,613)
Gain on derivatives (Note 19)		**1,348**		16,715
Investment income		**2,840**		3,086
Interest and finance expense (Note 22)		**(8,739)**		(10,277)
Loss before income taxes		**(637,317)**		(429,089)
Income taxes recovery (expense) (Note 27)		**92,494**		(16,757)
Net loss for the year	$	**(544,823)**	$	(445,846)
Attributable to:				
Equity holders of the Company	$	**(545,588)**	$	(445,851)
Non-controlling interests		**765**		5
	$	**(544,823)**	$	(445,846)
Loss per share attributable to common shareholders (Note 23)				
Basic loss per share	$	**(3.60)**	$	(2.94)
Diluted loss per share	$	**(3.60)**	$	(2.96)
Weighted average shares outstanding (in 000's) Basic		**151,511**		151,501
Weighted average shares outstanding (in 000's) Diluted		**151,511**		153,430

Consolidated Statements of Comprehensive loss

For the years ended December 31, 2014 and 2013
(in thousands of U.S. dollars)

		2014		2013
Net loss for the year	$	**(544,823)**	$	(445,846)
Items that may be reclassified subsequently to net earnings:				
Unrealized net losses on available for sale securities (net of zero dollars tax in 2014 and 2013)		**(1,429)**		(2,163)
Reclassification adjustment for net losses on available for sale securities included in earnings (net of zero dollars tax in 2014 and 2013)		**1,081**		1,062
Total comprehensive loss for the year	$	**(545,171)**	$	(446,947)
Total comprehensive loss attributable to:				
Equity holders of the Company	$	**(545,936)**	$	(446,952)
Non-controlling interests		**765**		5
	$	**(545,171)**	$	(446,947)

Pan American Silver Corp.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(in thousands of U.S. dollars)

		2014		2013 As adjusted (Note 24)
Cash flow from operating activities				
Net loss for the year	**$**	**(544,823)**	$	(445,846)
Current income tax expense (Note 27)		**35,807**		55,691
Deferred income tax recovery (Note 27)		**(128,301)**		(38,934)
Interest expense (Note 22)		**5,072**		6,664
Depreciation and amortization (Note 10)		**147,710**		135,913
Impairment of mineral properties and goodwill (Note 11)		**596,262**		540,228
Accretion on closure and decommissioning provision (Note 15)		**3,238**		3,030
Unrealized losses (gains) on foreign exchange		**4,034**		(922)
Share-based compensation expense		**2,529**		2,173
Unrealized losses on commodity contracts (Note 7)		**-**		25
Gain on derivatives (Note 19)		**(1,348)**		(16,715)
Gain on sale of mineral properties, plant and equipment		**(1,145)**		(14,068)
Net realizable value adjustment for inventory		**29,953**		12,967
Changes in non-cash operating working capital (Note 24)		**11,597**		(21,304)
Operating cash flows before interest and income taxes		**160,585**		218,902
Interest paid		**(5,051)**		(3,425)
Interest received		**1,792**		2,138
Income taxes paid		**(33,138)**		(98,009)
Net cash generated from operating activities	**$**	**124,188**	$	119,606
Cash flow from investing activities				
Payments for mineral properties, plant and equipment		**(131,761)**		(159,401)
(Purchase of) proceeds from sale of short term investments		**(13,524)**		19,920
Proceeds from sale of mineral properties, plant and equipment		**1,852**		13,681
Net refundable tax and other asset expenditures		**187**		452
Net cash used in investing activities	**$**	**(143,246)**	$	(125,348)
Cash flow from financing activities				
Proceeds from issue of equity shares	**$**	**3**	$	-
Shares repurchased and cancelled (Note 19)		**-**		(6,740)
Dividends paid		**(75,751)**		(75,755)
(Payment) proceeds from short term loan (Note 14)		**(2,438)**		23,496
Payment of equipment leases		**(5,347)**		(30,238)
Distributions to non-controlling interests		**(375)**		(925)
Net cash used in financing activities	**$**	**(83,908)**	$	(90,162)
Effects of exchange rate changes on cash and cash equivalents		**(778)**		(367)
Net decrease in cash and cash equivalents		**(103,744)**		(96,271)
Cash at the beginning of the year		**249,937**		346,208
Cash and cash equivalents at the end of the year	**$**	**146,193**	$	249,937

See accompanying notes to the consolidated financial statements.

Pan American Silver Corp.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

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

	Attributable to equity holders of the Company							
	Issued shares	Issued capital	Share option reserve	Investment revaluation reserve	Retained deficit	Total	Non-controlling interests	Total equity
Balance, December 31, 2012	**151,820,635**	**$ 2,300,517**	**$ 20,560**	**$ 964**	**$ 388,202**	**$ 2,710,243**	**$ 7,328**	**$ 2,717,571**
Total comprehensive loss								
Net loss for the year	-	-	-	-	(445,851)	(445,851)	5	(445,846)
Other comprehensive loss	-	-	-	(1,101)	-	(1,101)	-	(1,101)
	-	-	-	(1,101)	(445,851)	(446,952)	5	(446,947)
Shares issued as compensation	94,659	1,035	-	-	-	1,035	-	1,035
Shares repurchased and cancelled	(415,000)	(6,344)	-	-	(396)	(6,740)	-	(6,740)
Distributions by subsidiaries to non-controlling interests	-	-	-	-	(47)	(47)	(878)	(925)
Share-based compensation on option grants	-	-	550	-	-	550	-	550
Dividends paid	-	-	-	-	(75,755)	(75,755)	-	(75,755)
Balance, December 31, 2013	**151,500,294**	**$ 2,295,208**	**$ 21,110**	**$ (137)**	**$ (133,847)**	**$ 2,182,334**	**$ 6,455**	**$ 2,188,789**
Total comprehensive loss	-	-	-	-	-		-	
Net loss for the year	-	-	-	-	(545,588)	(545,588)	765	(544,823)
Other comprehensive loss	-	-	-	(348)	-	(348)	-	(348)
	-	-	-	(348)	(545,588)	(545,936)	765	(545,171)
Shares issued as compensation	142,986	1,461	-	-	-	1,461	-	1,461
Shares issued on the exercise of warrants	92	3	-	-	-	3	-	3
Distributions by subsidiaries to non-controlling interests	-	-	-	-	-	-	(375)	(375)
Stock-based compensation on option grants	-	-	981	-	-	981	-	981
Dividends paid	-	-	-	-	(75,751)	(75,751)	-	(75,751)
Balance, December 31, 2014	**151,643,372**	**2,296,672**	**22,091**	**(485)**	**(755,186)**	**1,563,092**	**6,845**	**1,569,937**

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 Silver Corp is incorporated and domiciled in Canada, and its office is at Suite 1500 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6.

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

At December 31, 2014 the Company's principal producing properties were comprised of the Huaron and Morococha mines located in Peru, the Alamo Dorado, La Colorada and Dolores mines located in Mexico, the San Vicente mine located in Bolivia and the Manantial Espejo mine located in Argentina.

The Company's significant development project at December 31, 2014 was the Navidad project in Argentina.

2. Summary of Significant Accounting Policies

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretations Committee ("SIC").

These consolidated financial statements were approved for issuance by the Board of Directors on March 26, 2015.

b. Basis of Preparation

The Company's accounting policies have been applied consistently in preparing these consolidated annual financial statements for the year ended December 31, 2014, and the comparative information as at December 31, 2013.

c. Significant Accounting Policies

Principles of Consolidation: The financial statements consolidate the financial statements of Pan American and its subsidiaries. All intercompany balances, transactions, unrealized profits and losses arising from intra-company transactions, have been eliminated in full. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. This occurs when the Company has existing rights that give it the current ability to direct the relevant activities, is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance and the ability to use its power over the investee to affect the amount of the investor's returns. Where there is a loss of control of a subsidiary, the financial statements include the results for the part of the reporting period during which the Company has control. Subsidiaries use the same reporting period and same accounting policies as the Company.

For partly owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as "net earnings attributable to non-controlling interests" in the consolidated statements of financial position, consolidated income statement. Total comprehensive income is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

The consolidated financial statements include the wholly-owned and partially-owned subsidiaries of the Company; the most significant at December 31, 2014 and 2013 are presented in the following table:

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

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.

Basis of measurement: These consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, share purchase warrants and assets classified as at fair value through profit or loss or available-for-sale which are measured at fair value. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Currency of presentation: The consolidated financial statements are presented in United States dollars ("USD"), which is the Company's and each of the subsidiaries functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated.

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 purchased 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 income statement. Acquisition related costs, other than costs to issue debt or equity securities of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issuance costs. The costs to issue debt securities are capitalized and amortized using the effective interest method.

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

Control of a business may be achieved in stages. Upon the acquisition of control, any previously held interest is re-measured to fair value at the date control is obtained resulting in a gain or loss upon the acquisition of control. Additionally, any change relating to interest previously recognized in other comprehensive income is reclassified to the income statement 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.

Revenue recognition: Revenue associated with the sale of commodities is recognized when all significant risks and rewards of ownership of the asset sold are transferred to the customer, usually when insurance risk and title has passed to the customer and the commodity has been delivered to the shipping agent. At this point the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale, can be reliably measured. Revenue is recognized at the fair value of the consideration receivable, to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Sales revenue is recognized at the fair value of consideration received, which in most cases is based on invoiced amounts.

The Company's concentrate sales contracts with third-party smelters, 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 selling 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 title 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. 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 shipment date and the actual final price set under the smelting contracts are caused by changes in metal prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with the fair value adjustments recognized in revenue.

Refining and treatment charges under the sales contract with third-party smelters are netted against revenue for sales of metal concentrate.

Financial instruments: A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit and loss. Derivatives are included in this category and are classified as current assets or non-current assets based on their maturity date. The Company does not acquire financial assets for the purpose of selling in the short term. Financial assets carried at fair value through profit or loss, are initially recognized at fair value. The directly attributable transaction costs are expensed in the income statement in the period in which they are incurred. Subsequent changes in fair value are recognized in net earnings.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise 'trade and other receivables', 'other assets' and 'cash' in the statement of financial position. Loans and receivables are carried at amortized cost less any impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either specifically designated as available-for- sale or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment within 12 months of the statement of financial position date. Changes in the fair value of available-for-sale financial assets denominated in a currency other than the functional currency of the holder, other than equity investments, are analyzed between translation differences and other changes in the carrying amount of the security. The translation differences are recognized in the income statement. Any impairment charges are also recognized in the income statement, while other changes in fair value are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments previously recognized in accumulated other comprehensive income are reclassified to the income statement. Dividends on available-for-sale equity instruments are also recognized in the income statement within investment income when the Company's right to receive payments is established.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

ii) Financial liabilities

Borrowings and other financial liabilities are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(iii) Derivative financial instruments

When the Company enters into derivative contracts these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions. All derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each statement of financial position date.

Embedded derivatives: Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where relevant market prices are available, these are used to determine fair values. In other cases, fair values are calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

- The fair values of cash, and short term borrowings approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.
- Derivative financial assets and liabilities are measured at fair value based on published price quotations for the period for which a liquid active market exists.

(v) Impairment of financial assets

Available-for-sale financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, an evaluation is made as to whether a decline in fair value is 'significant' or 'prolonged' based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the investee operates.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

(vi) De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognized when its contractual rights to the cash flows that comprise the financial asset expire or substantially all the risks and rewards of the asset are transferred.

Financial liabilities

Gains and losses on discharge, cancellation or expiry of a financial liability are recognized within finance income and finance costs, respectively.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a settlement of the original liability and the recognition of a new liability, and any difference in the respective carrying amounts is recognized in the income statement.

(vii) Trade receivables

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognized in the income statement within 'doubtful accounts provision'. When a trade receivable is uncollectable, it is written off

against the provision for impairment. Subsequent recoveries of amounts previously written off are credited against 'doubtful accounts provision' in the income statement.

(viii) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

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

Normal purchase or sale exemption: Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a nonfinancial item in accordance with the Company's expected purchase, sale or usage requirements fall in the exemption from IAS 32 and IAS 39, which is known as the "normal purchase or sale exemption" (with the exception of those with quotational period clauses, which result in the recognition of an embedded derivative. Refer to note 8b for more information). For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Company recognizes such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

Convertible Notes: The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative are recognized initially at their respective fair values. The embedded derivative is subsequently recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized at amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date.

Cash and cash equivalents: Cash and cash equivalents include cash on hand and cash in banks. It also includes short-term money market investments that are readily convertible to cash with original terms of three months or less. Cash and cash equivalents are classified as loans and receivables and therefore are stated at amortized cost, less any impairment.

Short-term investments: Short-term investments are classified as "available-for-sale", and consist of highly-liquid debt securities with original maturities in excess of three months and equity securities. These debt and equity securities are initially recorded at fair value, which upon their initial measurement is equal to their cost. Subsequent measurements and changes in the market value of these debt and equity securities are recorded as changes to other comprehensive income. Investments are assessed quarterly for potential impairment.

Inventories: Inventories include work in progress, concentrate ore, 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 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 expense to recover the contained metal is not classified as inventory and is assigned no value. The work in progress inventory is considered part of the operating cycle which the Company classifies as current inventory and hence heap leach and stockpiles are included in current inventory. Quantities are assessed primarily through surveys and assays.

The costs incurred in the construction of the heap leach pad are capitalized. Heap leach inventory represents silver and gold contained in ore that has been placed on the leach pad for cyanide irrigation. The heap leach process is a process of extracting silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which are 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 is 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, 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 net realizable value, 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 day 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 includes 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 net realizable value 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.

Mineral Property, Plant, and Equipment : On initial acquisition, mineral property, plant and equipment 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 mineral property, plant and equipment 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 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 property, plant, and equipment. The net carrying amounts of mineral property, land, buildings, plant and equipment are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amounts may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is recorded as an impairment provision in the financial year in which this is determined.

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

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

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

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

Costs associated with commissioning activities on constructed plants are deferred from the date of mechanical completion of the facilities until the date the Company is ready to commence commercial service. Any revenues earned during this period are recorded as a reduction in deferred commissioning costs. These

costs are amortized using the units-of-production method (described below) over the life of the mine, commencing on the date of commercial service.

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

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

Depreciation of Mineral Property, Plant and Equipment: The carrying amounts of mineral property, plant and equipment (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.

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 unit 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.

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.

Mineral property, plant and equipment are depreciated over its 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 – based on reserves on a unit of production basis. Capitalized evaluation and development expenditure – 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

Exploration and Evaluation Expenditure: relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration expenditures relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential.

Expenditures on exploration activity are not capitalized.

Capitalization of evaluation expenditures commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Company.

Evaluation expenditures, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that such costs are expected to be recovered in full through successful development and exploration of the area of interest or alternatively, by its sale.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

In the case of undeveloped projects there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for the development of the undeveloped project. In some cases, the undeveloped projects are regarded as successors to ore bodies, smelters or refineries currently in production. Where this is the case, it is intended that these will be developed and go into production when the current source of ore is exhausted or to replace the reduced output, which results where existing smelters and/or refineries are closed. It is often the case that technological and other improvements will allow successor smelters and/or refineries to more than replace the capacity of their predecessors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

An impairment review is performed, either individually or at the cash generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is expensed in the financial year in which this is determined. Capitalized exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that the conditions discussed above for expenditure on exploration activity and evaluation expenditure are met.

Expenditures are transferred to mining properties and leases or assets under construction once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and the work completed to date supports the future development of the property. In order to demonstrate technical feasibility and commercial viability, the Company evaluates the individual project and its established mineral reserves, assesses the relevant findings and conclusions from the Company's activities and in applicable technical or other studies relating to the project, and considers whether and how any additional factors and circumstances might impact the project, particularly in light of the Company's capabilities, risk tolerance and desired economic returns. The Company conducts its managerial evaluation for commercial viability by assessing the factors it considers relevant to the commercial development of the project, taking into consideration the exploration and technical evaluation activities and work undertaken in relation to the project. If the asset demonstrates technical feasibility and commercial viability, the asset is reclassified to mineral properties, plant and equipment. Assessment for impairment is conducted before reclassification.

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.

Asset Impairment: Management reviews and evaluates its assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is normally assessed at the level of cash-generating units which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. In addition, an impairment loss is recognized for any excess of carrying amount over the fair value less costs to sell of a non-current asset or disposal group held for sale. When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell ("FVLCTS"). The best evidence of FVLCTS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCTS is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques.

Where the recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36 "Impairment of Assets." The cash flow forecasts are based on best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, close down, 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 cash generating unit 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 impacting on 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 cash generating units 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.

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. Expenditure 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 judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements which give rise to a constructive or legal obligation.

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

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.

Share-based Payments: The Company makes share-based awards, including free shares and options, to certain employees.

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

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

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

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

Leases: The determination of whether an arrangement is, or contains a lease is based in the substance of the arrangement at the inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. A reassessment after inception is only made in specific circumstances.

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalized in the statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. These amounts are determined at the inception of the lease and are depreciated over the shorter of their estimated useful lives or lease term. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position. The interest elements of the lease or hire purchase obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Leases where substantially all the risks and rewards of ownership have not passed to the Company are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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 the computing diluted earnings per share.

Borrowing Costs: Borrowing costs that are directly attributable to the acquisition, construction or production of qualified 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.

3. Changes in Accounting Standards

Changes in Accounting Policies

The Company adopted the following new accounting interpretation along with any consequential amendments, effective January 1, 2014

IFRIC 21 Levies ("IFRIC 21") is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. In IAS 37, the criterion for recognizing a liability includes the requirement for an entity to have a present obligation resulting from a past event. IFRIC 21 provides clarification on the past event that gives rise to the obligation to pay a levy as the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The application of IFRIC 21 did not result in an adjustment to the Company's consolidated financial statements.

Accounting standards issued but not yet effective

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

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, **Revenue**, IAS 11, **Construction Contracts**, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 1017. The Company will apply IFRS 15 beginning on January 1, 2017. The Company is in the process of analyzing IFRS 15 and determining the effect on our consolidated financial statements as a result of adopting this standard.

4. Significant Judgements in Applying Accounting Policies

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

- *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, subject to impairment analysis as discussed in Note 11. In making this judgement, 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.

- *Commencement of commercial production:* During the determination of whether a mine has reached an operating level that is consistent with the use intended by management, costs incurred are capitalized as mineral property, plant and equipment and any consideration from commissioning sales are offset against costs capitalized. The Company defines commencement of commercial production as the date that a mine has achieved a sustainable level of production based on a percentage of design capacity along with various qualitative factors including but not limited to the achievement of mechanical completion, continuous nominated level of production, the working effectiveness of the plant and equipment at or near expected levels and whether there is a sustainable level of production input available including power, water and diesel.

- *Assets' carrying values and impairment charges:* In determining carrying values and impairment charges the Company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- *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 judgements 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.

- *Business combinations:* Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders.

- *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, 2014, the carrying amount of stripping costs capitalized was $46.2 million comprised of Manantial - $13.0 million, Dolores - $28.4 million and Alamo Dorado - $4.8 million (2013 - $59.2 million was capitalized comprised of $13.8, $32.8, and $12.6 million, respectively).

- *Replacement convertible debenture:* As part of the 2009 Aquiline transaction the Company issued a replacement convertible debenture that allowed the holder to convert the debenture into either 363,854 Pan American shares or a Silver Stream contract. The holder subsequently selected the Silver Stream contract. The convertible debenture is classified and accounted for as a deferred credit. In determining the

appropriate classification of the convertible debenture as a deferred credit, the Company evaluated the economics underlying the contract as of the date the Company assumed the obligation. As at December 31, 2014, the carrying amount of the deferred credit arising from the Aquiline acquisition was $20.8 million (2013 - $20.8 million).

- *Convertible Notes:* The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with an embedded derivative. The financial liability and embedded derivative are recognized initially at their respective fair values. The embedded derivative is subsequently recognized at fair value with changes in fair value reflected in profit or loss and the debt liability component is recognized at amortized cost using the effective interest method. Interest gains and losses related to the debt liability component or embedded derivatives are recognized in profit or loss. On conversion, the equity instrument is measured at the carrying value of the liability component and the fair value of the derivative component on the conversion date.

5. 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 recorded at the time the risks and rewards of ownership pass to the buyer using forward market prices on the expected date that final sales prices will be fixed. Variations between the prices set under the smelting contracts may be caused by changes in market prices and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in the fair value classified in revenue. 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 determined in accordance with National Instrument 43 -101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators and in accordance with "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines – adopted November 23, 2003", prepared by the CIM Standing Committee on Reserve Definitions. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

- *Valuation of Inventory:* In determining mine production costs recognized in the consolidated income statement, the Company makes estimates of quantities of ore stacked in stockpiles, placed on the heap leach pad and in process and the recoverable silver in this material to determine the average costs of finished goods sold during the period. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories. Refer to Note 9 for details.

- *Depreciation and amortization rates for mineral property, plant and equipment and mineral interests:* Depreciation and amortization expenses are allocated based on assumed asset lives and depreciation and amortization rates. Should the asset life or depreciation rate differ from the initial estimate, an

adjustment would be made in the consolidated income statement prospectively. A change in the mineral reserve estimate for assets depreciated using the units of production method would impact depreciation expense prospectively.

- *Impairment of mining interests:* While assessing whether any indications of impairment exist for mining interests, consideration is 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 and 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. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests. Impairments of mining interests are discussed in Note 11.

- *Estimation of decommissioning and restoration 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 expenditure required to settle the present obligation of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine at the end of the reporting period. The carrying amount is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Refer to Note 15 for details on decommissioning and restoration costs.

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

- *Accounting for acquisitions:* The provisional fair value of assets acquired and liabilities assumed and the resulting goodwill, if any, requires that management make certain judgments and estimates taking into account information available at the time of acquisition about future events, including, but not restricted to, estimates of mineral reserves and resources required, exploration potential, future operating costs and capital expenditures, future metal prices, long-term foreign exchange rates and discount rates. Changes to the provisional values of assets acquired and liabilities assumed, deferred income taxes and resulting goodwill, if any, are retrospectively adjusted when the final measurements are determined (within one year of the acquisition date).

- *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 changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur. Refer to Note 28 for further discussion on contingencies.

6. Management of Capital

The Company's objective when managing its capital is to maintain its ability to continue as a going concern while at the same time maximizing growth of its business and providing returns to its shareholders. The Company's capital structure consists of shareholders' equity (comprising issued capital plus share option reserve plus retained deficit, plus investment revaluation reserve) with a balance of $1.6 billion as at December 31, 2014 (2013 - $2.2 billion). The Company manages its capital structure and makes adjustments based on changes to its economic environment and the risk characteristics of the Company's assets. The Company's capital requirements are effectively managed based on the Company having a thorough reporting, planning and forecasting process to help identify the funds required to ensure the Company is able to meet its operating and growth objectives.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2013.

7. Financial Instruments

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

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

	December 31, 2014	December 31, 2013
Current derivative liability		
Conversion feature on convertible notes	**$ (278)**	$ -
	$ (278)	$ -
Non-current derivative liabilities		
Share purchase warrants	**$ -**	$ (207)
Conversion feature on convertible notes	**-**	(1,419)
	$ -	$ (1,626)

In addition, trade and other receivables include accounts receivable arising from sales of metal concentrates and have been designated and classified as at FVTPL. The total trade and other receivables are as follows:

	December 31, 2014	December 31, 2013
Trade receivables from provisional concentrates sales	**$ 29,288**	$ 31,727
Not arising from sale of metal concentrates	**76,356**	83,055
Trade and other receivables	**$ 105,644**	$ 114,782

b) Normal purchase or sale exemption

Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a nonfinancial item in accordance with the Company's expected purchase, sale or usage requirements fall in the exemption from IAS 32 and IAS 39, which is known as the "normal purchase or sale exemption". For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Company recognizes such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

c) Financial assets designated as available-for-sale

The Company's short term investments are designated as available-for-sale. The unrealized losses on available-for-sale investments recognized in other comprehensive loss for the years ended December 31, were as follows:

	Twelve months ended December 31,	
	2014	2013
Unrealized loss on equity securities	**$ (1,429)**	**$ (2,163)**
Reclassification adjustment for net losses on available for sale securities included in earnings	**1,081**	**1,062**
	$ (348)	**$ (1,101)**

d) Risk

Overview

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

Metal Price Risk

Metal price risk is the risk that changes in metal prices will affect the Company's income or the value of its related financial instruments. The Company derives its revenue from the sale of silver, gold, lead, copper, and zinc. The Company's sales are directly dependent on metal prices that have shown significant volatility and are beyond the Company's control. Consistent with the Company's mission to provide equity investors with exposure to changes in silver prices, the Company's current policy is to not hedge the price of silver. A 10% increase in all metal prices for the year ended December 31, 2014, would result in an increase of approximately $79.4 million (2013 – $88.7 million) in the Company's revenues. A 10% decrease in all metal prices for the same period would result in a decrease of approximately $83.8 million (2013 - $90.7 million) in the Company's revenues. The Company also enters into provisional concentrate contracts to sell the zinc, lead and copper concentrates produced by the Huaron, Morococha, San Vicente and La Colorada mines. A 10% increase in metal prices (zinc, lead, copper and silver) on open positions for provisional concentrate contracts for the year ended December 31, 2014 would result in an increase of approximately $6.3 million (2013 - $19.4 million) in the Company's before tax earnings which would be reflected in 2014 results. A 10% decrease in metal prices for the same period would result in a decrease of approximately $6.5 million (2013 - $19.7 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 assess the Company's strategy towards its base metal exposure, depending on market conditions. At December 31, 2014, the Company did not have outstanding contracts to sell any of its base metals production.

Credit Risk

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

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

$29.3 million (2013 - $31.7 million). The vast majority of the Company's concentrate is sold to eight well known concentrate buyers.

Silver doré production from La Colorada, Alamo Dorado, Dolores and Manantial Espejo is refined under long term agreements with fixed refining terms at three separate refineries worldwide. The Company generally retains the risk and title to the precious metals throughout the process of refining and therefore is exposed to the risk that the refineries will not be able to perform in accordance with the refining contract and that the Company may not be able to fully recover precious metals in such circumstances. At December 31, 2014 the Company had approximately $44.7 million (2013 - $54.7 million) of value contained in precious metal inventory at refineries. The Company maintains insurance coverage against the loss of precious metals at the Company's mine sites, in-transit to refineries and whilst at the refineries.

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

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

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

At December 31, 2014, the Company has recorded an allowance for doubtful accounts provision in the amount of $7.6 million (2013 – $7.6 million). $7.6 million relates to amounts owing from Doe Run Peru ("DRP"), one of the buyers of concentrates from the Company's Peruvian operations, for deliveries of concentrates that occurred in early 2009. The Company will continue to pursue every possible avenue to recover the amounts owed by DRP. At December 31, 2014, no additional provision for doubtful accounts were recorded other than those described above.

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

		December 31,		
		2014		2013
Cash and cash equivalents	**$**	**146,193**	$	249,937
Trade accounts receivable		**29,288**		31,727
Advances to suppliers and contractors		**22,766**		24,265
Export tax receivable		**-**		3,803
Insurance receivable		**4,447**		3,855
Royalty receivable		**4,274**		2,370
Employee loans		**1,107**		1,768
Other		**8,913**		8,769
Total accounts receivable		**61,795**		76,557
Total cash and cash equivalents, and accounts receivable	**$**	**207,988**	$	326,494

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

Interest Rate Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. At December 31, 2014, the Company has $8.0 million in lease obligations (2013 - $10.2 million), that are subject to an annualized interest rate of 2.2% and unsecured convertible notes with a principal amount of $36.2 million (2013 – $36.2 million) that bear interest at 4.5%, payable semi-annually on June 15 and December 15. The interest paid by the Company for the year ended December 31, 2014 on its lease obligations was $0.4 million (2013 – $0.2 million). The Company has received short term loans in Argentina totaling $60 million Argentinean Pesos (USD $7.0 million) at an annual interest rate of 32.9% and USD $4.7 million at an annual interest rate of 3.2%. In addition the Company has also drawn on an available line of credit in Argentina for $49.5 million Argentinean Pesos (USD $6.0 million) at an interest rate of 25.0%. $49.5 million Argentinean Pesos are due in January 2015, $60 million Argentinean Pesos are due in October 2015 and USD $4.7 million are due in November 2015. The interest paid by the Company for the year ended December 31, 2014 on the convertible notes was $1.6 million (2013 – $1.6 million). The Company is not subjected to variable market interest rate changes as all debt included above have stated interest rates.

The average interest rate earned by the Company during the year ended December 31, 2014 on its cash and short term investments was 0.54%. A 10% increase or decrease in the interest earned from financial institutions on cash and short term investments would result in a $0.3 million increase or decrease in the Company's before tax earnings (2013 – $0.3 million).

Foreign Exchange Rate 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.

In order to mitigate this exposure, from time to time the Company has purchased Peruvian Nuevo Sol ("PEN"), Mexican Peso ("MXN") and CAD to match anticipated spending. At December 31, 2014 the Company had no outstanding contracts to purchase in PEN, MXN or CAD. 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 the following financial assets and liabilities and deferred income tax liabilities denominated in currencies other than USD as shown in the table below. The Company estimates that a 10% change in the exchange rate of the foreign currencies in which its December 31, 2014 non-USD net monetary liabilities were denominated would result in an income before taxes change of about $5.3 million (2013 - $38.3 million).

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

At December 31, 2014	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	$ 74,262	$ 232	$ (243)	$ (259)	$ 180
Mexican Peso	18,735	11,389	12,592	(136)	(135,421)
Argentinian Peso	157	31,301	1,767	(53,600)	(1,914)
Bolivian Boliviano	401	10,777	(4,077)	-	(2,453)
European Euro	41	-	-	(95)	-
Peruvian Nuevo Sol	4,844	2,593	5,266	(11,145)	(17,520)
	$ 98,440	**$ 56,292**	**$ 15,305**	**$ (65,235)**	**$ (157,488)**

At December 31, 2013	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	$ 156,610	$ 1,769	$ 4	$ (5,143)	$ -
Mexican Peso	6,149	34,105	8,776	(39,067)	(235,513)
Argentinian Peso	4,178	36,315	3,075	(47,055)	(26,720)
Bolivian Boliviano	1,635	1,187	(3,104)	(7,017)	(217)
Peruvian Nuevo Sol	3,279	13,838	3,359	(27,832)	(23,332)
	$ 171,851	**$ 87,214**	**$ 12,110**	**$ (126,114)**	**$ (285,782)**

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.

e) Commitments

The Company's commitments have contractual maturities which are summarized below:

	Payments due by period 2014				
	Total	Within 1 year[2]	2 - 3 years	4- 5 years	After 5 years
Current liabilities	$ 125,031	$ 125,031	$ -	$ -	$ -
Loan obligation (Note 15)	17,600	17,600	-	-	-
Finance lease obligations[1]	8,425	4,238	4,187	-	-
Severance accrual	4,135	749	469	2,053	864
Provisions	3,121	3,121	-	-	-
Income taxes payable	22,321	22,321	-	-	-
Restricted share units ("RSUs")	2,261	1,498	763	-	-
Preferred share units ("PSUs")	281	-	281		
Current portion of long term debt [4]	37,867	37,867	-	-	-
Total contractual obligations[5]	**$ 221,042**	**$ 212,425**	**$ 5,700**	**$ 2,053**	**$ 864**

	Payments due by period 2013				
	Total	Within 1 year[2]	2 - 3 years	4- 5 years	After 5 years
Current liabilities	$ 156,241	$ 156,241	$ -	$ -	$ -
Loan obligation (Note 15)	20,095	20,095	-	-	-
Finance lease obligations[1]	10,856	4,800	4,417	1,639	-
Severance accrual	3,726	649	412	2,138	527
Employee compensation plan[3]	3,228	3,228	-	-	-
Restricted share units ("RSUs")[3]	2,288	1,393	895	-	-
Long term debt [4]	39,497	1,631	37,866	-	-
Total contractual obligations[5]	**$ 235,931**	**$ 188,037**	**$ 43,590**	**$ 3,777**	**$ 527**

(1) Includes lease obligations in the amount of $8.4 million (December 31, 2013 - $10.9 million) with a net present value of $8.0 million (December 31, 2013 - $10.2 million) discussed further in Note 16.
(2) Includes all current liabilities as per the statement of financial position plus items presented separately in this table that are expected to be paid but not accrued in the books of the Company. A reconciliation of the current liabilities balance per the statement of financial position to the total contractual obligations within one year per the commitment schedule is shown in the table below.

December 31, 2014			Future interest component		**Within 1 year**
Current portion of:					
Accounts payable and other liabilities	$	125,031	$ -	**$**	**125,031**
Loan obligation		17,600	-		**17,600**
Current severance liability		749	-		**749**
Current portion of finance lease		3,993	245		**4,238**
Employee Compensation PSU's & RSU's		429	1,069		**1,498**
Convertible note		34,797	3,070		**37,867**
Provisions		3,121	-		**3,121**
Income tax payable		22,321	-		**22,321**
Total contractual obligations within one year	$	208,041	$ 4,384	**$**	**212,425**

December 31, 2013			Future interest component		**Within 1 year**
Current portion of:					
Accounts payable and other liabilities	$	123,750	$ -	**$**	**123,750**
Loan obligation		20,095	-		**20,095**
Current severance liability		649	-		**649**
Current portion of finance lease		4,437	363		**4,800**
Employee Compensation &RSU's		1,210	3,411		**4,621**
Convertible note		-	1,631		**1,631**
Provisions		3,172	-		**3,172**
Income tax payable		29,319	-		**29,319**
Total contractual obligations within one year	$	182,632	$ 5,405	**$**	**188,037**

(3) Includes RSU obligation in the amount of $2.2 million (2013 – $2.3 million) that will be settled in cash. The RSUs vest in two instalments, 50% in December 2014 and 50% in December 2015.
(4) Represents the face value of the replacement convertible note and future interest payments related to the Minefinders acquisition. Refer to Note 17 for further details.
(5) Amounts above do not include payments related to the Company's anticipated closure and decommissioning obligation, the deferred credit arising from the Aquiline acquisition discussed in Note 18, and deferred tax liabilities.

Fair Value of Financial Instruments

The carrying value of share purchase warrants and the conversion feature on the convertible notes are stated at fair value and the carrying value of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments. Share purchase warrants with an exercise price denominated in a currency other than the Company's functional currency are classified and accounted for as financial liabilities and, as such, are measured at their fair values with changes in fair values included in net earnings.

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

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

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

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

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

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

	Fair Value at December 31, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets and Liabilities:				
Short-term investments	**$ 184,220**	**$ 184,220**	**$ -**	**$ -**
Trade receivable from provisional concentrate sales	**$ 29,288**	**$ -**	**$ 29,288**	**$ -**
Conversion feature of convertible notes	**$ (278)**	**$ -**	**$ (278)**	**$ -**
	$ 213,230	**$ 184,220**	**$ 29,010**	**$ -**

	Fair Value at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Assets and Liabilities:				
Short-term investments	$ 172,785	$ 172,785	$ -	$ -
Trade receivable from provisional concentrate sales	$ 31,727	$ -	$ 31,727	$ -
Share purchase warrants	$ (207)	$ -	$ (207)	$ -
Conversion feature of convertible notes	$ (1,419)	$ -	$ (1,419)	$ -
	$ 202,886	$ 172,785	$ 30,101	$ -

The methodology and assessment of inputs for determining the fair value of financial assets and liabilities as well as the levels of hierarchy for the Company's financial assets and liabilities measured at fair value remains unchanged from that at December 31, 2013.

Valuation Techniques

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

Derivative Financial Instruments
The Company's unrealized gains and losses on commodity and foreign currency contracts are valued using observable market prices and as such are classified as Level 2 of the fair market value hierarchy. As of December 31, 2014, the unrealized gains and losses on commodity and foreign currency contracts was $nil (2013 - $nil).

Share purchase warrants
The Company's unrealized gains and losses on share purchase warrants are valued using observable inputs and as such are classified as Level 2 of the fair market value hierarchy. The share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. These warrants expired December 7th, 2014, see further discussion in Note 19. During the year ended December 31, 2014, the unrealized gain on share purchase warrants was $0.2 million (2013 - $8.4 million).

Convertible notes
The Company's unrealized gains and losses on conversion feature of the convertible note are valued using observable inputs and as such are classified as Level 2 of the fair market value hierarchy. The conversion feature on the convertible notes is considered an embedded derivative and re-measured at fair value each reporting period. The fair value of the conversion feature of the convertible notes is determined using a model that includes the volatility and price of the Company's common shares and a credit spread structure with reference to the corresponding fair value of the debt component of the convertible notes. During the year ended December 31, 2014, the unrealized gain on the convertible note was $1.1 million (2013 – $8.3million). The approximate current fair value of the notes, excluding the conversion feature at December 31, 2014 is $35.6 million (2013 – $34.7 million).

Receivables from Provisional Concentrate Sales

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

8. Short Term Investments

	December 31, 2014			December 31, 2013		
Available for Sale	**Fair Value**	**Cost**	**Accumulated unrealized holding losses**	Fair Value	Cost	Accumulated unrealized holding losses
Short term investments	**$ 184,220**	**$ 184,705**	**$ (485)**	$ 172,785	$ 172,922	$ (137)

9. Inventories

Inventories consist of:

	December 31, 2014	December 31, 2013
Concentrate inventory	**$ 16,679**	$ 17,024
Stockpile ore[1]	**44,236**	55,356
Heap leach inventory and in process[2]	**78,564**	94,820
Doré and finished inventory[3]	**57,175**	56,090
Materials and supplies	**55,895**	61,062
	$ 252,549	$ 284,352

(1) Includes an impairment charge of $0.9 million to reduce the cost of inventory to NRV at Manantial Espejo mine (December 31, 2013 – nil).
(2) Includes an impairment charge of $32.3 million to reduce the cost of inventory to NRV at Dolores and Alamo Dorado mines (December 31, 2013 - $10.3 million).
(3) Includes an impairment charge of $9.7 million to reduce the cost of inventory to NRV at Dolores, Alamo Dorado and Manantial Espejo mines (December 31, 2013 - $2.7).

Production costs, including depreciation and amortization and royalties for the year ended December 31, 2014 were $743.9 million (2013 - $693.0 million). Production costs represent cost of inventories sold during the year. During 2014, $30.0 million (2013 - $13.0 million) net realizable value adjustment was recognized and included in production costs (Note 20). The Stockpile ore of $32.7 million (2013 – $42.4 million) and a portion of the heap leach inventory amounting to $54.0 million (2013 - $49.3 million) are expected to be recovered or settled after more than twelve months.

10. Mineral Properties, Plant and Equipment

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

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

Mineral properties, plant and equipment consist of:

	Mining Properties				
	Depletable Reserves and Resources	Non-depletable Reserves and Resources	Non-depletable Exploration and Evaluation	Plant and Equipment	Total
Carrying value					
As at January 1, 2014					
Net of accumulated depreciation	$ 706,831	$ 226,415	$ 602,816	$ 334,616	$ 1,870,678
Additions	107,650	-	17	33,911	141,578
Disposals	-	-	(377)	(267)	(644)
Depreciation	(70,749)	-	-	(76,961)	(147,710)
Depreciation charge captured in inventory	(9,418)	-	-	-	(9,418)
Impairment charges	(142,269)	(72,038)	(310,593)	(67,286)	(592,186)
Transfers[1]	51,297	(24,433)	(10,411)	(15,341)	1,112
Capitalized borrowing costs	2,338	-	-	-	2,338
Closure and decommissioning – changes in estimate	694	-	(51)	-	643
As at December 31, 2014	**$ 646,374**	**$ 129,944**	**$ 281,401**	**$ 208,672**	**$ 1,266,391**
Cost as at December 31, 2014	$ 1,373,338	$ 336,353	$ 682,940	$ 690,368	$ 3,082,999
Accumulated depreciation and impairments	**(726,964)**	**(206,409)**	**(401,539)**	**(481,696)**	**(1,816,608)**
Carrying value – December 31, 2014	**$ 646,374**	**$ 129,944**	**$ 281,401**	**$ 208,672**	**$ 1,266,391**

(1) Includes amounts transferred from Accounts Receivable for advances.

	Mining Properties				
	Depletable Reserves and Resources	Non-depletable Reserves and Resources	Non-depletable Exploration and Evaluation	Plant and Equipment	Total
Carrying value					
As at January 1, 2013	$ 867,381	$ 341,362	$ 618,221	$ 378,288	$ 2,205,252
Additions	113,918	16	61	48,738	162,733
Disposals	-	-	-	(2,371)	(2,371)
Depreciation	(67,450)	-	-	(68,463)	(135,913)
Depreciation charge captured in inventory	(5,581)	-	-	-	(5,581)
Impairment charges	(197,044)	(109,921)	(15,387)	(26,065)	(348,417)
Transfers	(293)	(5,042)	846	4,489	-
Capitalized borrowing costs	1,658	-	-	-	1,658
Closure and decommissioning – changes in estimate	(5,758)	-	(925)	-	(6,683)
As at December 31, 2013	**$ 706,831**	**$ 226,415**	**$ 602,816**	**$ 334,616**	**$ 1,870,678**
Cost as at December 31, 2013	$ 1,221,767	$ 336,336	$ 718,212	$ 665,710	$ 2,942,025
Accumulated depreciation and impairments	**(514,936)**	**(109,921)**	**(115,396)**	**(331,094)**	**(1,071,347)**
Carrying value – December 31, 2013	**$ 706,831**	**$ 226,415**	**$ 602,816**	**$ 334,616**	**$ 1,870,678**

	December 31, 2014			December 31, 2013		
	Cost	Accumulated Depreciation and Impairment	Carrying Value	Cost	Accumulated Depreciation and Impairment	Carrying Value
Huaron mine, Peru	**$ 158,750**	**$ (71,351)**	**$ 87,399**	$ 147,391	$ (62,878)	$ 84,513
Morococha mine, Peru	**211,545**	**(86,936)**	**124,609**	202,213	(68,220)	133,993
Alamo Dorado mine, Mexico	**193,715**	**(179,274)**	**14,441**	193,035	(143,330)	49,705
La Colorada mine, Mexico	**140,784**	**(61,650)**	**79,134**	107,002	(52,588)	54,414
Dolores mine, Mexico	**859,655**	**(452,645)**	**407,010**	767,194	(296,751)	470,443
Manantial Espejo mine, Argentina	**346,498**	**(277,296)**	**69,202**	321,047	(162,058)	158,989
San Vicente mine, Bolivia	**128,014**	**(63,812)**	**64,202**	124,859	(55,727)	69,132
Other	**24,745**	**(15,696)**	**9,049**	24,735	(4,476)	20,259
Total	**$ 2,063,706**	**$ (1,208,660)**	**$ 855,046**	$ 1,887,476	$ (846,028)	$ 1,041,448
Land and Exploration and Evaluation:						
Land			**$ 4,977**			$ 8,513
Navidad project, Argentina			**190,471**			462,400
Minefinders exploration projects, Mexico			**180,074**			317,117
Morococha, Peru			**9,674**			10,432
Other			**26,149**			30,768
Total non-producing properties			**$ 411,345**			$ 829,230
Total mineral properties, plant and equipment			**$ 1,266,391**			$ 1,870,678

Navidad Project, Argentina

During the year ended December 31, 2014 the Company capitalized $nil of evaluation costs and mineral property, plant and equipment at the Navidad Project in Argentina (2013 - $nil).

At December 31, 2014, it was determined that the estimated realizable value of the Navidad project was below its carrying value and an impairment charge of $286.1 million was recorded. Refer to Note 11 for further details.

Morococha Mine, Peru

During the second quarter of 2010, the Company's subsidiary Compañia Minera Argentum S.A. ("Argentum"), reached an agreement with Minera Chinalco Perú ("MCP" or "Chinalco"), a subsidiary of the Aluminum Corporation of China which clearly defines each party's long term surface rights in the area of the Morococha mine. The primary focus of the agreement is on the lands and concessions around the Morococha mine and MCP's Toromocho copper project. MCP requires certain lands and concessions in order to proceed with the development of Toromocho, including the surface lands within the planned open pit mining area of the Toromocho project. While Argentum does not own this land, much of the Morococha mine infrastructure and facilities are located on this ground.

Under the terms of the agreement, Argentum would relocate the core Morococha facilities over a 5 year period and transfer certain mineral concessions and access rights to MCP. In exchange, Argentum will receive a package of surface rights, easements and other rights that are sufficient to relocate the facilities anc to continue uninterrupted operations. Lastly, Argentum will receive periodic cash payments from MCP totaling $40.0 million, of which, to December 31, 2014, the Company received $23.8 million (2013 - $23.8 million) which has been recognized as other income.

Dolores Mine, Mexico

On March 30, 2012, the Company acquired all of the issued and outstanding common shares of Minefinders. Minefinders' primary mining property is its 100% owned Dolores gold and silver mine located in Chihuahua, Mexico.

During the year ended December 31, 2014 the Company capitalized $49.7 million of mineral property, plant and equipment (2013 - $86.6 million) which included pad 3 construction additions of $17.5 million (2013 - $27.2 million). For the year ended December 31, 2014, the Company capitalized $2.3 million in interest related to the capital expenditures (2013 - $1.7 million) at a capitalization rate of 10% (2013: 10%).

At June 30, 2013, it was determined that the estimated realizable value of the Dolores mine was below its carrying value and an impairment charge of $187.5 million (net of tax of $1.1 million) was recorded which included $184.7 million of goodwill. Refer to Note 11 for further details.

At December 31, 2013, it was determined that the estimated realizable value of the Dolores mine was below its carrying value and a further impairment charge of $218.1 million (net of tax of $118.7 million) was recorded. Refer to Note 11 for further details.

At December 31, 2014, it was determined that the estimated realizable value of the Dolores mine was below its carrying value and a further impairment charge of $170.6 million (net of tax of $110.8 million) was recorded. Refer to Note 11 for further details.

11. Impairment of Non-Current Assets and Goodwill

Non-current assets are tested for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. The Company performs an impairment test for goodwill at each financial year end and when events or changes in circumstances indicate that the related carrying value may not be recoverable. The Company considers use of its internal discounted cash flow economic models as a proxy for the calculation of fair value less cost to sell, given a willing market participant would use such models in establishing a value for the properties. The Company considered impairment at the cash generating unit ("CGU") level, which is considered to be an individual mine or a development property. The CGU carrying amount for purposes of this test includes the carrying value of the mineral properties plant and equipment less deferred tax liabilities and closure and decommissioning liabilities related to each CGU.

Impairment at December 31, 2014

Due to a sustained decrease in metal prices that began during the third quarter of 2014 and carried on through the remainder of the year, during the fourth quarter of 2014 the Company lowered the silver and gold prices used in its long term reserve prices and updated the metal prices used in the near-term and mid-term periods (up to 2018) in its life of mine cash flow models, and concluded that these changes constituted an indication of impairment in the fourth quarter.

Based on the Company's assessment at December 31, 2014 of potential impairments with respect to its mineral properties, the Company concluded that impairment charges were required for the Dolores mine, the Alamo Dorado Mine, the Manantial Espejo mine, the Navidad Project, and certain non-core exploration properties.

The Company's key assumptions for each impairment test included the most current information on operating and capital costs, and risk adjusted project specific discount rates. The Company used a median of analysts' consensus pricing for the first four years of its economic modeling for impairment purposes, and long term reserve prices for the remainder of each asset's life. The prices used can be found in the key assumptions and sensitivity section below.

At its Dolores property, the Company determined that the carrying value of approximately $516.1 million, net of associated deferred tax liabilities was greater than its recoverable amount of $405.3 million when using a 5% risk adjusted discount rate. Based on the above assessment at December 31, 2014, the Company recorded a further impairment charge related to the Dolores mine of $170.6 million, before tax ($110.8 million net of tax) comprised of mineral property of $88.6 million, exploration and evaluation property of $72.0 million, and property, plant and equipment assets of $10.0 million.

At its Manantial Espejo property, the Company determined that the carrying value of approximately $142.1 million, net of associated deferred tax liabilities was greater than its recoverable amount of $86.2 million when using a 9% risk adjusted discount rate. Based on the above assessment at December 31, 2014, the Company recorded an impairment charge related to the Manantial Espejo mine of $76.7 million, before tax ($55.9 million net of tax) comprised of mineral property of $46.3 million, and property, plant and equipment assets of $30.4 million.

At its Alamo Dorado property, the Company determined that the carrying value of approximately $45.6 million, net of associated deferred tax liabilities was greater than its recoverable amount of $27.6 million when using a 5% risk adjusted discount rate. Based on the above assessment at December 31, 2014, the Company recorded an impairment charge related to the Alamo Dorado mine of $23.7 million, before tax ($17.7 million net of tax) comprised of mineral property of $7.4 million, and property, plant and equipment assets of $16.3 million.

Furthermore, the Company determined that its La Bolsa, La Virginia, Pico Machay, and Navidad properties at December 31, 2014, all had recoverable values on a fair value less cost of sales basis below their carrying values. For the La Bolsa property, an impairment of $10.3 million, before tax ($6.4 million net of tax) was warranted to reduce the carrying value of $25.2 million. The La Virginia property was written off completely, including related goodwill of $4.1million, resulting in a $24.1 million, before tax ($17.0 million net of tax) impairment. At the Pico Machay property, the Company determined that a $4.8 million, before tax ($4.8 million net of tax) impairment was appropriate to reduce the carrying value of approximately $22.2 million down to $17.4 million.

Lastly, at its Navidad property, the company found that at December 31, 2014 a further impairment was warranted given the deteriorating economic environment in Argentina, and the precious metals market. The Company used a range of expected FX assumptions, and a risk adjusted project specific discount rate of 11.25% to develop a discounted cash flow model. Additionally, the Company compiled market data to develop an in-situ based valuation of the property. The result warranted an impairment charge of $286.1 million, before tax ($286.1 million net of tax) comprised of $271.9 million exploration and evaluation property, $3.6 million of land, and $10.6 million of equipment to reduce the approximate carrying value of $486.1 million to the estimated recoverable value of $200.3 million comprised of exploration and evaluation property of $190.5 million, land of $2.4 million and equipment of $7.4 million.

Impairment at June 30, 2013

At June 30, 2013, the Company determined that the carrying value of the Dolores mine was greater than its recoverable amount of $872.5 million. Based on the above assessment at June 30, 2013, the Company recorded an impairment charge related to the Dolores mine of $187.5 million, net of tax ($188.6 million before tax) comprised of goodwill of $184.7 million and non-current assets of $3.9 million.

At June 30 2013, it was determined that the estimated recoverable value of certain exploration assets was greater than their recoverable amount on a fair value less costs to sell basis. Based on this assessment the Company recorded an impairment charge of approximately $14.9 million as at June 30, 2013, for these properties.

Impairment at December 31, 2013

Based on the Company's assessment at December 31, 2013 of potential impairments with respect to its mineral properties, the Company concluded that further impairment charges were required for the Dolores mine from those recorded at June 30, 2013.

At December 31, 2013, the Company determined that the carrying value related to the Dolores mine of approximately $723.1 million, net of associated deferred tax liabilities was greater than its recoverable amount of $505.1 million. Based on the above assessment at December 31, 2013, the Company recorded a further charge related to the Dolores mine of $218.1 million, net of tax ($336.8 million before tax) comprised of mineral property of $194.6 million, exploration and evaluation property of $116.1 million, and property, plant and equipment assets of $26.1 million.

The total impairment charge for the year ended December 31, 2013 is $420.4 million, net of tax of $119.8 million (before tax - $540.2 million).

Key assumptions and sensitivity

The metal prices used to calculate the recoverable amounts at December 31, 2014 are based on analysts' consensus prices and the Company's long term reserve prices and are summarized in the following table:

Commodity Prices	2015-2018 average	Long term
Silver price - $/oz.	$19.03	$18.50
Gold price - $/oz.	$1,266	$1,250
Zinc price - $/tonne	$2,423	$2,000
Copper price - $/tonne	$6,996	$6,800
Lead price - $/tonne	$2,225	$2,000

Metal prices used at December 31, 2013:

Commodity Prices	2014-2017 average	Long term
Silver price - $/oz.	$22.43	$22.00
Gold price - $/oz.	$1,338	$1,300
Zinc price - $/tonne	$2,184	$1,850
Copper price - $/tonne	$7,001	$6,800
Lead price - $/tonne	$2,205	$1,950

Metal prices used at June 30, 2013:

Commodity Prices	2013-2016 average	Long term
Silver price - $/oz.	$26.79	$25.00
Gold price - $/oz.	$1,508	$1,350
Zinc price - $/tonne	$2,238	$1,750
Copper price -$/tonne	$7,436	$6,500
Lead price - $/tonne	$2,221	$1,850

The Company assesses impairment, when events or changes in circumstances indicate that the related carrying value may not be recoverable, at the cash-generating unit level, which is considered to be individual mine sites or development properties. The discount rates used to present value the Company's life of mine cash flows are derived from the Company's weighted average cost of capital which was calculated as 7.5% for 2014 (2013 – 8%), with rates applied to the various mines and projects ranging from 4.75% to 11.25% depending on the Company's assessment of country risk, project risk, and other potential risks specific to each CGU.

The key assumptions in determining the recoverable value of the Company's mineral properties are metal prices, operating and capital costs, foreign exchange rates and discount rates. At December 31, 2014, the Company performed a sensitivity analysis on all key assumptions that assumed a negative 10% change for each individual assumption while holding the other assumptions constant. Under certain of such scenarios, the carrying value of the Company's mineral properties associated with the Huaron mine and the Morococha mine may exceed their recoverable amount for the purposes of the impairment test.

For the Huaron mine, either of a decrease in the long term silver price of 2%, a decrease in the long term zinc price of 4%, a decrease in the long term lead price of 6%, a decrease in the long term copper price of 9%, an increase in operating costs of 1%, an appreciation of the Peruvian sol of 2%, or an increase in capital expenditures of 8% would in insolation cause the estimated recoverable amount to be equal to the CGU carrying value of $72.0 million (2013–$65.8 million). At December 31, 2013, none of these factors, if negatively affected by 10%, would have caused the carrying value to equal or exceed the recoverable value.

For the Morococha mine, either of a decrease in the long term silver price of 8%, or an increase in operating costs of 7% would in isolation, cause the estimated recoverable amount to be equal to the CGU carrying value of $121.4 million (2013–$125.6 million). At December 31, 2013, none of these factors, if negatively affected by 10%, would have caused the carrying value to equal or exceed the recoverable value.

In the case of the Dolores mine, the Alamo Dorado mine, the Manantial Espejo mine, the Navidad project and certain non-core exploration properties, which all have had their carrying values adjusted to fair value less cost to sell through impairment charges, a modest decrease in any one key assumption would reduce the recoverable amount below the carrying amount.

Goodwill consists of:

As at December 31, 2012	$	198,946
Impairments [1] [2]		(191,812)
As at December 31, 2013		**7,134**
Impairments[3]		**(4,077)**
As at December 31, 2014	**$**	**3,057**

(1) Impairment Exploration property La Bolsa. March, 2013

(2) Impairment Dolores mine. December, 2013

(3) Impairment Exploration properties La Virginia and other. December, 2014

12. Other Assets

Other assets consist of:

	December 31, 2014	December 31, 2013
Long-term receivable[1]	**$ 5,461**	$ 5,648
Investments in Associates	**1,450**	1,450
Reclamation bonds	**91**	92
Lease receivable	**408**	788
Other assets	**37**	36
	$ 7,447	$ 8,014

[1] Represents a deposit related to the Gas Line Project at the Manantial mine.

13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	December 31, 2014	December 31, 2013
Trade accounts payable[1]	**$ 52,985**	$ 51,590
Royalties payable	**6,019**	9,799
Other accounts payable and trade related accruals	**33,780**	28,419
Payroll and related benefits	**18,808**	19,463
Severance accruals	**749**	649
Other taxes payable	**1,541**	235
Advances on concentrate inventory	**2,345**	7,810
Other	**9,982**	7,644
	$ 126,209	$ 125,609

[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.

14. Loan payable

	December 31, 2014	December 31, 2013
Loan payable[1]	**$ 17,658**	$ 23,496
Unrealized gain on foreign exchange	**(58)**	(3,401)
Net loan payable	**$ 17,600**	$ 20,095

[1] On October 31, 2014, one of the Company's subsidiaries (Minera Triton Argentina S.A.) received an unsecured bank loan for $60.0 million Argentine pesos (equivalent to USD$7.0 million) in order to meet its short term obligations. On November 13, 2014 an additional loan was received for USD$4.7 million. The loan terms are one year from October 31, 2014 and 90 days from November 13, 2014 with interest rates of 32.9% and 3.2% respectively. In addition to the loans the subsidiary had drawn on an available line of credit for an additional $49.5 million Argentine pesos (equivalent toUSD$6.0 million) at an interest rate of 25.0% due January 2, 2015. At December 31, 2014, the combined fair values of the loans payable were $17.6 million.
On June 25, 2013, one of the Company's subsidiaries (Minera Triton Argentina S.A.) received an unsecured bank loan for $100.0 million Argentine pesos (equivalent to USD$18.6 million) in order to meet its short term obligations. On November 27, 2013 an additional loan was received for $30.0 million Argentine pesos (USD$4.7 million) for a total cumulative of $130.0 million Argentine pesos (US$23.3 million). The loan terms are one year from June 25, 2013 and 90 days from November 27, 2013 with interest rates of 25.3% and 27.25% respectively. At December 31, 2013, the combined fair values of the loans payable were $20.1 million.

15. Provisions

	Closure and Decommissioning	Litigation	Total
December 31, 2012	$ 45,640	$ 7,043	$ 52,683
Revisions in estimates and obligations incurred	$ (6,789)	-	(6,789)
Charged (credited) to earnings:			
-new provisions	-	1,238	1,238
-unused amounts reversed	-	(1,166)	(1,166)
-exchange gains on provisions	-	(341)	(341)
Charged in the year	(412)	(1,254)	(1,666)
Accretion expense (Note 22)	3,030	-	3,030
December 31, 2013	$ 41,469	$ 5,520	$ 46,989
Revisions in estimates and obligations incurred	**421**		**421**
Charged (credited) to earnings:			
-new provisions	**-**	**375**	**375**
-unused amounts reversed	**-**	**(91)**	**(91)**
-exchange gains on provisions	**-**	**(284)**	**(284)**
Charged in the year	**(1,955)**	**(509)**	**(2,464)**
Accretion expense (Note 22)	**3,238**	**-**	**3,238**
December 31, 2014	**$ 43,173**	**$ 5,011**	**$ 48,184**

Maturity analysis of total provisions:	**December 31, 2014**	December 31, 2013
Current	**$ 3,121**	$ 3,172
Non-Current	**45,063**	43,817
	$ 48,184	$ 46,989

Closure and Decommissioning Cost Provision

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's closure and decommissioning provision is $99.7 million (2013 - $107.5 million) which has been discounted using discount rates between 1% and 21% (2013 – 4% and 11%). Revisions made to the reclamation obligations in 2014 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 2014 earnings as finance expense was $3.2 million compared to $3.0 million in 2013. Reclamation expenditures paid during the current year were $2.0 million compared to $0.4 million in 2013.

Litigation Provision

The litigation provision consists of amounts accrued for labour claims at several of the Company's mine operations. The balance of $5.0 million at December 31, 2014 (2013 - $5.5 million) represents the Company's best estimate for all known and anticipated future obligations related to the above claims. The amount and timing of any expected payments are uncertain as their determination is outside the control of the Company.

16. Finance Lease Obligations

	December 31, 2014	December 31, 2013
Lease obligations[1]	**$ 8,037**	$ 10,154

	December 31, 2014	December 31, 2013
Maturity analysis of finance leases:		
Current	**$ 3,993**	$ 4,437
Non-Current	**4,044**	5,717
	$ 8,037	$ 10,154

(1) Represents equipment lease obligations at several of the Company's subsidiaries. A reconciliation of the total future minimum lease payments at December 31 to their present value is presented in the table below.

	December 31,2014	December 31,2013
Less than a year	**$ 4,238**	$ 4,800
2 years	**2,697**	2,585
3 years	**1,490**	1,832
4 years	**-**	1,639
5 years	**-**	-
	8,425	10,856
Less future finance charges	**(388)**	(702)
Present value of minimum lease payments	**$ 8,037**	$ 10,154

17. Long Term Debt

	December 31, 2014	December 31, 2013
Convertible notes	**$ 34,519**	$ 32,883
Conversion feature on the convertible notes	**278**	1,419
Total long-term debt	**$ 34,797**	$ 34,302

	December 31, 2014	December 31, 2013
Maturity analysis of Long Term Debt:		
Current	**$ 34,797**	$ -
Non-Current	**-**	34,302
	$ 34,797	$ 34,302

As part of the Minefinders acquisition and pursuant to the First Supplemental Indenture Agreement, the Company issued replacement unsecured convertible senior notes with an aggregate principal amount of $36.2 million (the "Notes"). Until such time as the earlier of December 15, 2015 and the date the Notes are converted, each Note shall bear interest at 4.5% payable semi-annually on June 15 and December 15 of each year. The principal outstanding on the Notes is due on December 15, 2015, if any Notes are still outstanding at that time. The Notes are convertible into a combination of cash and Pan American shares.
On April 19, 2012, the Company entered into a Second Supplemental Indenture Agreement (the "Agreement") as part of the Minefinders acquisition. The terms of the Agreement stipulate the following:

If a Note holder elects to convert all or part of its principal amounts of Notes on or prior to November 4, 2015, for each $1,000 principal amount of converted Notes, such Notes shall be converted at the discretion of Pan American, into:

a) 96.670 Preferred Shares (the "Conversion Rate") upon conversion by a holder of Notes, the Company may issue Class A voting, participating, 6.5% cumulative convertible preferred shares in the capital of Minefinders (the "Preferred Shares");
b) an amount of cash equal to the Conversion Rate multiplied by CAD$1.84 plus the market value of 0.55 of a Pan American common share (the "Market Value of the Consideration") at the time of such conversion; or
c) a combination of Preferred Shares and cash having a combined value equal to the Cash Equivalent Conversion Consideration which is the amount of cash equal to the Conversion Rate multiplied by the Market Value of the Consideration at the time of such conversion.

On November 4, 2015 each holder of Preferred Shares shall receive in exchange for each Preferred Share at the discretion of Pan American:

a) CAD$1.84 and 0.55 of Pan American common shares;
b) an amount of cash equal to the Market Value of the Consideration; or
c) a combination of Pan American Shares and cash having a combined value equal to the Market Value of the Consideration at November 4, 2015.

If the Noteholder elects to convert all or part of the principal amount of Notes held by such Noteholder after November 4, 2015, for each $1,000 principal amount of converted Notes, the Notes shall be converted, at the option of Pan American into:

a) the number of Preferred Shares equal to the Conversion Rate;
b) an amount of cash equal to the Cash Equivalent Conversion Consideration that is 1.84 plus 0.55 Pan American shares multiplied by the average of the daily volume weighted average price ("VWAP") of Pan American shares for the 10 consecutive Pan American trading days commencing on the first Pan American trading day after the date of the Company's notice of election to deliver the conversion consideration in cash or a combination of Preferred shares and cash if the Noteholder has not given a notice of redemption pursuant to the terms of the Agreement; or
c) such combination of Preferred Shares and cash having a combined value equal to the Cash Equivalent Conversion Consideration. For purposes of this clause each Preferred Share shall be deemed to have a value equal to the Market Value of the Consideration at the time of conversion, and immediately there upon, each preferred share so issued, shall be automatically exchanged for a Consideration Unit of CAD$1.84 plus the market value of 0.55 of a Pan American common share.

The interest and principal amounts of the Notes are classified as debt liabilities and the conversion option is classified as a derivative liability. The debt liability is measured at amortized cost. As a result, the carrying value of the debt liability is lower than the aggregate face value of the Notes. The unwinding of the discount is accreted as interest expense over the terms of the notes using an effective interest rate. For the year ended December 31, 2014, $2.3 million was capitalized to mineral property, plant and equipment (2013 – $1.7 million). The Company has the right to pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the conversion feature on the convertible notes is considered an embedded derivative and re-measured at fair value each reporting period. The fair value of the conversion feature of the convertible notes is determined using a model that includes the volatility and price of the Company's common shares and a credit spread structure with reference to the corresponding fair value of the debt component of the convertible notes. Assumptions used in the fair value calculation of the embedded derivative component at December 31, 2014 were expected stock price volatility of 53.57%, expected life of 1.0 years, and expected dividend yield of 5.44%.

During the year ended December 31, 2014, the Company recorded a $1.1 million gain on the revaluation of the embedded derivative on the convertible notes (2013 – $8.3 million).

18. Other Long Term Liabilities

Other long term liabilities consist of:

	December 31, 2014	December 31, 2013
Deferred credit[1]	**$ 20,788**	$ 20,788
Other income tax payable	**6,542**	2,180
Severance accruals	**3,386**	3,077
	$ 30,716	$ 26,045

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

19. Share Capital and Employee Compensation Plans

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

The Board has developed long term incentive plan ("LTIP") guidelines, which provide annual compensation to the senior managers of the Company based on the long term performance of both the Company and the individuals that participate in the plan. The LTIP consists of an annual grant of options to buy shares of the Company and a grant of the Company's common shares with a two year no trading legend. The options are seven year options which vest evenly in two annual instalments. Options and common shares granted under the LTIP plan are based on employee salary levels, individual performance and their future potential. In addition, the restricted share units ("RSUs") plan described below is part of the LTIP plan. In early 2014, the Board approved the adding of performance share units ("PSUs") to the Company's LTIP, plan described below.

The Compensation Committee oversees the LTIP on behalf of the Board of Directors. The LTIP plan guidelines can be modified or suspended, at the discretion of the Board of Directors. Additionally, from time to time, the Company issues replacement awards and warrants related to acquisitions.

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

	Stock Options		Share Purchase Warrants		
	Shares	Weighted Average Exercise Price CAD$	Warrants	Weighted Average Exercise Price CAD$	Total
As at December 31, 2012	**2,196,565**	**$ 24.07**	**7,814,605**	$ 35.00	**10,011,170**
Granted[1]	326,047	$ 11.57	-	$ -	326,047
Exercised	-	$ -	-	$ -	-
Expired	(922,965)	$ 25.19	-	$ -	(922,965)
Forfeited	(202,277)	$ 21.63	-	$ -	(202,277)
As at December 31, 2013	**1,397,370**	**$ 20.76**	**7,814,605**	**$ 35.00**	**9,211,975**
Granted	212,869	$ 11.58	-	$ -	212,869
Exercised	-	$ -	(92)	$ 35.00	(92)
Expired	(195,562)	$ 17.73	(7,814,513)	$ 35.00	(8,010,075)
Forfeited	(20,162)	$ 23.02	-	$ -	(20,162)
As at December 31, 2014	**1,394,515**	**$ 19.74**	**-**	**$ -**	**1,394,515**

(1) Includes 20,642 options granted in lieu of director fees during 2013.

Long Term Incentive Plan

During the year ended December 31, 2014, the Company awarded 137,465 (2013 – 94,659) shares of common stock with a two year holding period and granted 212,869 (2013 – 326,047) options under this plan. During 2014, 5,521 common shares were issued to directors in lieu of directors fees. The Company used as its assumptions for calculating the fair value a risk free interest rate of 1.2% (2013 – 1.46%), weighted average volatility of 50% using a historical share price (2013 – 47%), expected lives ranging from 3.5 to 4.5 (2013 – 4 to 5) years, historical expected dividend yield of 3.4%, and an exercise price of CAD $11.58 (2013 – CAD $11.49) per share. The weighted average fair value of each option was determined to be CAD $3.51 (2013 – CAD $3.38).

During the year end December 31, 2014, nil common shares were issued in connection with the exercise of options under the plan (December 31, 2013 – nil common shares) 195,562 options expired (2013 - 922,965) and 20,162 options were forfeited (2013 – 202,277).

During the year ended December 31, 2014, 92 common shares were issued in connection with the exercise of warrants (2013, - nil common shares) the remaining 7,814,513 warrants expired (2013 – nil).

Performance Shares Units

In early 2014, the Board approved the adding of performance share units ("PSUs") to the Company's LTIP. PSUs are notional share units that mirror the market value of the Company's common shares (the "Shares"). Each vested PSU entitles the participant to a cash payment equal to the value of an underlying share, less applicable taxes, at the end of the term, plus the cash equivalent of any dividends distributed by the Company during the three-year performance period. PSU grants will vest on the date that is three years from the date of grant subject to certain exceptions. Performance results at the end of the performance period relative to predetermined performance criteria and the application of the corresponding performance multiplier determine how many PSUs vest for each participant. The Board approved the issuance of 30,408 PSUs with a share price of CAD $11.51 as of December 31, 2014. Compensation expense for PSUs was $0.005 million in 2014 and is presented as a component of general and administrative expense.

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

Share Option Plan

The following table summarizes information concerning stock options outstanding and options exercisable as at December 31, 2014. The underlying option agreements are specified in Canadian dollar amounts.

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices CAD$	**Number Outstanding as at December 31, 2014**	Weighted Average Remaining Contractual Life (months)	Weighted Average Exercise Price CAD$	**Number Exercisable as at December 31, 2014**	Weighted Average Exercise Price CAD$
$ 11.49 - $11.57	**305,405**	71.43	$ 11.49	152,706	$ 11.49
$ 11.58 - $12.60	**212,869**	83.38	$ 11.58	-	$ -
$ 12.61 - $18.53	**246,827**	64.30	$ 17.97	246,827	$ 17.97
$ 18.54 - $24.90	**347,964**	46.57	$ 24.89	347,964	$ 24.89
$ 24.91 - $40.22	**281,450**	11.46	$ 30.03	281,450	$ 30.03
	1,394,515	53.68	$ 19.74	1,028,947	$ 22.65

For the year ended December 31, 2014, the total employee stock-based compensation expense recognized in the income statement was $2.5 million (2013 - $2.2 million).

Share Purchase Warrants

As part of the acquisition of Aquiline Resources Inc. in 2009 the Company issued share purchase warrants. During 2014, 92 warrants were exercised for common shares for proceeds of $0.003 million. The outstanding warrants of 7,814,513 expired on December 7, 2014 as per the agreement.

The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. During the year ended December 31, 2014, there was a derivative gain of $0.2 million (2013 – gain of $8.4 million). The following table provides detail on the movement of the share purchase warrant liability between December 31, 2012 and December 31, 2014:

Share Purchase Warrant Liability		
December 31, 2012	$	8,594
Warrants exercised during the year		-
Mark-to-market gain on the revaluation of warrants		(8,387)
December 31, 2013	$	207
Warrants exercised during the year		-
Mark-to-market gain on the revaluation of warrants		(207)
December 31, 2014	$	-

The Company uses the Black Scholes pricing model to determine the fair value of the Canadian dollar denominated warrants. Assumptions used are as follows:

		December 31, 2013
Warrant strike price	$	35.00
Exchange rate (CAD 1:USD 0.94)		0.94
Risk-free interest rate		1.0%
Expected dividend yield		4.0%
Expected stock price volatility		46.8%
Expected warrant life in years		0.93
Quoted market price at period end	$	12.41

The conversion feature on the convertible note, further discussed in Note 17, is considered an embedded derivative and is classified and accounted for as a financial liability at fair value with changes in fair value included in net earnings. At December 31, 2014, the total unrealized derivative gain attributable to both the warrants and convertible notes was $1.3 million (2013 - $16.7 million).

Restricted Share Units

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

Compensation expense for RSU's was $0.9 million in 2014 (2013 – $0.6 million) and is presented as a component of general and administrative expense.

At December 31, 2014, the following RSU's were outstanding:

RSU	Number Outstanding	Fair Value
As at December 31, 2012	91,226	$ 1,709
Granted	153,393	1,662
Paid out	(42,709)	(497)
Forfeited	(5,808)	(67)
Change in value	-	(519)
As at December 31, 2013	**196,102**	**$ 2,288**
Granted	165,240	1,670
Paid out	(116,381)	(1,224)
Forfeited	(4,204)	(44)
Change in value	-	(429)
As at December 31, 2014	**240,757**	**$ 2,261**

Key Employee Long Term Contribution Plan

An additional element of the Company's compensation structure is a retention program known as the Key Employee Long Term Contribution Plan (the "Contribution Plan"). The Contribution Plan was approved by the directors of the Company on June 2, 2008 in response to a heated labour market situation in the mining sector, and was intended to reward certain key employees of the Company over a fixed time period for remaining with the Company. On May 15, 2012, the directors of the Company approved the extension of the Key Employee Long Term Contribution Plan (the "2012 Contribution Plan"), effective on June 1, 2012.

The 2012 Contribution Plan was a two year plan with a percentage of the retention bonus payable at the end of each year of the program. The 2012 Contribution Plan design consisted of three bonus levels that were commensurate with various levels of responsibility, and provided for a specified annual payment for two years starting in June 2012. Each year, the annual contribution award was paid in the form of cash. The minimum aggregate value that was paid in cash over the 2-year period of the plan was $7.2 million. As of December 31, 2014, this plan has been terminated and $nil remains to be paid.

Issued share capital

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

Normal Course Issuer Bid

On November 28, 2013, the Company received regulatory approval for a normal course issuer bid to purchase up to 7,570,535 of its common shares, during the one year period from December 5, 2013 to December 4, 2014.

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

No common shares were purchased during the year ended December 31, 2014 (2013 – 415,000 common shares were purchased).

Dividends

On February 19, 2014, the Company declared a dividend of $0.125 per common share paid to holders of record of its common share as of the close of business on March 17, 2014.

On May 8, 2014, the Company declared a dividend of $0.125 per common share paid to holders of record of its common share as of the close of business on June 3, 2014.

On August 13, 2014, the Company declared a quarterly dividend of $0.125 per common share paid to holders of record of its common shares as of the close of business on September 5, 2014.

On November 13, 2014, the Company declared a quarterly dividend of $0.125 per common share to be paid to holders of record of its common shares as of the close of business on December 8, 2014.

On February 19, 2015, the Company declared dividends payable of $0.125 per common share payable to holders of record of its common shares as of the close of business day on March 2, 2015. These dividends were declared subsequent to the year end and have not been recognized as distributions to owners during the period presented.

20. Production Costs

Production costs are comprised of the following:

		2014		2013
Consumption of raw materials and consumables	**$**	**223,238**	$	214,638
Employee compensation and benefits expense (Note 21)		**172,558**		152,417
Contractors and outside services		**87,023**		89,564
Utilities		**25,229**		22,781
Other expenses		**25,360**		58,124
Changes in inventories [(1)]		**34,796**		(6,911)
	$	**568,204**	$	530,613

(1) Includes NRV charge $30.0 million (2013-$13.0 million)

21. Employee Compensation and Benefit Expenses

		2014		2013
Wages, salaries and bonuses	**$**	**189,656**	$	170,127
Share-based payments		**2,529**		2,173
Total employee compensation and benefit expenses		**192,185**		172,300
Less: Expensed within General and Administrative expenses		**(16,086)**		(14,712)
Less: Expensed Exploration expenses		**(3,541)**		(5,171)
Employee compensation and benefits expenses included in production costs (Note 20)	**$**	**172,558**	$	152,417

22. Interest and Finance Expense

		2014		2013
Interest expense	**$**	**5,072**	$	6,664
Finance fees		**429**		583
Accretion expense (Note 15)		**3,238**		3,030
	$	**8,739**	$	10,277

23. Loss Per Share ("LPS") (Basic and Diluted)

For the year ended December 31,	**2014**			**2013**		
	Earnings (Numerator)	**Shares (000's) (Denominator)**	**Per-Share Amount**	Earnings (Numerator)	Shares (000's) (Denominator)	Per-Share Amount
Net loss[(1)]	**$ (545,588)**			$ (445,851)		
Basic LPS	**$ (545,588)**	**151,511**	**$ (3.60)**	$ (445,851)	151,501	$ (2.94)
Effect of Dilutive Securities:						
Stock Options	**-**	**-**		-	-	
Convertible notes	**-**	**-**		(8,327)	1,929	
Diluted LPS	**$ (545,588)**	**151,511**	**$ (3.60)**	$ (454,178)	153,430	$ (2.96)

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

Potentially dilutive securities excluded in the diluted earnings per share calculation for the twelve months ended December 31, 2014 were 1,394,515 out-of-money options and warrants (2013 – 9,211,975).

24. Supplemental Cash Flow Information

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

Changes in non-cash operating working capital items:	**2014**	2013
Trade and other receivables	**$ 7,373**	$ 15,903
Inventories	**11,267**	(25,012)
Prepaid expenditures	**4,659**	423
Accounts payable and accrued liabilities	**(8,398)**	(10,959)
Provisions	**(3,304)**	(1,659)
	$ 11,597	$ (21,304)

(1) The disclosure for Consolidated Statements of Cash Flows for 2013 has been changed from prior year audited amounts to reflect interest expense of $6.7 million and net realizable value adjustments of $13.0 million as individual lines on the Consolidated Statements of Cash Flows for the year ended December 31, 2013 in order to correct an immaterial error. There is no net impact on the Consolidated Income Statements or Loss or diluted loss per share. Details of the change are reflected in the following table:

	Previously Reported	Current Report	Difference
Inventories	$ (12,045)	$ (25,012)	$ (12,967)
Accounts payable and Accrued liabilities	$ (4,295)	$ (10,959)	$ (6,664)
Changes in non-cash operating working capital Items	$ (1,673)	$ (21,304)	$ (19,631)

Significant non-cash items:	**2014**	2013
Advances received for construction and equipment leases	**$ 3,230**	$ 3,331
Share-based compensation issued to employees and directors	**$ 1,461**	$ 1,035

Cash and Cash Equivalents	**2014**	2013
Cash in banks	**$ 118,099**	$ 242,191
Short term money markets	**28,094**	7,746
Cash and cash equivalents	**$ 146,193**	$ 249,937

25. Segmented Information

All of the Company's operations are within the mining sector, conducted through operations in six countries. Due to geographic and political diversity, the Company's mining operations are decentralized in nature whereby Mine General Managers are responsible for achieving specified business results within a framework of global policies and standards. Country corporate offices provide support infrastructure to the mines in addressing local and country issues including financial, human resources, and exploration support. The Company has a separate budgeting process and measures the results of operations and exploration activities independently. Operating results of operating segments are reviewed by the Company's operating decision maker to make decisions about resources to be allocated to the segments and assess their performance. The Corporate office provides support to the mining and exploration activities with respect to financial, human resources and technical support. Major products are silver, gold, zinc, lead and copper produced from mines located in Mexico, Peru, Argentina and Bolivia. Significant information relating to the Company's reportable operating segments is summarized in the table below:

Twelve months ended December 31, 2014

	Peru			Mexico		Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 94,985	$ 79,070	$ 156,559	$ 90,477	$ 98,024	$ 156,076	$ -	$ 76,751	$ -	**$ 751,942**
Depreciation and amortization	$ (11,877)	$ (18,745)	$ (47,776)	$ (12,693)	$ (8,784)	$ (38,031)	$ (166)	$ (8,986)	$ (652)	**$ (147,710)**
Exploration and project development	$ (1,312)	$ (1,453)	$ (1,242)	$ (336)	$ (9)	$ (1,657)	$ (4,437)	$ -	$ (2,779)	**$ (13,225)**
Interest income	$ 291	$ 22	$ 9	$ 299	$ 251	$ 723	$ 15	$ -	$ 182	**$ 1,792**
Interest and financing expenses	$ (751)	$ (778)	$ (1,353)	$ (241)	$ (256)	$ (4,087)	$ (45)	$ (226)	$ (1,002)	**$ (8,739)**
Gain (loss) on disposition of assets	$ 17	$ 404	$ 2	$ -	$ -	$ (102)	$ -	$ (6)	$ 830	**$ 1,145**
Gain on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,348	**$ 1,348**
Foreign exchange gain (loss)	$ 190	$ (364)	$ 1,322	$ (1,494)	$ (1,143)	$ 4,818	$ (388)	$ 290	$ (16,506)	**$ (13,275)**
Impairment charge	$ -	$ -	$ (170,579)	$ (23,721)	$ -	$ (76,697)	$ (286,076)	$ -	$ (39,189)	**$ (596,262)**
Earnings (loss) before income taxes	$ 3,631	$ (13,345)	$ (251,621)	$ (17,517)	$ 14,611	$ (87,183)	$ (292,397)	$ 15,091	$ (8,587)	**$ (637,317)**
Income tax (expense) recovery	$ (1,494)	$ 3,565	$ 87,350	$ (1,566)	$ (4,477)	$ 23,078	$ (77)	$ (7,544)	$ (6,341)	**$ 92,494**
Net earnings (loss) for the period	$ 2,137	$ (9,780)	$ (164,271)	$ (19,083)	$ 10,134	$ (64,105)	$ (292,474)	$ 7,547	$ (14,928)	**$ (544,823)**
Capital expenditures	$ 14,948	$ 9,348	$ 44,887	$ 293	$ 31,400	$ 26,741	$ 50	$ 3,415	$ 679	**$ 131,761**
Total assets	$ 125,071	$ 167,862	$ 744,498	$ 99,334	$ 117,219	$ 183,402	$ 192,651	$ 91,712	$ 296,124	**$ 2,017,873**
Total liabilities	$ 34,162	$ 35,954	$ 175,195	$ 15,596	$ 30,382	$ 79,648	$ 1,632	$ 24,589	$ 50,778	**$ 447,936**

Twelve months ended December 31, 2013

	Peru			Mexico		Argentina		Bolivia		
	Huaron	Morococha	Dolores	Alamo Dorado	La Colorada	Manantial Espejo	Navidad	San Vicente	Other	**Total**
Revenue from external customers	$ 92,887	$ 82,260	$ 164,016	$ 160,129	$ 101,458	$ 149,718	$ -	$ 74,036	$ -	**$ 824,504**
Depreciation and amortization	$ (11,176)	$ (18,976)	$ (37,114)	$ (18,769)	$ (7,395)	$ (32,333)	$ (170)	$ (9,156)	$ (824)	**$ (135,913)**
Exploration and project development	$ (936)	$ (1,722)	$ (1,278)	$ (1,296)	$ (225)	$ (608)	$ (2,515)	$ -	$ (6,895)	**$ (15,475)**
Interest income	$ 487	$ 55	$ 14	$ 370	$ 142	$ 164	$ -	$ -	$ 906	**$ 2,138**
Interest and financing expenses	$ (722)	$ (1,004)	$ (1,071)	$ (202)	$ (227)	$ (5,194)	$ (47)	$ (281)	$ (1,529)	**$ (10,277)**
Gain (loss) on disposition of assets	$ 4,963	$ 1,477	$ 13	$ (216)	$ 8,011	$ (194)	$ 1	$ 17	$ (4)	**$ 14,068**
Gain on derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,715	**$ 16,715**
Foreign exchange (loss) gain	$ 48	$ (561)	$ (150)	$ (565)	$ 634	$ 4,559	$ (1,676)	$ 1,176	$ (18,102)	**$ (14,637)**
Gain on commodity and foreign currency contracts	$ -	$ -	$ (561)	$ (852)	$ (85)	$ -	$ -	$ -	$ (3,053)	**$ (4,551)**
Impairment charge	$ -	$ -	$ (525,332)	$ -	$ -	$ -	$ -	$ -	$ (14,896)	**$ (540,228)**
Earnings (loss) before income taxes	$ 8,015	$ (7,987)	$ (540,067)	$ 71,164	$ 28,434	$ (1,379)	$ (5,855)	$ 18,097	$ 489	**$ (429,089)**
Income tax (expense) recovery	$ (4,770)	$ 645	$ 46,029	$ (27,223)	$ (16,969)	$ (1,068)	$ (67)	$ (5,452)	$ (7,882)	**$ (16,757)**
Net earnings (loss) for the period	$ 3,245	$ (7,342)	$ (494,038)	$ 43,941	$ 11,465	$ (2,447)	$ (5,922)	$ 12,645	$ (7,393)	**$ (445,846)**
Capital expenditures	$ 13,687	$ 17,109	$ 86,641	$ 7,621	$ 13,574	$ 12,002	$ 246	$ 8,165	$ 356	**$ 159,401**
Total assets	$ 129,134	$ 181,798	$ 973,078	$ 112,861	$ 99,523	$ 298,544	$ 470,240	$ 97,001	$ 405,277	**$ 2,767,456**
Total liabilities	$ 41,104	$ 43,828	$ 260,120	$ 10,689	$ 25,870	$ 111,160	$ 1,471	$ 30,259	$ 54,166	**$ 578,667**

	Twelve months ended Dec 31,	
Product Revenue	**2014**	2013
Refined silver and gold	**$ 424,591**	$ 500,928
Zinc concentrate	**73,487**	68,094
Lead concentrate	**163,854**	162,601
Copper concentrate	**90,010**	92,881
Total	**$ 751,942**	$ 824,504

The Company has 15 customers that account for 100% of the concentrate and silver and gold sales revenue. The Company has 7 customers that accounted for 30%, 16%, 13%, 10%, 9%, 8%, and 6% of total sales in 2014, and 4 customers that accounted for 33%, 22%, 13% and 10% of total sales in 2013. The loss of certain of these customers or curtailment of purchases by such customers could have a material adverse effect on the Company's results of operations, financial condition, and cash flows.

26. Other Income and (expenses)

		2014		2013
Royalties income	**$**	**144**	$	355
Chinalco grants		**-**		10,000
Other (expenses)		**(1,458)**		(2,068)
Total	**$**	**(1,314)**	$	8,287

27. Income Taxes

		2014		2013
Current tax expense				
Current tax expense in respect of the current year	**$**	**35,763**	$	54,365
Adjustments recognized in the current year with respect to prior years		**44**		1,326
		35,807		55,691
Deferred tax expense (recovery)				
Deferred tax recovery recognized in the current year		**(20,199)**		(865)
Adjustments recognized in the current year with respect to prior years		**2,862**		(523)
Adjustments to deferred tax attributable to changes in tax rates and laws		**(2,876)**		86,825
Reduction in deferred tax liabilities due to tax impact of impairment of mineral property, plant, and equipment (Note 10,11)		**(97,541)**		(119,800)
Reduction in deferred tax liabilities due to tax impact of net realizable value charge to inventory (Note 20)		**(10,547)**		(4,571)
		(128,301)		(38,934)
Provision for income tax (recovery) expense	**$**	**(92,494)**	$	16,757

As of April 1, 2013, the applicable income tax rate in Canada was increased from 25.00% to 26.00%. The change in tax rate has no income tax impact because the deductible temporary differences in Canada are not recognized.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the items shown on the following table which results in an effective tax rate that varies considerably from the comparable period. The main factors which have affected the effective tax rate for the year ended December 31, 2014 and the comparable period of 2013 were the non-deductible foreign exchange (gains)/losses, foreign tax rate differences, mining taxes paid, and withholding tax on payments from foreign subsidiaries.

In 2014, the Company recorded a non-cash impairment charge on non-current assets on several properties, with no tax benefit recognized on a substantial portion of the properties including Navidad. A non-cash impairment charge was also recorded on goodwill associated with the La Virginia property with no tax benefit recognized.

In 2013, the Company recorded a non-cash impairment charge on goodwill related to Dolores and other Minefinders' exploration properties. No tax benefit was recognized for these transactions.

The Company continues to expect that these and other factors will continue to cause volatility in effective tax rates in the future.

		2014		2013
Loss taxes	**$**	**(637,317)**	$	(429,089)
Statutory tax rate		**26.00%**		25.75%
Income tax recovery based on above rates	**$**	**(165,702)**	$	(110,490)
Increase (decrease) due to:				
Non-deductible expenses		**4,902**		5,198
Foreign tax rate differences		**(61,445)**		(22,164)
Change in net deferred tax assets not recognized:				
-Argentina exploration expenses		**847**		3,598
-Other deferred tax assets not recognized		**2,289**		2,042
Non-taxable unrealized gains on derivative financial instruments		**(350)**		(4,304)
Effect of other taxes paid (mining and withholding)		**8,050**		14,451
Non-deductible foreign exchange loss		**4,430**		242
Change to temporary differences on inventory		**2,647**		-
Impact of Peruvian tax rate change		**(2,876)**		-
Effect of change in deferred tax resulting from prior asset purchase accounting under IAS12		**3,272**		3,394
Impairment charges		**110,692**		41,166
Impact of Mexican tax reform		**-**		86,825
Other		**750**		(3,201)
Income tax (recovery) expense	**$**	**(92,494)**	$	16,757
Effective tax rate		**14.51%**		(3.91%)

Deferred tax assets and liabilities

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

		2014		2013
Net deferred assets (liabilities) beginning of year	**$**	**(285,782)**	$	(324,813)
Recognized in net (loss) earnings in year		**128,301**		38,934
Other		**(7)**		97
Net deferred assets (liabilities) end of year	**$**	**(157,488)**	$	(285,782)
Deferred tax assets		**2,584**		165
Deferred tax liabilities		**(160,072)**		(285,947)
Net deferred tax liability	**$**	**(157,488)**	$	(285,782)

Components of deferred tax assets and liabilities

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

		2014		2013
Deferred tax assets (liabilities) arising from:				
Closure and decommissioning costs	**$**	**6,273**	$	6,419
Tax losses		**20,866**		13,965
Deductible Mexican mining taxes		**1,633**		-
Tax credit resulting from Mexican de-consolidation		**8,337**		-
Accounts payable and accrued liabilities		**5,081**		5,405
Trade and other receivables		**7,806**		10,319
Provision for doubtful debts and inventory adjustments		**(2,778)**		(16,361)
Mineral properties, plant, and equipment		**(197,108)**		(294,347)
Estimated sales provisions		**(7,573)**		(10,276)
Prepaids and other current assets		**(959)**		(1,609)
Other temporary differences and provisions		**934**		703
Net deferred tax asset (liability)	**$**	**(157,488)**	$	(285,782)

At December 31, 2014, there were tax losses of $39.4 million (deferred tax impact of $11.8 million) that will expire after the 2024 year-end if unused, and $34.8 million (deferred tax impact of $9.0 million) that have no expiry.

At December 31, 2013, there were tax losses of $ 24.3 million (deferred tax impact of $8.5 million) that will expire after the 2023 year end if unused, and $17.7 million (deferred tax impact of $5.4 million) that have no expiry.

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:

		2014		2013
Tax loss (revenue in nature)	**$**	**144,287**	$	117,100
Net tax loss (capital in nature)		**-**		10,531
Resource pools		**22,675**		22,682
Financing fees		**-**		1,777
Property plant and equipment		**27,113**		8,684
Closure and decommissioning costs		**23,435**		21,948
Exploration expenses		**49,783**		25,495
Payroll and vacation accruals		**1,158**		1,078
Other temporary differences		**286**		262
	$	**268,737**	$	209,557

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

	Canada	**US**	**Spain**	**Peru**	**Mexico**	**Barbados**	**Argentina**	**Total**
2015	20,572	-	-	31	-	13	-	20,616
2016	-	-	-	71	-	7	-	78
2017 – and after	90,036	13,471	17,398	1,101	1,403	99	85	123,593
Total tax losses	**$ 110,608**	**$ 13,471**	**$ 17,398**	**$ 1,203**	**$ 1,403**	**$ 119**	**$ 85**	**144,287**

Taxable temporary differences associated with investment in subsidiaries

As at December 31, 2014, taxable temporary differences of $144.0 million (2013 – $118.8 million) associated with the investments in subsidiaries have not been recognized as the Company is able to control the timing of the reversal of these differences which are not expected to reverse in the foreseeable future.

28. Commitments and Contingencies

a. General

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

b. Purchase Commitments

The Company had no purchase commitments other than those commitments described in Note 7.

c. Credit Facility

The Company cancelled the $150.0 million credit facility effective December 31, 2012.

d. Environmental Matters

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

Estimated future reclamation costs are based the extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company's environmental policies. As of December 31, 2014 and December 31, 2013 $43.2 million and $41.5 million, respectively, were accrued for reclamation costs relating to mineral properties. See also Note 15.

e. Income Taxes

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

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

As a result of this law becoming enacted in the fourth quarter of 2014, the Company recognized a non-cash recovery of $2.9 million related to the deferred tax impacts of the above tax changes.

In December 2013, the Mexican President passed a bill that increases the effective tax rate applicable to the Company's Mexican operations. The law is effective January 1, 2014 and increases the future corporate income tax rate to 30%, creates a 10% withholding tax on dividends paid to non-resident shareholders (subject to any reduction by an Income Tax Treaty) and creates a new Extraordinary Mining Duty equal to 0.5% of gross revenues from the sale of gold, silver, and platinum. In addition, the law requires taxpayers

with mining concessions to pay a new 7.5% Special Mining Duty. The Extraordinary Mining Duty and Special Mining Duty will be tax deductible for income tax purposes. The Special Mining Duty will generally be applicable to earnings before income tax, depreciation, depletion, amortization, and interest. In calculating the Special Mining Duty there will be no deductions related to development type costs but exploration and prospecting costs are deductible when incurred.

As a result of the law becoming enacted in the fourth quarter of 2013, the Company recognized a non-cash charge of $86.8 million related to the deferred tax impacts of the above tax changes.

f. Finance Leases

The present value of future minimum lease payments classified as finance leases at December 31, 2014 is $8.0 million (2013 $10.2 million) and the schedule of timing of payments for this obligation is found in Note 16.

g. Law changes in Argentina

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

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

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

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

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

h. Labour law change in Mexico

In December 2012, the Mexican government introduced changes to the Federal labour law which made certain amendments to the law relating to the use of service companies and subcontractors and the obligations with respect to employee benefits. These amendments may have an effect on the distribution of

profits to workers and this could result in additional financial obligations to the Company. At this time, the Company is evaluating these amendments in detail, but currently believes that it continues to be in compliance with the federal labour law and that these amendments will not result in any new material obligations for the Company. Based on this assessment, the Company did not accrue any amounts for the year ended December 31, 2013. During 2014, the Company will continue to monitor developments in Mexico and to assess the potential impact of these amendments.

i. Political changes in Bolivia

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

j. Other Legal Matters

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

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

k. Title Risk

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

l. Royalty Agreements and Participation Agreements

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

On September 22, 2011, Peru's Parliament approved a law that increased mining taxes to fund anti-poverty infrastructure projects in the country, effective October 1, 2011. The law changed the scheme for royalty payments, so that mining companies that had not signed legal stability agreements with the government had to pay royalties of 1% to 12% on operating profit; royalties under the previous rules were 1% to 3% on net sales. In addition to these royalties, such companies were subject to a "special tax" at a rate ranging from 2% to 8.4% of operating profit. Companies that had concluded legal stability agreements (under the General

Mining Law) will be required to pay a "special contribution" of between 4% and 13.12% of operating profits. The change in the royalty and the new tax had no material impact on the results of the Company's Peruvian operations.

In the province of Chubut, Argentina which is the location of the Company's Navidad property, there is a provincial royalty of 3% of the "Operating Income". Operating income is defined as revenue minus production costs (not including mining costs), treatment and transportation charges. Refer below to the Navidad project section below for further details.

As part of the 2009 Aquiline transaction the Company issued a replacement convertible debenture that allowed the holder to convert the debenture into either 363,854 Pan American shares or a silver stream contract related to certain production from the Navidad project. Subsequent to the acquisition, the counterparty to the replacement debenture has indicated its intention to elect the silver stream alternative. The final contract for the alternative is being discussed and pending the final resolution to this alternative, the Company continues to classify the fair value calculated at the acquisition of this alternative, as a deferred credit as disclosed in Note 18.

Huaron and Morococha mines

In June 2004, Peru's Congress approved a bill that allows royalties to be charged on mining projects. These royalties are payable on Peruvian mine production at the following progressive rates: (i) 1.0% for companies with sales up to $60.0 million; (ii) 2.0% for companies with sales between $60.0 million and $120.0 million; and (iii) 3.0% for companies with sales greater than $120.0 million. This royalty is a net smelter returns royalty, the cost of which is deductible for income tax purposes.

Manantial Espejo mine

Production from the Manantial Espejo property is subject to royalties to be paid to Barrick Gold Corp. according to the following: (i) $0.60 per metric tonne of ore mined from the property and fed to process at a mill or leaching facility to a maximum of 1.0 million tonnes; and (ii) one-half of one percent (0.5%) of net smelter returns derived from the production of minerals from the property. In addition, the Company has negotiated a royalty equal to 3.0% of operating cash flow payable to the Province of Santa Cruz.

San Vicente mine

Pursuant to an option agreement entered into with COMIBOL, a Bolivian state mining company, with respect to the development of the San Vicente property, the Company is obligated to pay COMIBOL a participation fee of 37.5% (the "Participation Fee") of the operation's cash flow. Once full commercial production of San Vicente began, the Participation Fee was reduced by 75% until the Company recovered its investment in the property. The Participation Fee has now reverted back to the original percentage. For the year ended December 31, 2014, the royalties to COMIBOL amounted to approximately $10.4 million (2013 - $17.5 million).

A royalty is also payable to EMUSA, a former partner of the Company on the project. The royalty is a 2% net smelter return royalty (as per the Agreement) payable only after the Company has recovered its capital investment in the project and only when the average price of silver in a given financial quarter is $9.00 per ounce or greater. In December 2007, the Bolivian government introduced a new mining royalty that affects the San Vicente project. The royalty is applied to gross metal value of sales (before smelting and refining deductions) and the royalty percentage is a sliding scale depending on metal prices. At current metal prices, the royalty is 6% for silver metal value and 5% for zinc and copper metal value of sales. The royalty is income tax deductible.

Dolores mine

Production from the Dolores mine is subject to underlying net smelter return royalties comprised of 2% on gold and silver production and 1.25% on gold production. These royalties are payable to Royal Gold Inc. and were effective in full as of May 1, 2009, on the commencement of commercial production at the Dolores

mine. For the year ended December 31, 2014, the royalties to Royal Gold amounted to approximately $4.9 million (2013 – $4.5 million).

Navidad project

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

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

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

29. Related Party Transactions

During the year ended December 31, 2014, a company indirectly owned by a trust of which a director of the Company is a beneficiary, was paid approximately $0.4 million (2013 - $0.4 million) for consulting services. Similarly, at December 31, 2014 and 2013 an accrual was recorded for consulting services for a nominal amount. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	2014	2013
Short-term benefits	**$ 9,648**	$ 8,274
Share-based payments	**2,487**	1,890
	$ 12,135	$ 10,164

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-195220 on Form F-10 and Registration Statement Nos. 333-149580, 333-180494 and 333-180495 on Form S-8, and to the use of our reports dated March 26, 2015 relating to the consolidated financial statements of Pan American Silver Corp. and its subsidiaries ("Pan American") and the effectiveness of Pan American's internal control over financial reporting appearing in this Annual Report on Form 40-F of Pan American for the year ended December 31, 2014.

/s/ Deloitte LLP
Chartered Accountants
Vancouver, Canada
March 30, 2015

Exhibit 23.2

CONSENT OF MARTIN WAFFORN, P. ENG.

To: British Columbia Securities Commission
United States Securities and Exchange Commission

Re: Expert Consent for Annual Information Form

Technical reports entitled:

1. "Feasibility Study Volume I – NI 43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico" dated March 31, 2005 relating to the Alamo Dorado property;
2. "Technical Report for the San Vincente Mine Expansion Project, Potosi Bolivia" dated effective June 6, 2007 relating to the San Vincente property;
3. "Pan American Silver Corp. Navidad Project, Chubut Province, Argentina: Preliminary Assessment" dated January 14, 2011 relating to the Navidad property;
4. "Technical Report – Preliminary Economic Analysis for the Expansion of the La Colorada Mine, Zacatecas, Mexico" dated effective December 31, 2013 relating to the La Colorada property;
5. "Technical Report for the Dolores Property, Chihuahua, Mexico – Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option" dated effective May 31, 2014 relating to the Dolores property;
6. "Technical Report for the Huaron Property, Pasco, Peru" dated effective June 30, 2014 relating to the Huaron property; and
7. "Technical Report for the Morococha Property, Yauli, Peru" dated effective June 30, 2014 relating to the Morococha property

(collectively, the "**Technical Reports**")

were prepared for Pan American Silver Corp. (the "**Corporation**") in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* by Martin Wafforn, P. Eng., in whole or in part, and filed with applicable securities regulatory authorities.

The undersigned does hereby consent to the written disclosure of the Technical Reports and the extracts from, or summary of, or references to the Technical Reports and other scientific and technical information relating solely to the Corporation by the Corporation in the annual information form of the Corporation, dated March 30, 2015 (the "**AIF**") and in the Annual Report on Form 40-F of the Corporation, dated March 30, 2015 (the " **40-F**"). The undersigned does also hereby consent to the reference to my name in the AIF and the 40-F.

The undersigned consents to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-149580, 333-180494 and 333-180495) and on Form F-10 (File No. 333-195220) of the references to my name and the above mentioned information in the AIF and 40-F.

The undersigned does hereby confirm that I have read the AIF and the 40-F and have no reason to believe that there are any misrepresentations in the information contained in the AIF or the 40-F that are (a) derived from the Technical Reports; or (b) within my knowledge as a result of the services I performed in connection with the Technical Reports.

Dated this 30 day of March, 2015.

/s/ Martin Wafforn
Martin Wafforn, P. Eng.

Exhibit 23.3

CONSENT OF MICHAEL STEINMANN, P. GEO.

To: British Columbia Securities Commission
United States Securities and Exchange Commission

Re: Expert Consent for Annual Information Form

Technical reports entitled:

1. "Manantial-Espejo Project Canadian Standard NI 43-101, Santa Cruz Province, Argentina" dated March 2006 relating to the Manantial Espejo property;
2. "Feasibility Study Volume I – NI 43-101 Technical Report for Alamo Dorado Project, Alamos, Sonora, Mexico" dated March 31, 2005 relating to the Alamo Dorado property;
3. "Technical Report for the San Vincente Mine Expansion Project, Potosi Bolivia" dated effective June 6, 2007 relating to the San Vincente property;
4. "Pan American Silver Corp. Navidad Project, Chubut Province, Argentina: Preliminary Assessment" dated January 14, 2011 related to the Navidad property;
5. "Technical Report – Preliminary Economic Analysis for the Expansion of the La Colorada Mine, Zacatecas, Mexico" dated effective December 31, 2013 relating to the La Colorada property;
6. "Technical Report for the Dolores Property, Chihuahua, Mexico – Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option" dated effective May 31, 2014 relating to the Dolores property;
7. "Technical Report for the Huaron Property, Pasco, Peru" dated effective June 30, 2014 relating to the Huaron property; and
8. "Technical Report for the Morococha Property, Yauli, Peru" dated effective June 30, 2014 relating to the Morococha property

(collectively, the "**Technical Reports**")

were prepared for Pan American Silver Corp. (the "**Corporation**") in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* by Michael Steinmann, P. Geo., in whole or in part, and filed with applicable securities regulatory authorities.

The undersigned does hereby consent to the written disclosure of the Technical Reports and the extracts from, or summary of, or references to the Technical Reports and other scientific and technical information relating solely to the Corporation by the Corporation in the annual information form of the Corporation, dated March 30, 2015 (the "**AIF**") and in the Annual Report on Form 40-F of the Corporation, dated March 30, 2015 (the " **40-F**"). The undersigned does also hereby consent to the reference to my name in the AIF and the 40-F.

The undersigned consents to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-149580, 333-180494 and 333-180495) and on Form F-10 (File No. 333-195220) of the references to my name and the above mentioned information in the AIF and 40-F.

The undersigned does hereby confirm that I have read the AIF and the 40-F and have no reason to believe that there are any misrepresentations in the information contained in the AIF or the 40-F that are (a) derived from the Technical Reports; or (b) within my knowledge as a result of the services I performed in connection with the Technical Reports.

Dated this 30 day of March, 2015.

/s/ Michael Steinmann
Michael Steinmann, P. Geo.

Exhibit 23.4

CONSENT OF PAMELA DE MARK,
P. GEO., BAPPSC (APP GEO, HONS), MAUSIMM

To: British Columbia Securities Commission
United States Securities and Exchange Commission

Re: Expert Consent for Annual Information Form

A technical report "Pan American Silver Corp. Navidad Project, Chubut Province, Argentina: Preliminary Assessment" and dated effective January 14, 2011, (the "**Technical Report**") was prepared for Pan American Silver Corp. (the "**Corporation**") in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* by Pamela De Mark, P. Geo. BAppSc (App Geo, Hons), MAusIMM, in whole or in part, and filed with applicable securities regulatory authorities.

The undersigned does hereby consent to the written disclosure of the Technical Report and the extracts from, or summary of, or references to the Technical Report and other scientific and technical information relating solely to the Corporation by the Corporation in the annual information form of the Corporation, dated March 30, 2015 (the "**AIF**") and in the Annual Report on Form 40-F of the Corporation, dated March 30, 2015 (the " **40-F**"). The undersigned does also hereby consent to the reference to my name in the AIF and the 40-F.

The undersigned consents to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-149580, 333-180494 and 333-180495) and on Form F-10 (File No. 333-195220) of the references to my name and the above mentioned information in the AIF and 40-F.

The undersigned does hereby confirm that I have read the AIF and the 40-F and have no reason to believe that there are any misrepresentations in the information contained in the AIF or the 40-F that are (a) derived from the Technical Report; or (b) within my knowledge as a result of the services I performed in connection with the Technical Report.

Dated this 30 day of March, 2015.

/s/ Pamela De Mark
Pamela De Mark,
P. Geo., BAppSc (App Geo, Hons), MAusIMM

Exhibit 23.5

CONSENT OF AMERICO DELGADO, P. ENG.

To: British Columbia Securities Commission
United States Securities and Exchange Commission

Re: Expert Consent for Annual Information Form

Technical reports entitled:

1. "Technical Report for the Dolores Property, Chihuahua, Mexico – Preliminary Economic Assessment of a Pulp Agglomeration Treatment and Underground Option" dated effective May 31, 2014 relating to the Dolores property;
2. "Technical Report for the Huaron Property, Pasco, Peru" dated effective June 30, 2014 relating to the Huaron property; and
3. "Technical Report for the Morococha Property, Yauli, Peru" dated effective June 30, 2014 relating to the Morococha property

(collectively, the "**Technical Reports**")

were prepared for Pan American Silver Corp. (the "**Corporation**") in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* by Americo Delgado, P. Eng., in whole or in part, and filed with applicable securities regulatory authorities.

The undersigned does hereby consent to the written disclosure of the Technical Reports and the extracts from, or summary of, or references to the Technical Reports and other scientific and technical information relating solely to the Corporation by the Corporation in the annual information form of the Corporation, dated March 30, 2015 (the "**AIF**") and in the Annual Report on Form 40-F of the Corporation, dated March 30, 2015 (the " **40-F**"). The undersigned does also hereby consent to the reference to my name in the AIF and the 40-F.

The undersigned consents to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-149580, 333-180494 and 333-180495) and on Form F-10 (File No. 333-195220) of the references to my name and the above mentioned information in the AIF and 40-F.

The undersigned does hereby confirm that I have read the AIF and the 40-F and have no reason to believe that there are any misrepresentations in the information contained in the AIF or the 40-F that are (a) derived from the Technical Reports; or (b) within my knowledge as a result of the services I performed in connection with the Technical Reports.

Dated this 30 day of March, 2015.

/s/ Americo Delgado
Americo Delgado, P. Eng.

Exhibit 31.1

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Geoffrey A. Burns, certify that:

1. I have reviewed this annual report on Form 40-F of Pan American Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2015

/s/ Geoffrey A. Burns
By: Geoffrey A. Burns
Title: Chief Executive Officer

Exhibit 31.2

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, A. Robert Doyle, certify that:

1. I have reviewed this annual report on Form 40-F of Pan American Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2015

/s/ A. Robert Doyle
By: A. Robert Doyle
Title: Chief Financial Officer

Exhibit 32.1

Certification of CEO and CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Pan American Silver Corp. (the "Registrant") filed under cover of Form 40-F for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Geoffrey A. Burns, as Chief Executive Officer of the Registrant, and A. Robert Doyle, as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

/s/ Geoffrey A. Burns
By: Geoffrey A. Burns
Title: Chief Executive Officer
March 30, 2015

/s/ A. Robert Doyle
By: A. Robert Doyle
Title: Chief Financial Officer
March 30, 2015

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of §18 of the Securities Exchange Act of 1934, as amended.