1 800 FLOWERS COM INC
Form 8-K
June 26, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest
event Reported):
June 26, 2002

1-800-FLOWERS.COM, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware 0-26841 11-3117311

(State or Other Jurisdiction of (Commission File Number)
(I.R.S. Employer Identification Incorporation) Number)

1600 Stewart Avenue
Westbury, New York 11590
(516) 237-6000

(Addresses, including zip code, and telephone numbers,
including area code, of principal executive offices)

ITEM 5. OTHER EVENTS.

[June 26, 2002] 1-800-FLOWERS.COM ("the Company") today announced that Charles Lax, a partner with SOFTBANK Capital Partners, has resigned from the Company's board of directors. Mr. Lax stated that he was resigning to focus his energies on developmental companies with GrandBanks Capital, a new venture capital fund sponsored by SOFTBANK.

"We are very proud to have been a part of the successful growth of 1-800-FLOWERS.COM. We made our investment more than three years ago and have been actively involved, as the company has developed into a leading specialty gift retailer," said Mr. Lax. "We believe 1-800-FLOWERS is one of the best-managed companies we have ever been associated with and we remain excited about its prospects for the future. Accordingly, SOFTBANK has no immediate plans to reduce its position in FLWS. However, we reserve the right to make dispositions of some or all of our shareholding at appropriate price levels in the future," he added.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

Designation	Description of Exhibit
99.1	Press release, dated June 26, 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

1-800-FLOWERS.COM, INC.

DATE: June 26, 2002

By: /s/ William E. Shea

William E.Shea
Chief Financial Officer
Senior Vice-President-Finance
and Administration

INDEX TO EXHIBITS

Exhibit	Description
99.1	Text of press release June 26, 2002

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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
	(5,980)	(17,859)	(5,870)	(18,525)	(15,198)	(2,681)	(18,027)		(84,141)

Less by-product credits									
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.

Pan American Silver Corp. 47

	Twelve months ended December 31, 2014								
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Cons T
Direct Operating Costs	$49,992	$129,154	$65,519	$77,013	$68,873	$34,126	$113,573		$538
Net Realizable Value Adjustments	-	23,253	1,947	-	-	-	4,753		29,
Production Costs	$49,992	$152,407	$67,466	$77,013	$68,873	$34,126	$118,326		$568
Royalties	436	4,888	457	-	-	17,900	4,273		27,
Smelting, refining and other direct selling charges	11,142	178	633	32,146	19,799	13,638	8,934		86,
Less by-product credits	(23,761)	(81,377)	(22,370)	(70,723)	(59,487)	(11,753)	(91,838)		(36
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
Sustaining capital	13,476	27,632	293	17,327	10,199	3,415	26,741		99,
Exploration	9	1,602	336	1,312	1,453	-	1,657	6,855	13,
Reclamation cost accretion	237	362	232	600	384	226	1,096	102	3,2
General & Administrative expense	-	-	-	-	-	-	-	17,908	17,
All-in sustaining costs(1)	$51,530	$105,693	$47,048	$57,676	$41,221	$57,552	$69,189	$24,865	$454
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,
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.
All-in Sustaining Costs per Silver Ounce Sold (Excludes	$10.90	$21.08	$12.51	$19.07	$19.39	$13.78	$16.69		$16.

NRV Adj)
(1) Totals may not add due to rounding.

	Three months ended December 31, 2013								
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente(2)	Manantial Espejo	PAS CORP	Consolidated Total
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	$10.88	$22.78	$7.94	$21.04	21.12	15.98	$13.15		$15.41

Sold (Excludes
NRV Adj)

(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.

	Twelve months ended December 31, 2013								
AISCSOS	La Colorada	Dolores	Alamo Dorado	Huaron	Morococha	San Vicente	Manantial Espejo	PAS CORP	Cons T
Direct Operating Costs	$51,831	$109,082	$66,044	$77,379	$77,590	$28,422	$107,299		$517
Net Realizable Value Adjustments	-	12,967	-	-	-	-	-		12,
Production Costs(1)	$51,831	$122,049	$66,044	$77,379	$77,590	$28,422	$107,299		$530
Royalties	-	4,497	-	-	-	17,508	4,454		26,
Smelting, refining and other direct selling charges	10,589	98	530	26,754	20,611	16,358	8,304		83,
Less by-product credits	(22,421)	(86,098)	(27,922)	(54,240)	(50,711)	(12,440)	(77,976)		(33
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
Sustaining capital	13,574	36,159	7,621	15,474	18,653	8,165	12,002		111
Exploration	225	3,856	1,297	936	1,722	-	608	6,831	15,
Reclamation cost accretion	211	321	192	549	397	280	977	103	3,0
General & Administrative expense	-	-	-	-	-	-	-	17,596	17,
All-in sustaining costs(1)	$54,008	$80,882	$47,761	$66,852	$68,262	$58,293	$55,669	$24,530	$456
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,
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.
All-in Sustaining Costs per Silver Ounce Sold (Excludes	$12.14	$20.21	$8.58	$23.23	$30.80	$15.75	$16.84	N/A	$17.

NRV Adj)

(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, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 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
	=E/F	$9.54	$31.22	$16.96	$16.16	$ 21.38	$13.84	$25.36	$ 18.62

Total production cost per ounce net of by-products

		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	=C/F	$8.14	$12.94	$12.89	$11.56 (2)	$13.22 (2)	$13.16	$10.12	$11.46 (2)

Total cash cost per ounce net of by-products									
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	=E/F	$10.09	$23.57	$11.81	$18.77	$21.49	$17.05	$6.67	$14.86

cost per ounce net of by-products

		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	=C/F	$9.43	$7.47	$7.45	$15.46	$18.14	(2)	$15.51	$8.55	$10.96	(2)

by-products										
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)

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)

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:

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

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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

MINERAL RESOURCES – MEASURED AND INDICATED

MINERAL RESOURCES – INFERRED

HISTORICAL ESTIMATES

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", "POTE "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.

Document 3

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 (1) the consolidated financial statements of Pan American Silver Corp. and subsidiaries (“Pan American”) and (2) the effectiveness of Pan American’s internal control over financial reporting appearing in this current Report on Form 6-K of Pan American filed on March 27, 2015.

/s/ Deloitte LLP
Chartered Accountants
Vancouver, Canada
March 27, 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAN AMERICAN SILVER CORP.
(Registrant)

Date:	March 27, 2015	By:	/s/ Delaney Fisher	
			Name:	Delaney Fisher
			Title:	Corporate Secretary