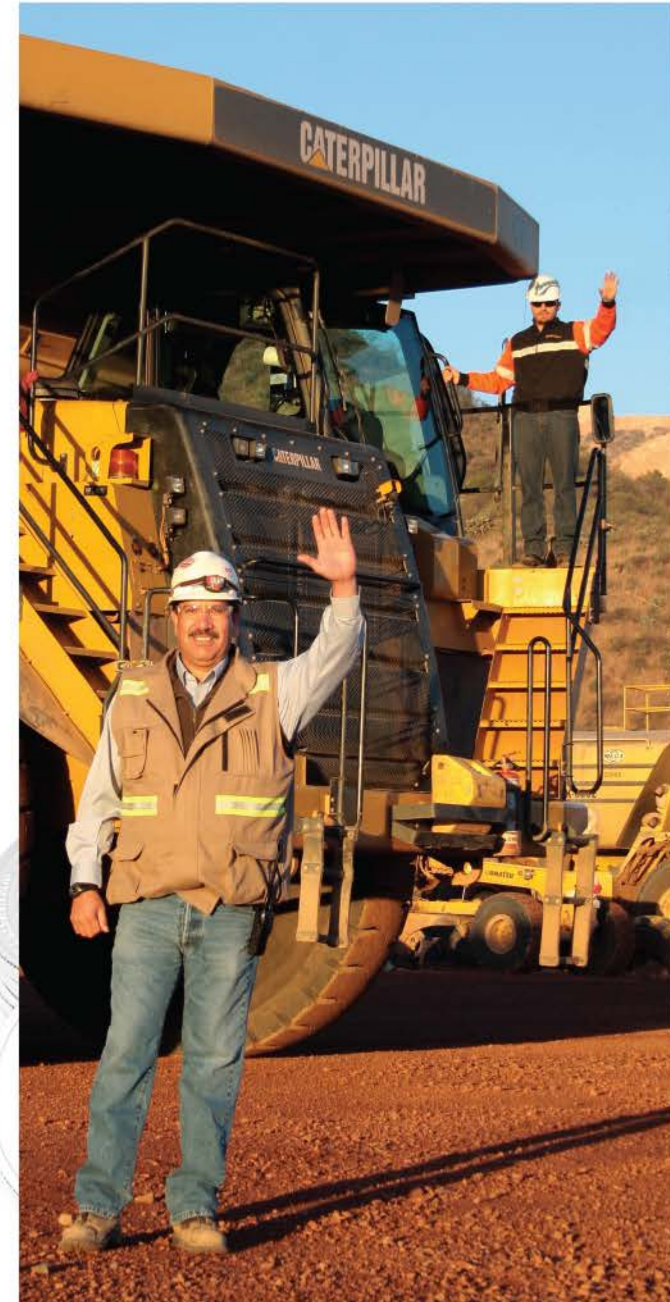



Pan American
SILVER CORP.

NASDAQ: PAAS
TSX: PAA
panamericansilver.com

# Finance
# Strength in Numbers

April 1, 2014

# Financial Position

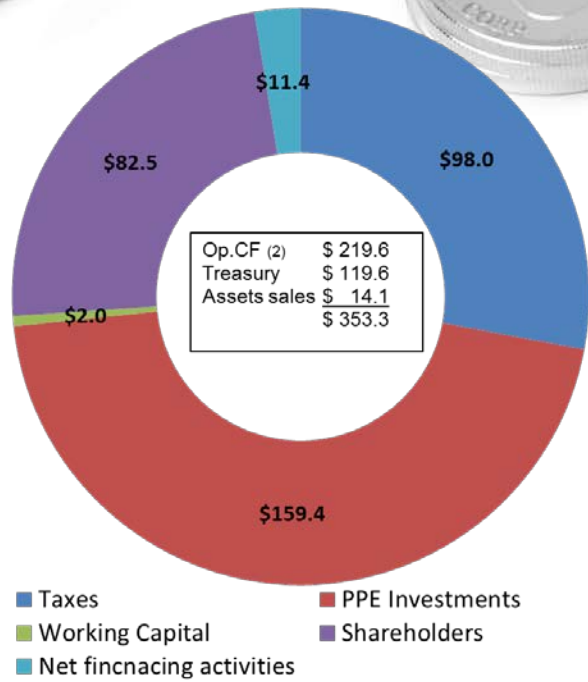
## Key metrics

**At December 31, 2013**

| | Million US$ | |
|---|---|---|
| Cash and Short Term Investments | $ | 422.7 |
| Net Working Capital | $ | 689.0 |
| Debt (including capital leases) | $ | 64.6 |

For more details, please see:
Appendix 1: Treasury Summary
Appendix 2: Liquidity Management
Appendix 3: Local Currency Exposure

**Allocation of 2013 Cash Flows (1)**




(1) In millions US$
(2) Before taxes paid and non-cash WC movements

# Consolidated Cash Flows

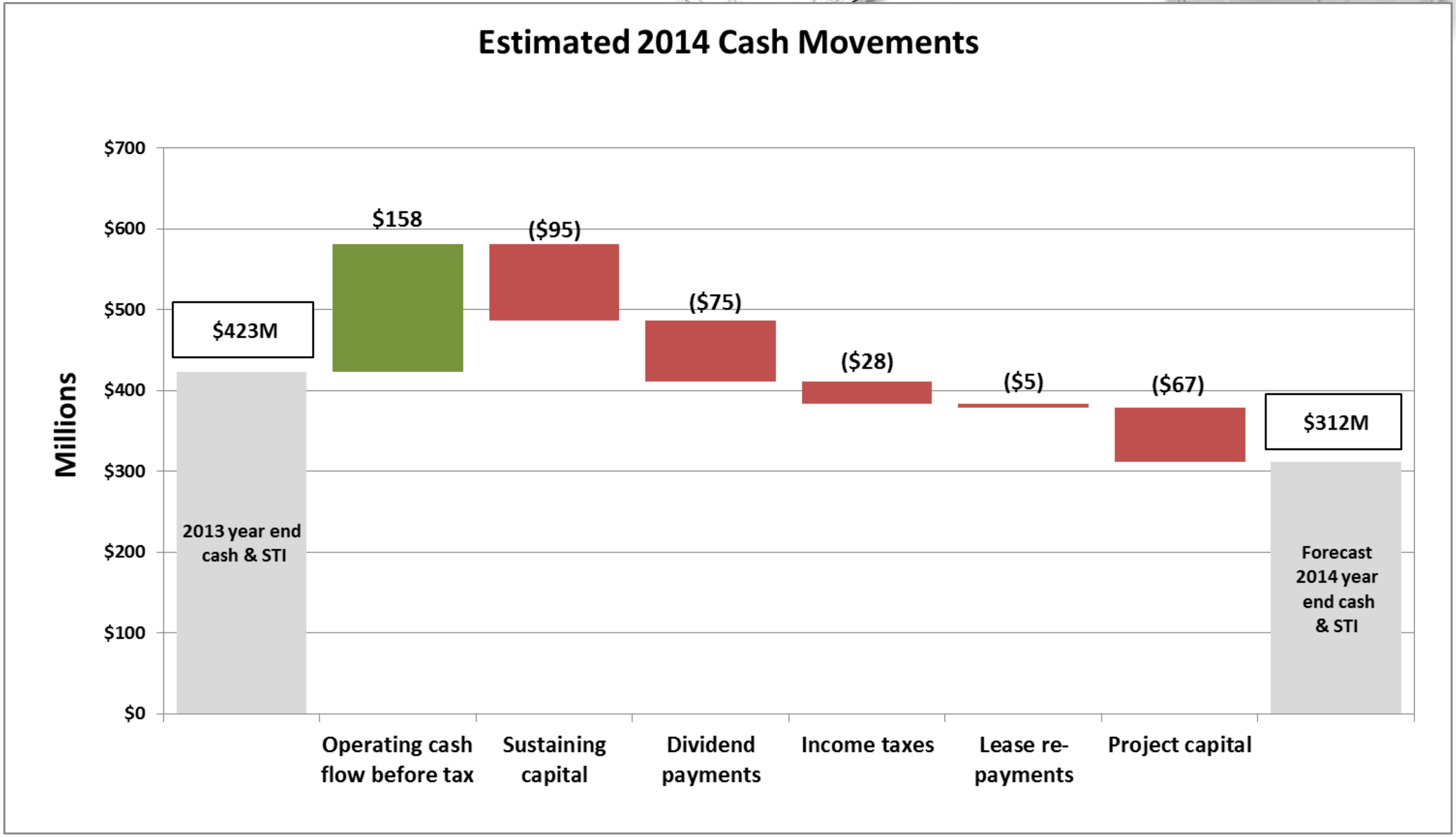
## 2014 Outlook

| | 2014 Estimate | 2013 Actual | Variance |
|---|---|---|---|
| | | | |
| **Cash Flow from Operating Activities** | **$131,043** | **$119,606** | **$11,437** |
| | | | |
| **Cash Flow used in Investing Activities** | | | |
| Sustaining capital | ($95,500) | ($108,316) | $12,816 |
| Initial capital | ($67,000) | ($51,085) | ($15,915) |
| Refundable tax and other expenditures | $0 | $452 | ($452) |
| Proceed from Sale of Assets | $0 | $13,681 | ($13,681) |
| **Cash Flow used in Investing Activities** | **($162,500)** | **($145,268)** | **($17,232)** |
| | | | |
| **Cash Flow from Financing Activites** | | | |
| Dividends paid | ($75,403) | ($75,755) | $352 |
| Share Buyback | $0 | ($6,740) | $6,740 |
| Lease Repayments | ($4,632) | ($30,238) | $25,606 |
| Proceeds from Loan drawdown | $0 | $23,494 | ($23,494) |
| Net distributions to non-controlling interests | $0 | ($923) | $923 |
| **Cash Flow from Financing Activites** | **($80,035)** | **($90,162)** | **$10,127** |
| | | | |
| FX Adjustment on cash & ST investments | $0 | ($3,778) | $3,778 |
| | | | |
| **Increase (decrease) in Cash for the period** | **($111,493)** | **($119,602)** | **$8,109** |
| | | | |
| Cash & ST Investment Balance at beginning | $422,722 | $542,324 | |
| Cash & ST Investment Balance at end | $311,229 | $422,722 | |

- Expectations for 2014 cash flows:
  - lower tax payments ($27m compared to $98m)
  - less sustaining capital but increased investment capital
  - continuation of dividend policy (subject to quarterly Board approval)
  - reduced repayment of leases for the Morococha project

# Consolidated Cash Flows

## 2014 Outlook



# 2014 Cash Flow Sensitivities

## Operating Cash Flow before WC & Income tax

**Gold Price**

| Silver Price | $158,079 | $1,000 | $1,100 | $1,200 | $1,300 | $1,400 |
|---|---|---|---|---|---|---|
| | **$17.00** | $77,616 | $93,641 | $109,666 | $125,689 | $141,711 |
| | **$18.00** | $101,878 | $117,903 | $133,927 | $149,949 | $165,971 |
| | **$19.00** | $126,032 | $142,057 | **$158,079** | $174,100 | $190,122 |
| | **$20.00** | $150,043 | $166,067 | $182,088 | $198,110 | $214,131 |
| | **$21.00** | $174,054 | $190,076 | $206,097 | $222,119 | $238,140 |
| | **$22.00** | $198,064 | $214,086 | $230,107 | $246,128 | $262,134 |
| | **$23.00** | $221,592 | $237,575 | $253,558 | $269,541 | $285,523 |
| | **$24.00** | $244,950 | $260,933 | $276,916 | $292,898 | $308,880 |

Dividend + Sustaining Capital break even > $202m

Dividend + Sustaining Capital + Project Capital break even > $269m

# Consolidated Income Statement

## 2014 Outlook

| | 2014 Estimate | 2013 | Variance - 2014E vs 2013A | % Change |
|---|---|---|---|---|
| Revenue | $756.0 | $824.5 | ($68.5) | -8% |
| Cost of sales | ($570.0) | ($557.1) | ($12.9) | 2% |
| Depreciation | ($158.0) | ($135.9) | ($22.1) | 16% |
| **Mine operating earnings** | $28.0 | $131.5 | ($103.5) | -79% |
| **Gross Margin (MOE/Sales)** | 4% | 16% | -12% | -77% |
| | | | | |
| General & Administrative | ($19.6) | ($17.6) | ($2.0) | 11% |
| Exploration and project development | ($15.8) | ($15.5) | ($0.3) | 2% |
| Income taxes expense | $0.0 | ($16.8) | $16.8 | -100% |

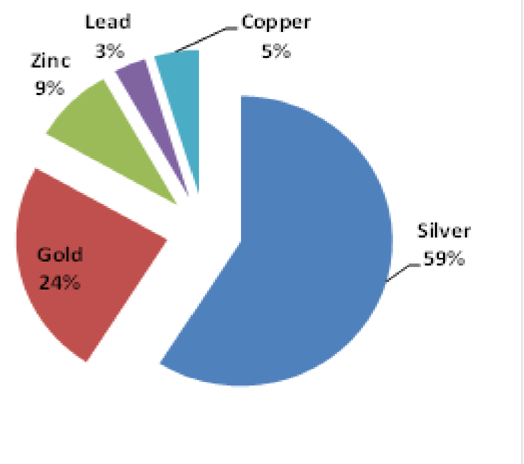
- For 2014 revenues, we expect a large negative price variance partially offset by a positive volume variance, relative to 2013
- Tax expense in the 35% effective rate range – current taxes expected to be largely offset by similar deferred tax credit (please see Appendix 5 for prevailing tax rates by jurisdiction)

| | 2014 Budget | 2013 Actual | Variance |
|---|---|---|---|
| Price | | | |
| Ag - $ / oz. | $19.00 | $23.29 | ($4.29) |
| Zn - $ / tonne | $1,850.00 | $1,908 | ($58) |
| Pb - $ / tonne | $2,100.00 | $2,141 | ($41) |
| Cu - $ / tonne | $7,000.00 | $7,251 | ($251) |
| Au - oz. | $1,200.00 | $1,398 | ($198.35) |
| | | | |
| Volume | | | |
| Ag - oz. | 24,929,368 | 25,478,014 | (548,647) |
| Zn - tonnes | 34,409 | 37,510 | (3,101) |
| Pb - tonnes | 12,292 | 13,262 | (970) |
| Cu - tonnes | 5,130 | 4,718 | 412 |
| Au - oz. | 158,001 | 141,341 | 16,660 |

# Consolidated Income Statement

## 2014 Outlook

- Revenue breakdown




- Efficient corporate structure and cost discipline

| | 2013 Actuals (in US$ millions, based on public filings) | | | | | | | | | | Guidance 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Yamana | Agnico Eagle | IAMGOLD | Hecla | Silver Standard | Coeur D'Alene | First Majestic | Eldorado Gold | Goldcorp | Pan Am | Pan Am |
| Sales | 1,842.68 | 1,638.41 | 1,147.10 | 382.59 | 174.69 | 745.99 | 251.31 | 1,123.99 | 3,687.00 | **824.50** | **760.00** |
| G&A Expense | 135.32 | 115.80 | 50.90 | 28.93 | 23.44 | 55.34 | 39.37 | 87.78 | 236.00 | **17.60** | **19.80** |
| **Percent of Sales** | **7.3%** | **7.1%** | **4.4%** | **7.6%** | **13.4%** | **7.4%** | **15.7%** | **7.8%** | **6.4%** | **2.1%** | **2.6%** |

# 2013 All-In Sustaining Costs per Silver Ounce Sold *


| | | Three months ended December 31, | | | | Twelve months ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **2013** | | **2012** | | **2013** | | **2012** |
| Production costs | | **$** | **136,223** | $ | 126,654 | $ | **530,613** | $ | 485,163 |
| Royalties | | **$** | **5,570** | $ | 5,693 | **$** | **26,459** | $ | 35,077 |
| Smelting, refining and transportation charges[1] | | **$** | **24,076** | $ | 21,900 | **$** | **93,926** | $ | 94,438 |
| Less by-product credits[1] | | **$** | **(85,695)** | $ | (79,321) | **$** | **(331,809)** | $ | (293,208) |
| **Cash cost of sales net of by- products** | | **$** | **80,174** | $ | 74,926 | **$** | **319,189** | $ | 321,470 |
| Sustaining capital[2] | | **$** | **25,085** | $ | 54,394 | **$** | **111,647** | $ | 130,721 |
| Exploration | | **$** | **990** | $ | 10,405 | **$** | **15,475** | $ | 36,746 |
| Reclamation cost accretion | | **$** | **757** | $ | 655 | **$** | **3,030** | $ | 2,999 |
| General & administrative expense | | **$** | **2,602** | $ | 4,638 | **$** | **17,596** | $ | 20,790 |
| **All-in sustaining costs** | **A** | **$** | **109,608** | $ | 145,018 | **$** | **466,937** | $ | 512,726 |
| **Payable ounces sold** | **B** | | **6,436,002** | | 5,678,802 | | **25,478,014** | | 23,037,493 |
| **All-in sustaining cost per silver ounce sold, net of by-products** | **(A*$1000)/B** | **$** | **17.03** | $ | 25.54 | **$** | **18.33** | $ | 22.26 |

- **Q4 2013 and FY 2013 AISCSOS down 33% and 18%**

* All-in sustaining costs per silver ounce sold ("AISCSOS") is a non-GAAP measure. The Company has adopted the reporting of AISCSOS as a measure of a silver mining company's consolidated operating performance and the ability to generate cash flow from all operations collectively. We believe it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow. This measure including its subcomponent Sustaining Capital are non - GAAP measures and readers should refer to the attached table in the section under Sustaining Capital for a reconciliation of this measure to the unaudited condensed interim consolidated financiall statements.
(1) Included in the revenue line of the unaudited condensed interim consolidated income statements and reflective of realized metal prices for the applicable periods.
(2) Non – GAAP measures.

# AISCSOS

## 2014 Outlook

| | | Guidance 2014 Low | | Guidance 2014 High | | Actual 2013 |
|---|---|---|---|---|---|---|
| **Cash cost of sales net of by- products** | | **$** | **298,000** | **$ 306,500** | **$** | **319,189** |
| | | | | | | |
| Sustaining capital | | | **95,500** | **95,500** | | **111,646** |
| Exploration & project development | | | **15,750** | **15,750** | | **15,475** |
| Reclamation cost accretion | | | **3,000** | **3,000** | | **3,030** |
| General & administrative expense | | | **19,600** | **19,600** | | **17,596** |
| **All-in sustaining costs** | **A** | **$** | **431,850** | **$ 440,350** | **$** | **466,937** |
| **Payable ounces sold** | **B** | | **25,400,000** | **24,460,000** | | **25,478,014** |
| **All-in sustaining cost per silver ounce sold, net of by-products** | **(A*$1000) /B** | **$** | **17.00** | **$ 18.00** | **$** | **18.33** |

**AISCSOS in 2014 should benefit from :**

- ✓ **lower sustaining capital**
- ✓ **reduced smelting, refining charges and royalties**
- ✓ **by-product credits stable as higher volumes should offset lower prices**

# Returning Value to our Shareholders

**Dividends:**

- Annual dividends currently $0.50 / share, paid quarterly, a yield of approximately 3.35%
- Since 2010, we have returned **$138.4 million** to shareholders via dividend payments

**Share Buy Back Program:**

- We consider the NCIB a compelling way to return value to the shareholders, especially when our share price is trading at deep discounts to our estimate of NAV

| Exchange | Total number of shares | Share Price | Gross Value ($ '000) |
|---|---|---|---|
| NASDAQ | 5,621,040 | USD 21.65 | USD 121,707 |
| TSX | 787,400 | CAD 26.84 | CAD 21,133 |
| Total | **6,408,440** | **USD 22.20** | **USD 142,268** |

$280.7 million returned to shareholders (and counting)!

- We have exchange approval to buy up to an additional 7.5 million shares until Dec 2014

# Finance –2014 Priorities

- ✓ Continue to support operations and project development
- ✓ Maintain our balance sheet strength to optimize capital structure and to fund our future growth plans
- ✓ Remain focused on risk management (currencies, input costs, by-products)
- ✓ Maximize revenues received for all products
- ✓ Manage tax risks and optimize structuring
- ✓ Maintain high standards of financial and operating reporting
- ✓ Look for additional ways to return value to our stakeholders (dividend reinvestment?)

# Treasury Summary

# Appendix 1

**Cash and Short Term Investment Holdings - December 31, 2013**
**(all in US$ Equivalents)**

| | US Dollars | Canadian Dollars | EURO | Peruvian Nuevos Soles | Mexican Pesos | Argentinian Pesos | Bolivianos | Total | % |
|---|---|---|---|---|---|---|---|---|---|
| Corporate Cash Balances | 122,154 | 12,050 | 40 | | 9 | | | **134,253** | **32%** |
| Corporate ST Investments | 34,566 | 141,643 | | | | | | **176,208** | **42%** |
| | | | | | | | | | |
| Peru Cash & ST Investments | 26,339 | | | 3,279 | | | | **29,619** | **7%** |
| Mexico Cash & ST Investments | 41,448 | 2,477 | | | 6,140 | | | **50,065** | **12%** |
| Argentina Cash & ST Investments | 0 | | | | | 4,178 | | **4,178** | **1%** |
| Bolivia Cash & ST Investments | 4,788 | | | | | | 1,635 | **6,423** | **2%** |
| Other Cash & ST Investments | 21,536 | 439 | | | | | | **21,976** | **5%** |
| | | | | | | | | | |
| **Total** | **250,831** | **156,610** | **40** | **3,279** | **6,149** | **4,178** | **1,635** | **422,721** | **100%** |
| % | 59% | 37% | 0% | 1% | 1% | 1% | 0% | | |

- Capital Preservation continues to be the main focus of our treasury strategy
- Current Strategy: to rebalance total treasury to the 75% USD / 25 % CAD + local currencies, staying in government issued securities and keeping average duration less than one year.

# Liquidity Management Appendix 2

Our Overall Strategy is to transfer liquidity:

- Cash Generating Operations → Corporate purposes/Shareholders/Development Projects
- Taking into consideration:
  - Tax efficiencies
    - Minimize frictional taxes
    - Introduce tax shields by using leverage through Corporate subsidiary
  - Diversification of funds

Argentina FX Restrictions:

- New legislation introduced in May 2012 forces us to convert all USD sales to local currency within 15 days.
- There are limits to how much USD can be purchased on a monthly basis
- We continue to apply for authorization to issue dividends, however generally receive rejections from the Argentine Central Bank
- We have approximately $56 m in outstanding intercompany loan balances with Manantial Espejo (end of March 2013). This is being paid as per the original repayment schedule - repayment of intercompany loans has not been restricted to date.
- Our need to repatriate funds from Argentina has been minimized due to the fact that Manantial has a significant capital budget in 2014 ($30 million) and has been funding the Navidad project development locally.

# Local Currency Exposure

# Appendix 3

2014 Outlook

| Country | ($ '000) |
|---|---|
| Mexico | $ 220,256 |
| Peru | $ 78,833 |
| Argentina | $ 73,826 |
| Bolivia | $ 31,069 |

- "Natural hedge" to stronger local currencies provided by precious metal price performance

- Currency hedging has been successfully employed in the past to manage FX risks associated with capital projects (eg: construction of Alamo Dorado)

- CAD Currency retains a reasonable correlation with MXN, therefore holding CAD is a proxy for holding MXN

- We position ourselves against a devaluating ARS by:
    1. Matching monetary assets and liabilities in ARS
    2. Timing of sales in USD (which is converted into ARS) so as to minimize ARS holdings
    3. Intercompany funding structure, which allows for repatriation at official rate

# Tax Rates – 2014

# Appendix 4


## Corporate Tax Rates

| | Canada | US | Argentina | Bolivia | Mexico | Peru |
|---|---|---|---|---|---|---|
| Corporate statutory tax rates | 26.0% | 35% | 35% | 25% | 30% | 30% |
| Mining Tax | | | | 12.5% | 7.5%[1] | 1%-12% [3]<br>2%-8.4% [4] |

## Withholding Tax Rates

| | US | Argentina | Bolivia | Mexico | Peru |
|---|---|---|---|---|---|
| Dividends | 5% - 15% | 10% | 12.5% | 5% [2] | 4.1% |
| Interest | 0% | 12.5% | 12.5% | 10% | 15% |
| **Professional Services** | **0%** | **0% - 10%** | **12.5%** | **10%** | **0%** |

1. Mexico's tax rate increased due to a new deductible Special Mining Duty of 7.5%, which is based on EBITDA.
2. Mexico's withholding tax rate on dividend increased from 0% to 10% for 2014 and subsequently year. The Canada-Mexico Tax Treaty potentially reduces this rate to 5%
3. Peru's tax rate includes a royalty of 1% to 12% of operating profit.
4. Peru's tax rate includes a Special Mining tax of 2-8.4% based on operating profits.