



GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2017 and 2016

Expressed in US Dollars
(Unaudited)

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT
(Expressed in thousands of US dollars – Unaudited)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,189	\$ 41,642
Short-term deposits	16,882	15,020
Trade and other receivables	11,427	10,178
Inventories (note 4(a))	7,752	5,744
Derivative assets (note 5)	774	–
Other current assets	591	529
	<u>77,615</u>	<u>73,113</u>
Non-current assets:		
Inventories – non-current (note 4(b))	1,622	–
Reimbursement rights (note 3)	11,168	–
Mineral properties, plant and equipment	15,517	14,096
Exploration and evaluation assets	15,735	2,112
Intangible assets	21	22
Deferred tax assets	39	98
	<u>\$ 121,717</u>	<u>\$ 89,441</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	\$ 9,904	\$ 6,017
Derivative liabilities (note 5)	–	536
Reclamation and remediation provision – current (note 3)	4,757	–
	<u>14,661</u>	<u>6,553</u>
Non-current liabilities:		
Reclamation and remediation provision (note 3)	22,602	3,466
Deferred tax liabilities	1,644	2,134
	<u>38,907</u>	<u>12,153</u>
Shareholders' equity:		
Share capital	129,701	128,485
Reserves	18,548	18,115
Deficit	(65,439)	(69,312)
	<u>82,810</u>	<u>77,288</u>
	<u>\$ 121,717</u>	<u>\$ 89,441</u>

See accompanying notes to the condensed interim consolidated financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Expressed in thousands of US dollars)

For the three and six months ended June 30, 2017 and 2016 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue	\$ 15,731	\$ 19,596	\$ 28,102	\$ 33,735
Cost of sales				
Production costs	10,313	9,509	17,238	17,713
Amortization and depletion	849	1,178	1,540	2,365
Share-based compensation	104	78	197	116
	11,266	10,765	18,975	20,194
Mine operating earnings	4,465	8,831	9,127	13,541
General and administrative expenses				
Administrative expenses	1,580	1,162	2,974	2,432
Amortization and depletion	17	51	33	104
Share-based compensation	337	173	529	331
	1,934	1,386	3,536	2,867
Exploration, evaluation, and development expenses				
Exploration and evaluation expenses	1,520	619	2,643	2,026
Mine development costs	820	844	1,645	1,294
Share-based compensation	8	22	16	43
	2,348	1,485	4,304	3,363
Impairment charge	–	1,679	–	1,679
Finance and other income (expense)				
Interest income	209	25	422	47
Finance costs	(40)	(28)	(78)	(48)
Foreign exchange gain (loss)	645	(4,789)	2,460	(9,496)
Other income	13	16	20	34
	827	(4,776)	2,824	(9,463)
Income (loss) before income taxes	1,010	(495)	4,111	(3,831)
Income tax expense	177	837	238	919
Net income (loss) for the period	\$ 833	\$ (1,332)	\$ 3,873	\$ (4,750)
Other comprehensive income (loss), net of tax				
<i>Items that may be reclassified subsequently to net income (loss):</i>				
Foreign currency translation	20	2,759	49	5,501
Change in fair value of available-for-sale financial assets (net of tax)	1	–	(1)	3
	21	2,759	48	5,504
Total comprehensive income for the period	\$ 854	\$ 1,427	\$ 3,921	\$ 754
Earnings (loss) per share (note 7(c))				
Basic and diluted	\$ 0.00	\$ (0.01)	\$ 0.02	\$ (0.03)

See accompanying notes to the condensed interim consolidated financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in thousands of US dollars)

For the six months ended June 30, 2017 and 2016 (Unaudited)

	Share capital		Reserves				Retained earnings (deficit)	Total shareholder's equity
	Number of common shares (000's)	Amount	Share options and warrants	Foreign currency translation	Fair value	Total reserves		
Balance, January 1, 2016	141,713	\$ 96,268	\$ 10,953	\$ (2,248)	\$ (172)	\$ 8,533	\$ (65,193)	\$ 39,608
Common shares issued	3,339	5,035	–	–	–	–	–	5,035
Share options exercised	2,170	2,093	(583)	–	–	(583)	–	1,510
Share-based compensation	–	–	490	–	–	490	–	490
Comprehensive income (loss)	–	–	–	5,501	3	5,504	(4,750)	754
Balance, June 30, 2016	147,222	\$103,396	\$ 10,860	\$ 3,253	\$ (169)	\$ 13,944	\$ (69,943)	\$ 47,397
Balance, January 1, 2017	166,938	\$128,485	\$ 15,086	\$ 3,204	\$ (175)	\$ 18,115	\$ (69,312)	\$ 77,288
Share options exercised	997	1,216	(357)	–	–	(357)	–	859
Share-based compensation	–	–	742	–	–	742	–	742
Comprehensive income (loss)	–	–	–	49	(1)	48	3,873	3,921
Balance, June 30, 2017	167,935	\$129,701	\$ 15,471	\$ 3,253	\$ (176)	\$ 18,548	\$ (65,439)	\$ 82,810

See accompanying notes to the condensed interim consolidated financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of US dollars)

For the three and six months ended June 30, 2017 and 2016 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash flows from operating activities:				
Net income (loss) for the period	\$ 833	\$ (1,332)	\$ 3,873	\$ (4,750)
Items not involving cash:				
Amortization and depletion	866	1,229	1,573	2,469
Impairment charge	–	1,679	–	1,679
Unrealized foreign exchange loss (gain)	278	4,963	(1,493)	9,885
Income tax expense	178	837	238	919
Share-based compensation	449	273	742	490
Other non-cash items (note 10)	(189)	89	(342)	101
Interest received	205	30	316	44
Income taxes paid	(188)	(220)	(1,580)	(224)
	2,432	7,548	3,327	10,613
Changes in non-cash working capital:				
Trade and other receivables	(119)	(4,413)	(448)	(5,449)
Inventories	(5)	1,077	(1,984)	774
Other current assets	311	(295)	(50)	(582)
Trade and other payables	2,053	115	1,315	(1,047)
Net cash provided by operating activities	4,672	4,032	2,160	4,309
Cash flows from investing activities:				
Additions to mineral properties, plant and equipment	(1,031)	(885)	(2,857)	(1,326)
Cash received upon acquisition of Coricancha (note 3)	105	–	105	–
Proceeds from (investments in) short-term deposits	6,200	–	(1,862)	–
Other	2	–	2	–
Net cash provided by (used in) investing activities	5,276	(885)	(4,612)	(1,326)
Cash flows from financing activities:				
Proceeds from financings, net of expenses	–	5,034	–	5,035
Proceeds from exercise of share options	82	999	859	1,510
Net cash from financing activities	82	6,033	859	6,545
Effect of foreign currency translation on cash and cash equivalents	83	(98)	140	(1,119)
Increase (decrease) in cash and cash equivalents	10,113	9,082	(1,453)	8,409
Cash and cash equivalents, beginning of period	30,076	13,011	41,642	13,684
Cash and cash equivalents, end of period	\$ 40,189	\$ 22,093	\$ 40,189	\$ 22,093

Supplemental cash flow information (note 10)

See accompanying notes to the condensed interim consolidated financial statements.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

1. Nature of operations

Great Panther Silver Limited (the "Company") is a public company listed on the Toronto Stock Exchange and on the NYSE MKT LLC and is incorporated and domiciled in Canada. The Company's registered and records office is located at 1330 – 200 Granville Street, Vancouver, British Columbia, Canada.

The Company's current activities focus on the mining of precious metals from its operating mines in Mexico, as well as the acquisition, exploration and development of mineral properties within the Americas. The Company wholly owns two producing mining operations: the Topia Mine and the Guanajuato Mine Complex ("GMC"). The GMC comprises the Company's Guanajuato Mine, San Ignacio Mine, the Cata processing plant, and associated infrastructure. The Company also has mineral property interests in the exploration stage: the El Horcon, Santa Rosa, and Plomo projects located in Mexico, as well as the Argosy project located in the Red Lake Mining District in Northwestern Ontario, Canada. Effective June 30, 2017, the Company acquired a 100% interest in the Coricancha Mine Complex (the "CMC") located in the Central Andes of Peru (note 3).

2. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2016. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last financial statements. These condensed interim consolidated financial statements were approved by the Board of Directors on August 1, 2017.

(a) Use of judgments and estimates

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016, except for new judgments associated with (i) the determination that the acquisition of the CMC is an asset purchase, (ii) the determination that the fair value of the contingent consideration is nil, (iii) the relative fair values of assets and liabilities acquired as part of the acquisition of the CMC (note 3) and (iv) the possible outcome of contingent liabilities associated with the CMC (note 8).

(b) Accounting standards issued but not yet adopted

i) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued a new IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. In September 2015, the IASB deferred the effective date of the standard to annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company's preliminary assessment is that the adoption of IFRS 15 will not have a significant impact on the recognition or measurement of the Company's revenue from customers. However, the standard will result in a number of additional disclosures being included in the Company's consolidated financial statements.

ii) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9") which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. New disclosure requirements will also be required. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company's preliminary assessment is that adoption of IFRS 9 will result in changes to the classification of certain financial assets but will not change the classification of any financial liabilities. The Company does not anticipate any material changes in the carrying values of the Company's financial instruments as a result of the adoption of IFRS 9.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

2. Basis of presentation - continued

iii) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases will apply, with recognition as assets and liabilities required for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. This standard is required to be adopted either retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of this new standard on its financial statements.

3. Acquisition of Coricancha Mine Complex

On June 30, 2017, the Company acquired 100% of the outstanding common shares (the "Acquisition") of the subsidiary of Nyrstar N.V. ("Nyrstar") which owns the CMC. Under the terms of the share purchase agreement, the purchase price comprises (i) \$100 payable upon closing, and (ii) earn-out consideration of up to \$10,000. Under the earn-out, Nyrstar may receive 15% of the free cash flow generated by the CMC during the five-year period after which the CMC is cumulative free cash flow positive from June 30, 2017. The Company attributed a fair value of nil to the contingent consideration, as it is not considered to be reliably determinable prior to restarting operations at the CMC.

Pursuant to the Acquisition, Nyrstar agreed to:

- (i) Maintain a closure bond (in the amount of \$9,737) for the CMC until at least June 30, 2020. Should the Company make a decision to permanently close the CMC prior to June 30, 2020, the bond will be used to pay for closure costs and obligations. If the Company continues to operate the CMC after that date, the Company will assume the obligation to maintain the required bond, and shall release Nyrstar from these obligations;
- (ii) Pay for the cost of movement and reclamation of certain legacy tailings facilities (the "Legacy Tailings") should the regulatory authorities require these to be moved, up to a maximum of \$20,000;
- (iii) Satisfy on a timely basis all fines or sanctions that arise before or after closing resulting from activities or ownership of the CMC for the period prior to June 30, 2017, up to a maximum of \$4,000.

The Company recognized a reclamation and remediation provision of \$23,767, including \$9,502 related to the Legacy Tailings. The Company currently expects that approximately \$4,757 of the cost associated with the Legacy Tailings will be incurred in the twelve months following the acquisition date and has included this amount as a current liability. Although the timing and ultimate amount of the rehabilitation provision is uncertain, the present value of these obligations was based on information currently available, which was as follows:

	June 30, 2017
Total estimated cash flows	\$34,659
Expected settlement of obligations (years)	2017 – 2047
Weighted average risk-free rate (discount rate)	5.36%

A 1% change in the discount rate, while holding the other assumptions constant, would decrease or increase the provision by \$1,151.

The Company recorded reimbursement rights totaling \$11,168, in respect of:

- the reclamation of the Legacy Tailings in the amount of \$9,502, as Nyrstar has indemnified the Company for the cost associated with this reclamation work of up to \$20,000, see (ii) above,
- provisions recognized by the CMC in regard to fines and sanction in the amount of \$1,666, as Nyrstar has indemnified the Company for the cost associated with fees and sanctions of up to \$4,000, see (iii) above.

The Acquisition has been accounted for as an asset purchase, as it did not meet the definition of a business under IFRS 3 *Business Combinations*.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

3. Acquisition of Coricancha Mine Complex - *continued*

As of the date of the Acquisition, the Company incurred consideration and recognized its interest in exploration and evaluation assets and net working capital of the CMC as follows:

Consideration:	
Cash consideration payable	\$ 100
Professional and other fees incurred	76
Consideration	\$ 176
Net assets purchased:	
Cash	\$ 105
Trade and other receivables	24
Other current assets	10
Inventories (note 4(b))	1,622
Reimbursement rights	11,168
Exploration and evaluation assets	13,623
Trade and other accounts payables	(2,609)
Reclamation and remediation provision – current	(4,757)
Reclamation and remediation provision – non-current	(19,010)
Net assets purchased:	\$ 176

Under the terms of the Acquisition, the Company is also required to provide a guarantee in the amount of \$1,234 related to the closure plan associated with the CMC.

4. Inventories

(a) Inventories – current

Current inventories consist of the following:

	June 30, 2017	December 31, 2016
Concentrate	\$ 3,464	\$ 2,488
Ore stockpile	1,670	753
Materials and supplies	2,609	2,494
Silver bullion	9	9
	\$ 7,752	\$ 5,744

The amount of inventory recognized as cost of sales for the three and six months ended June 30, 2017 and the year ended December 31, 2016 includes production costs and amortization and depletion directly attributable to the inventory production process.

(b) Inventories – non-current

Non-current inventories arise from the acquisition of CMC (note 3) and consist of materials and supplies of \$1,622 (December 31, 2016 – nil).

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

5. Derivative instruments

A significant portion of the Company's capital, exploration, operating and administrative expenditures are incurred in Mexican pesos ("MXN"), while revenues from the sale of concentrates are denominated in US dollars ("USD"). The fluctuation of the USD in relation to the MXN, consequently, impacts the reported financial performance of the Company. To manage the Company's exposure to changes in the USD/MXN exchange rate, the Company entered into forward contracts to purchase MXN in exchange for USD at various rates and maturity dates.

As at June 30, 2017, forward contracts for the purchase of MXN 90,000,000 (December 31, 2016 – MXN 280,000,000), in exchange for USD at various pre-determined rates ranging from MXN 21.050/USD to MXN 22.160/USD, at various maturity dates until August 29, 2017, were outstanding. The fair value of these outstanding foreign currency forward contracts resulted in an asset of \$774 at June 30, 2017 (December 31, 2016 – liability of \$536). During the quarter ended June 30, 2017, the Company recorded foreign exchange gains of \$428 within profit or loss, while contracts with fair values of \$867 matured during the quarter. During the six months ended June 30, 2017, the Company recorded foreign exchange gains of \$1,935 within profit or loss, while contracts with fair values of \$625 (net) matured during the six-month period.

6. Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, short-term deposits, marketable securities, trade and other receivables, trade and other payables and derivative instruments. The carrying values of cash and cash equivalents, short-term deposits, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of the items. The fair values of marketable securities are estimated using bid prices as of the reporting date. The embedded derivative in trade accounts receivable is recorded at fair value at each reporting date until final settlement occurs, with changes in fair value classified as a component of revenue. The foreign currency forward contracts are recorded at fair value, with changes in fair value recorded as foreign exchange within profit or loss.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair values. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a market transaction.

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes the Company's financial instruments as at June 30, 2017:

	Available-for-sale financial assets	Loans and receivables	Financial assets and financial liabilities at fair value through P&L	Financial liabilities at amortized cost	Total	Fair value hierarchy
Financial Assets						
Cash and cash equivalents	\$ –	\$ 40,189	\$ –	\$ –	\$ 40,189	n/a
Short-term deposits	–	16,882	–	–	16,882	n/a
Marketable securities	7	–	–	–	7	Level 1
Trade accounts receivable	–	6,340	–	–	6,340	Level 2
Other receivables	–	5,087	–	–	5,087	n/a
Derivative instruments	–	774	–	–	774	Level 2
Financial Liabilities						
Trade and other payables	\$ –	\$ 9,904	\$ –	\$ –	\$ 9,904	n/a

There have been no transfers between fair value levels during the reporting period.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

7. Share capital

(a) Share options

	2017	
	Options (000's)	Weighted average exercise price
Outstanding, as at December 31, 2016	9,049	C\$ 1.18
Granted	1,101	1.63
Forfeited/Expired	(105)	1.84
Exercised	(997)	1.13
Outstanding, as at June 30, 2017	9,048	C\$ 1.23
Exercisable, as at June 30, 2017	4,737	C\$ 1.06

Range of exercise price	Options outstanding (000's)	Weighted average remaining contractual life (years)	Options exercisable (000's)	Weighted average exercise price
C\$0.65	2,384	2.93	1,395	C\$ 0.65
C\$0.71 to C\$0.86	2,084	3.09	1,243	0.73
C\$1.31	1,491	1.87	1,491	1.31
C\$1.63	1,084	4.77	–	–
C\$1.71 to C\$2.00	107	0.34	107	1.76
C\$2.16 to C\$2.19	1,898	4.12	501	2.18
	9,048	3.23	4,737	C\$ 1.06

During the three and six months ended June 30, 2017, the Company recorded share-based compensation expense of \$449 and \$742, respectively (three and six months ended June 2016 – \$273 and \$490, respectively).

The weighted average fair value of options granted during the six months ended June 30, 2017 was \$0.69 (six months ended June 30, 2016 – \$0.98). The grant date fair value of share options granted was determined using a Black Scholes option pricing model using the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.79%	0.51%
Expected life (years)	2.63	2.58
Annualized volatility	68%	73%
Forfeiture rate	13%	15%

The annualized volatility assumption is based on the historical and implied volatility of the Company's Canadian dollar common share price on the Toronto Stock Exchange. The risk-free interest rate assumption is based on Canadian government bonds with a remaining term equal to the expected life of the options.

(b) Restricted share units and deferred share units

In June 2017, upon approval by shareholders, the Company adopted an Omnibus Incentive Plan (the "Omnibus Plan") to supplement and eventually replace the existing stock option plan (the "2016 Plan"). Pursuant to the Omnibus Plan, the Company may grant stock options ("Options"), restricted share units ("RSUs"), performance based restricted share units ("PSUs"), and deferred share units ("DSUs") to eligible employees, officers, directors, or consultants. The maximum number of common shares that the Company may issue is limited to 10% of the outstanding common shares, less the number of stock options already outstanding pursuant to the 2016 Plan and the Omnibus Plan, less twice the number of common shares counted as RSU, PSU, and DSU awards. There are additional limits with respect to insiders, individual grants, annual grants, and the number of which may be awarded to non-executive directors.

Options granted under the Omnibus Plan have a maximum vesting period of ten years, and cannot be priced less than the closing price on the TSX Exchange on the day prior to the grant.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

7. Share capital - continued

DSUs are awards to participants for office, directorship, or employment, which settle upon termination of service of the participant. Vesting conditions for DSUs are set by the Board. Upon settlement, DSUs entitle the recipient to receive common shares, a cash equivalent, or a combination thereof. The choice of settlement method is at the Company's sole discretion. Timing of settlement after vesting occurs at the discretion of the participant, and can be any time between the date of termination of service of the participant and December 15th of the following calendar year. The DSUs granted to date have vested immediately.

RSUs are awards for service which upon vesting and settlement entitle the recipient to receive common shares, a cash equivalent, or a combination thereof. Vesting conditions for RSUs are set by the Board but cannot exceed three years. The choice of settlement method is at the Company's sole discretion. The RSUs granted to date vest in several tranches over three years. An estimated forfeiture rate of 15% was used in the determination of fair value for the purposes of computing share based compensation expense in the financial statements.

PSUs are a subset of RSUs, but PSUs have one or more performance conditions. PSUs may only be settled through the issuance of common shares. No PSUs have been granted to date.

The fair values of the DSUs and RSUs granted to employees and directors have been estimated by reference to the fair value on the grant date of the equity instruments granted. The Company has no history of paying dividends, and consequently, no amounts in respect of dividends were included in the estimates of fair value of the equity instruments granted.

The following table summarizes information about the DSUs outstanding at June 30, 2017 and 2016:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of units	Weighted average fair value (\$/unit)	Number of units	Weighted average fair value (\$/unit)
Balance at January 1	–	\$ –	–	\$ –
Granted	89,200	1.18	–	–
Outstanding at June 30	89,200	\$ 1.18	–	\$ –

The following table summarizes information about the RSUs outstanding at June 30, 2017 and 2016:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of units	Weighted average fair value (\$/unit)	Number of units	Weighted average fair value (\$/unit)
Balance at January 1	–	\$ –	–	\$ –
Granted	256,100	1.18	–	–
Outstanding at June 30	256,100	\$ 1.18	–	\$ –

(c) Earnings (loss) per share

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net income (loss) for the period	\$ 833	\$ (1,332)	\$ 3,873	\$ (4,750)
Basic weighted average number of shares outstanding (000's)	167,864	144,402	167,745	143,133
Effect of dilutive equity instruments	3,038	–	3,013	–
Diluted weighted average number of shares outstanding (000's)	170,902	144,402	170,758	143,133
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ (0.01)	\$ 0.02	\$ (0.03)

All of the share options outstanding during the three and six months ended June 30, 2016 represented potentially dilutive shares, but were not included in the diluted earnings per share calculation for those periods because the effect of including those shares would have been anti-dilutive.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

8. Commitments and contingencies

(a) Commitments

As at June 30, 2017, the Company had the following commitments:

	Total	1 year	2-3 years	4-5 years	Thereafter
Operating lease payments	\$ 1,279	\$ 234	\$ 461	\$ 452	\$ 132
Drilling services	431	431	–	–	–
Equipment purchases	738	738	–	–	–
Consulting	3	3	–	–	–
Total commitments	\$ 2,451	\$ 1,406	\$ 461	\$ 452	\$ 132

(b) Contingencies

i) GMC

In February 2016, the Comisión Nacional del Agua ("CONAGUA"), the Mexican federal agency responsible for water administration, required that the Company make formal applications for permits associated with the occupation and construction of the tailings facility at the GMC. Following the February meeting, the Company filed its applications. After the Company filed the applications, CONAGUA carried out an inspection of the tailings facility and requested further technical information. The compilation, submission, and CONAGUA's review of such information, has been ongoing since the initial CONAGUA request, and is expected to continue to extend into 2018. The Company believes its current tailings footprint can be maintained and can support operations at the GMC until at least 2020. The Company also believes, based on its meetings and other communication with CONAGUA, that it will be able to obtain all of the above noted permits as required, with no suspension of the GMC operations. While the Company is confident that it will be able to obtain the tailings permits, there is no guarantee that it will complete the review process with CONAGUA without any actions that may suspend its operations at the GMC. Nor is there any guarantee that the terms of such permits will be favorable to the Company. The failure to obtain a required permit could impact the Company's ability to continue operating the tailings facility at the GMC.

Since the February 2016 meeting with CONAGUA, the Company has also discovered through its own undertaking that some additional CONAGUA permits may be needed in connection with water discharge and use at GMC tailings facility and at the San Ignacio Mine. An application has been made for the permit in the case of the San Ignacio Mine. The Company is assessing whether it requires an additional water use permit during the dry season. The Company believes that it will be able to acquire any necessary water discharge and use permits without any impact to its operations, but cannot guarantee that there is no risk in this regard.

ii) Topia

The Company recently completed an outstanding condition required by Mexican Environmental Authority ("SEMARNAT") for the Change in Use of Soils permit required for the Topia Phase II tailings storage facility ("TSF") and announced that it had resubmitted its application for this permit. The Company expects that a response will be received within 60 days of filing. All tailings are being deposited on the Phase I TSF while the Company continues its efforts to obtain the Phase II permit from SEMARNAT. The Company believes that it will be able to obtain a permit for the Phase II TSF without interruption of operations. However, the deposition of dry tailings on the Phase I TSF cannot continue indefinitely and the Company cannot provide complete assurance that a disruption can be avoided.

iii) CMC

The CMC has been on care and maintenance since August 2013, having been operated by a number of previous companies before that date. The CMC is subject to oversight by the Organismo de Evaluación y Fiscalización Ambiental ("OEFA"), the Peruvian public agency responsible for environmental assessment and inspection, and by the Organismo Supervisor de la Inversión en Energía y Minería ("OSINERGMIN"), which is the Peruvian regulatory body with oversight responsibility over energy and mining companies.

The Company has accrued \$1,088 for fines and sanctions to be levied by OSINERGMIN. In addition, there are a number of open administrative and judicial proceedings by OSINERGMIN, the outcome of which are not yet readily determinable.

GREAT PANTHER SILVER LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of US dollars, except share data)

As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

8. Commitments and contingencies – continued

The Company has accrued \$128 for fines and sanctions to be levied by OEFA. In addition, there are a number of open administrative and judicial proceedings by OEFA, the outcome of which are not yet readily determinable.

The Company has accrued \$450 for certain civil lawsuits filed by individuals and former suppliers.

Nyrstar has agreed to reimburse the Company for all fines or sanctions that resulted from activities or ownership of the CMC prior to June 30, 2017, up to a maximum of \$4,000 (note 3). Accordingly, a reimbursement right in the amount of \$1,666 has been recorded.

9. Related party transactions

(a) Compensation of key management personnel

Key management includes the Company's Directors, President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Vice Presidents. The amounts owing to key management personnel were included in trade and other payables. The Company is committed to making severance payments amounting to approximately \$1,990 to certain officers and management in the event of a change in control of the Company.

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Salaries, bonuses and benefits	\$ 380	\$ 335	\$ 874	\$ 660
Directors' fees	84	59	151	118
Termination benefits	75	–	75	–
Share based compensation	296	190	491	352
	\$ 835	\$ 584	\$ 1,591	\$ 1,130

10. Supplemental cash flow information

(a) Other non-cash items

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Non-cash amounts associated with reclamation provision (through P&L)	\$ 1	\$ 76	\$ 42	\$ 110
Interest expense	19	38	38	38
Interest income	(209)	(25)	(422)	(47)
	\$ (189)	\$ 89	\$ (342)	\$ 101

(b) Non-cash investing and financing activities

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Change in trade payables related to mineral properties, plant and equipment	\$ 10	\$ 19	\$ 67	\$ 40
Change in rehabilitation provision asset	283	290	84	552

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As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

10. Supplemental cash flow information – continued

(c) Undrawn credit facilities

On June 23, 2017, the Company renewed its \$10,000 credit facility from Auramet International LLC (“Auramet”). The facility expires on June 30, 2018 and bears interest at a rate of LIBOR plus 5%. The facility allows the Company to draw down amounts equal to the amounts receivables from a specific customer with whom Auramet has established a commercial relationship. Repayment of any amounts drawn will be due at the same time that the customer repays the relevant amounts receivable. In addition, Auramet has also provided the Company with a \$500 margin credit facility, should the Company wish to enter into any derivative instruments associated with commodities marketed to parties other than Auramet. The Company has not drawn down any amounts on these facilities.

11. Operating segments

The Company’s operations are all within the mining sector, consisting of two operating segments both of which are located in Mexico, one segment associated with the CMC, one exploration segment and one Corporate segment. Due to diversities in geography and production processes, the Company operates the GMC and the Topia Mine separately, with separate budgeting and evaluation of results of operations and exploration activities. The CMC segment contains the net assets associated with the CMC (note 3) and the cost of its exploration, evaluation and development activities are separately budgeted and reported. The Corporate segment provides financial, human resources and technical support to the two mining operations. The GMC operations produce silver and gold, and the Topia operations produce silver, gold, lead and zinc. The exploration segment includes the Company’s exploration and evaluation assets at Santa Rosa, El Horcon, Plomo and Argosy.

	Operations		CMC	Exploration	Corporate	Total
	GMC	Topia				
Three months ended						
June 30, 2017						
Revenue from external customers	\$ 11,414	\$ 4,317	\$ –	\$ –	\$ –	\$15,731
Income (loss) before income taxes	1,527	1,035	–	(318)	(1,234)	1,010
Net income (loss)	1,527	1,035	–	(318)	(1,411)	833
Additions to non-current assets	520	524	26,413	–	–	27,457
Six months ended June 30, 2017						
Revenue from external customers	\$ 23,736	\$ 4,366	\$ –	\$ –	\$ –	\$28,102
Income (loss) before income taxes	5,667	429	–	(779)	(1,206)	4,111
Net income (loss)	5,667	429	–	(779)	(1,444)	3,873
Additions to non-current assets	1,031	1,894	26,413	–	–	29,338
As at June 30, 2017						
Total assets	\$ 14,200	\$ 15,767	\$ 26,553	\$ 2,437	\$ 62,760	\$121,717
Total liabilities	\$ 5,398	\$ 2,306	\$ 26,377	\$ 188	\$ 4,638	\$38,907

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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As at and for the three and six months ended June 30, 2017 and 2016 (Unaudited)

11. Operating segments – continued

	Operations		CMC	Exploration	Corporate	Total
	GMC	Topia				
Three months ended June 30, 2016						
Revenue from external customers	\$ 16,085	\$ 3,511	\$ –	\$ –	\$ –	\$19,596
Income (loss) before income taxes	7,034	922	–	(1,960)	(6,491)	(495)
Net income (loss)	7,035	900	–	(1,960)	(7,307)	(1,332)
Additions to non-current assets	747	146	–	–	–	893
Six months ended June 30, 2016						
Revenue from external customers	\$ 27,294	\$ 6,441	\$ –	\$ –	\$ –	\$33,735
Income (loss) before income taxes	11,111	986	–	(3,046)	(12,882)	(3,831)
Net income (loss)	11,111	963	–	(3,046)	(13,778)	(4,750)
Additions to non-current assets	1,058	294	–	–	–	1,352
As at June 30, 2016						
Total assets	\$ 18,605	\$ 13,115	\$ –	\$ 273	\$ 26,474	\$58,467
Total liabilities	\$ 4,825	\$ 2,125	\$ –	\$ 50	\$ 4,070	\$11,070