GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2012 and 2011

Expressed in Canadian Dollars
(Unaudited)

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of Canadian dollars)

June 30, 2012 and December 31, 2011 (Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 28,675	$ 39,437
Marketable securities	80	80
Trade and other receivables (note 3)	17,893	14,076
Income taxes recoverable	255	374
Inventories (note 4)	5,380	4,591
Prepaid expenses, deposits and advances	3,823	1,732
	56,106	60,290
Non-current assets		
Mineral properties, plant and equipment (note 5)	53,831	41,946
Intangible assets	780	708
	54,611	42,654
	$ 110,717	**$ 102,944**
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	$ 6,204	$ 6,350
Finance lease obligations	13	130
	6,217	6,480
Non-current liabilities		
Reclamation and remediation provision	2,189	2,154
Deferred tax liability	3,939	1,824
	6,128	3,978
Shareholders' equity		
Share capital (note 6)	122,110	121,536
Reserves	6,740	6,465
Deficit	(30,478)	(35,515)
	98,372	92,486
	$ 110,717	**$ 102,944**

Nature of operations (note 1)
Commitments (note 9)
See accompanying notes to the condensed interim consolidated financial statements.

Approved by the Board of Directors

"Robert A. Archer"
Robert A. Archer, Director

"Robert W. Garnett"
Robert W. Garnett, Director

GREAT PANTHER SILVER LIMITED

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of Canadian dollars, except per share data)

For the three and six months ended June 30, 2012 and 2011 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Revenue	$ 14,439	$ 8,560	$ 28,064	$ 24,020
Cost of sales				
Production costs	8,346	4,193	14,181	10,024
Amortization and depletion	2,303	416	3,760	1,432
Share-based payments	19	-	27	-
	10,668	4,609	17,968	11,456
Gross profit	3,771	3,951	10,096	12,564
General and administrative expenses				
Administrative expenses	1,917	1,441	4,768	3,231
Amortization and depletion	36	32	69	58
Share-based payments	183	-	313	-
	2,136	1,473	5,150	3,289
Exploration and evaluation expenses	427	241	1,019	373
Income before the undernoted	1,208	2,237	3,927	8,902
Finance and other income (expense)				
Interest income	103	107	276	161
Finance costs (note 7)	(9)	(24)	(19)	(291)
Foreign exchange gain (loss)	(772)	176	2,883	645
Other income (expense)	(58)	148	36	315
	(736)	407	3,176	830
Income before income taxes	472	2,644	7,103	9,732
Income tax expense				
Current	-	(143)	-	(222)
Deferred	(118)	-	(2,066)	-
	(118)	(143)	(2,066)	(222)
Net income for the period	**$ 354**	**$ 2,501**	**$ 5,037**	**$ 9,510**
Other comprehensive income (loss), net of tax				
Foreign currency translation	58	(798)	194	(498)
Change in fair value of available-for-sale financial assets	(24)	(28)	(7)	(106)
	34	(826)	187	(604)
Total comprehensive income for the period	**$ 388**	**$ 1,675**	**$ 5,224**	**$ 8,906**
Earnings per share (note 6(e))				
Basic	$ 0.00	$ 0.02	$ 0.04	$ 0.08
Diluted	$ 0.00	$ 0.02	$ 0.04	$ 0.07

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 Canadian dollars)

For the three and six months ended June 30, 2012 and 2011 (Unaudited)

	Share Capital		Reserves						
	Number of shares (000's)	Amount	Share options and warrants	Foreign currency translation	Convertible loan notes	Fair value	Total	Deficit	Total shareholders' equity
Balance at January 1, 2011	119,914	$ 83,470	$ 9,470	$ (3,796)	$ 1,966	$ (33)	$ 7,607	$ (47,021)	$ 44,056
Warrants exercised	3,947	3,611	(59)	-	-	-	(59)	-	3,552
Share options exercised (note 6(c))	2,525	3,056	(1,142)	-	-	-	(1,142)	-	1,914
Extinguishment of convertible loan notes	1,800	4,050	1,809	-	(1,966)	-	(157)	-	3,893
Short form prospectus financing	5,750	22,116	384	-	-	-	384	-	22,500
Comprehensive income (loss)	-	-	-	(498)	-	(106)	(604)	9,510	8,906
Balance at June 30, 2011	133,936	$ 116,303	$ 10,462	$ (4,294)	$ -	$ (139)	$ 6,029	$ (37,511)	$ 84,821
Balance at January 1, 2012	137,409	$ 121,536	$ 10,749	$ (4,148)	$ -	$ (136)	$ 6,465	$ (35,515)	$ 92,486
Share options exercised (note 6(c))	182	574	(252)	-	-	-	(252)	-	322
Share-based payments	-	-	340	-	-	-	340	-	340
Comprehensive income (loss)	-	-	-	194	-	(7)	187	5,037	5,224
Balance at June 30, 2012	137,591	$ 122,110	$ 10,837	$ (3,954)	$ -	$ (143)	$ 6,740	$ (30,478)	$ 98,372

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 Canadian dollars)

For the three and six months ended June 30, 2012 and 2011 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Cash flows from operating activities:				
Net income for the period	$ 354	$ 2,501	$ 5,037	$ 9,510
Items not involving cash:				
Amortization and depletion expense	2,339	448	3,829	1,490
Unrealized foreign exchange (gains) losses	862	103	(2,334)	95
Deferred income taxes	118	-	2,066	-
Accretion on reclamation and remediation provision	7	13	14	23
Share-based payments	202	-	340	-
Interest accretion on convertible loan notes (note 7)	-	-	-	239
Gain on disposal of mineral properties, plant and equipment	(7)	-	(22)	-
	3,875	3,065	8,930	11,357
Interest received	111	107	262	161
Interest paid	-	(11)	(3)	(29)
Income taxes paid	(282)	(438)	(534)	(484)
Net cash from operating activities before changes in non-cash working capital	3,704	2,723	8,655	11,005
Changes in non-cash working capital:				
Trade and other receivables	(8,563)	2,661	(4,079)	(1,916)
Income taxes recoverable	145	(3)	119	(21)
Inventories	1,244	(3,096)	(611)	(3,871)
Prepaid expenses, deposits and advances	(941)	123	(2,091)	(875)
Trade and other payables	716	(737)	736	(2)
Current tax liability	-	498	-	593
Net cash from (used in) operating activities	(3,695)	2,169	2,729	4,913
Cash flows from investing activities:				
Intangible assets	(26)	(298)	(226)	(343)
Mineral properties, plant and equipment	(7,808)	(4,740)	(13,880)	(8,994)
Proceeds from disposal of mineral properties, plant and equipment	69	-	86	-
Restricted cash	-	(9)	-	45
Net cash used in investing activities	(7,765)	(5,047)	(14,020)	(9,292)
Cash flows from financing activities:				
Repayment of capital lease obligations	(63)	(74)	(117)	(210)
Repayment of promissory notes	-	(355)	-	(448)
Repayment of convertible loan notes	-	-	-	(61)
Proceeds from exercise of options (note 6(c))	-	522	322	1,914
Proceeds from exercise of warrants (note 6(d))	-	1,971	-	3,552
Issuance of shares for cash, net of issue costs	-	22,500	-	22,500
Net cash from (used in) financing activities	(63)	24,564	205	27,247
Effect of foreign currency translation on cash	(124)	(92)	324	(75)
Increase (decrease) in cash and cash equivalents	(11,647)	21,594	(10,762)	22,793
Cash and cash equivalents, beginning of period	40,322	15,166	39,437	13,967
Cash and cash equivalents, end of period	**$ 28,675**	**$ 36,760**	**$ 28,675**	**$ 36,760**

See accompanying notes to the condensed interim consolidated financial statements.

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

1. Nature of operations

Great Panther Silver Limited (the "Company") was continued under the Business Corporations Act (Yukon) on March 22, 1996 and continued under the Business Corporations Act (British Columbia) on July 9, 2004. On October 2, 2003, the Company changed its name from Great Panther Inc. to Great Panther Resources Limited and the common shares were consolidated whereby ten common shares were exchanged for one new common share. On December 17, 2009, the Company's shareholders approved changing the Company's name from Great Panther Resources Limited to Great Panther Silver Limited which became effective as of January 1, 2010. No change to the Company's capital structure was involved and the common shares of the Company trade on the Toronto Stock Exchange under the symbol "GPR". On February 8, 2011, the Company's shares were listed on the NYSE Amex stock exchange in the United States under the trading symbol "GPL". The NYSE Amex stock exchange was renamed to NYSE MKT on May 14, 2012. The address of the Company's head office is 800 – 333 Seymour Street, Vancouver, British Columbia, Canada, V6B 5A6.

The Company is in the business of acquisition, development, exploration, and operation of mineral properties and mines in Mexico. The Company wholly owns two producing mines, Topia and Guanajuato. In addition, the Company has a development stage property, San Ignacio, for which the Company has published a NI43-101 compliant resource estimate. The Company's other mineral property interest, Santa Rosa, is in the exploration stage and it has not yet been determined as to whether this property contains ore reserves that are economically viable.

Based on the Company's current cash flow and future projections, these financial statements have been prepared by management on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration and development programs will result in the discovery and development of economic ore reserves.

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 methods of computation 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, 2011. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. Certain amounts in the prior period have been reclassified to conform with the presentation in the current period.

These condensed interim consolidated financial statements were approved by the Board of directors on August 9, 2012.

3. Trade and other receivables

	June 30, 2012	December 31, 2011
Trade accounts receivable	$ 14,275	$ 11,180
Value added tax receivable	3,663	2,902
Other	185	214
	18,123	14,296
Allowance for doubtful amounts	(230)	(220)
	$ 17,893	$ 14,076

The Company, through its Mexican subsidiaries, pays value added tax on the purchase and sale of goods and services at a rate of 16%. The net amount paid or payable is recoverable, but such recovery is subject to review and assessment by local tax authorities.

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

4. Inventories

		June 30, 2012		December 31, 2011
Concentrate	$	2,664	$	2,748
Ore stockpile		311		115
Materials and supplies		2,304		1,503
Silver bullion		101		225
	$	5,380	$	4,591

The amount of inventory recognized as an expense for the three and six months ended June 30, 2012 and 2011 includes production costs, amortization and depletion and share-based payments directly attributable to the inventory production process.

The amount of write-down of inventories to net realizable value for the three months ended June 30, 2012 was $20 (three months ended June 30, 2011 - $nil).

5. Mineral properties, plant and equipment

At June 30, 2012, the Company had mineral properties, plant and equipment assets of $53.8 million compared to $41.9 million at December 31, 2011. During the three and six months ended June 30, 2012, the Company invested $7,410 (three months ended June 30, 2011 - $5,452) and $13,535 (six months ended June 30, 2011 - $9,042), respectively, primarily in mine development, evaluation of mineral resources and purchase of capital assets at its Guanajuato and Topia mines. At June 30, 2012, the Company had mineral property, exploration and evaluation expenditures totalling $4,051 (December 31, 2011 - $2,761) for its San Ignacio property and $1,398 (December 31, 2011 - $1,459) for its Santa Rosa property with $nil accumulated depletion for each property. San Ignacio and Santa Rosa are not currently being depleted.

<u>Guanajuato Mine</u>

On October 25, 2005, the Company purchased a 100% ownership interest in a group of producing silver-gold mines in Guanajuato, Mexico which includes two main properties, a plant, workshops and administration facilities, mining infrastructure, equipment, and certain surface rights (real estate).

<u>Topia Mine</u>

On June 30, 2005, the Company purchased 100% of the ownership rights in and to all the fixed assets, machinery, equipment and Topia mining concessions located in the municipality of Topia in the state of Durango, Mexico.

<u>San Ignacio Project</u>

San Ignacio was part of the Guanajuato mine purchased by the Company in 2005 and is included in Guanajuato's mineral properties. Exploration and evaluation activities relating to San Ignacio commenced in 2010.

<u>Santa Rosa Project</u>

During 2011, the Company acquired rights to a new silver-gold project, the Santa Rosa Project, in Guanajuato, Mexico, for $1,459, and is included in Guanajuato's mineral properties.

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

6. Share capital

(a) Authorized

Unlimited number of common shares without par value.

Unlimited number of Class A preferred shares without par value, issuable in series.

Unlimited number of Class B preferred shares without par value, issuable in series.

(b) Issued and fully paid

Common shares: 137,590,919 (December 31, 2011 – 137,408,912)

Preferred shares: nil (2011 – nil)

(c) Share options

The Company is authorized to grant incentive share options (“options”) to officers, directors, employees and consultants as incentive for their services, subject to limits with respect to insiders. Pursuant to the Company’s 2007 Amended and Restated Incentive Share Option Plan (the “2007 Plan”), options are non-transferable, subject to permitted transferees, and the aggregate may not exceed 10% of the outstanding shares at the time of an option grant and the aggregate to any one person may not exceed 5% of the outstanding shares. The exercise price of options is determined by the board of directors but shall not be less than the closing price of the common shares on the Toronto Stock Exchange on the last business day immediately preceding the date of grant. Grant date share price is the closing market price on the day the options were granted.

Options have expiry dates of no later than 10 years after the date of grant and will cease to be exercisable 30 days following the termination of the participant’s employment or engagement.

The continuity of share options for the six months ended June 30, 2012 and 2011 are as follows:

Exercise Price	Expiry date	Balance December 31, 2011	Granted	Cancelled	Expired	Exercised	Balance June 30, 2012
$ 0.45	February 8, 2014	805,000	-	-	-	-	805,000
$ 0.70	September 3, 2014	315,000	-	-	-	(15,000)	300,000
$ 0.90	December 2, 2014	162,000	-	-	-	-	162,000
$ 0.90	July 11, 2015	118,000	-	-	-	-	118,000
$ 1.15	October 17, 2015	51,500	-	-	-	(50,000)	1,500
$ 1.90	November 21, 2015	90,000	-	-	-	-	90,000
$ 2.40	December 5, 2016	2,705,000	-	(30,000)	-	(230,000)[(1)]	2,445,000
$ 2.25	March 15, 2017	-	170,000	-	-	-	170,000
$ 1.76	May 17, 2017	-	315,000	-	-	-	315,000
		4,246,500	485,000	(30,000)	-	(295,000)	4,406,500
Weighted average exercise price		$ 1.78	$ 1.93	$ 2.40	-	$ 2.10	$ 1.77

[(1)] Includes cashless exercise of 125,000 options.

Exercise Price	Expiry date	Balance December 31, 2010	Granted	Cancelled	Expired	Exercised	Balance June 30, 2011
$ 0.90	January 5, 2011	125,000	-	-	-	(125,000)	-
$ 0.45	February 8, 2014	1,988,000	-	-	-	(952,000)	1,036,000
$ 0.45	February 29, 2012	160,000	-	-	-	(160,000)	-
$ 0.52	March 25, 2011	200,000	-	-	-	(200,000)	-
$ 0.70	September 3, 2014	965,000	-	-	-	(475,000)	490,000
$ 0.90	February 29, 2012	90,000	-	-	-	-	90,000
$ 0.90	December 2, 2014	337,500	-	-	-	(137,500)	200,000
$ 0.90	July 11, 2015	245,000	-	-	-	(121,500)	123,500
$ 1.15	October 17, 2015	105,000	-	-	-	(53,500)	51,500
$ 1.90	November 21, 2015	415,000	-	-	-	(300,000)	115,000
		4,630,500	-	-	-	(2,524,500)	2,106,000
Weighted average exercise price		$ 0.73	-	-	-	$ 0.76	$ 0.69

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

6. Share capital – *continued*

As at June 30, 2012, all share options were fully vested. The weighted average remaining contractual life of the options outstanding as at June 30, 2012 is 3.67 years.

During the three and six months ended June 30, 2012, the Company recorded compensation expense for the fair value of share options of $202 (three months ended June 30, 2011 - $nil) and $340 (six months ended June 30, 2011 - $nil), respectively, for share options that were granted during the period.

The fair value per option granted was determined using the following weighted average assumptions at the time of the grant using the Black Scholes option pricing model as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Risk-free interest rate	1.22%	-	1.24%	-
Expected life	1.96 years	-	1.95 years	-
Annualized volatility	66%	-	66%	-
Dividend rate	-	-	-	-

(d) Warrants

The continuity of warrants for the six months ended June 30, 2012 and 2011 are as follows:

Series	Exercise price	Expiry date	Balance, December 31, 2011	Issued	Exercised	Expired	Balance, June 30, 2012
Underwriters' warrants	$ 4.20	April 12, 2013	316,250	-	-	-	316,250

Series	Exercise price	Expiry date	Balance, December 31, 2010	Issued	Exercised	Expired	Balance, June 30, 2011
SFPO[1] warrants	$ 0.90	Nov 17, 2011	6,315,650	-	(3,811,900)	-	2,503,750
Agent warrants	$ 0.90	Nov 17, 2011	548,996	-	(134,842)	-	414,154
Underwriters' warrants	$ 4.20	April 12, 2013	-	316,250	-	-	316,250
			6,864,646	316,250	(3,946,742)	-	3,234,154
Weighted average exercise price			$ 0.90	$ 4.20	$ 0.90	-	$ 1.22

[1] Short Form Prospectus Offering ("SFPO")

(e) Earnings per share and diluted earnings per share

Earnings per share and diluted earnings per share are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Earnings per share				
Basic	$ 0.00	$ 0.02	$ 0.04	$ 0.08
Diluted	$ 0.00	$ 0.02	$ 0.04	$ 0.07

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Net income for the period	$ 354	$ 2,501	$ 5,037	$ 9,510

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

6. Share capital - *continued*

	Three months ended June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Shares outstanding, beginning of period	137,590,919	125,583,666	137,408,912	119,913,766
Effect of share options exercised	-	210,420	132,533	1,606,255
Effect of warrants exercised	-	155,048	-	1,376,142
Effect of extinguishment of convertible notes	-	-	-	1,133,702
Effect of short form prospectus financing	-	4,991,758	-	2,509,668
Basic weighted average number of shares outstanding	137,590,919	130,940,892	137,541,445	126,539,533
Effect of dilutive share options	982,596	1,795,804	1,052,137	2,316,412
Effect of dilutive warrants	-	3,574,732	-	3,932,412
Diluted weighted average number of shares outstanding	138,573,515	136,311,428	138,593,582	132,788,357

For the three and six months ended June 30, 2012 there were 2,931,250 (three and six months ended June 30, 2011 – 316,250) potentially dilutive shares that have not been included in the diluted earnings per share calculation for the period presented because the effect of including these shares would be anti-dilutive.

(f) Shareholder Rights Plan

On April 17, 2012, the Board of Directors approved the adoption of a new Shareholder Rights Plan (the “2012 Plan”) as part of its procedures for dealing with any parties who may seek to acquire control of the Company through a take-over bid or other transaction. The 2012 Plan was ratified by the shareholders of the Company at the June 28, 2012 annual and special general meeting of shareholders and became immediately effective after the expiration of the previous plan on June 29, 2012. The 2012 Plan maintains the same terms and conditions as the previous plan and will continue until the annual and special general meeting of shareholders in 2016.

To implement the 2012 Plan, the Board of Directors of the Company authorized the issue of one Right in respect of each common share of the Company outstanding to holders of record on June 29, 2012. Until the occurrence of certain specific events, the Rights will trade with the common shares of the Company.

The Rights become exercisable only when a person, including any party related to it or acting jointly with it, acquires or announces its intention to acquire 20% or more of the outstanding common shares of the Company without complying with the "Permitted Bid" provisions of the 2012 Plan. Under the 2012 Plan, a Permitted Bid is a bid made to all shareholders on identical terms and conditions that is open for at least 60 days. If at the end of 60 days more than 50% of the outstanding shares, other than those owned by the offeror and certain persons related to the offeror or acting jointly with it, have been tendered, the offeror may take up and pay for the shares but must extend the bid for a further 10 business days to allow all other shareholders to tender.

Should a non-permitted acquisition occur, each Right would entitle each holder of common shares (other than the offeror and certain parties related to the offeror or acting jointly with it) to purchase additional common shares of the Company at a 50% discount to the market price at the time.

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

7. Finance costs

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Interest accretion on convertible loan notes	$ -	$ -	$ -	$ 239
Lease interest	2	3	5	21
Accretion on reclamation and remediation provision	7	13	14	23
Interest expense	-	8	-	8
	$ 9	$ 24	$ 19	$ 291

8. Related party transactions

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 92	$ 188	$ 872	$ 367
Consulting fees paid or accrued to companies controlled by officers of the Company	-	39	-	93
Director fees paid or accrued	59	-	95	-
Consulting fees paid or accrued to a company with a common director of the Company	2	-	34	-
Office and administration fees paid or accrued to a company controlled by a director of the Company	-	21	21	43
	$ 153	$ 248	$ 1,022	$ 503

As at June 30, 2012, $32 (December 31, 2011 - $42) was due to companies controlled by officers and directors of the Company and was included in accounts payable. Amounts due from companies with common directors were $69 (December 31, 2011 - $24) and were included in trade and other receivables.

The above transactions occurred in the normal course of operations and are measured at the exchange amount.

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the three and six months ended June 30, 2012 and 2011 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Short-term benefits (i)	$ 573	$ 592	$ 1,177	$ 1,161
Termination benefits (ii)	-	-	676	-
Share-based payments	96	-	96	-
	$ 669	$ 592	$ 1,949	$ 1,161

(i) Short-term benefits include salaries and benefits, consulting and management fees.
(ii) Payment made to an executive and director in connection with his retirement and resignation from the board of directors.

The Company is committed to making severance payments amounting to approximately $2,675 to certain officers and management in the event that there is a change of control of the Company.

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

9. Commitments

As of June 30, 2012, the Company had the following commitments:

	Total	1 year	2-3 years	4-5 years
Drilling services	$ 1,045	$ 862	$ 183	$ -
Operating lease payments[1]	1,621	574	902	145
Equipment purchases with third party vendors	764	764	-	-
Environmental program[2]	32	32	-	-
Total commitments	$ 3,462	$ 2,232	$ 1,085	$ 145

[1] Lease payments are recognized as an expense in the period.

[2] On February 17, 2009, the Company committed to implementing an environmental program as a result of participating in a voluntary audit to ensure compliance with regulations governing the protection of the environment in Mexico.

10. Operating segments

The Company's operations are all within the mining sector, consisting of two operating segments both of which are located in Mexico and two corporate segments, one located in Canada and the other in Mexico. Due to diversities in geography and production processes, the Company operates the Guanajuato and Topia mines separately, with separate budgeting and evaluation of results of operations and exploration activities. The Corporate segments provide financial, human resources and technical support to the two mining operations. The Guanajuato operations produce silver and gold, and Topia operations produce silver, gold, lead and zinc.

	Mexico				Canada	
	Guanajuato	Topia	Corporate	Total	Corporate	Total
Three months ended June 30, 2012						
External mineral sales	$ 10,335	$ 4,104	$ -	$ 14,439	$ -	$ 14,439
Income (loss) before income taxes	2,922	881	(1,165)	2,638	(2,166)	472
Net income (loss) for the period	2,922	881	(1,283)	2,520	(2,166)	354
June 30, 2012						
Total assets	$ 43,910	$ 23,774	$ 8,020	$ 75,704	$ 35,013	$ 110,717

	Mexico				Canada	
	Guanajuato	Topia	Corporate	Total	Corporate	Total
Three months ended June 30, 2011						
External mineral sales	$ 4,066	$ 4,494	$ -	$ 8,560	$ -	$ 8,560
Income (loss) before income taxes	2,326	1,602	(215)	3,713	(1,069)	2,644
Net income (loss) for the period	2,235	1,550	(215)	3,570	(1,069)	2,501
December 31, 2011						
Total assets	$ 34,101	$ 21,888	$ 6,706	$ 62,695	$ 40,249	$ 102,944

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

10. Operating segments - *continued*

	Mexico				Canada	
	Guanajuato	Topia	Corporate	Total	Corporate	Total
SIx months ended June 30, 2012						
External mineral sales	$ 20,188	$ 7,876	$ -	$ 28,064	$ -	$ 28,064
Income (loss) before income taxes	8,328	1,687	1,593	11,608	(4,505)	7,103
Net income (loss) for the period	8,328	1,687	(473)	9,542	(4,505)	5,037
June 30, 2012						
Total assets	$ 43,910	$ 23,774	$ 8,020	$ 75,704	$ 35,013	$ 110,717

	Mexico				Canada	
	Guanajuato	Topia	Corporate	Total	Corporate	Total
SIx months ended June 30, 2011						
External mineral sales	$ 14,750	$ 9,270	$ -	$ 24,020	$ -	$ 24,020
Income (loss) before income taxes	8,793	3,845	(262)	12,376	(2,644)	9,732
Net income (loss) for the period	8,627	3,789	(262)	12,154	(2,644)	9,510
December 31, 2011						
Total assets	$ 34,101	$ 21,888	$ 6,706	$ 62,695	$ 40,249	$ 102,944

For the three and six months ended June 30, 2012 and 2011, the Company had revenue from the following product mixes:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Silver	$ 10,567	$ 6,675	$ 21,151	$ 19,771
Gold	4,505	1,344	8,117	3,528
Zinc	501	472	976	994
Lead	427	484	779	996
Copper	-	-	-	7
Ore processing revenues	155	204	306	350
Smelting and refining charges	(1,716)	(619)	(3,265)	(1,626)
	$ 14,439	$ 8,560	$ 28,064	$ 24,020

For the three and six months ended June 30, 2012 and June 30, 2011, the Company had four customers that accounted for the majority total revenues as follows:

		Three months ended June 30,		Six months ended June 30,	
Customer	**Segment**	2012	2011	2012	2011
Customer C	Guanajuato	$ 7,219	$ -	$ 9,016	$ -
Customer A	Guanajuato	3,160	-	8,244	-
Customer B	Topia	3,884	4,491	7,692	9,208
Customer D	Guanajuato	20	4,069	1,736	14,812
Customer B	Guanajuato	1	-	1,070	-
Other customers		155	-	306	-
		$ 14,439	$ 8,560	$ 28,064	$ 24,020

The trade accounts receivable balance of $14,275 at June 30, 2012 (December 31, 2011 – $11,180) relates to three customers (note 3).

GREAT PANTHER SILVER LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

TABLE OF CONTENTS

This Management's Discussion and Analysis ("MD&A") prepared as of August 9, 2012 reviews the financial condition and results of operations of Great Panther Silver Limited ("Great Panther" or the "Company") for the three and six month financial periods ended June 30, 2012, and other material events up to the date of this report. The information in this MD&A is as at August 9, 2012 unless otherwise indicated. The following discussion should be read in conjunction with the annual audited consolidated financial statements and related notes for the year ended December 31, 2011 and the unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended June 30, 2012.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts are in Canadian dollars, unless otherwise noted.

This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in the "Risks and Uncertainties" and "Cautionary Statement on Forward-Looking Statements" sections at the end of this MD&A, as well as "Key Information – Risk Factors" in the Company's Form 20F for the year ended December 31, 2011.

PROFILE AND STRATEGY

Great Panther is a profitable, primary silver mining and exploration company listed on the Toronto Stock Exchange trading under the symbol GPR, and on the NYSE MKT (formerly the NYSE Amex) trading under the symbol GPL. The Company's current activities are focused on the mining of precious metals from its two wholly-owned operating mines in Mexico, including the development stage San Ignacio Project. In addition, the Company is also pursuing acquisition opportunities throughout Latin America to add additional mines to its portfolio of properties. Great Panther's mission is to become a leading primary silver producer by acquiring, developing and profitably mining precious metals.

All of Great Panther's assets in Mexico are held through Minera Mexicana el Rosario, S.A. de C.V. ("MMR"), a wholly-owned subsidiary acquired in February 2004. In 2005, the Company incorporated Metalicos de Durango, S.A. de C.V. ("MDU") and Minera de Villa Seca, S.A. de C.V ("MVS"). These two operating subsidiaries of the Company are responsible for the day-to-day affairs and operations of the Topia and Guanajuato mines, respectively, through service agreements with MMR.

The Company's Topia mine is located in the Sierra Madre Mountains in the state of Durango in northern Mexico and produces silver, gold, lead and zinc. The Guanajuato Mine Complex is located in the city of Guanajuato, in central Mexico, approximately 380 kilometres north-west of Mexico City, and produces silver and gold. Each mine has its own processing facility with capacity to support future expansion.

The Company also owns a development stage property, the San Ignacio Project, which is approximately 20 kilometres by road from its Guanajuato processing plant, and an exploration stage property, Santa Rosa, which is located approximately 15 kilometres northeast of Guanajuato.

Great Panther is pursuing acquisition opportunities throughout Latin America to add additional mines to its portfolio of properties. Great Panther's mission is to become a leading primary silver producer by acquiring, developing and profitably mining precious metals.

RECENT DEVELOPMENTS

During the second quarter of 2012, Great Panther continued to invest in its wholly-owned Mexican properties as part of its growth strategy to expand production and resources. There were a number of important developments in the Company's business since the start of the second quarter as follows.

On April 5, 2012, the Company announced the appointment of Ms. Rhonda Bennetto to the position of Vice President, Corporate Communications effective April 12, 2012. Ms. Bennetto has held senior roles with several publicly traded companies with a focus on international mining and resource assets, including Mexico, and brings more than 18 years of experience in capital markets and investor relations expertise to Great Panther.

On May 9, 2012, the Company announced the completion of two Mineral Resource estimates for its Guanajuato Mine Complex and its San Ignacio Project in Guanajuato, Mexico (refer to May 9, 2012 news release and the corresponding technical reports filed on SEDAR dated June 25, 2012 and June 26, 2012, respectively). As San Ignacio is a satellite of the Guanajuato Mine Complex (20 kilometres by road), and any mineralization extracted from there will be processed at the Cata Plant, the Mineral Resource is considered part of the overall Guanajuato Operations. The new Measured and Indicated Mineral Resource at the Guanajuato Mine contains 5,649,000 ounces of silver equivalent ("Ag eq oz"). Inferred Mineral Resources are estimated at 2,503,000 Ag eq oz at the Guanajuato Mine and 6,894,000 Ag eq oz at San Ignacio. Inferred resources for the Guanajuato Mine Complex and the San Ignacio Project were reported separately as different parameters were used in their estimation.

The new resource base not only replaces production from the Guanajuato Mine Complex during the past year and a half, but the addition of San Ignacio almost doubles the overall resource base for Great Panther's Guanajuato operations. The new estimate for San Ignacio increases the tonnage by 35%, the silver content by 29%, gold content by 51% and Ag eq oz by 53% over the previous estimate (refer to May 9, 2012 news release and the corresponding technical reports filed on SEDAR dated June 25, 2012 and June 26, 2012).

On June 28, 2012, the Company announced the re-election of Robert A. Archer, Kenneth W. Major and R.W. (Bob) Garnett and the election of new nominees John Jennings and J. Richard H. (Dick) Whittington as Directors of the Company. Former director, John Kopcheff, of Australia, did not stand for re-election. John Jennings has almost three decades of experience in Canadian and international investment banking, having held positions at firms including BMO Nesbitt Burns, Lehman Brothers International, RBC Financial, HSBC Group and CIBC. Mr. Jennings recently joined Korn/Ferry International, the world's largest executive search and talent management firm. Dick Whittington is a mining engineer with over 35 years of experience in Canada and abroad. He most recently was president, CEO and a director of PNG Gold, an advanced stage gold exploration company located in Papua New Guinea. Prior to this, he was president, CEO and a director of Farallon Mining, where he brought Farallon's G-9 polymetallic zinc mine in Guerrero State, Mexico into production in less than four years.

Also on June 28, 2012, the shareholders of the Company approved the adoption of a new shareholder rights plan to replace the expiring 2008 plan. Please see the Company's new release dated June 28, 2012 or the Company's 2012 Information Circular filed on SEDAR for more details.

On July 18, 2012, the Company announced a number of changes to its senior management structure. The changes included the separation of the President and CEO role, under which Mr. Robert Archer retained the role of CEO and Mr. Martin Carsky was appointed President of the Company. Mr. Carsky served as the Company's Executive Vice President and CFO since May of 2011. Jim Zadra, CA, was appointed Chief Financial Officer of Great Panther after serving as Vice President, Finance since September 2011. Mr. Graham Parsons was promoted to the newly created role of Vice President, Operations based in Guanajuato, Mexico. Mr. Charles Brown was appointed to a newly created role as Senior Vice President, Corporate Development and his former position of Chief Operating Officer was eliminated.

SECOND QUARTER 2012 HIGHLIGHTS

Highlights *(in 000s except ounces, amounts per share and per ounce)*	**Q2 2012**	**Q2 2011**	**Change**	**6 Months Ended Jun 30, 2012**	**6 Months Ended Jun 30, 2011**	**Change**
Revenue	$ 14,439	$ 8,560	69%	$ 28,064	$ 24,020	17%
Gross profit (Earnings from mining operations)	$ 3,771	$ 3,951	-5%	$ 10,096	$ 12,564	-20%
Net income	$ 354	$ 2,501	-86%	$ 5,037	$ 9,510	-47%
Adjusted EBITDA[1]	$ 3,691	$ 2,833	30%	$ 8,132	$ 10,707	-24%
Earnings per share – basic	$ 0.00	$ 0.02	-100%	$ 0.04	$ 0.08	-50%
Earnings per share – diluted	$ 0.00	$ 0.02	-100%	$ 0.04	$ 0.07	-43%
Silver ounces produced (excluding equivalent ounces of gold, zinc and lead)	374,723	386,210	-3%	734,249	796,850	-8%
Silver equivalent ounces produced[2]	555,721	562,944	-1%	1,113,388	1,170,169	-5%
Silver payable ounces	395,405	193,914	104%	712,046	542,353	31%
Total cash cost per silver ounce[3]	$ 11.42	$ 12.85	-11%	$ 10.37	$ 11.23	-8%
Average realized silver price (USD)[4]	$ 28.06	$ 36.21	-23%	$ 29.01	$ 37.02	-22%

Second Quarter 2012 Operational Highlights

- Processed ore increased 3% to 52,956 tonnes compared to the first quarter of 2012 and decreased 7% compared to the second quarter of 2011. The decrease compared to the second quarter of 2011 reflects additional processing of ore from San Ignacio during the prior period to test metallurgy.

- Metal production decreased by 1% to 555,721 silver equivalent ounces ("Ag eq oz") compared to the second quarter of 2011. The decrease was due to drought conditions at Topia which resulted in curtailed production and stockpiling of ore due to water shortages. The drought at Topia ended in June with the commencement of the rainy season, and the Topia plant has since increased throughput to approximately 220 tonnes per day. Stockpiled ore will be processed in the second half of 2012.

- Gold production increased 22% to 2,354 ounces compared to the second quarter of 2011.

- Record quarterly silver production at Topia of 148,439 oz.

- Cash cost per silver ounce decreased by 11% to US$11.42 compared to the second quarter of 2011.

- Guanajuato achieved record metallurgical recoveries of 91.1% and 92.3% for silver and gold respectively.

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1. "Adjusted EBITDA" is a non-IFRS measure in which standard EBITDA (earnings before interest, taxes, depreciation and amortization) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-recurring items. The Company has updated its definition of adjusted EBITDA and has restated 2011 comparative figures presented above and elsewhere in this MD&A to reflect the exclusion of interest income. The Company does not consider these changes to be material. Refer to the "Non-IFRS Measures" section for the definition and a reconciliation of standardized and adjusted EBITDA to the financial statements.
2. Silver equivalent ounces in 2012 were established using prices of US$28 per oz, US$1,680 per oz, US$0.85 per lb, and US$0.85 per lb for silver, gold, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.
3. "Cash cost per silver ounce" is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the "Non-IFRS Measures" section.
4. Average realized silver price is prior to treatment, refining and smelting charges.

MINE OPERATING RESULTS

Consolidated Operations

	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Tonnes milled	52,956	51,198	52,170	53,375	56,643	53,993	48,142	46,039
Production								
Silver ounces	374,723	359,526	354,754	343,768	386,210	410,640	385,022	382,220
Gold ounces	2,354	2,729	2,281	1,494	1,931	2,310	1,943	2,201
Lead tonnes	245	202	212	222	266	241	234	271
Zinc tonnes	351	312	327	294	348	345	304	352
Silver equivalent ounces[1]	555,721	557,667	545,294	484,550	562,944	607,225	565,660	588,454
Silver payable ounces	395,405	316,641	425,225	364,684	193,914	348,439	369,940	364,991
Cash cost per silver ounce (USD)[2,3]	$ 11.42	$ 9.05	$ 11.92	$ 9.02	$ 12.85	$ 10.33	$ 8.41	$ 6.76

Processed ore for the consolidated operations for the second quarter of 2012 was 52,956 tonnes, an increase of 3% compared to the first quarter of 2012, and a decrease of 7% compared to the same quarter in 2011. An increase in throughput at the Guanajuato Mine Complex over the first quarter of 2012 was partly offset by a decrease in throughput at Topia due to water shortages. June and July saw significant rainfall in Topia and the operation has since increased throughput to approximately 220 tonnes per day from 160 tonnes per day. It is expected that there will be sufficient water to meet the production targets for Topia in the second half of 2012.

The decrease in throughput to 52,956 tonnes in the second quarter of 2012 compared to 56,643 tonnes in the second quarter of 2011 was due to overall decreased throughput at the Guanajuato Mine Complex (the second quarter of 2011 saw higher than normal throughput as approximately 4,400 tonnes of ore from the San Ignacio Project was processed through the mill to test metallurgy).

Overall metal production for the second quarter of 2012 was 555,721 Ag eq oz, consistent with the first quarter of 2012. Metal production on a Ag eq oz basis was down by 1% compared to the second quarter in 2011 mainly due to reduced Ag eq oz metal production at the Topia mine as a result of lower lead and zinc to silver price ratios, even though gold, silver and zinc production was higher.

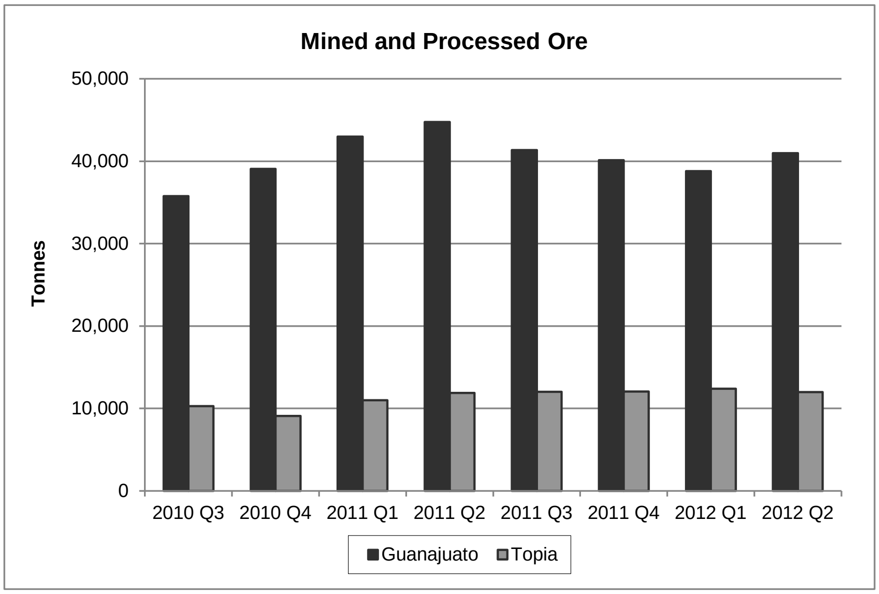
Consolidated cash cost per silver ounce was US$11.42 for the second quarter of 2012, an 11% decrease compared to US$12.85 for the same period in 2011. The decrease is attributable to a higher proportion of metal sales from the Guanajuato Mine Complex, which has a significantly lower cash cost per silver ounce than Topia.

Consolidated cash cost per silver ounce of US$11.42 for the second quarter of 2012 increased from US$9.05 in the first quarter of 2012. Cash cost per silver ounce at Guanajuato increased due to lower grades and lower gold production resulting in lower by-product credits per silver payable ounce. This was partly offset by lower smelting and refining costs. At Topia, cash cost per silver ounce decreased to US$18.26 from US$21.21 in the first quarter of 2012 due to higher grades, which decreased unit operating costs, and increased by-product credits per silver payable ounce.

[1] Silver equivalent ounces in 2012 were established using prices of US$28 per oz, US$1,680 per oz, US$0.85 per lb, and US$0.85 per lb for silver, gold, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

[2] "Cash cost per silver ounce" is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the "Non-IFRS Measures" section.

[3] Cash cost per silver ounce for second quarter of 2011 presented in the table have been restated from amounts previously reported to reflect the application of correct foreign exchange rates.



Topia Mine

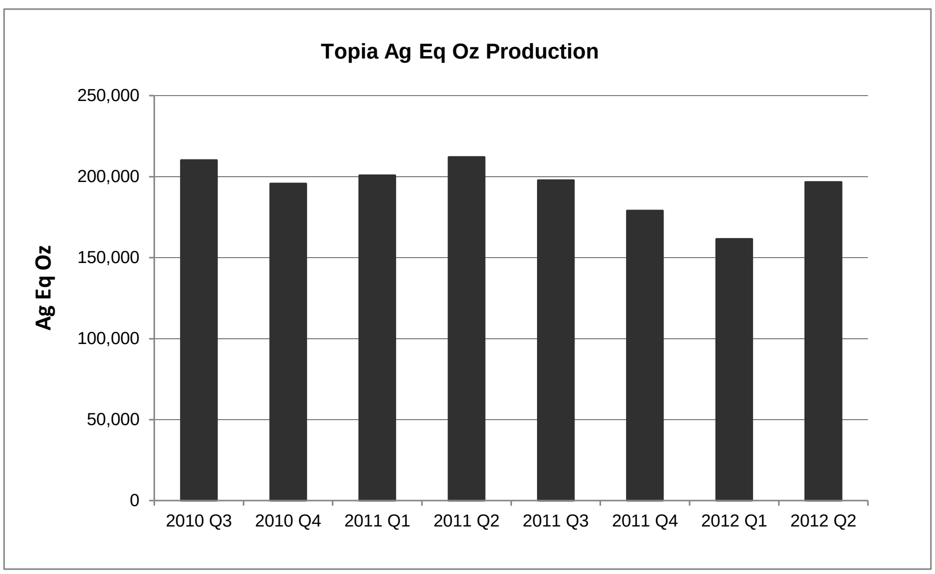
Mill throughput for Topia for the second quarter of 2012 was 11,992 tonnes of ore, representing a decrease of 3% compared to the first quarter of 2012 and a 1% increase over the second quarter of the prior year. Capacity was limited during most of the second quarter as a result of insufficient water supply due to severe drought conditions in central Mexico. This resulted in higher than normal ore stockpiles of approximately 2,402 tonnes at the end of the second quarter of 2012. By comparison, ore stockpiles at December 31, 2011 were approximately 755 tonnes. The rainy season started in early June and processing throughput in June had increased to a record level of 220 tonnes per day for the month. Mining was unaffected by the drought and the stockpiled ore will be processed in the second half of the year.

Metal production at Topia for the second quarter of 2012 was 196,658 Ag eq oz comprising 148,439 silver ("Ag") oz (a quarterly record), 140 gold ("Au") oz, 245 lead ("Pb") tonnes, and 351 zinc ("Zn") tonnes. Production on a Ag eq oz basis increased 22% compared to the first quarter of 2012, attributable to improved grades for Ag, Au, Pb and Zn which made up for lower throughput.

Production on an Ag eq oz basis was down 7% compared to the second quarter of 2011 due to lower lead and zinc to silver price ratios and lower Pb grades. Silver equivalent ounces in 2012 were established using prices of US$28 per oz, US$1,680 per oz, US$0.85 per lb, and US$0.85 per lb for silver, gold, lead and zinc, respectively. For 2011, silver equivalent ounces were established using prices of US$20 per oz, US$1,200 per oz, US$0.90 per lb and US$0.90 per lb for silver, gold, lead and zinc respectively.

Topia Mine Production Data

	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Tonnes milled	11,992	12,404	12,056	12,044	11,895	11,013	9,081	10,278
Production								
Silver (ounces)	148,439	120,221	117,182	137,707	143,774	137,219	129,650	131,591
Gold (ounces)	140	114	136	147	124	93	108	159
Lead (tonnes)	245	202	212	222	266	241	234	271
Zinc (tonnes)	351	312	327	294	348	345	304	352
Silver equivalent ounces[1]	196,658	161,475	179,008	197,688	212,108	200,806	195,598	210,171
Silver payable ounces	137,884	106,772	119,155	113,297	108,487	112,630	129,803	118,647
Average ore grade								
Silver (g/t)	424	326	345	420	418	420	485	441
Gold (g/t)	0.56	0.45	0.44	0.47	0.40	0.33	0.46	0.58
Lead (%)	2.18	1.71	1.85	2.02	2.34	2.32	2.78	2.81
Zinc (%)	3.21	2.73	2.97	2.67	3.18	3.42	3.64	3.72
Metal recoveries								
Silver	90.7%	90.5%	87.7%	85.0%	89.9%	92.3%	91.5%	90.2%
Gold	64.3%	64.0%	79.2%	80.4%	81.6%	79.0%	81.5%	82.3%
Lead	93.6%	94.1%	95.0%	91.4%	95.5%	94.1%	92.7%	94.0%
Zinc	91.2%	92.1%	91.3%	91.9%	92.2%	91.5%	91.8%	92.0%
Concentrate grades								
Lead								
Silver (g/t)	8,708	8,757	8,528	9,205	8,463	9,167	8,656	8,355
Gold (g/t)	7.35	6.88	8.05	8.80	6.27	4.93	5.83	8.87
Lead (%)	48.79	49.80	52.83	50.31	53.33	54.61	52.70	57.79
Zinc (%)	10.49	9.16	9.78	10.68	8.65	9.46	7.60	9.12
Zinc								
Silver (g/t)	735	636	619	640	674	687	656	438
Gold (g/t)	1.38	1.68	2.07	1.66	1.44	1.40	1.68	1.51
Lead (%)	1.67	1.68	1.26	0.83	1.50	1.68	1.77	0.96
Zinc (%)	51.71	53.45	53.60	55.49	52.89	54.08	51.14	53.87



[1] Silver equivalent ounces in 2012 were established using prices US$28 per oz, US$1,680 per oz, US$0.85 per lb, and US$0.85 per lb for silver, gold, lead and zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

Ore grades at Topia improved significantly in the second quarter of 2012 and vein grades on new exploratory development and diamond drilling support the continuance of these grades.

The average grades of ore processed from Topia in the second quarter of 2012 were 424g/t Ag, 0.56g/t Au, 2.18% Pb and 3.21% Zn, which represent a 30%, 24%, 27% and 18% increase over the first quarter of 2012. Compared to the second quarter of 2011, these average grades represented a 1%, 40% and 1% increase for Ag, Au and Zn respectively, and a decrease of 7% for Pb.
Plant metallurgical performance was satisfactory in the second quarter of 2012. Recoveries were 90.7% for Ag, 64.3% for Au, 93.6% for Pb and 91.2% for Zn.

Topia Mine Cash Cost per Silver Ounce

(in 000s of CAD except per ounce amounts or noted otherwise)	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Cost of sales	$ 2,737	$ 2,544	$ 2,741	$ 2,177	$ 2,516	$ 2,278	$ 2,438	$ 2,050
Smelting and refining charges	948	737	262	481	455	557	435	399
Gross by-product revenue[1]	(1,076)	(950)	(684)	(1,056)	(1,051)	(1,094)	(1,307)	(1,189)
Cost of custom milling	(63)	(65)	(118)	(92)	(102)	(66)	(119)	(68)
Cash operating costs	**$ 2,546**	**$ 2,266**	**$ 2,201**	**$ 1,510**	**$ 1,818**	**$ 1,675**	**$ 1,447**	**$ 1,192**
Cash operating costs (USD)	$ 2,517	$ 2,265	$ 2,167	$ 1,541	$ 1,879	$ 1,699	$ 1,430	$ 1,149
Silver payable ounces (000s)	138	107	119	113	108	113	130	119
Cash cost per silver ounce*[2,3] *(USD)	**$ 18.26**	**$ 21.21**	**$ 18.19**	**$ 13.60**	**$ 17.32**	**$ 15.09**	**$ 11.02**	**$ 9.68**

Cash cost per silver ounce for Topia in the second quarter of 2012 increased by 5% to US$18.26 from US$17.32 in the second quarter of 2011. The increase is mainly attributable to significantly higher smelting and refining charges. Cash cost per silver ounce for Topia decreased to US$18.26 in the second quarter of 2012 from US$21.21 in the first quarter of 2012 due to improved ore grades.

Guanajuato Mine Complex

Processed ore at Guanajuato was 40,964 tonnes for the second quarter of 2012, an increase of 6% compared to the first quarter of 2012, and a decrease of 8% compared to the second quarter of 2011. The decrease compared to the second quarter of 2011 was due to the inclusion of approximately 4,400 tonnes of ore from San Ignacio in the second quarter of 2011 for processing in order to test metallurgy.

Metal production of 359,063 Ag eq oz for the second quarter of 2012 represented a decrease of 9% compared to the first quarter of 2012 and an increase of 2% compared to the second quarter of 2011. Silver production at 226,284 ounces was down 5% compared to the first quarter of 2012, and down 7% compared to the second quarter of 2011. Guanajuato's gold production at 2,214 ounces was down 15% compared to the first quarter of 2012 and increased by 23% compared to the second quarter of 2011.

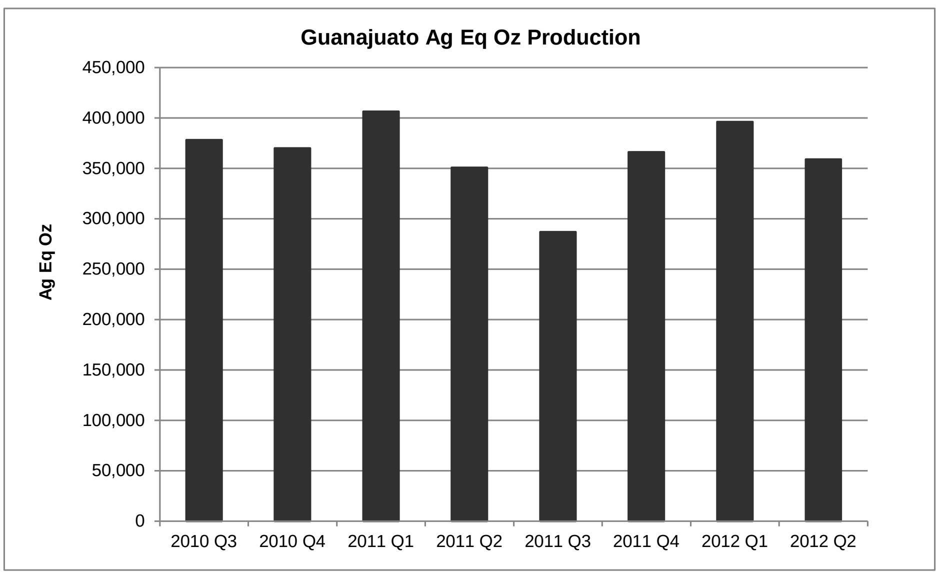
Average ore grades for the second quarter of 2012 were 189g/t Ag and 1.82g/t Au. These were higher than the average grades for all of 2011, but represent an 11% and 21% decrease compared to the first quarter of 2012 grades of 213g/t Ag and 2.30g/t Au, respectively. Compared to the second quarter of 2011, the second quarter of 2012 ore grades represent a 2% decrease and 32% increase from 193g/t Ag and 1.38g/t Au, respectively.

[1] Gross by-product revenue is defined as revenue from the by-products of silver, specifically gold at Guanajuato and gold, lead and zinc at Topia, net of the respective smelting and refining charges.
[2] "Cash cost per silver ounce" is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the "Non-IFRS Measures" section.
[3] Cash cost per silver ounce for second quarter of 2011 presented in the table have been restated from amounts previously reported to reflect the application of correct foreign exchange rates.

Plant metallurgical performance remained strong, with record metal recoveries of 91.1% for silver and 92.3% for gold. The processing plant was further improved with the recent installation of a new double-deck crushing screen that became operational in June. A new tertiary crusher is scheduled to be operational later in the third quarter of 2012, which should further improve plant performance.

Guanajuato Mine Complex Production Data

	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3
Tonnes milled	40,964	38,794	40,114	41,371	44,748	42,980	39,061	35,761
Production								
Silver (ounces)	226,284	239,305	237,572	206,061	242,436	273,421	255,372	250,629
Gold (ounces)	2,214	2,615	2,145	1,347	1,807	2,217	1,835	2,042
Silver equivalent ounces[1]	359,063	396,192	366,286	286,862	350,836	406,419	370,062	378,283
Silver payable ounces	257,521	209,869	306,070	251,387	85,427	235,809	240,137	246,344
Average ore grade								
Silver (g/t)	189	213	207	175	193	222	228	248
Gold (g/t)	1.82	2.30	1.84	1.12	1.38	1.75	1.60	1.96
Metal recoveries								
Silver	91.1%	90.1%	89.1%	88.4%	87.4%	89.2%	89.1%	87.8%
Gold	92.3%	91.2%	90.3%	90.1%	90.8%	91.5%	91.1%	90.5%
Concentrate grades								
Silver (g/t)	10,641	9,917	10,910	9,280	10,485	9,797	12,548	10,766
Gold (g/t)	104	108	99	61	78	79	90	88



Development of the higher-grade Deep Cata area, at the 510 metre level, yielded 9,268 tonnes grading 344g/t Ag and 1.58g/t Au which constituted 33% of total metal production for Guanajuato. Development continues on all ore-zones and stoping commenced in the second quarter of 2012. Development of the Santa Margarita vein continued to contribute to high gold production, albeit down compared to the record levels in the first quarter of 2012.

[1] Silver equivalent ounces in 2012 were established using prices of US$28 per oz, US$1,680 per oz, US$0.85 per lb, and US$0.85 per lb for silver, gold, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

Ore produced from Los Pozos totaled 11,600 tonnes at improved grades of 212g/t Ag and 0.84g/t Au. The access ramp is being deepened to the 430 metre level to facilitate a fourth production level.

Production stoping of the Guanajuatito North Zone continued from the 120 and 160 metre level with ore production totaling 3,420 tonnes at grades of 182g/t Ag and 0.86g/t Au. Ramp access is being extended to the 200 metre level.

Guanajuato Mine Complex Cash Cost per Silver Ounce

(in 000s of CAD except per ounce amounts or noted otherwise)	**2012 Q2**	**2012 Q1**	**2011 Q4**	**2011 Q3**	**2011 Q2**	**2011 Q1**	**2010 Q4**	**2010 Q3**
Cost of sales	$ 5,608	$ 3,291	$ 6,128	$ 4,405	$ 1,677	$ 3,553	$ 3,922	$ 3,317
Smelting and refining charges	756	807	1,287	482	163	449	435	331
Gross by-product revenue[1]	(4,334)	(3,491)	(4,514)	(3,171)	(1,248)	(2,130)	(2,653)	(2,274)
Cash operating costs	**$ 2,030**	**$ 607**	**$ 2,901**	**$ 1,716**	**$ 592**	**$ 1,872**	**$ 1,704**	**$ 1,374**
Cash operating costs (USD)	$ 1,997	$ 602	$ 2,901	$ 1,749	$ 613	$ 1,899	$ 1,681	$ 1,319
Silver payable ounces (000s)	258	210	306	251	85	236	240	246
Cash cost per silver ounce[2,3] (USD)	**$ 7.75**	**$ 2.87**	**$ 9.48**	**$ 6.96**	**$ 7.17**	**$ 8.05**	**$ 7.00**	**$ 5.35**

Cash cost per silver ounce at Guanajuato for the second quarter of 2012 was US$7.75, compared to US$2.87 realized in the first quarter of 2012. The increase was due to lower metal grades resulting in higher unit operating costs.

Cash cost per silver ounce for the second quarter of 2012 of US$7.75 represented an 8% increase compared to the second quarter of 2011. The increase in cash cost per silver ounce is mainly attributable to higher operating costs and increased smelting and refining charges.

RESOURCE UPDATE

Topia Mine

During the second quarter of 2012, a total of 2,495 metres of surface drilling was completed along with 591 metres of underground drilling.

The surface drilling during the second quarter of 2012 continued along the eastern portion of the Argentina and Santa Cruz veins. The Santa Cruz drilling intersected galena and sphalerite in four of five holes. The Argentina vein with base metals was intersected in 1 of 3 holes drilled, with the other 2 holes being slightly deep in the system (quartz-pyrite and minor base metal sulfides). The results show growing resource potential for Santa Cruz. The surface drilling included several holes along the San Gregorio, Bajo, Oxidada and Hormiguera veins and also focused in the San Pablo area where well mineralized vein was intersected below the 1630 level in 1 of 3 drill holes.

Surface drilling was also conducted along the El Rosario vein. The shallow holes had good vein intersections while the deeper intersects were too low in the epithermal system. ST12-195 had the widest intersection of any Topia mine to date with a 3.4 metre intersection of barite breccia and excellent galena and sphalerite.

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[1] Gross by-product revenue is defined as revenue from the by-products of silver, specifically gold at Guanajuato and gold, lead and zinc at Topia, net of the respective smelting and refining charges.

[2] "Cash cost per silver ounce" is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the "Non-IFRS Measures" section.

[3] Cash cost per silver ounce for second quarter of 2011 presented in the table have been restated from amounts previously reported to reflect the application of correct foreign exchange rates.

The Company expects to release an updated Mineral Resource estimate for Topia before the end of 2012.

Guanajuato Mine Complex

On May 9, 2012, the Company announced the completion of two Mineral Resource estimates at the Company's Guanajuato Mine Complex and its San Ignacio Project in Guanajuato, Mexico (refer to May 9, 2012 news release and the corresponding technical reports filed on SEDAR dated June 25, 2012 and June 26, 2012, respectively).

The updated Mineral Resource estimate for the Guanajuato Mine is valid as of January 31, 2012.

The new resource base not only replaces production from the Guanajuato Mine during the past year and a half, but the addition of San Ignacio almost doubles the overall resource base for Great Panther's Guanajuato operations.

Guanajuato Measured, Indicated and Inferred Mineral Resources – January 31, 2012 (Cut-off 50 g/t Ag eq)						
	Tonnage (Kt)	**Au (g/t)**	**Au (oz)**	**Ag (g/t)**	**Ag (oz)**	**Ag Eq (oz)**
Measured	275.8	2.21	19,570	264	2,339,900	3,531,000
Indicated	232.6	2.66	19,890	122	909,781	2,118,000
Inferred	223.2	2.10	15,060	221	1,588,000	2,503,000

Underground diamond drilling at Guanajuato is ongoing on 50 metre exploration centres at Guanajuatito and Valenciana, while more production detailed 25 metre centre drilling is ongoing at Santa Margarita, Los Pozos, and Cata. A total of 6,222 metres was completed in the second quarter of 2012.

Drilling at Guanajuatito is expanding a new discovery approximately 100 metres to the northwest from current workings between the 160 and 200 metre levels. This new zone is open both up and down dip and to the northwest. Drilling at Santa Margarita continues to improve ore definition of the multiple gold-rich veins and stockworks, hence guiding mine development.

San Ignacio Project

The San Ignacio Project covers approximately four kilometres of strike length on the La Luz vein system, which is parallel to, and five kilometres west of, the principal Veta Madre structure that hosts Great Panther's Guanajuato Mine Complex.

As noted above, the Company released an updated Mineral Resource estimate to March 31, 2012 for the San Ignacio Project on May 9, 2012 (refer to May 9, 2012 news release and the corresponding technical report filed on SEDAR dated June 25, 2012). This updated (version 2) Mineral Resource estimate at San Ignacio supersedes the original estimate. The new Inferred Mineral Resource is estimated to contain 6,894,000 Ag eq oz in 826,000 tonnes averaging 121g/t silver and 2.28g/t gold (using a 125g/t Ag eq cut-off). Version 2 both fills in and expands the strike length of the mineralized zones to 650 metres. This estimate increases the tonnage by 35%, the silver content by 29%, gold content by 51% and Ag eq oz by 53% over the previous estimate. It should be noted that this estimate used only four of the seven previously identified zones, leaving three zones to be more thoroughly tested at a later date.

San Ignacio Measured Mineral Resources – March 31, 2012 (Cut-off 125 g/t Ag eq)						
	Tonnage (Kt)	**Au (g/t)**	**Au (oz)**	**Ag (g/t)**	**Ag (oz)**	**Ag Eq (oz)**
Inferred	826	2.28	60,700	121	3,205,000	6,894,000

During the second quarter of 2012, surface drilling continued with two rigs and totaled 4,775 metres, focusing on an area from 300-400N and on an area from 0-200S. The drilling continued to extend the limits of the known mineralized zones beyond the resource model.

In the 300-400N area the mineralized Intermediate vein continues below the model. Mineralization in the Nombre de Dios, Melladito, and Intermediate is typical with highly variable widths and grades in the structures. Highlights include 2.65 metres grading 533g/t silver and 7.59g/t gold in the Intermediate vein and 1.15 metres grading 249g/t silver and 2.99g/t gold in the Nombre de Dios vein. In addition, new but as yet irregular, high grade silver-gold veins between the Intermediate and Nombre de Dios vein structures have also been discovered. These zones returned intercepts of 794g/t silver and 3.70g/t gold over 2.22 metres, as well as 422g/t silver and 10.50g/t gold over 0.60 metres, and 131g/t silver and 19.20g/t gold over 0.50 metres.

Phase V program is being planned consisting of approximately 7,000 metres of drilling with approximately 6,000 metres of detailed fill-in between 200S to 300N, and approximately 1,000 metres in the San Jose de Gracia shaft area (south end of the property). This program is being laid out, along with final plan, section and longitudinal section drawings.

Santa Rosa Project

After the completion of a drill program in the first quarter of 2012, no further drilling has been completed at Santa Rosa, pending additional surface mapping and sampling along the structural trend.

SELECTED QUARTERLY INFORMATION

The following table sets out selected quarterly financial results:

(in thousands, except per share amounts)	**2012 Q2**	**2012 Q1**	**2011 Q4**	**2011 Q3**	**2011 Q2**	**2011 Q1**	**2010 Q4**	**2010 Q3**
Revenue	$ 14,439	$ 13,625	$ 17,520	$ 16,278	$ 8,560	$ 15,460	$ 13,809	$ 11,165
Cost of sales (excluding amortization, depletion and share-based payments)	8,346	5,835	8,870	6,581	4,193	5,831	6,360	5,367
Earnings from mining operations[1]	3,771	6,325	6,032	8,320	3,951	8,613	6,048	4,458
Net income (loss) for the period	354	4,683	(1,419)	3,415	2,501	7,009	2,265	3,050
Basic earnings (loss) per share	0.00	0.03	(0.01)	0.03	0.02	0.06	0.02	0.03
Diluted earnings (loss) per share	0.00	0.03	(0.01)	0.02	0.02	0.05	0.02	0.03
Adjusted EBITDA[2]	3,691	4,441	6,265	7,752	2,833	7,874	5,425	4,365
Cash and cash equivalents	28,675	40,322	39,437	35,074	36,760	15,166	13,967	9,364
Working capital	$ 49,889	$ 53,537	$ 53,810	$ 53,783	$ 51,947	$ 29,291	$ 18,812	$ 13,200

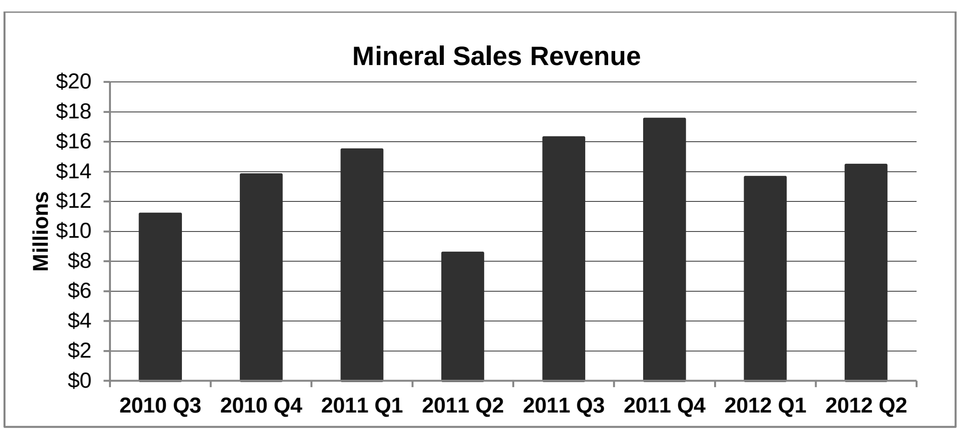
Refer to the "Results of Operations" section for a complete discussion of the financial results for the second quarter of 2012.

QUARTERLY TRENDS AND MARKET DATA

The climate in Mexico allows mining and exploration activities to be conducted throughout the year. Revenue and cost of sales do not generally exhibit variations due to seasonality, however periodic water shortages can cause variability in production. Revenue will vary based on the quantity of metal production, metal prices and terms of sales agreements.

There can also be significant variances in the Company's reported net income (loss) from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. Fluctuations in the price of silver and gold, and to a lesser extent, lead and zinc, can have a significant impact on the Company's revenues and net income. Fluctuations in foreign currency, specifically the Mexican peso and US dollar against the Canadian dollar may also result in considerable variances in foreign exchange gains/losses. The granting of incentive stock options, which results in the recording of amounts for share-based payments can also vary significantly from period to period.

The Company's past quarterly mineral sales revenue is as follows:



[1] "Earnings from mining operations" are defined as gross profit.

[2] "Adjusted EBITDA" is a non-IFRS measure in which standard EBITDA (earnings before interest, taxes, depreciation and amortization) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-recurring items. The Company has updated its definition of adjusted EBITDA and has restated 2011 comparative figures presented above and elsewhere in this MD&A to reflect the exclusion of interest income. The Company does not consider these changes to be material. Refer to the "Non-IFRS Measures" section for the definition and a reconciliation of standardized and adjusted EBITDA to the financial statements.

The Company's average realized metal prices and the average Canadian exchange rates against the United States dollar and Mexican peso for the three and six months ended June 30, 2012 and 2011 are as follows:

	2012 Q2	*2011 Q2*	*6 Months Ended Jun 30, 2012*	*6 Months Ended June 30, 2011*
Silver (U.S. $ / oz.)	$ 28.06	$ 36.21	$ 29.01	$ 37.02
Gold (U.S. $ / oz.)	$ 1,595.53	$ 1,527.09	$ 1,613.77	$ 1,515.02
Lead (U.S. $ / lb.)	$ 0.89	$ 1.12	$ 0.88	$ 1.17
Zinc (U.S. $ / lb.)	$ 0.87	$ 1.00	$ 0.87	$ 1.05
USD / CAD	0.990	1.033	0.994	1.024
MXP / CAD	13.392	12.048	13.168	12.195

RESULTS OF OPERATIONS

Three Months Ended June 30, 2012

For the three months ended June 30, 2012, the Company earned revenues of $14.4 million, compared to $8.6 million for the same period in 2011, an increase of 69%. For 2012, the Company has secured contracts for the sale of all its planned concentrate production and to date has not experienced contract backlogs. Delays in shipments of concentrate to a particular customer during the second quarter of 2011 adversely impacted revenues for that period. As a result, silver equivalent ounces sold in the second quarter of 2012 increased by 108% over the second quarter of 2011, offset by a 23% decrease in silver prices.

Revenue for the second quarter of 2012 increased by $0.8 million, or 6%, compared to the first quarter of 2012. Although production for the second quarter of 2012 was relatively consistent with the first quarter, the increase in revenue is attributed to shipments in transit at the end of the first quarter which were recognized in the second quarter, offset by a 14% decrease in silver prices.

Cost of sales excluding amortization and depletion and share-based payments was $8.3 million for the three months ended June 30, 2012, compared to $4.2 million for the same period in 2011. The increase in cost of sales is principally due to higher metal sales volumes but is also due to increased operating costs. Compared to the first quarter of 2012, cost of sales increased by 43%, to $8.3 million from $5.8 million. This is primarily attributable to increased metal sales volume.

Amortization and depletion of mineral properties, plant and equipment relating to cost of sales for the three months ended June 30, 2012 was $2.3 million, compared to $0.4 million for the same period in 2011. The increase in amortization expense is due to increased investment in property, plant and equipment over the last year, and increased metal sales volume. Amortization and depletion of mineral properties, plant and equipment relating to cost of sales for the second quarter of 2012 of $2.3 million, compared to $1.5 million in the first quarter of 2012. This increase is attributable to an increased metals sales volume in the second quarter of 2012.

Share-based payments relating to cost of sales for the three months ended June 30, 2012 were $19,260 compared to $nil for the same period in 2011 and $8,156 in the first quarter of 2012. In 2011, the Company only granted share options in the fourth quarter.

For the three months ended June 30, 2012, the Company had gross profit of $3.8 million compared to $4.0 million for the same period in 2011. Although revenues increased as a result of selling higher quantities of metals, average realized silver prices decreased by 23% compared to the second quarter of 2011. In addition, higher amortization and depletion charges per silver payable ounce also reduced gross profit. The higher amortization and depletion charges per silver payable ounce were the result of increased investment in mineral properties, plant and equipment over the past year.

From the first quarter of 2012 to the second quarter of 2012, gross profit decreased by $2.6 million, or 40%. This is primarily due to a decrease in the average realized metal price, and a 58%, or $0.8 million increase in depreciation.

Consolidated cash cost per silver ounce was US$11.42 for the three months ended June 30, 2012, an 11% decrease compared to US$12.85 for the second quarter of 2011. The decrease is attributable to a higher proportion of metal sales at the Guanajuato mine, which has significantly lower cash cost per silver ounce than Topia. Refer to the “Mine Operating Results” section of this MD&A for a more detailed discussion of cash cost per silver ounce by mine.

Consolidated cash cost per silver ounce of US$11.42 for the second quarter of 2012 represented a 26% increase compared to US$9.05 in the first quarter of 2012. This increase is attributable to lower grades and higher operating costs at Guanajuato.

General and administrative expenses were $2.1 million for the three months ended June 30, 2012, compared to $1.5 million for the same period in 2011. The increase was primarily due to a $0.3 million increase in costs related to audit, other professional services fees, and staffing of accounting personnel; and a $0.2 million increase in share-based payments. General and administrative expense decreased to $2.1 million from $3.0 million in the first quarter of 2012 primarily due to a one-time payment of $0.7 million made in connection with the retirement of an executive and director of the Company in the first quarter of 2012.

Exploration and evaluation expenses were $0.4 million for the three months ended June 30, 2012 compared to $0.2 million for the same period in 2011, and $0.6 million for the three months ended March 31, 2012. The increase in exploration and evaluation expenses in the second quarter of 2012 compared to the same period in 2011 was primarily due to increased exploration and business development activities outside of the Company’s mines.

Finance and other expense was $0.7 million for the three months ended June 30, 2012 compared to finance and other income of $0.4 million for the same period in 2011. The increase in expense is primarily attributable to a foreign exchange loss of $0.8 million resulting from the weakening of the Mexican peso compared to the Canadian and US dollar. Finance and other expense was $0.7 million for the three months ended June 30, 2012, compared to finance and other income of $3.9 million for the three months ended March 31, 2012. This variance is a result of a foreign exchange loss of $0.8 million in the second quarter of 2012, compared to a foreign exchange gain of $3.7 million in the first quarter of 2012.

Foreign exchange gains and losses arise from the translation of foreign denominated transactions and balances relative to the functional currency of the Company’s subsidiaries and the Company’s reporting currency. The Company has a significant Canadian and US dollar loans receivable from one of its Mexican subsidiaries and fluctuations in the Mexican Peso create significant unrealized foreign exchange gains and losses on the loans owing to the Canadian parent. These unrealized gains and losses are recognized in the consolidated net income of the Company.

The Company recorded an income tax expense of $0.1 million for the three months ended June 30, 2012 compared to $0.1 million for the same period in 2011 and $1.9 million during the first quarter of 2012. The decrease from the first quarter of 2012 is attributable to lower income before income taxes.

Net income for the three months ended June 30, 2012 was $0.4 million, compared to net income of $2.5 million for the same period in 2011. The decrease in net income is primarily attributable to a decrease in gross profit of $0.2 million, an increase in general and administrative expenses of $0.7 million, an increase in exploration and evaluation expenses of $0.2 million and an unfavorable foreign exchange fluctuation of $0.9 million.

Net income for the three months ended June 30, 2012 was $0.4 million, compared to $4.7 million for the three months ending March 31, 2012. The decrease is primarily attributable to a decrease in gross profit of $2.6 million and foreign exchange loss of $0.8 million in the second quarter compared to a foreign exchange gain of $3.7 million the last quarter. This was partially offset by a decrease in general and administrative expenses of $0.9

million, a decrease in exploration and evaluation expenses of $0.2 million, and a decrease in income tax expense of $1.8 million.

Adjusted EBITDA[1] was $3.7 million for the three months ended June 30, 2012 compared to adjusted EBITDA of $2.8 million for the comparable period in 2011. The increase in adjusted EBITDA reflects an increase in earnings before amortization and foreign exchange gains and losses. Adjusted EBITDA of $3.7 million for the three months ended June 30, 2012 compared to $4.4 million for the three months ended March 31, 2012. The decrease is primarily attributable to the lower gross profit earned in the second quarter compared to the first quarter of 2012 offset by lower general and administrative expenses in the second quarter compared to the prior quarter.

Six Months Ended June 30, 2012

For the six months ended June 30, 2012, the Company earned revenues of $28.1 million, compared to $24.0 million for the same period in 2011, an increase of 17%. Delays in shipments of concentrate to a particular customer during the second quarter of 2011 adversely impacted revenue in the comparative period. Therefore, the increase in revenue in the first half of 2012 is primarily the result of a return to normal shipments in the first half of 2012. This offset the impact of lower average realized silver prices, which decreased by 22% for the first half of 2012 compared to the same period in 2011.

During the first half of 2012, the Company recognized revenue based on 1.07 million silver equivalent ounces, compared to 0.77 million silver equivalent ounces for the same period in 2011. The increase in unit sales was sufficient to offset a decrease in average realized metal prices over the same comparative period.

Cost of sales excluding amortization and depletion and share-based payments was $14.2 million for the six months ended June 30, 2012, compared to $10.0 million for the same period in 2011, an increase of 42%. The increase in cost of sales is primarily due to higher metal sales volumes but is also due to increased operating costs.

Amortization and depletion of mineral properties, plant and equipment relating to cost of sales for the six months ended June 30, 2012 was $3.8 million, compared to $1.4 million in the same period in 2011. The increase in amortization expense is primarily due to increased investment in property, plant and equipment over the prior year and an increase in metals sold in the first half of 2012 over the comparable period in 2011.

Share-based payments relating to cost of sales for the six months ended June 30, 2012 were $27,416, compared to $nil for the same period in 2011. This increase is related to share options granted in the first and second quarters of 2012. In the prior year, the Company only granted share options in the fourth quarter.

For the six months ended June 30, 2012, the Company had gross profit of $10.1 million compared to $12.6 million in the same period in 2011. The decrease in gross profit is a result of lower average realized metal prices, higher operating costs at Guanajuato and Topia, higher smelting and refining charges and increased amortization and depletion per silver payable ounce. All of these factors combined offset a 40% increase in silver equivalent ounce sales.

Consolidated cash cost per silver ounce was US$10.37 for the six months ended June 30, 2012, an 8% decrease compared to US$11.23 for the same period in 2011. The decrease was mainly due to higher gold grades at Guanajuato resulting in higher by-product credits per silver payable ounce. This offset higher smelting and refining costs and higher cash cost per silver ounce at Topia.

General and administrative expenses were $5.2 million for the six months ended June 30, 2012, compared to $3.3 million for the same period in 2011. The increase was due to a one-time payment of $0.7 million made in the first quarter of 2012 in connection with the retirement of an executive and director of the Company. In addition, there was a $0.5 million increase in costs related to audit, other professional services fees and staffing of

[1] "Adjusted EBITDA" is a non-IFRS measure. Please refer to the "Non-IFRS Measures" section for the reconciliation of reported financial results to Non-IFRS measures.

accounting personnel; and a $0.3 million increase in share-based payments for the first half of 2012 compared to the same period in 2011.

Exploration and evaluation expenses were $1.0 million for the six months ended June 30, 2012 compared to $0.4 million for the same period in 2011. The increase is primarily attributable to the commencement of surface drilling at the Company's Santa Rosa Project, which was conducted in the first quarter of 2012.

Finance and other income was $3.2 million for the six months ended June 30, 2012 compared to $0.8 million for the same period in 2011. The increase is primarily attributable to a foreign exchange gain of $2.9 million realized in the first half of 2012. This was due to the strengthening of the Mexican peso compared to the Canadian and US dollar.

Foreign exchange gains and losses arise from the translation of foreign denominated transactions and balances relative to the functional currency of the Company's subsidiaries and the Company's reporting currency. The Company has a significant Canadian and US dollar loans receivable from one of its Mexican subsidiaries and fluctuations in the Mexican Peso create significant unrealized foreign exchange gains and losses on the loans owing to the Canadian parent. These unrealized gains and losses are recognized in the consolidated net income of the Company.

The Company recorded an income tax expense of $2.1 million for the six months ended June 30, 2012 compared to $0.2 million for the same period in 2011. The deferred tax expense for the period reflects the utilization of tax losses in Mexico against taxable income generated in the jurisdiction. The increase in tax expense over the comparative period is attributable to the utilization of previously unrecognized tax assets on loss carry forwards in 2011.

Net income for the six months ended June 30, 2012 was $5.0 million, compared to net income of $9.5 million for the same period in 2011. The decrease in net income is primarily attributable to a decrease in gross profit of $2.5 million, an increase in general and administrative expenses of $1.9 million, an increase in exploration and evaluation expenses of $0.6 million and an increase in income tax expense of $1.8 million. These were partially offset by an increase in foreign exchange gains of $2.2 million.

Adjusted EBITDA was $8.1 million for the six months ended June 30, 2012 compared to adjusted EBITDA of $10.7 million for the comparable period in 2011. The decrease in adjusted EBITDA for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 is attributable to a decrease in gross profit and an increase in general and administrative expenses and exploration and evaluation expenses.

NON-IFRS MEASURES

Throughout this MD&A, references are made to cash cost per silver ounce, EBITDA, and adjusted EBITDA, each as defined in this section. These are not recognized measures under IFRS, but are provided by the Company as supplemental measures of performance and to provide a basis for comparison to similar measures commonly reported in the industry. As there are no standardized methods of calculating these measures, the Company's methods may differ from those used by others.

Cash Cost per Silver Ounce

The non-IFRS measure of cash cost per silver ounce of silver is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning.

The Company's ability to control the cash cost per silver ounce is one of its key performance drivers impacting both the Company's financial condition and results of operations. Having a low silver production cost base allows the Company to remain profitable even during times of declining commodity prices and provides more flexibility in responding to changing market conditions. In addition, a profitable operation results in the generation of positive cash flows, which then improves the Company's financial condition.

To facilitate a better understanding of this measure as calculated by the Company, a detailed reconciliation between the cash cost per silver ounce and the Company's cost of sales as reported in the Company's Condensed Interim Consolidated Statements of Comprehensive Income is provided.

Reconciliation of Cash Cost per Silver Ounce

(in 000s, except ounces and amounts per ounce)	Guanajuato		Topia		Consolidated	
	2012 Q2	**2011 Q2**	**2012 Q2**	**2011 Q2**	**2012 Q2**	**2011 Q2**
CAD Cost of sales	$ 5,609	$ 1,677	$ 2,737	$ 2,516	$ 8,346	$ 4,193
Smelting and refining	755	163	948	455	1,703	618
CAD Gross by-product revenue[1]	(4,334)	(1,248)	(1,076)	(1,051)	(5,410)	(2,299)
Cost of custom milling	-	-	(63)	(102)	(63)	(102)
CAD Cash operating costs	**$ 2,030**	**$ 592**	**$ 2,546**	**$ 1,818**	**$ 4,576**	**$ 2,410**
USD Cash operating costs	$ 1,997	$ 613	$ 2,517	$ 1,879	$ 4,514	$ 2,492
Silver payable ounces	257,521	85,427	137,884	108,487	395,405	193,914
Cash cost per silver ounce (USD)[2,3]	**$ 7.75**	**$ 7.17**	**$ 18.26**	**$ 17.32**	**$ 11.42**	**$ 12.85**

(in 000s, except ounces and amounts per ounce)	Guanajuato		Topia		Consolidated	
	6 Months Ended, Jun 30, 2012	**6 Months Ended, Jun 30, 2011**	**6 Months Ended, Jun 30, 2012**	**6 Months Ended, Jun 30, 2011**	**6 Months Ended, Jun 30, 2012**	**6 Months Ended, Jun 30, 2011**
CAD Cost of sales	$ 8,899	$ 5,230	$ 5,282	$ 4,794	$ 14,181	$ 10,024
Smelting and refining	1,563	612	1,685	1,012	3,248	1,624
CAD Gross by-product revenue[1]	(7,825)	(3,378)	(2,026)	(2,145)	(9,852)	(5,523)
Cost of custom milling	-	-	(127)	(168)	(127)	(168)
CAD Cash operating costs	**$ 2,637**	**$ 2,464**	**$ 4,814**	**$ 3,493**	**$ 7,450**	**$ 5,957**
USD Cash operating costs	$ 2,599	$ 2,512	$ 4,782	$ 3,578	$ 7,380	$ 6,090
Silver payable ounces	467,390	321,236	244,656	221,117	712,046	542,353
Cash cost per silver ounce (USD)[2,3]	**$ 5.56**	**$ 7.82**	**$ 19.55**	**$ 16.18**	**$ 10.37**	**$ 11.23**

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate income from operations before taking into account management's financing decisions and costs of amortizing capital assets. Accordingly, EBITDA comprises revenue less operating expenses before interest expense, interest income, capital asset amortization and impairment charges, and income taxes.

Adjusted EBITDA is a non-IFRS measure in which standard EBITDA (earnings before interest expense, interest income, taxes, and depreciation and amortization) is adjusted for share-based payments expense, foreign exchange gains or losses, and non-recurring items. Foreign exchange gains or losses may consist of both

1 Gross by-product revenue is defined as revenue from the by-products of silver, specifically gold at Guanajuato and gold, lead and zinc at Topia, net of the respective smelting and refining charges.

2 "Cash cost per silver ounce" is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the "Non-IFRS Measures" section.

3 Cash cost per silver ounce for second quarter of 2011 presented in the table have been restated from amounts previously reported to reflect the application of correct foreign exchange rates.

realized and unrealized losses. Under IFRS, entities must reflect in compensation expense the cost of share-based payments. In the Company's circumstances, share-based payments involve a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange. The Company discloses adjusted EBITDA to aid in understanding the results of the Company and is meant to provide further information about the Company's financial results to investors.

In the fourth quarter of 2011, the Company adopted a revised definition of adjusted EBITDA under which foreign exchange gains or losses are also eliminated. The Company believes that the revised definition provides a better understanding of the results by removing the variability of foreign exchange gains and losses and has restated comparative figures in this MD&A accordingly.

The following table provides a reconciliation of EBITDA and adjusted EBITDA to the 2012 and 2011 interim financial statements:

(in 000s)	**2012 Q2**	**2011 Q2**	**6 Months Ended Jun 30, 2012**	**6 Months Ended, Jun 30, 2011**
Income for the period	**$ 354**	**$ 2,501**	**$ 5,037**	**$ 9,510**
Provision for income taxes	118	143	2,066	222
Interest income	(103)	(107)	(276)	(161)
Interest expense	9	24	19	291
Amortization and depletion of mineral properties, plant and equipment	2,339	448	3,829	1,490
EBITDA	**2,717**	**3,009**	**10,675**	**11,352**
Foreign exchange	772	(176)	(2,883)	(645)
Share-based payments	202	-	340	-
Adjusted EBITDA	**$ 3,691**	**$ 2,833**	**$ 8,132**	**$ 10,707**

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2012, the Company had net working capital of $49.9 million and cash and cash equivalents of $28.7 million compared to net working capital of $53.8 million and cash and cash equivalents of $39.4 million at December 31, 2011. The decrease in cash and cash equivalents during the six months ended June 30, 2012 is attributed to capital expenditures which exceeded cash provided from operations, net of changes in non-cash working capital, by $11.3 million.

During the second quarter of 2012, the Company experienced a reduction in cash from $40.3 million at March 31, 2012 to $28.7 million at June 30, 2012. The primary factor for the decrease was the timing of payments on concentrate shipments during the second quarter, resulting in an increase of $8.5 million in accounts receivable. The Company has a credit facility available to finance accounts receivable or receive advances on shipments of concentrates, but elected not to use the facility as the Company had sufficient cash and a strong working capital position throughout the quarter.

Capital expenditures of $14.0 million for the first half of 2012 represented a planned but significantly higher than normal investment in plant and equipment and mine development at the Company's operating mines. The Company anticipates that cash flow generated from mining activities along with working capital will be sufficient to fund the Company's operations without requiring any additional capital to meet its planned growth and to fund development activities during the next twelve months. The Company plans to produce 2.5 to 2.75 million Ag eq oz in 2012 and invest approximately $20.0 million in capital expenditures for the year, including approximately $9.0 million in exploration and evaluation expenditures. These investments in 2012 will include the purchase of new, more efficient mobile mining equipment, and the funding of plant upgrades, mine development and increased exploratory drilling. The objective of these expenditures is to increase production and Mineral Resources.

Operating Activities

Net cash outflow from operating activities for the three months ended June 30, 2012 was $3.7 million compared to the cash flows provided by operating activities of $2.2 million in the comparable quarter of 2011. For the six months ended June 30, 2012, cash flows provided by operating activities were $2.7 million compared to the cash flows provided by operating activities of $4.9 million in the comparable period of 2011. The decrease in both periods is attributable to a decrease in cash flow from operations and an increase in non-cash working capital, primarily relating to accounts receivable and prepaid expenditures.

Investing Activities

For the three and six months ended June 30, 2012, the Company had net cash outflows from investing activities of $7.8 million and $14.0 million, respectively, compared to $5.0 million and $9.3 million in the comparable periods of 2011. The increased investment activities were primarily related to the development of mineral properties, capitalized exploration and evaluation, and the purchase of plant and equipment.

Financing Activities

Cash outflows from financing activities were $0.1 million for the three months ended June 30, 2012 compared to cash provided by financing activities of $24.6 million in the comparable period of 2011. Cash flows from financing activities were $0.2 million for the six months ended June 30, 2012 compared to cash provided by financing activities of $27.2 million in the comparable period of 2011. During the first half of 2012, the Company received proceeds from the exercise of share options in the amount of $0.3 million and repaid the capital lease obligation in the amount of $0.1 million. During the second half of 2011, the Company issued shares for net cash proceeds of $22.5 million, received proceeds from the exercise of options in the amount of $1.9 million, and $3.6 million from exercise of warrants. This was offset by repayments of $0.7 million of debt.

Contractual Obligations

As of June 30, 2012, the Company had the following commitments:

(in 000's)	**Total**	**1 year**	**2-3 years**	**4-5 years**
Drilling services	$ 1,045	$ 862	$ 183	$ -
Operating lease payments (1)	1,621	574	902	145
Equipment purchases with third party vendors	764	764	-	-
Environmental program (2)	32	32	-	-
Total commitments	**$ 3,462**	**$ 2,232**	**$ 1,085**	**$ 145**

(1) Lease payments were recognized as an expense in the period.
(2) On February 17, 2009, the Company committed to implementing an environmental program as a result of participating in a voluntary audit to ensure compliance with regulations governing the protection of the environment in Mexico.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

FINANCIAL INSTRUMENTS

(in 000's)	Fair value as at Jun 30, 2012	Basis of Measurement	Associated Risks
Cash and cash equivalents	$ 28,675	Carrying value	Concentration, credit, currency, interest rate
Marketable securities	$ 80	Fair value through other comprehensive income	Exchange
Trade and other receivables	$ 17,893	Carrying value	Concentration, credit, currency, commodity price
Trade and other payables	$ 6,204	Carrying value	Currency
Finance lease obligations	$ 13	Amortized cost	Currency

The carrying values of cash and cash equivalents, 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 based on current bid prices at June 30, 2012. The fair values of the finance lease obligations to third parties approximate their amortized costs as the interest rates are fixed and reflect estimated market rates at June 30, 2012.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's mining operations and exploration programs, and limit exposure to credit and market risks.

The risks associated with the financial instruments used by the Company and the way in which such exposures are managed are as follows:

(a) Concentration risk

Concentration risk exists in cash and cash equivalents because significant balances are maintained with three financial institutions. To mitigate the risk, the Company diversifies its cash and cash equivalents by holding guaranteed investment certificates and similar securities with a number of different financial institutions. The primary investment products include, but are not limited to high interest savings accounts and guaranteed investment certificates.

Concentration risk also exists in trade accounts receivable because the Company's revenues are currently substantially derived from sales to four customers. To mitigate the risk, the Company continues to seek other viable customers for the sale of its metal concentrates. In the second quarter of 2012, the Company signed contracts with two new customers for the sale of its concentrates.

(b) Credit risk

Credit risk primarily arises from the Company's cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated Canadian and Mexican financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates.

(c) Market risk

The significant market risks to which the Company is exposed are currency, interest rate, commodity price and exchange risk.

(i) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar, namely the US dollar and Mexican peso. The results of the Company's operations are subject to currency transaction and translation risks.

(ii) Interest rate risk

The Company's approach is to invest cash in high interest savings accounts and guaranteed investment certificates at fixed or floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company manages risk by monitoring changes in interest rates and by maintaining a relatively short duration for its portfolio of cash equivalent securities. Many of these instruments can be immediately redeemed and those of a fixed term do not exceed one year.

(iii) Commodity price risk

The value of the Company's Mineral Resource properties depends on the price of silver, gold, lead and zinc and the outlook for these minerals.

Silver and gold, as well as lead and zinc prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, market fluctuations, government regulations relating to prices, taxes, royalties, allowable production, imports, exports, supply, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production and short-term changes in supply and demand because of speculative hedging activities. The value of trade receivables depends on changes in metal prices over the quotation period. The Company has not hedged silver and gold prices. In the past, the Company has entered into contracts to hedge the sales of its lead and zinc by-products for periods not exceeding one year. During the quarter ended June 30, 2012, the Company had no such outstanding contracts.

(iv) Exchange risk

The fair value of marketable securities is based on quoted market prices which the shares of the investments can be exchanged for. The exchange price of the shares may fluctuate significantly depending on various other market factors. To mitigate the risk, the Company's approach is to maintain minimal investments in marketable securities.

OUTLOOK

The Company is maintaining its guidance for metal production in the range of 2.50 to 2.75 million Ag eq oz for fiscal 2012, as compared to metal production of 2.2 million Ag eq oz for fiscal 2011.

2012 Production and Cash Cost per Silver Ounce Guidance	2011 Actual	2012 Guidance Low Case	2012 Guidance High Case
Tonnes milled	216,181	230,000	250,000
Silver ounces	1,495,372	1,720,000	1,900,000
Gold ounces	8,016	10,000	11,000
Lead tonnes	941	1,130	1,270
Zinc tonnes	1,314	1,500	1,630
Silver equivalent ounces	2,200,013	2,500,000	2,750,000
Cash costs per silver ounce (USD)	$ 10.84	$ 10.50	$ 9.50

While first half 2012 metal production of 1,113,388 Ag eq oz shows no increase over first half 2011 (1,170,169 Ag eq oz), several operating and development initiatives have already demonstrated improvements which the Company expects will lead to increased production in the second half of this year.

At Guanajuato, the mine is now operating on a 7-day-week schedule (formerly on a 6-day-week) to allow for increased equipment utilization and production. The Guanajuato processing plant, which is already achieving record metallurgical recoveries, is expected to further improve with the recent installation of a new double-deck crushing screen that became operational in June, and a new tertiary crusher scheduled to be operational before the end of the current quarter.

Production from Cata, the highest grade area of the mine, is expected to increase. In addition, a sill pillar will be recovered on the 470 metre level using a newly acquired longhole drilling rig and remote ore loading. Production and development from the gold-rich Santa Margarita vein is continuing.

Development at Valenciana continues on two fronts: haulage access connecting the Cata ore hoisting shaft and the newly discovered, deeper extensions of the Guanajuatito North zone at the 390 metre level is underway; and up-ramp access from the 320 metre level to the 285 metre level of the 18th and 19th century workings of Valenciana is on-going. Access to some of the old Valenciana workings has been established and diamond drilling has commenced.

Underground diamond drilling at Guanajuato is ongoing on 50 metre exploration centres at Guanajuatito and Valenciana, while more production-detailed 25 metre centre drilling is ongoing at Santa Margarita, Los Pozos, and Cata. A total of 6,222 metres was completed in the second quarter of 2012.

Drilling at Guanajuatito is expanding a new discovery approximately 100 metres to the northwest from current workings between the 160 and 200 metre levels. This new zone is open both up and down dip and to the northwest. Drilling at Santa Margarita continues to improve ore definition of the multiple gold-rich veins and stockworks, hence guiding mine development.

At Topia, the rainy season is well underway and processing capacity increased from 160 to 220 tonnes per day in June. Mined ore has been stockpiled and mining rates are increasing with additional mobile equipment acquired. Crushing circuit bottlenecks are being eliminated with the installation of a new screen and crusher, scheduled in the current quarter.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into the following transactions with related parties:

(in 000's)	2012 Q2	2011 Q2	6 Months Ended Jun 30, 2012	6 Months Ended, Jun 30, 2011
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 92	$ 188	$ 872	$ 367
Consulting fees paid or accrued to companies controlled by officers of the Company	-	39	-	93
Director fees paid or accrued	59	-	95	-
Consulting fees paid or accrued to a company with a common director of the Company	2	-	34	-
Office and administration fees paid or accrued to a company controlled by a director of the Company	-	21	21	43
	$ 153	**$ 248**	**$ 1,022**	**$ 503**

As at June 30, 2012, $32,000 (December 31, 2011 - $42,000) was due to companies controlled by officers and directors of the Company and was included in accounts payable. Amounts due from companies with common directors were $69,000 (December 31, 2011 - $24,000) and were included in trade and other receivables.

The above transactions occurred in the normal course of operations and are measured at the exchange amount.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assessment for impairment and useful life of mineral properties, plant and equipment, reclamation and remediation provision, valuation of trade and other receivables, current and deferred income tax liabilities, and assumptions used in determining the fair value of non-cash share-based payments. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates. A summary of the Company's significant accounting policies is set out in Note 3 of the annual audited consolidated financial statements for the year ended December 31, 2011.

The key risks to the assumptions used in the cash flows underlying the critical accounting estimates are: a prolonged decline in metal prices, a weakening of the US dollar against the Mexican peso and not achieving production forecasts.

The accounting estimates believed to require the most difficult, subjective or complex judgments, and which are the most critical to our reporting of results of operations and financial position, are as follows:

Amortization

The Company's mineral properties and related plant and equipment are amortized based upon estimates of useful lives not to exceed the life of the mine to which the assets relate. Management's estimate of expected mine life is based upon available internal and external estimated resource and reserve information, historical production and recovery levels, planned future production and recovery levels, and other factors.

Impairment of non-financial assets

The Company's mineral properties, plant and equipment are reviewed for an indication of impairment at each financial reporting date or at any time if an indicator of impairment is considered to exist. If any such indication exists an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs to sell and value in use. If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in profit or loss for the period.

Management's estimates are subject to risks and uncertainties of changes affecting the recoverability of the Company's investment in its mineral property, plant, equipment and mine development. Management's estimates of these factors are based on current conditions. Nonetheless, it is reasonably possible that in the near term, changes that could adversely affect management's estimate of net cash flows expected to be generated from its properties could occur which may necessitate a write-down for asset impairment.

The Company has determined that no events or changes in circumstances occurred during the second quarter of 2012 that would indicate that the carrying amounts of its non-financial assets may not be recoverable.

Reclamation and remediation provisions

Upon the completion of any mining activities, the Company will customarily be required to undertake environmental reclamation activities in accordance with local and/or industry standards. It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future due to uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities and changes in remediation technology. The Company continually reviews its reclamation and remediation provision, as evidence becomes available indicating that its remediation and reclamation liabilities may have changed. Any such increases in costs could materially impact the future amounts charged to operations for reclamation and remediation obligations.

Revenue recognition

The Company recognizes revenue from the sale of concentrates upon delivery when it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership are transferred to the customer and the revenue can be reliably measured. This is generally the shipment date; however, the terms of certain contracts may require revenue recognition at the delivery date. Revenue is based on market metal prices and mineral content. Revenue is recorded in the consolidated statements of comprehensive income net of treatment and refining costs paid to counter parties under terms of the off-take arrangements. Revenue from the sale of the concentrates is subject to adjustment upon final settlement based upon metal prices, weights and assays. For each reporting period until final settlement, estimates of forward metal prices are used to record sales. Variations between the sales price recorded at the shipment date and the actual final sales price at the settlement date caused by changes in the market metal prices results in an embedded derivative in the related trade accounts receivable balance. The embedded derivative is recorded at fair value each period until final settlement occurs with changes in fair value classified as a component of revenue.

Income taxes

The Company uses the asset and liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when there is potential that some or all of the assets will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions and clarifications of uncertain tax regimes may require changes to the valuation allowances associated with the Company’s future tax assets.

Share-based payments

From time to time, the Company may grant share purchase options to directors, officers, employees and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise and discount rates. Although not requiring any cash outlay by the Company, changes to any of these inputs could cause a significant change in the share-based payments expense charged in a period.

CHANGES IN ACCOUNTING STANDARDS

The following are accounting standards anticipated to be effective January 1, 2013 or later:

Presentation of Items of Other Comprehensive Income ("OCI")

IAS 1 is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial Instruments

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions.

In December 2011, the IASB amended the IFRS 7 (Financial Instruments: Disclosures) requiring additional disclosures on offsetting of financial assets and financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013. This standard also requires additional disclosures about the initial application of IFRS 9. This amendment is effective for annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied). IAS 32 (Financial Instruments: Presentation) was amended in December 2011 relating to application guidance on the offsetting of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2014.

The Company is currently evaluating the impact these standards are expected to have on its consolidated financial statements.

Consolidation

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. IAS 27 and IAS 28 – Investments in Associates were revised and reissued as IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures to align with the new consolidation guidance. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Joint Arrangements

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Disclosure of Involvement with Other Entities

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Fair Value Measurement

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Income Taxes

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company has assessed that there is no significant impact on its financial results and financial position from the application of this amendment.

Stripping Costs in the Production Phase of a Mine

In October of 2011, the IASB issued IFRIC 20 – Stripping Costs in the Production Phase of a Mine, which clarifies the requirements for accounting for costs of stripping activities in the production phase when two benefits accrue: (1) usable ore that can be used to produce concentrate inventory and (2) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual reporting periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping costs. The Company is currently evaluating the impact IFRIC 20 is expected to have on its consolidated financial statements.

SECURITIES OUTSTANDING

At the date of this MD&A, the Company had 137,590,919 common shares issued, 316,250 warrants and 4,376,500 options outstanding.

Fully diluted, the weighted average issued and outstanding shares of Great Panther would be 138,573,515 and 138,593,582 for the three and six months ended June 30, 2012 respectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance in respect to the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial preparation and presentation.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. There have been no changes in the Company's disclosure controls and procedures during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to affect the Company's disclosure controls.

RISKS AND UNCERTAINTIES

Commodity Price Risk

The market price of precious metals and other minerals is volatile and cannot be controlled. Our profitability and long-term viability will depend on the market price of silver, gold, lead and zinc. If these prices should drop significantly, the economic prospects of the projects in which the Company has an interest could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the Company's control may affect the marketability of any minerals discovered.

The marketability of minerals is also affected by numerous other factors beyond the Company's control, including government regulations relating to royalties, allowable production and importing and exporting of minerals, regional or global consumption, expectations for inflation, and economic and political conditions, including currency fluctuations and interest rates, the effect of which cannot be accurately predicted.

Mineral prices have fluctuated widely, particularly in recent years. As noted in the "Profile and Strategy" section above, metal price changes can significantly affect the cost per ounce. Management, from time to time, will explore entering into possible hedging arrangements to limit the Company's exposure to changes in prices of base metals, specifically lead and zinc.

Currency Risk

As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. Revenues from the sale of concentrates are primarily denominated in US dollars but a portion is paid in Mexican pesos. A significant portion of the Company's costs are in Mexican pesos or US dollars. The Company manages its exposure by paying its Mexican peso costs in pesos received from concentrate sales and paying its US dollar expenditures in US dollars received from concentrate sales, thereby reducing the need to exchange currencies. The Company does not actively manage its foreign exchange risk with hedging instruments.

Interest Rate Risk

The Company's exposure to interest rate risk is limited to cash invested in high interest savings accounts and guaranteed investment certificates at fixed rates of interest and cash equivalents that are maintained in floating rates of interest. The Company manages the risk by monitoring changes in interest rates in comparison to prevailing market rates.

During 2011, the Company settled its two convertible notes and no longer carries any material financial liabilities which bear interest.

Credit Risk

The Company's credit risk exposure is limited to the carrying amounts of cash and cash equivalents and amounts receivable. Cash and cash equivalents are held as cash deposits or invested in high interest savings accounts and guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates.

The Company also assesses the collectability of its trade receivables by reviewing the creditworthiness of its customers. The Company historically has not had difficulty collecting receivables from its customers, nor have customers defaulted on any payments.

Concentration of Customers

The Company sells refined concentrates containing silver, gold, lead and zinc to metal traders and smelters. The Company believes that a limited number of customers will continue to represent a significant portion of its total revenue. Although the Company does not consider itself economically dependent upon any single customer or combination of customers due to the existence of other potential metal traders or smelters capable of purchasing the Company's supply, there can be no assurance that the Company will be able to maintain its current significant customers or secure significant new customers on similar terms and this may have a material adverse effect on the Company's business, financial condition, operating results and cash flows.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company ensures there is sufficient working capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the Company's assets, liabilities and cash flows. The Company prepares annual budgets which are approved by the Board of Directors and prepares cash flows and liquidity forecasts on a quarterly basis.

For the quarter ended June 30, 2012, cash flows provided by operations during the quarter were used to fund the operating costs associated with the producing properties as well as mineral property exploration expenditures, capital expenditures and head office costs. The Company's cash and cash equivalents are invested in high interest savings accounts and guaranteed investment certificates which are available on demand to fund the Company's operating costs and other financial demands.

Exploration and Development Stage of the Properties

The Company has made a significant investment to expand the NI 43-101 compliant Mineral Resource estimates for both the Guanajuato and Topia mines. Exploration work on the Company's mines and mineral properties has expanded as the Company seeks to define additional resources. Even in the event commercial quantities of minerals are discovered, exploration and development stage properties, such as San Ignacio and Santa Rosa, might not be brought into a state of commercial production. The search for valuable minerals as a business is extremely risky. Finding mineral deposits is dependent on a number of factors, not the least of which is the technical skill of exploration personnel involved.

The commercial viability of a mineral deposit, once discovered, is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of these factors are beyond the control of the entity conducting such mineral exploration. There can be no assurance that operations will be profitable in the future.

The Company is subject to risks associated with exploration and development stages of the properties including the timing and cost of the construction of mining and processing facilities, the availability and cost of skilled labour and mining equipment, the availability and cost of appropriate smelting and refining arrangements, the need to obtain necessary environmental and other governmental approvals and permits, and potential increases in construction and operating costs due to changes in the cost of fuel, materials and supplies.

Competition and Agreements with Other Parties

The mineral industry is intensely competitive in all phases. The Company competes with many companies possessing greater financial resources and technical facilities than ourselves for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

The Company's management consists of individuals with the experience, knowledge, and contacts to capitalize on future opportunities.

Market Forces Outside the Control of the Company

The marketability of minerals is affected by numerous factors beyond the control of the entity involved in their mining and processing. These factors include market fluctuations, government regulations relating to prices, taxes, royalties, allowable production, imports, exports and supply and demand. One or more of these risk elements could have an impact on costs of an operation and if significant enough, reduce the prospects of profitability of operations and threaten commercial continuation.

To mitigate these risks and uncertainties that affect our operations and improve on predictability, the Company enters into contracts with customers and vendors.

Environmental Factors

There is no assurance that environmental regulations will not change in a manner that could have an adverse effect on the Company's financial condition, liquidity or results of operations. Environmental legislation is constantly expanding and evolving in ways that impose stricter standards and more rigorous enforcement, with higher fines and more severe penalties for non-compliance, and increased scrutiny of proposed projects. There is an increased level of responsibility for companies, and trend towards criminal liability for officers and directors for violations of environmental laws, whether inadvertent or not.

The Company has taken a proactive approach to managing environmental risk. The Company participated in a voluntary audit of its Guanajuato operations and conducted a multi-year environmental program completed in 2011, working in cooperation with the Mexican environmental authority to ensure compliance with regulations governing the protection of the environment in Mexico. The Company is waiting for final certification from the government authorities.

Inherent Dangers with Mining

The development and operation of a mine involves risks that even experience and knowledge may not be able to overcome. These risks include unusual or unexpected geological formations, metallurgical and other processing problems, environmental hazards, power outages, labour disruptions, accidents, weather condition interruptions, explosions, fires and the inability to obtain suitable or adequate machinery, equipment or labour.

These risks could result in damage or destruction of mineral properties, production facilities, personal injury, environmental damage, mining delays, increased production costs, monetary losses and legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from production, is not generally available to companies within the mining industry. The Company may suffer a material adverse effect on its business if the Company incurs losses related to any significant events that are not covered by its insurance policies.

Safety is the Company's highest priority in operating its mines. A comprehensive safety program is in place at both mines and meetings with employees and contractors are held on a regular basis to reinforce standards and practices. The Company also reviews its insurance coverage on an annual basis to maintain its adequacy and relevancy.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this document constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act* of 1995 and "forward-looking information" within Canadian securities laws (collectively "forward-looking statements"). All statements, other than statements of historical fact, that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by the words "anticipates", "believes", "expects", "may", "likely", "plans" and similar words.

In particular, this MD&A includes forward-looking statements, principally under the section titled "Outlook", but also elsewhere in this document, relating to estimates, forecasts, and statements as to management's expectations with respect to the future production of silver, gold, lead and zinc; profit, operating costs and cash flow; sales volume and selling prices of products; capital expenditures, plans and expectations for the development of the Company's mines and projects; progress in the development of mineral properties; the timing of production and the cash and total costs of production; sensitivity of earnings to changes in commodity prices and exchange rates; the impact of foreign currency exchange rates; and the future plans and expectations for the Company's properties and operations.

These forward-looking statements are based on a number of assumptions, including but not limited to general business and economic conditions; the supply and demand for, deliveries of, and the level and volatility of prices of, silver, gold, lead and zinc; expected Canadian dollar, Mexican peso and US dollar exchange rates; the timing of the receipt of regulatory and governmental approvals for development projects and other operations; costs of production and production and productivity levels; estimated future capital expenditures and cash flows; the continuing availability of water and power resources for operations; the accuracy of the interpretation and assumptions used in calculating reserve and resource estimates (including with respect to size, grade and recoverability); the accuracy of the information included or implied in the various independently produced and published technical reports; the geological, operational and price assumptions on which these technical reports are based; conditions in the financial markets; the ability to attract and retain skilled staff; the ability to procure equipment and operating supplies and that there are no material unanticipated variations in the cost of energy or supplies; the ability to secure contracts for the sale of the Company's products (metals concentrates); the execution and outcome of current or future exploration activities; the ability to obtain adequate financing for planned activities and to complete further exploration programs; the Company's ability to maintain adequate internal control over financial reporting; the ability of contractors to perform their contractual obligations; and operations not being disrupted by issues such as mechanical failures, labour disturbances and adverse weather conditions.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, changes in commodity prices; changes in foreign currency exchange rates; acts of foreign governments; political risk and social unrest; uncertainties related to title to the Company's mineral properties and the surface rights thereon, including the Company's ability to acquire, or economically acquire, the surface rights to certain of the Company's exploration and development projects; unanticipated operational difficulties due to adverse weather conditions, failure of plant or mine equipment and unanticipated events related to health, safety, and environmental matters; failure of counterparties to perform their contractual obligations; and deterioration of general economic conditions.

The Company's forward-looking statements and information are based on the assumptions, beliefs, expectations and opinions of management as of the date of this press release, and other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements.

Further information can be found in the section entitled "Key Information – Risk Factors" in the Company's Form 20F for the year ended December 31, 2011, which is available on SEDAR at http://www.sedar.com, and in "Risks and Uncertainties" in this MD&A.

QUALIFIED PERSON

Robert F. Brown, P. Eng., a Qualified Person as defined by National Instrument 43-101 and the Company's Vice President of Exploration, has reviewed and approved the technical disclosure contained in this MD&A.

CAUTIONARY NOTE TO U.S. INVESTORS

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. These definitions differ from the definitions in SEC Industry Guide 7 under the United States Securities Act of 1933, as amended (the “Securities Act”). Under SEC Industry Guide 7 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. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral 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 an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Great Panther Silver Limited can be found on SEDAR at http://www.sedar.com and EDGAR at http://www.sec.gov/edgar.shtml or the Company’s website at http://www.greatpanther.com.