

PAN AMERICAN SILVER CORP
Form 6-K/A
December 23, 2004

FORM 6-K/A
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of September, 2004

Pan American Silver Corp

(Translation of registrant's name into English)

1500-625 HOWE STREET
VANCOUVER BC CANADA V6C 2T6

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No ..X...

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

82-_____

RECORD PROFITS, CASH FLOW AND PRODUCTION IN THIRD QUARTER

MARK PAN AMERICAN SILVER'S TENTH ANNIVERSARY

(all amounts in US dollars unless otherwise stated)

THIRD QUARTER HIGHLIGHTS

- Record net earnings of \$3.3 million for the quarter (\$0.05/share) versus a net loss of \$1.2 million (\$0.02) in the third quarter of 2003. Net earnings year-to-date of \$4.2 million.
- Record consolidated revenue of \$27.4 million - 131% over the third quarter of 2003.
- Record cash flow from operations, before changes to non-cash working capital, of \$7.0 million, versus \$0.3 million in 2003 - the eighth consecutive quarter of improved operating profits.
- Record quarterly silver production of 3.2 million ounces, an increase of 45% over the same period of 2003.
- Completion of acquisition of 84% of the Morococha silver mine in Peru.

FINANCIAL RESULTS

Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) reported consolidated revenue for the second quarter of \$27.4 million, 131% greater than revenue in the third quarter of 2003 due to increased silver production, higher realized metal prices and higher sales from concentrate inventory. Net earnings for the quarter were \$3.3 million compared to a net loss of \$1.2 million in 2003.

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Cash flow from operating activities before changes to non-cash working capital increased to \$7.0 million for the quarter.

Consolidated silver production for the third quarter was 3,173,000 ounces, a 45% increase over the third quarter of 2003 and the greatest quarterly production in the Company's history. Steady-state production from Quiruvilca, Huaron and the pyrite stockpiles was complemented by the addition of production from the newly acquired Morococha mine as of July 1, 2004. Zinc production of 10,367 tonnes was 37% higher than in the third quarter of 2003 while lead production of 4,876 tonnes was 12.5% higher also due to the addition of Morococha production.

Consolidated cash costs in the third quarter rose from \$3.87/oz to \$4.07/oz and total costs rose from \$4.39/oz to \$5.09/oz due to an expected temporary increase in production costs at the La Colorada mine. Positive results from the new mine plan and more selective mining methods that have been implemented will begin to be realized in the fourth quarter.

Capital spending in the third quarter declined slightly to \$3.1 million, excluding \$36.2 million spent to acquire the Morococha mine. Exploration spending doubled to \$1.2 million in the third quarter, primarily reflecting increased activity at the Manantial Espejo and San Vicente development projects.

For the nine months ended September 30, 2004, consolidated revenue totaled \$63.5 million versus \$32.3 million in the year-earlier period due to higher production and higher realized metal prices. Net earnings were \$4.2 million versus a net loss of \$4.0 million in the first nine months of 2003.

Consolidated silver production in the first nine months of 2004 was 8,058,443 ounces, a 24% increase over the same period in 2003 on track for 11.5 million ounces in 2004. Zinc production of 24,890 tonnes and copper production of 2,376 tonnes were unchanged from 2003 levels. Lead production of 12,973 tonnes was 12.5% lower than in 2003 due to lower lead production at Huaron.

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Cash production costs for the first nine months of 2004 declined 3% to \$4.01/oz, while total production costs rose 8% to \$5.00 due to higher depreciation charges.

Working capital at September 30, 2004, including cash and short-term investments of \$80.8 million, improved to \$97.1 million, an increase of \$15.2 million from December 31, 2003. The change in working capital stems from the receipt of \$54.8 million in net proceeds from a share issuance in February, offset by the purchase of the Morococha mine completed during the quarter. Capital spending in the first nine months of 2004 was \$9.7 million excluding the purchase of Morococha, down from \$12.5 million a year earlier. Exploration spending increased from \$1.6 million in the first three quarters of 2003 to \$2.9 million in 2004, reflecting increased project development activity and drill programs to expand reserves at Huaron, San Vicente and now Morococha.

Ross Beaty, Chairman of Pan American said, "This is the eighth consecutive quarter that Pan American has improved its operating profit and we set new records for earnings, cash flow and production. Our operations are strong, our development projects are progressing well and we have one of the best balance sheets in the industry with virtually no debt. We completed the acquisition of the low-cost Morococha silver mine last quarter and we are fully funded to start building another new mine within the next 12 months. Pan American Silver is in great shape today and we look forward to an even better future."

OPERATIONS AND DEVELOPMENT HIGHLIGHTS

PERU

The **Quiruvilca mine** continued its turn-around in the third quarter with production of 654,182 ounces of silver, up 2% over 2003 levels. Cash and total production costs dropped markedly, from \$4.69/oz and \$4.85/oz respectively to \$3.34/oz in the current quarter. For the first nine months of the year the mine produced 1,892,383 ounces of silver at a cash cost of \$3.27/oz, versus similar production at a cash cost of \$5.31/oz in 2003. A new life-of-mine plan is now being developed at Quiruvilca based on the discovery of a major new vein structure announced in the second quarter.

Silver production at the **Huaron mine** remained steady in the third quarter at 1,064,476 ounces at a cash cost of \$3.87/oz. Total production costs increased 16% over the prior-year period to \$5.21/oz reflecting higher depreciation costs. Year-to-date the mine has produced 3,129,071 ounces at a cash cost of \$3.93/oz, in line with 2003.

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The Company concluded the acquisition of 84% of the **Morococha Mine** in the third quarter. Morococha produced 694,564 ounces of silver to Pan American's account in the third quarter at a cash cost of \$3.52/oz and a total cost of \$4.85/oz. Over the long term the mine is expected to produce an average of 3.5 million ounces of silver annually (100%) at cash costs of less than \$3.00/oz.

The **Silver Stockpile Operation** continued to generate excellent cash flow, producing 231,115 ounces of silver at a cash cost of \$2.87/oz during the most recent quarter. Year to date the Company has produced 779,426 ounces from the silver stockpiles at a cash cost of \$2.83/oz. The increased cash costs in 2004 reflect a sliding-scale refining charge, which increases as the silver price rises.

MEXICO

The **La Colorada mine** in Mexico increased its third quarter silver production to 441,959 ounces, up from 244,971 ounces in 2003. During the quarter a new mine plan was implemented to reduce dilution, to increase silver grades and to blend ore from clay-rich areas that has been difficult to process. This required more non-production underground development, resulting in high cash costs for the quarter, as planned. Ore grades are now 19% higher and new mining areas have been opened up with lower clay-content ore, increasing recoveries. Cash costs are now expected to decline and silver production to increase steadily. Silver production and cash costs are expected to improve further in 2005 once the sulphide zone returns to production post dewatering.

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Staffing has begun on the **Alamo Dorado** project in anticipation of a positive feasibility study, now due in February 2005. A power supply has been secured and the design process for the power line's right-of-way has been initiated. Grindability tests have been completed and a pilot plant is now operating. Construction is expected to begin in 2005.

ARGENTINA

The 50% owned **Manantial Espejo** silver-gold joint venture also progressed significantly in the third quarter. The feasibility study currently underway now envisions a combined open-pit, underground operation to exploit the Maria and Karina Union deposits. Ramped pit designs along with annual production schedules and waste dump designs have been completed. As drilling continues to intersect new vein structures and to expand the two main systems on the property, another 5,000 m of infill and extension drilling has been initiated. Drilling has also begun to secure water for the mine and a number of baseline studies have been completed. Given the ongoing drilling programs, the joint venture will provide a proven and probable reserve with a mine plan upon completion of the feasibility study early in 2005.

BOLIVIA

At the **San Vicente** property, small-scale mining produced 86,704 ounces of silver in the third quarter of the year to Pan American's account, while the Company continues to move forward with a feasibility study testing the viability of increasing production in 2005. EMUSA, a Bolivian mining company, continues to carry out small-scale contract mining under a site services agreement.

SILVER MARKETS

The silver price opened the quarter at \$5.91/oz, breaking through the \$6 level almost immediately and closing at \$6.66/oz on September 30, 2004 for an average price of \$6.47/oz, approximately the same as the average for the year. The silver price remains very volatile, but has continued to rebound from its second-quarter lows and was up 23% over year-end 2003 as of late October.

According to Ross Beaty: "Primary factors influencing the silver price today continue to be the US dollar, global industrial production particularly in the electronics/electrical sector and investment demand. The underlying demand/supply fundamentals for silver are sound. It is a great time to be one of the world's major silver producers."

Pan American will host a conference call to discuss the results on Monday, November 1, 2004 at 11:00 a.m. Pacific time (2:00 p.m. Eastern time). North American participants please call toll-free 1-877-825-5811. International participants please dial 1-973-582-2767. The conference may also be accessed live from the investor relations section of the Pan American website at www.panamericansilver.com. To listen to a playback for one week after the call, dial 1-877-519-4471 and enter the pass code 5270686.

For More Information, please contact:

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www.panamericansilver.com

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CAUTIONARY NOTE

Some of the statements in this news release are forward-looking statements, such as estimates of future production levels, expectations regarding mine production costs, expected trends in mineral prices and statements that describe Pan American's future plans, objectives or goals. Actual results and developments may differ materially from those contemplated by these statements depending on such factors as changes in general economic conditions and financial markets, changes in prices for silver and other metals, technological and operational hazards in Pan American's mining and mine development activities, uncertainties inherent in the calculation of mineral reserves, mineral resources and metal recoveries, the timing and availability of financing, governmental and other approvals, political unrest or instability in countries where Pan American is active, labor relations and other risk factors listed from time to time in Pan American's Form 40-F

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Financial & Operating Highlights

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Consolidated Financial Highlights (in thousands of US dollars)				
Net income (loss) for the period	\$ 3,289	\$ (1,225)	\$ 4,210	\$ (3,972)
Earnings (loss) per share	0.05	(0.02)	(0.11)	(0.08)
Cash flow from operations before working capital adjustments				
Capital spending **	6,989	302	12,287	344
Exploration expense	39,327	3,501	45,889	12,513
Cash and short-term investments	1,213	600	2,878	1,588
Working capital	80,839	92,852	80,839	92,852
	\$ 97,076	\$ 87,054	\$ 97,076	\$ 87,054

** Includes the acquisition of the Morococha mine for \$36,214

Consolidated Metal Production

Tonnes milled	420,912	282,650	1,023,475	871,689
Silver metal - ounces	3,173,000	2,187,508	8,058,443	6,518,167
Zinc metal - tonnes	10,367	7,578	24,890	24,759
Lead metal - tonnes	4,876	4,332	12,973	14,836
Copper metal - tonnes	1,106	841	2,376	2,625

Consolidated Cost per Ounce of Silver (net of by-product credits)

Total cash cost per ounce	\$ 4.07	\$ 3.87	\$ 4.01	\$ 4.12
Total production cost per ounce	\$ 5.09	\$ 4.39	\$ 5.00	\$ 4.63

(In thousands of US dollars)

Direct operating costs plus value of metals lost				
in smelting and refining	\$ 20,885	\$ 11,467	\$ 51,988	\$ 35,612
By-product credits	(8,312)	(3,950)	(20,502)	(11,508)
Cash operating costs	12,573	7,517	31,486	24,104
Depreciation, amortization & reclamation	3,127	1,013	7,782	2,987

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Production costs	\$	15,700	\$	8,530	\$	39,268	\$	27,091
Ounces used in cost per ounce calculations		3,086,296		1,942,537		7,847,992		5,846,927
Average Metal Prices								
Silver - London Fixing	\$	6.46	\$	4.99	\$	6.47	\$	4.75
Zinc - LME Cash Settlement per pound	\$	0.44	\$	0.37	\$	0.47	\$	0.36
Lead - LME Cash Settlement per pound	\$	0.42	\$	0.23	\$	0.39	\$	0.22
Copper - LME Cash Settlement per pound	\$	1.29	\$	0.79	\$	1.27	\$	0.77

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Mine Operations Highlights

	Three Months ended September 30		Nine Months ended September 30	
	2004	2003	2004	2003
Huaron Mine				
Tonnes milled	166,965	148,630	481,445	461,570
Average silver grade - grams per tonne	228	246	230	256
Average zinc grade - percent	3.13%	3.75%	3.22%	3.83%
Silver - ounces	1,064,476	1,047,616	3,129,071	3,398,329
Zinc - tonnes	3,856	4,598	11,877	14,881
Lead - tonnes	2,825	3,247	8,677	11,277
Copper - tonnes	491	362	1,250	1,050
Net smelter return per tonne	\$ 57.32	\$ 46.45	\$ 59.14	\$ 44.96
Cost per tonne	41.95	41.70	43.92	41.09
Margin (loss) per tonne	\$ 15.37	\$ 4.75	\$ 15.22	\$ 3.87
Total cash cost per ounce	\$ 3.87	\$ 3.78	\$ 3.93	\$ 3.81
Total production cost per ounce	\$ 5.21	\$ 4.49	\$ 5.25	\$ 4.49
(In thousands of US dollars)				
Direct operating costs & value of metals lost in smelting and refining	\$ 7,666	\$ 6,516	\$ 22,990	\$ 20,059
By-product credits	(3,543)	(2,560)	(10,694)	(7,118)
Cash operating costs	4,123	3,956	12,295	12,941
Depreciation, amortization and reclamation	1,423	748	4,138	2,322
Production costs	\$ 5,546	\$ 4,704	\$ 16,433	\$ 15,263
Ounces for cost per ounce calculations	1,064,476	1,047,616	3,129,071	3,398,329

Quiruvilca Mine

Tonnes milled	98,625	106,930	284,590	352,199
Average silver grade - grams per tonne	235	212	236	191
Average zinc grade - percent	3.48%	3.17%	3.66%	3.17%
Silver - ounces	654,182	641,747	1,892,383	1,875,775
Zinc - tonnes	2,920	2,845	8,994	9,525
Lead - tonnes	890	980	2,998	3,266
Copper - tonnes	310	479	800	1,575
Net smelter return per tonne	\$ 61.65	\$ 38.44	\$ 62.84	\$ 34.02
Cost per tonne	42.45	38.89	42.97	38.92
Margin (loss) per tonne	\$ 19.20	\$ (0.45)	\$ 19.87	\$ (4.90)
Total cash cost per ounce	\$ 3.34	\$ 4.69	\$ 3.27	\$ 5.31
Total production cost per ounce	\$ 3.34	\$ 4.85	\$ 3.25	\$ 5.46

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(In thousands of US dollars)

Direct operating costs & value of metals lost in smelting and refining	\$ 4,566	\$ 4,402	\$ 13,305	\$ 14,350
By-product credits	(2,383)	(1,390)	(7,111)	(4,391)
Cash operating costs	2,182	3,012	6,194	9,960
Capital spending expensed and carrying value adjustment	-	104	(48)	288
Production costs	\$ 2,182	\$ 3,115	\$ 6,146	\$ 10,247
Ounces for cost per ounce calculations	654,182	641,747	1,892,383	1,875,775

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Morococha Mine*	Three Months ended September 30		Nine Months ended September 30	
	2004	2003	2004	2003
Tonnes milled	112,580	-	112,580	-
Average silver grade - grams per tonne	227	-	227	-
Average zinc grade - percent	3.69%	-	3.69%	-
Silver - ounces	694,564	-	694,564	-
Zinc - tonnes	3,079	-	3,079	-
Lead - tonnes	1,162	-	1,162	-
Copper - tonnes	290	-	290	-
Net smelter return per tonne	\$ 54.53	\$ -	\$ 54.53	\$ -
Cost per tonne	38.38	-	38.38	-
Margin (loss) per tonne	\$ 16.14	-	-	-