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__X__ 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.

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.

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.

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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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, 2004	2003	Nine months ended September 30, 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	6,989	302	12,287	344
Capital spending **	39,327	3,501	45,889	12,513
Exploration expense	1,213	600	2,878	1,588
Cash and short-term investments	80,839	92,852	80,839	92,852
Working capital	$ 97,076	$ 87,054	$ 97,076	$ 87,054

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

	Three months 2004	Three months 2003	Nine months 2004	Nine months 2003
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

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**	
Huaron Mine	**2004**	**2003**	**2004**	**2003**
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

(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

Morococha Mine*		**Three Months ended September 30** 2004		2003		**Nine Months ended September 30** 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	$	-	$	16.14	$	-
Total cash cost per ounce	$	3.52	$	-	$	3.52	$	-
Total production cost per ounce	$	4.85	$	-	$	4.85	$	-
In thousands of US dollars								
Direct operating costs & value of metals lost in smelting and refining	$	4,690	$	-	$	4,690	$	-
By-product credits		(2,246)		-		(2,246)		-
Cash operating costs		2,444		-		2,444		-
Capital spending expensed and carrying value adjustment		927		-		927		-
Production costs	$	3,371	$	-	$	3,371	$	-
Ounces for cost per ounce calculations		694,564		-		694,564		-

* Production and cost figures are for Pan American's share only. Pan American's ownership increased from 81% to 84% during the quarter.

La Colorada Mine								
Tonnes milled		34,822		27,090		126,211		57,920
Average silver grade - grams per tonne		510		430		457		467
Silver - ounces		441,959		244,971		1,352,549		671,240
Zinc - tonnes		-		135		122		353
Lead - tonnes		-		105		136		293
Total cash cost per ounce	$	7.15	$	-	$	6.17	$	-
Total production cost per ounce	$	8.57	$	-	$	7.86	$	-
(In thousands of US dollars)								
Direct operating costs & value of metals lost in smelting and refining	$	3,299	$	-	$	8,801	$	-
By-product credits		(140)				(450)		

Cash operating costs		3,159		-		8,351		-
Depreciation, amortization and reclamation		629		-		2,274		-
Production costs	$	3,789	$	-	$	10,625	$	-
Ounces for cost per ounce calculations		441,959		-		1,352,549		-

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	Three Months ended September 30				Nine Months ended September 30			
Pyrite Stockpile Sales		**2004**		**2003**		**2004**		**2003**
Tonnes sold		19,214		20,197		64,050		47,041
Average silver grade - grams per tonne		374		391		378		379
Silver ounces		231,115		253,174		779,426		572,823
Net smelter return per tonne	$	44.23	$	35.55	$	44.76	$	33.08
Cost per tonne		1.03		0.56		0.64		0.60
Margin (loss) per tonne	$	43.20	$	34.99	$	44.12	$	32.48
Total cash cost per ounce	$	2.87	$	2.17	$	2.83	$	2.10
Total production cost per ounce	$	3.51	$	2.81	$	3.46	$	2.76
(In thousands of US dollars)								
Value of metals lost in smelting and refining	$	664	$	549	$	2,202	$	1,203
By-product credits		-		-		-		-
Cash operating costs		664		549		2,202		1,203
Depreciation, amortization and reclamation		147		162		491		377
Production costs	$	811	$	711	$	2,693	$	1,580
Ounces for cost per ounce calculations		231,115		253,174		779,426		572,823
San Vicente Mine**								
Tonnes milled		7,920		-		18,649		-
Average silver grade - grams per tonne		389		-		408		-
Average zinc grade - percent		7.48%		-		5.28%		-
Silver - ounces		86,704		-		210,451		-
Zinc - tonnes		512		-		817		-
Copper - tonnes		15		-		36		-

** Pan American does not include San Vicente's production in its cost per ounce calculations. The production statistics represent Pan American's 50% interest in the mine's silver production.

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PAN AMERICAN SILVER CORP.

Consolidated Balance Sheets (in thousands of US dollars)

	September 30 2004 (Unaudited)	December 31 2003
ASSETS		

Current				
Cash and cash equivalents	$	17,862	$	14,191
Short-term investments		62,977		74,938
Accounts receivable		16,948		7,545
Inventories		8,809		6,612
Prepaid expenses		3,599		1,289
Total Current Assets		110,195		104,575
Mineral property, plant and equipment - notes 3 and 4		102,315		83,574
Investment and non-producing properties - note 5		121,323		83,873
Direct smelting ore		3,289		3,901
Other assets		4,826		3,960
Total Assets	$	341,948	$	279,883
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	11,435	$	10,525
Advances for metal shipments		1,244		4,536
Current portion of bank loans and capital lease		14		2,639
Current portion of other non-current liabilities		426		4,948
Total Current Liabilities		13,119		22,648
Deferred revenue		754		865
Bank loans and capital lease		332		10,803
Liability component of convertible debentures		167		19,116
Provision for asset retirement obligation and reclamation		29,796		21,192
Provision for future income tax		30,073		19,035
Non-controlling interest		1,734		-
Severance indemnities and commitments		2,640		2,126
Total Liabilities		78,615		95,785
SHAREHOLDERS' EQUITY				
Share capital				
Authorized: 100,000,000 common shares with no par value				
Issued:				
December 31, 2003 - 53,009,851 common shares				
September 30, 2004 - 66,752,572 common shares		380,404		225,154
Equity component of convertible debentures		701		66,735
Additional paid in capital		9,874		12,752
Deficit		(127,646)		(120,543)
Total Shareholders' Equity		263,333		184,098
Total Liabilities and Shareholders' Equity	$	341,948	$	279,883

See accompanying notes to consolidated financial statements

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PAN AMERICAN SILVER CORP.

Consolidated Statements of Operations

(Unaudited - in thousands of US dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003 (Note 2)	2004	2003 (Note 2)

Revenue	$ 27,409	$ 11,890	$ 63,510	$ 32,265
Expenses				
Operating	18,526	10,200	46,225	28,962
General and administration	934	565	2,939	1,548
Depreciation and amortization	3,033	432	7,186	1,365
Stock-based compensation	518	835	1,642	2,036
Reclamation	302	75	905	231
Exploration and development	1,213	600	2,878	1,588
Interest	66	678	823	1,015
	24,592	13,385	62,598	36,745
Income (loss) from operations	2,817	(1,495)	912	(4,480)
Gain on sale of concessions	-	-	3,583	-
Debt settlement expenses	(53)	-	(1,364)	-
Non-controlling interest	(320)	-	(320)	-
Interest and other income (note 7)	845	270	1,399	508
Net income (loss) for the period	$ 3,289	$ (1,225)	$ 4,210	$ (3,972)
Adjustments:				
Charges relating to conversion of convertible debentures	-	-	(8,464)	-
Convertible debentures issue costs	-	(3,000)	-	(3,000)
Accretion of convertible debentures	-	(975)	(2,838)	(975)
Adjusted net income (loss) attributable to common shareholders	$ 3,289	$ (5,200)	$ (7,092)	$ (7,947)
Earnings (loss) per share - Basic and Fully Diluted	$ 0.05	$ (0.10)	$ (0.11)	$ (0.16)
Weighted average number of shares outstanding - Basic	66,660	52,307	61,947	51,030
Weighted average number of shares outstanding - Fully Diluted	72,213	67,990	67,499	66,714

See accompanying notes to consolidated financial statements

PAN AMERICAN SILVER CORP.

Consolidated Statements of Cash Flows

(Unaudited - in thousands of US dollars)

	Three months ended September 30, 2004	2003 (Note 2)	Nine months ended September 30, 2004	2003 (Note 2)
Operating activities				
Net income (loss) for the period	$ 3,289	$ (1,225)	$ 4,210	$ (3,972)
Reclamation expenditures	(327)	-	(919)	-
Gain on sale of assets	-	(165)	(3,583)	(165)
Items not involving cash				
Depreciation and amortization	3,033	432	7,186	1,365

Minority interest		320		-	320		-
Interest accretion on convertible debentures		-		-	366		-
Stock-based compensation		518		835	1,642		2,036
Debt settlement expenses		-		-	1,208		-
Compensation expense		-		-	245		-
Asset retirement and reclamation accretion		302		75	905		231
Operating cost provisions		(146)		350	707		849
Changes in non-cash working capital items (note 8)		(6,576)		(804)	(11,772)		(3,069)
		413		(502)	515		(2,725)
Financing activities							
Shares issued for cash		812		2,940	61,817		5,638
Shares issue costs		-		-	(180)		-
Convertible debentures		-		86,250	-		86,250
Convertible debentures issue costs				(2,993)	-		(3,000)
Convertible debentures payments		(22)		-	(13,542)		-
Capital lease repayment		-		(75)	(75)		(150)
Proceeds from bank loans		-		-	-		8,000
Repayment of bank loans		-		(406)	(13,021)		(1,344)
		790		85,716	34,999		95,394
Investing activities							
Mineral property, plant and equipment expenditures		(2,679)		(3,006)	(8,687)		(11,644)
Investment and non-producing property expenditures		(434)		(492)	(988)		(869)
Acquisition of net assets of subsidiary (note 3)		(36,214)		-	(36,214)		-
Acquisition of cash of subsidiary		-		-	-		2,393
Proceeds from sale of assets		-		165	3,583		165
Proceeds from sale of marketable securities		2,007		-	12,463		-
Other		-		(180)	(2,000)		(60)
		(37,320)		(3,513)	(31,843)		(10,015)
(Decrease) increase in cash and cash equivalents during the period		(36,117)		81,701	3,671		82,654
Cash and cash equivalents, beginning of period		53,979		11,138	14,191		10,185
Cash and cash equivalents, end of period	$	17,862	$	92,839	$ 17,862	$	92,839
Supplemental disclosure of non-cash financing and investing activities							
Shares issued for compensation	$	-	$	-	$ 245	$	-
Shares issued for acquisition of subsidiary		-		-	-		64,228
Shares issued for conversion of convertible debentures		-		-	88,848		-

See accompanying notes to consolidated financial statements

PAN AMERICAN SILVER CORP.

Consolidated Statements of Shareholders' Equity For the nine months ended September 30, 2004

(Unaudited - in thousands of US dollars, except for shares)

	Common shares		Convertible	Additional Paid in		
	Shares	Amount	Debentures	Capital	Deficit	Total
Balance, December 31, 2002	43,883,454	$ 161,108	$ -	$ 1,327	$ (106,943)	$ 55,492
Stock-based compensation	-	-	-	2,871	-	2,871
Exercise of stock options	1,385,502	9,312	-	(1,471)	-	7,841
Exercise of share purchase warrants	100,943	509	-	-	-	509
Issued on acquisition of Corner Bay Silver Inc.	7,636,659	54,203	-	-	-	54,203
Fair value of stock options granted	-	-	-	1,136	-	1,136
Fair value of share purchase warrants	-	-	-	8,889	-	8,889
Issue of convertible debentures	-	-	63,201	-	-	63,201
Accretion of convertible debentures	-	-	3,534	-	(3,534)	-
Convertible debentures issue costs	-	-	-	-	(3,272)	(3,272)
Issued as compensation	3,293	22	-	-	-	22
Net loss for the year	-	-	-	-	(6,794)	(6,794)
Balance, December 31, 2003	53,009,851	225,154	66,735	12,752	(120,543)	184,098
Stock-based compensation	-	-	-	1,642	-	1,642
Exercise of stock options	717,695	9,313	-	(4,415)	-	4,898
Exercise of share purchase warrants	540,026	2,024	-	(105)	-	1,919
Shares issued for cash	3,333,333	55,000	-	-	-	55,000
Shares issue costs	-	(180)	-	-	-	(180)
Shares issued on conversion of convertible debentures	9,135,043	88,848	(68,883)	-	(8,464)	11,501
Issued as compensation	16,624	245	-	-	-	245
Accretion of convertible debentures	-	-	2,849	-	(2,849)	-
Net income for the period	-	-	-	-	4,210	4,210
Balance, September 30, 2004	66,752,572	$ 380,404	$ 701	$ 9,874	$ (127,646)	$ 263,333

See accompanying notes to consolidated financial statements

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Pan American Silver Corp.

Notes to consolidated financial statements

As at September 30, 2004 and 2003 and for the three and nine month periods then ended

(Tabular amounts are in thousands of US dollars, except for shares, price per share and per share amounts (Unaudited)

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Pan American Silver Corp (the "Company") is engaged in silver mining and related activities, including exploration, extraction, processing, refining and reclamation. The Company has mining operations in Peru, Mexico and Bolivia, project development activities in Argentina, Mexico and Bolivia, and exploration activities in South America.

The Company completed the acquisition of the Morococha mining assets in central Peru (Note 3) with the effective date July 1, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements are expressed in United States dollars and are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which are more fully described in the annual audited consolidated financial statements for the year ended December 31, 2003 which is included in the Company s 2003 Annual Report. These statements do not include all of the disclosures required by Canadian GAAP for annual financial statements. Certain comparative figures have been reclassified to conform to the current presentation.

In management s opinion, all adjustments necessary for fair presentation have been included in these financial statements.

a) Stock-based compensation

During the fourth quarter 2003 the Company changed its accounting policy, retroactive to January 1, 2002, inaccordance with recommendation of CICA 3870, "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this Section, the fair value of all stock-based awards granted are estimated using the Black-Scholes model and are recorded in operations over their vesting periods. Previously, the Company used the intrinsic value method for valuing stock-based compensation awards granted to employees, directors and officers where compensation expense was recognized for the excess, if any, of the quoted market price of the Company s common shares over the common share exercise price on the day that options were granted. In addition, the Company provided note disclosure of pro forma net loss and pro forma loss per share as if the fair value based method had been used to account for share purchase options granted to employees, directors and officers after January 1, 2002.

Using the fair value method for stock-based compensation, the Company recorded an additional charge to earnings of $1,642,000 for the nine months ended September 30, 2004 (nine months ended September 30, 2003 - $2,036,000) for stock options granted to employees, directors and officers. The fair value of the stock options granted during the nine months ended September 30, 2004 was determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company s share price of 58 per cent, weighted average expected life of 3.5 years and weighted average annual risk free rate of 4.03 per cent.

b) Asset retirement obligation

During the fourth quarter of 2003, the Company changed its accounting policy on a retroactive basis with respect to accounting and reporting for obligations associated with the

Pan American Silver Corp.

Notes to consolidated financial statements

As at September 30, 2004 and 2003 and for the three and nine month periods then ended

(Tabular amounts are in thousands of US dollars, except for shares, price per share and per share amounts (Unaudited)

retirement of long-lived assets that result from the acquisition, construction, development and the normal operation of long-lived assets. The Company adopted CICA 3110 "Asset Retirement Obligations" whereby the fair value of the liability is initially recorded and the carrying value of the related asset is increased by the corresponding amount. The liability is accreted to its present value and the capitalized cost is amortized over the useful life of the related asset. The change in accounting policy did not have a significant impact on reported results of operations in any period presented.

3. ACQUISITION OF MOROCOCHA MINING ASSETS

In July 2004, the Company acquired 92.0 per cent of the voting shares (80.8 per cent equity interest) of Compania Minera Argentum S.A. ("Argentum") and 100 per cent of the voting shares of Compania Minera Natividad ("Natividad") for cash of $35,276,000. Argentum and Natividad assets comprise of the Morococha mining assets, its working capital and surrounding mineral concessions located in central Peru. The Company subsequently acquired an additional 3.0 per cent equity interest in Argentum by acquiring 25 per cent its outstanding non-voting investment shares for a cash payment of $844,000.

The acquisition was accounted for by the purchase method of accounting and the accounts of Argentum and Natividad have been consolidated from July 1, 2004, which was the date the Company acquired effective control and ownership of the assets and liabilities of the Morococha mine.

The fair value of assets and liabilities acquired and the consideration paid are summarized as follows:

Current assets, including cash of $657	$	7,945

(Tabular amounts are in thousands of US dollars, except for shares, price per share and per share amounts (Unaudited)

Plant and equipment		7,053
Mineral properties		46,158
		61,156
Less:		
Accounts payable and accrued liabilities		(3,215)
Non-controlling interest		(1,414)
Provision for asset retirement obligation and reclamation		(8,618)
Future income tax liability		(11,038)
Total purchase price	$	36,871
Consideration paid is as follow:		
Cash	$	36,120
Acquisition costs		751
	$	36,871

The final allocation of the consideration among the assets and liabilities of the Morococha Mine may vary from those shown above.

The purchase consideration for the mining assets of Argentum and Natividad exceeded the carrying value of the underlying assets for tax purposes by $28,176,000. In addition, the Company recorded a provision for future reclamation and restoration costs in amount of $8,618,000. These amounts have been applied to increase the carrying value of the mineral properties for accounting purposes. However, this did not increase the carrying value of the

underlying assets for tax purposes and resulted in a temporary difference between accounting and tax value. The resulting estimated future income tax liability associated with this temporary difference of $11,038,000 was also applied to increase the carrying value of the mineral properties.

4. MINERAL PROPERTY, PLANT AND EQUIPMENT

Mineral property, plant and equipment consist of:

	September 30, 2004			December 31, 2003		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Mineral properties						
Morococha mine, Peru	$ 9,693	$ (636)	$ 9,057	$ -	$ -	$ -
La Colorada mine, Mexico	4,153	(303)	3,850	4,153	-	4,153
Huaron mine, Peru	1	-	1	1	-	1
	13,847	(939)	12,908	4,154	-	4,154
Plant and equipment						
Morococha mine, Peru	7,053	(463)	6,590	-	-	-