PAN AMERICAN SILVER CORP
Form 6-K
March 03, 2005

FORM 6-K
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 February, 2005

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-________

February 24, 2005

PAN AMERICAN SILVER REPORTS RECORD RESULTS IN 2004

(all amounts in US Dollars unless otherwise stated)

2004 IN REVIEW

- Record silver production in 2004 - up 30% to 11.2 million ounces (8.6 million in 2003) - the tenth consecutive year of silver production growth. Fourth quarter production of 3.1 million ounces, up 48% over fourth quarter 2003.
- Record mine operating earnings of $12.9 million for the year ($2 million in 2003). Mine operating earnings of $2.8 million for the fourth quarter ($0.81 million in 2003).
- Record net earnings in 2004 of $19.9 million, including a gain on the sale of the Dukat property totaling $20.1 million and a write-off of mining equipment of $1.8 million, after tax. Excluding these items, net earnings for the year were $1.6 million ($6.8 million loss in 2003). Fourth quarter net earnings totaled $15.7 million ($2.8 million loss in 2003).
- Record consolidated revenue of $92.9 million more than doubled over 2003.
- Morococha silver mine in Peru acquired.
- Interest in Dukat sold for up to $43 million, more than recovering original investment.
- Feasibility studies advanced at Alamo Dorado in Mexico, San Vicente in Bolivia and Manantial Espejo in Argentina, leading to a positive production decision on Alamo Dorado and the acceleration of production from San Vicente for 2005. Manantial Espejo's feasibility study on track for completion later in 2005.
- Exploration success in 2004 more than replaced silver produced.
- Balance sheet improved through early conversion of $85.5 million of debentures issued in 2003; $55 million raised in new equity; profitable operation; all corporate debt retired.
- Working capital at December 31, 2004 of $115 million, including cash and short-term investments of $98 million.

FINANCIAL RESULTS (unaudited)

Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) reported net earnings of $15.7 million or $0.23 per share for the fourth quarter of 2004 versus a fourth quarter loss of $2.8 million in 2003. Earnings included a one-time gain on the sale of the Company's 20% interest in the Dukat mine in Russia for $20.1 million, partially offset by the write-down of obsolete equipment of $1.8 million, after tax. Excluding these items, there was a loss of $2.7 million in the quarter, due primarily to the first-time payment of Peruvian income taxes totaling $2.8 million as well as mandatory employee profit sharing of $1.0 million. In addition, $0.6 million was accrued for royalties payable in Peru as a result of recently introduced legislation. Consolidated revenue for the quarter was $29.4 million versus $12.9 million in 2003 due to higher production levels and higher metal prices.

Consolidated silver production for the fourth quarter totaled 3.1 million ounces, a 48% increase over the fourth quarter of 2003. The increase was due primarily to the addition of silver production from the Morococha mine acquired in the third quarter and increased production from La Colorada. By-product production of zinc and copper was higher while lead production was lower than in the fourth quarter of 2003 due to the addition of zinc and copper contributions at Morococha and lower lead grades at Huaron and Quiruvilca.

Cash costs in the fourth quarter rose 17% over 2003 levels to $4.70/oz and total costs rose 27%. A number of one-time charges were incurred in the fourth quarter, including profit-sharing and bonus payments in Peru and the reclassification of certain deferred charges in Mexico. In addition, production at Morococha was adversely affected by temporary production disruptions, including a crusher breakdown and a significant workforce reduction. Production levels at Morococha have since returned to normal.

For the full year ended December 31, 2004 Pan American recorded consolidated net earnings of $19.9 million, or $2.3 million excluding the gain from the sale of Dukat and the write-down of assets. The loss in 2003 was $6.8 million, due primarily to lower production and metal prices. Consolidated revenue in 2004 was $92.9 million versus $45.1 million in 2003.

Silver production in 2004 totaled 11.2 million ounces, a 30% increase over 2003. Zinc production of 34,086 tonnes was 7% higher than in 2003, lead production was 12% lower and copper production was 9% higher. Cash costs for 2004 rose slightly to $4.25/oz while total production costs rose 15% to $5.33/oz due to the inclusion in 2004 of depreciation charges from La Colorada and Morococha. Consolidated cash costs in 2005 are expected to decline.

Capital spending in 2004 decreased to $17.0 million from $18.3 million in 2003 reflecting the completion of construction of the La Colorada mine in 2003. Capital expenditures related primarily to re-engineering expenses at Huaron, tailings dam construction at La Colorada and project development expenditures at Alamo Dorado. Working capital at December 31, 2004 improved to $114.7 million from $81.9 million at December 31, 2003 due to an increase in cash and cash equivalents, an increase in accounts receivable and inventories, and a decrease in current liabilities.

Ross Beaty, Chairman of Pan American commented that “Pan American Silver marked its tenth anniversary with its best financial and operating performance ever. We have one of the largest silver reserve and resource bases of any mining company, the strongest balance sheet in the silver industry, and the most robust pipeline of future growth projects to complement our long-life assets. Our focus in 2005 will be on reducing production costs, capitalizing on the potential of the Morococha mine and successfully commencing construction of the Alamo Dorado silver mine in Mexico, and of course, we will continue to grow. In 2005 we expect to increase annual silver production another 21% to 13.6 million ounces, and to reduce cash costs significantly.”

OPERATIONS AND DEVELOPMENT HIGHLIGHTS

MEXICO

In the fourth quarter, the **La Colorada** mine more than doubled its production from the year-earlier period to 683,526 ounces of silver. December marked the mine's sixth consecutive month of oxide production growth, culminating in record monthly production of 241,440 ounces. The oxide portion of the mine is expected to reach full production capacity early in the second quarter of 2005. However, the mine's sulphide plant remains shut down due to excess water underground. Hydrogeological studies are underway to evaluate the viability of resuming sulphide production. La Colorada's silver production for 2004 totaled 2,036,075 ounces. Cash production costs for the quarter were $5.98/oz and total costs were $7.45/oz due to high development costs as the operation converted to more selective mining to address poor ground conditions. In 2005 the mine is forecast to produce 2.9 million ounces of silver at a cash cost of $5.53/oz.

Pan American Silver will commence construction of the **Alamo Dorado** silver project in Mexico in the second quarter of this year. Capital costs for the project are estimated at $76.6 million and Pan American will fund construction from its cash on hand. Starting in 2007, Alamo Dorado is expected to produce approximately 5 million ounces of silver and 14,000 ounces of gold annually at an average cash cost of less than $3.25/oz of silver, net of gold by-product revenues.

PERU

The **Quiruvilca mine** was Pan American's most profitable operation in 2004, generating $9.5 million in operating profit. Quiruvilca produced 638,486 ounces of silver in the fourth quarter, up 3% over 2003 levels. Cash costs totaled $4.47/oz in the fourth quarter, up 11% over 2003 due to workers' profit participation and year-end bonus payments. For the year, however, the mine's cash cost fell 28% from $5.01/oz to $3.63/oz. Total costs fell from $5.18/oz to $3.88/oz on full-year production of 2.5 million ounces of silver, 11,709 tonnes of zinc, 3,803 tonnes of lead and 1,081 tonnes of copper. Successful exploration drilling more than replaced the tonnes mined in 2004. The operation is expected to produce 2.3 million ounces of silver in 2005 at a cash cost of $4.03/oz.

The acquisition of 86% of the **Morococha** silver mine in Peru was completed mid-year. In the fourth quarter the mine produced 573,514 ounces of silver, 2,812 tonnes of zinc, 1,025 tonnes of lead and 254 tonnes of copper, bringing six-month totals to 1,259,541 ounces of silver, 5,902 tonnes of zinc, 2,186 tonnes of lead and 538 tonnes of copper. Cash costs of $5.42/oz and total costs of $7.01/oz in the fourth quarter were negatively affected by mandatory employee profit sharing, a year-end bonus payment to workers, and temporary production disruptions. For the year, cash costs were $4.41/oz and total costs were $5.94/oz. Costs are expected to decline significantly in 2005 when Morococha is expected to produce 2.6 million ounces of silver at cash costs of $3.42/oz of silver. The Company also expects to invest approximately $9.6 million in mill refurbishment and development as part of a gradual expansion to 3.9 million ounces of silver production annually.

Production at the **Huaron mine** in the fourth quarter of 2004 remained unchanged at 954,000 ounces of silver while cash costs of $3.66/oz decreased 15% from $4.33/oz in the same period of 2003. Total costs declined from $5.08/oz in the fourth quarter of 2003 to $4.87/oz in 2004. For the year, production totaled 4,080,737 ounces, down 6.5% from 2003 though cash costs in 2004 remained steady at $3.90/oz while total costs rose from $4.62/oz in 2003 to $5.06/oz in 2004 due to higher depreciation charges. Drilling at Huaron was also successful in 2004, replacing the tonnage mined. In 2005 Huaron is expected to produce 4.2 million ounces of silver at a cash cost of $4.10/oz.

The **Silver Stockpile Operation** continued to generate excellent cash flow, producing 182,417 ounces of silver in the fourth quarter at a cash cost of $3.50/oz, up from $2.28/oz in the year earlier period due to the higher silver price, upon which the stockpile's operating cost is based. Beginning in the fourth quarter, the stockpiles became subject to a 33% cash flow royalty to Volcan, the Peruvian company from which Pan American purchased the operation. In 2004 the mine produced a total of 961,869 ounces of silver at cash and total costs of $2.95/oz and $3.58/oz respectively and those production rates are expected to continue in 2005.

ARGENTINA

Feasibility work continues to progress on the 50% owned **Manantial Espejo** silver-gold joint venture where permitting and environmental baseline studies are well advanced. Work completed to date indicates a combined underground and open pit operation producing a total of 3.6 million ounces of silver and 60,000 ounces of gold (100%) annually over a nine-year mine life. A 15,000 m drilling program is underway to follow up on several resource expansion targets identified in 2004. The feasibility study is expected to be completed later in 2005.

BOLIVIA

In 2004, Bolivian mining company EMUSA earned a 50% interest in the **San Vicente** project and conducted small-scale mining which contributed 313,029 ounces of silver to Pan American's production, paid as a royalty. In 2005, San Vicente will be expanded to produce 700,000 ounces of silver as Pan American's share, at a forecast cash cost of $2.23/oz.

RESERVES AND RESOURCES

Pan American drilled nearly 65,000 meters and replaced all of the tonnage mined at its operations in 2004, at a cost of $3.8 million. The Company's silver reserve and resource base remained one of the largest in the industry in 2004, despite the sale of its interest in the Dukat mine in the fourth quarter and a recalculation of Alamo Dorado's reserves based on the current mine plan. Proven and probable reserves as of December 31, 2004 totaled 147.5 million ounces. Measured and Indicated resources totaled 233.6 million ounces. Inferred resources totaled 266.2 million ounces. These levels are comparable to 2003, excluding Dukat.

SILVER MARKETS

Silver prices were volatile in 2004, ranging from a low of $5.63 to a high of $8.29 and ending the year at $6.77, a rise of 13.6% over 2003. Industrial and investment demand for silver rose strongly in the year, while jewelry demand fell by 8% due to the higher silver price and photographic demand declined modestly, resulting in a silver deficit of approximately 60 million ounces (2003 — 83 million ounces). This deficit was filled by sales of government stockpiles, mainly from China and Russia. World mine production of silver rose only 1% and production growth is expected to remain modest as depleted mines offset new production. Silver prices continue to benefit from the ongoing deficit and renewed investor interest and we are optimistic that silver prices will continue to be strong in 2005.

Pan American Silver Corp. will host a conference call on February 25, 2004 at 10:00 am Pacific Time to discuss these results. North American residents dial toll-free to 1-877-825-5811. International participants please dial 1-973-582-2767. The call may also be accessed from the home page of the Company's website at www.panamericansilver.com. It will be available for replay for one week after the call by dialing 1-877-519-4471 and using replay pin number 5652616.

For information, please contact: Brenda Radies, Vice-President Corporate Relations (604) 806-3158

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.

Financial & Operating Highlights

	Three Months ended December 31		Twelve Months ended December 31	
	2004	**2003**	**2004**	**2003**
Consolidated Financial Highlights (in thousands of US dollars)				
Net income (loss) for the period	$15,692	$(2,822)	$19,902	$(6,794)
Basic and fully diluted earnings (loss) per share	0.23	(0.05)	0.13	(0.20)
Mine operating earnings	2,766	81	12,865	2,019
Cash flow from operations before working capital adjustments	1,929	600	12,216	884
Capital spending	7,368	5,814	17,043	18,327
Exploration expense	960	955	3,838	2,543
Cash and short-term investments	98,136	89,129	98,136	89,129
Working capital	$114,655	$81,927	$114,655	$81,927
Consolidated Metal Production				
Silver metal - ounces	3,134,547	2,123,747	11,182,030	8,641,914
Zinc metal - tonnes	9,187	7,038	34,086	31,797
Lead metal - tonnes	3,740	4,154	16,694	18,990
Copper metal - tonnes	1,056	518	3,426	3,143
Consolidated Cost per Ounce of Silver (net of by-product credits)				
Total cash cost per ounce	$4.70	$4.01	$4.25	$4.09
Total production cost per ounce	$5.80	$4.57	$5.33	$4.62

(In thousands of US dollars)

Direct operating costs plus value of metals lost

in smelting and refining	$22,455	$11,431	$74,893	$47,043
By-product credits	(8,204)	(4,209)	(28,702)	(15,717)
Cash operating costs	14,251	7,222	46,191	31,326
Depreciation, amortization & reclamation	3,347	1,015	11,742	4,001
Production costs	$17,598	$8,237	$57,933	$35,327
Ounces used in cost per ounce calculations	3,031,969	1,802,845	10,869,001	7,649,772
Average Metal Prices				
Silver - London Fixing	$7.24	$5.25	$6.66	$4.88
Zinc - LME Cash Settlement per pound	$0.51	$0.42	$0.48	$0.38
Lead - LME Cash Settlement per pound	$0.43	$0.29	$0.40	$0.23
Copper - LME Cash Settlement per pound	$1.40	$0.93	$1.30	$0.81

Mine Operations Highlights	**Three Months ended December 31**		**Twelve Months ended December 31**	
Huaron Mine	**2004**	**2003**	**2004**	**2003**
Tonnes milled	154,400	144,220	635,845	605,790
Average silver grade - grams per tonne	223	235	228	251
Average zinc grade - percent	2.89%	3.49%	3.14%	3.75%
Silver - ounces	954,000	966,732	4,080,737	4,365,061
Zinc - tonnes	3,165	3,974	15,041	18,855
Lead - tonnes	1,909	2,969	10,569	14,246
Copper - tonnes	504	282	1,754	1,332

Net smelter return per tonne	$59.38	$48.33	$58.98	$45.77
Cost per tonne	38.62	44.30	40.32	41.87
Margin (loss) per tonne	$20.76	$4.03	$18.66	$3.90
Total cash cost per ounce	$3.66	$4.33	$3.90	$3.92
	$4.87	$5.08	$5.06	$4.62
(In thousands of US dollars)				
Direct operating costs plus value of metals lost				
in smelting and refining	$6,673	$6,762	$29,798	$26,821
By-product credits	(3,179)	(2,575)	(13,867)	$(9,692)
Cash operating costs	3,494	4,188	15,930	17,129
Depreciation, amortization and reclamation	1,149	725	4,720	3,047
Production costs	$4,643	$4,913	$20,651	$20,176
Ounces for cost per ounce calculations	954,000	966,732	4,080,737	4,365,061

Quiruvilca Mine

Tonnes milled	96,647	89,894	381,237	442,093
Average silver grade - grams per tonne	234	241	235	201
Average zinc grade - percent	3.31%	3.83%	3.57%	3.30%
Silver - ounces	638,486	618,133	2,530,869	2,493,908
Zinc - tonnes	2,714	2,984	11,709	12,509
Lead - tonnes	805	1,095	3,803	4,361
Copper - tonnes	280	236	1,081	1,811
Net smelter return per tonne	$67.50	$49.86	$64.02	$37.24
Cost per tonne	50.98	40.30	45.00	39.20
Margin (loss) per tonne	$16.53	$9.56	$19.02	$(1.96)
Total cash cost per ounce	$4.57	$4.11	$3.63	$5.01
Total production cost per ounce	$4.83	$4.34	$3.88	$5.18
(In thousands of US dollars)				
Direct operating costs plus value of metals lost				
in smelting and refining	$5,395	$4,172	$18,762	$18,522
By-product credits	(2,475)	(1,634)	(9,586)	(6,025)
Cash operating costs	2,920	2,538	9,175	12,498
Depreciation, amortization and reclamation	162	143	650	431

Production costs	$3,082	$2,681	$9,825	$12,928
Ounces for cost per ounce calculations	638,486	618,133	2,530,869	2,493,908

7

	Three Months ended December 31				Twelve Months ended December 31			
Morococha Mine*	**2004**		**2003**		**2004**		**2003**	
Tonnes milled	99,591			-	212,172			-
Average silver grade - grams per tonne	213			-	221			-
Average zinc grade - percent	3.85%			-	3.76%			-
Silver - ounces	573,514			-	1,259,451			-
Zinc - tonnes	2,812			-	5,902			-
Lead - tonnes	1,025			-	2,186			-
Copper - tonnes	254			-	538			-
Net smelter return per tonne	$58.73		$	-	$55.89		$	-
Cost per tonne	$50.10			-	42.03			-
Margin (loss) per tonne	$8.63		$	-	$13.86		$	-
Total cash cost per ounce	$5.42		$	-	$4.41		$	-
Total production cost per ounce	$7.01		$	-	$5.94		$	-

(In thousands of US dollars)				
Direct operating costs plus value of metals lost				
in smelting and refining	$5,422	$ -	$10,110	$ -
By-product credits	(2,313)	-	(4,552)	-
Cash operating costs	3,110	-	5,557	-
Depreciation, amortization and reclamation	911	-	1,926	-
Production costs	$4,020	$ -	$7,483	$ -
Ounces for cost per ounce calculations	573,514	-	1,259,451	-

* Production and cost figures are for Pan American's share only. Pan American's ownership increased from 84% to 86% during the quarter, and from 81% to 86% during the year.

La Colorada Mine

Tonnes milled	44,945	41,195	171,155	99,115
Average silver grade - grams per tonne	579	409	489	435
Silver - ounces	683,526	320,902	2,036,075	992,142
Zinc - tonnes	-	80	122	433
Lead - tonnes	-	90	136	383
Total cash cost per ounce	$5.98	$ -	$6.23	$ -
Total production cost per ounce	$7.45	$ -	$8.12	$ -
(In thousands of US dollars)				
Direct operating costs plus value of metals lost				
in smelting and refining	$4,326	$ -	$13,388	$ -
By-product credits	(237)		(696)	
Cash operating costs	4,089	-	12,692	-
Depreciation, amortization and reclamation	1,007	-	3,836	-
Production costs	$5,096	$ -	$16,528	$ -