PAN AMERICAN SILVER CORP
Form 6-K
July 29, 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 July, 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-________

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pan American Silver Corp

(Registrant)

By:/s/ Geoff Burns

(Signature)

Geoff Burns, President and CEO

Date: July 28, 2005

Geoff Burns, President and CEO

July 28, 2005

PAN AMERICAN SILVER REPORTS IMPROVED RESULTS IN SECOND QUARTER

(all amounts in US Dollars unless otherwise stated)

SECOND QUARTER HIGHLIGHTS

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Silver production increased 24% over second quarter 2004 to 3.1 million ounces.

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Cash production cost of $4.48/oz in second quarter increased over 2004 ($4.09/oz), but decreased over first quarter.

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Cash flow from operations before changes in non-cash working capital increased 73% to $3.5 million versus $2.0 million in 2004.

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Mine operating earnings grew 27% to $3.1 million versus $2.4 million in 2004.

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Consolidated revenue of $23.9 million increased 14% over second quarter 2004.

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Net earnings for the quarter were $24,000 versus $1.3 million in 2004.

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Significantly increased reserves and resources at Morococha.

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Plan approved to resume sulphide production at La Colorada.

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San Vicente agreement signed; mining restarts; mill production deferred until 2006.

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Alamo Dorado construction on schedule and on budget.

FINANCIAL RESULTS

Pan American Silver Corp. s (NASDAQ: PAAS; TSX: PAA) consolidated revenue for the second quarter of 2005 was $23.9 million, a 14% increase over 2004 due to the addition of production from the Morococha mine in Peru acquired in the third quarter of 2004. Cash flow from operations before changes in working capital totaled $3.5 million versus $2.0 million in 2004 due to increased silver and base metal production and higher realized silver prices. Mine operating earnings in the quarter increased to $3.1 million from $2.4 million in the year-earlier period, due to the contribution of earnings from Morococha and improved production at La Colorada.

While consolidated cash production costs increased 10% over the second quarter of 2004, they declined slightly from the first quarter of 2005. All operations continue to be affected by higher energy and labour costs. However, expected increases in silver production at Quiruvilca and Huaron should help reduce unit costs over the remainder of the year.

Pan American recorded net earnings of $24,000 in the second quarter versus net earnings of $1.3 million in the corresponding period of 2004. The addition of good earnings from the Morococha mine was more than offset by three factors not present in the corresponding period of 2004: First, charges for Peruvian income taxes, Workers Participation costs and the 1% net smelter royalty tax totaling $1.5 million; second, higher energy and labour costs which increased unit production costs; and third, a decreased contribution from the low-cost silver stockpile operation.

Consolidated silver production in the second quarter totaled 3,088,667 ounces, a 24% increase over the second quarter of 2004, due primarily to the addition of production from the

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Morococha mine and increased production at the La Colorada mine in Mexico, offset by lower production at the Silver Stockpiles and Huaron. Zinc production in the quarter increased 26% over 2004 levels to 9,246 tonnes due to the addition of production from Morococha, while lead production dropped 12% to 3,703 tonnes due to lower grades at Huaron and Quiruvilca. Copper production rose 60% to 1,051 tonnes due to the addition of production from Morococha and higher copper grades at Huaron.

For the six months ended June 30, 2005, consolidated revenue totaled $51.0 million, a 41% increase over the first six months of 2004, due primarily to increased production and increased realized silver prices. In the first six months, the Company s net loss totaled $2.9 million, versus net earnings of $0.9 million in the year-earlier period.

Consolidated silver production in the first half of 2005 totaled 6,084,369 ounces, a 25% increase over the first half of 2004. Zinc production in the half also climbed 25% to 18,117 tonnes, while lead production decreased 9% to 7,378 tonnes and copper production rose 56% to 1,978 tonnes.

At June 30, 2005 working capital was $96.6 million, including cash and short-term investments of $78.9 million. Working capital is $9.7 million less than at March 31, 2005 due primarily to expenditures on the construction of the Alamo Dorado silver project in Mexico.

Geoff Burns, President and CEO of Pan American Silver stated that This was a solid quarter. We increased silver production 24%, we generated tremendous exploration success and we made excellent progress on the building of our next mine, Alamo Dorado, which is gearing up exactly according to plan. I am pleased with the exceptional performances at Morococha and La Colorada, but we still have work to do at Huaron.

<u>OPERATIONS AND DEVELOPMENT HIGHLIGHTS</u>

PERU

The **Morococha** mine (87% owned) recorded an excellent quarter and produced 691,612 net ounces of silver at a cash cost of $2.78/oz. Increased throughput, higher ore grades and better metal recoveries all contributed to the outstanding performance. Much of the Company s exploration drilling in the second quarter was focused on Morococha in order to exploit the mine s significant long-term potential. To date this year, 14,000 meters of drilling have added 1.23 million tonnes grading 170 g/tonne silver in new proven and probable mineral reserves, containing an additional 6.4 million ounces of silver. Total proven and probable mineral reserves at Morococha now stand at 3.3 million tonnes grading 207 g/tonne silver, for 21.9 million contained ounces of silver (19.0 million ounces Pan American s share). The mine also contains an additional 11 million ounces of silver in measured and indicated resources, and 71.9 million ounces in inferred resources, as announced on July 21, 2005. Further drilling in 2005 is expected to convert previously delineated resources into additional proven and probable reserves.

The **Quiruvilca** mine produced 580,999 ounces of silver in the second quarter, a 3% increase over the first quarter of 2005. Cash costs were $4.46/oz, but are expected to decrease over the remainder of the year as production rises to the forecast 2.3 million ounces. A new conveyor system has been installed on the key 340 level of the mine which is expected to increase production levels and lower unit costs.

The **Huaron** mine produced 922,643 ounces of silver in the second quarter, a 4% improvement over first-quarter levels. Cash costs rose over 2004 levels due primarily to lower zinc production caused by lower zinc grades and recovery rates in the ore currently being mined. Metallurgical testing is underway to determine how to increase zinc recoveries to historical levels. A number of production initiatives implemented in the last six months are expected to improve Huaron s performance over the remainder of the year.

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In the second quarter the **Silver Stockpile** operation sold 150,016 ounces of silver, versus 261,746 ounces in the second quarter of 2004 due to decreased demand for the ore from the Doe Run smelter in Peru. Production costs rose as a reflection of the royalty now being paid to the Peruvian company Volcan under the operation s purchase agreement.

MEXICO

The performance of the **La Colorada** mine continued to improve in the second quarter with record production of 743,397 ounces of silver, bringing its total for the year to 1,432,016 ounces. Cash costs declined to $5.39/oz from $6.82/oz in the corresponding period of 2004. Due to more selective mining methods the operation has increased production by 57% over the first half of 2004 while mining only 9% more tonnes of ore. In the second quarter the operation also completed a plan for the resumption of mining of sulphide ore, which had ceased due to excess water. Mining and stockpiling of sulphide ore will commence immediately with the restart of the sulphide processing plant scheduled for February, 2006. Mining the sulphides will add approximately 0.9 million ounces of silver annually to production at a cash cost of $2.20/oz, substantially decreasing the mine s overall unit costs.

Construction of the **Alamo Dorado** mine, which commenced in the first quarter of 2005, is on schedule and on budget. Commercial production of 5 million ounces of silver annually is expected to begin in late 2006. All critical equipment has been secured and key members of the operations team have been hired. Design work on the operation is approximately 40% complete. Construction activities are well underway, including site clearing, roadwork, the installation of temporary power and the erection of the truck maintenance and warehouse facility. During the quarter, the Company spent $5.6 million, with an additional $33.5 million expected to be spent over the remainder of 2005.

ARGENTINA

The feasibility study on the 50% owned **Manantial Espejo** joint venture in Argentina continues to progress and remains on target for completion in the fourth quarter. Exploration and infill drilling programs completed in the first half of the year have allowed for the refinement of mining methods and have significantly increased the joint venture s confidence in the overall resource estimate, but have not materially increased the project resources as stated at December 31, 2004. The project is expected to produce in excess of 3.7 million ounces of silver and 56,000 ounces of gold annually. As part of the completion of the feasibility study, capital and operating cost estimates are being reviewed to identify opportunities to optimize project economics, including the negotiation of power and infrastructure programs with the Argentine government. An Environmental Impact Study is also underway to secure the necessary mine development permits.

BOLIVIA

During the second quarter, Pan American finalized agreements outstanding with state mining company Comibol and as a result is now planning to refurbish the existing Vetillas mill at San Vicente rather than toll milling at another facility. The refurbishment of the Vetillas mill will allow production at San Vicente to increase to approximately 2.6 million ounces of silver annually, reducing operating costs and improving profitability. Pan American began stockpiling ore in July in anticipation of commencing operations in the first quarter of 2006. Consequently, the 735,000 ounces originally forecast to be produced this year have been deferred until 2006. Pan American now estimates production for 2005 to be 12.5 million ounces of silver versus the 13.6 million ounces forecast in January, but much of this shortfall will be made up with higher production in 2006.

SILVER MARKETS

The silver price remained volatile in the second quarter, ranging from a low of $6.85/oz to a high of $7.53/oz, although it opened and closed at $7.10/oz, near its average for the quarter of $7.16/oz. The 2005 World Silver Survey, released in May by Gold Fields Mineral Services, continued to support a bullish case for higher silver prices, citing strong physical off take for industrial applications and jewelry against declining scrap supply and government sales. However, the dominant driver for the price increases sustained since 2003 has been investment demand for silver. According to GFMS, investors are once again viewing silver as a viable asset class and the trend toward buying silver as a commodity is expected to remain strong, likely bolstered by the announcement that an Exchange Traded Fund in silver is being launched by Barclays. A summary of the Survey is available on the homepage of Pan American s website at www.panamericansilver.com.

Pan American will host a conference call to discuss the results today at 8:30 am Pacific time. 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 6258416.

For More 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.

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Financial & Operating Highlights

	Three months ended June 30 2005	Three months ended June 30 2004	Six months ended June 30 2005	Six months ended June 30 2004
Consolidated Financial Highlights (in thousands of US dollars)				
(Unaudited)				
Net income (loss) for the period	$ 24	$ 1,287	$ (2,864)	$ 921
Income/(Loss) per share	$ 0.00	$ (0.12)	$ (0.04)	$ (0.17)
Cash flow from (used by) operations	$ 1,348	$ 495	$ 4,080	$ 102
Capital spending	$ 14,090	$ 2,983	$ 24,093	$ 6,562
Exploration expenses	$ 885	$ 1,137	$ 2,309	$ 1,665
Cash and short-term investments	$ 78,941	$ 98,136	$ 78,941	$ 98,136
Working capital	$ 96,648	$ 114,655	$ 96,648	$ 114,655
Consolidated Ore Milled & Metals Recovered to Concentrate				
Tonnes milled	418,422	307,096	815,015	602,563
Silver metal - ounces	3,088,667	2,495,798	6,084,369	4,884,636
Zinc metal - tonnes	9,246	7,349	18,117	14,522
Lead metal - tonnes	3,703	4,198	7,378	8,089
Copper metal - tonnes	1,051	656	1,978	1,270
Consolidated Cost per Ounce of Silver (net of by-product credits)				
Total cash cost per ounce	$ 4.48	$ 4.09	$ 4.50	$ 3.94
Total production cost per ounce	$ 5.83	$ 5.14	$ 5.83	$ 5.05
In thousands of US dollars				
Direct operating costs, royalties, treatment and refining charges	$ 29,954	$ 20,032	$ 58,786	$ 39,382
By-product credits	(17,273)	(11,277)	(33,835)	(22,678)
Cash operating costs	12,681	8,755	24,951	16,704

Depreciation, amortization & reclamation	3,823	2,256	7,393	4,708
Production costs	$ 16,504	$ 11,010	$ 32,344	$ 21,412
Payable ounces of silver (used in cost per ounce calculations)	2,831,511	2,142,515	5,549,584	4,243,810
Average Metal Prices				
Silver - London Fixing	$ 7.16	$ 6.25	$ 7.06	$ 6.47
Zinc - LME Cash Settlement per pound	$ 0.58	$ 0.47	$ 0.59	$ 0.48
Lead - LME Cash Settlement per pound	$ 0.45	$ 0.37	$ 0.45	$ 0.38
Copper - LME Cash Settlement per pound	$ 1.54	$ 1.26	$ 1.51	$ 1.25

Mine Operations Highlights

	Three months ended June 30		Six months ended June 30	
	2005	**2004**	**2005**	**2004**
Huaron Mine				
Tonnes milled	159,219	166,675	305,229	314,480
Average silver grade - grams per tonne	212	233	215	231
Average zinc grade	2.88%	3.29%	2.95%	3.28%
Silver ounces	922,643	1,100,072	1,806,790	2,063,788
Zinc tonnes	3,065	4,225	6,244	8,020
Lead tonnes	1,621	3,175	3,525	5,845
Copper tonnes	496	372	877	759
Total cash cost per ounce	$ 5.24	$ 3.77	$ 4.99	$ 3.92
Total production cost per ounce	$ 6.45	$ 4.99	$ 6.19	$ 5.15
In thousands of US dollars				
Direct operating costs, royalties, treatments and refining charges	$ 10,754	$ 10,823	$ 21,000	$ 20,970
By-product credits	(6,366)	(7,030)	(12,806)	(13,563)
Cash operating costs	4,388	3,793	8,194	7,407
Depreciation, amortization and reclamation	1,018	1,232	1,962	2,337
Production costs	$ 5,406	$ 5,025	$ 10,156	$ 9,744
Payable ounces of silver (used in cost per ounce calculation)	837,864	1,066,816	1,640,658	1,890,662
Quiruvilca Mine				
Tonnes milled	90,328	93,745	180,253	185,965
Average silver grade - grams per tonne	229	237	226	236
Average zinc grade	3.06%	3.53%	3.13%	3.76%
Silver - ounces	580,999	621,311	1,144,386	1,238,201
Zinc - tonnes	2,323	2,850	4,774	6,075
Lead - tonnes	668	977	1,349	2,108
Copper - tonnes	321	267	643	490

Total cash cost per ounce	$ 4.46	$ 3.74	$ 4.34	$ 3.35
Total production cost per ounce	$ 5.00	$ 4.02	$ 4.88	$ 3.63
In thousands of US dollars				
Direct operating costs, royalties, treatments and				
and refining charges	$ 6,670	$ 6,173	$ 13,338	$ 12,384
By-product credits	(4,252)	(4,015)	(8,717)	(8,531)
Cash operating costs	2,418	2,158	4,621	3,853
Depreciation, amortization and reclamation	292	162	583	325
Production costs	$ 2,710	$ 2,320	$ 5,204	$ 4,178
Payable ounces of silver (used in cost per ounce calculation)	541,793	577,264	1,065,874	1,149,619

	Three months ended June 30				Six months ended June 30			
	2005		2004		2005		2004	
Morococha Mine*								
Tonnes milled	116,542		N/A		227,070		N/A	
Average silver grade - grams per tonne	218		N/A		220		N/A	
Average zinc grade	4.27%		N/A		4.17%		N/A	
Silver - ounces	691,612		N/A		1,345,147		N/A	
Zinc - tonnes	3,857		N/A		7,099		N/A	
Lead - tonnes	1,414		N/A		2,504		N/A	
Copper - tonnes	234		N/A		458		N/A	
Total cash cost per ounce	$	2.78	$	N/A	$	3.25	$	N/A
Total production cost per ounce	$	4.49	$	N/A	$	4.98	$	N/A
In thousands of US dollars								
Direct operating costs, royalties, treatments and								
and refining charges	$ 8,074		$	N/A	$ 15,626		$	N/A
By-product credits	(6,334)		N/A		(11,679)		N/A	
Cash operating costs	1,740			N/A	3,947			N/A
Depreciation, amortization, reclamation	1,071		N/A		2,102		N/A	
Production costs	$ 2,811		$	N/A	$ 6,049		$	N/A
Payable ounces of silver (used in cost per ounce calculations)	626,139		N/A		1,213,823		N/A	

*The company acquired the Morococha Mine on July 1, 2004. Production costs and other amounts are for Pan American s share only. Pan American s share increased from 86% to 87% during the quarter

La Colorada Mine

	2005 (three months)	2004 (three months)	2005 (six months)	2004 (six months)
Tonnes milled	52,333	38,347	99,463	91,389
Average silver grade - grams per tonne	556	480	553	437

Silver - ounces	743,397	415,828	1,432,016	910,590
Zinc - tonnes		34		122
Lead - tonnes		46		136
Total cash cost per ounce	$ 5.39	$ 6.82	$ 5.48	$ 6.09
Total production cost per ounce	$ 7.34	$ 8.92	$ 7.40	$ 8.38
In thousands of US dollars				
Direct operating costs, royalties, treatments and				
and refining charges	$ 4,319	$ 3,027	$ 8,466	$ 6,007
By-product credits	(321)	(232)	(636)	(585)
Cash operating costs	3,998	2,795	7,830	5,422
Depreciation, amortization, reclamation	1,443	861	2,747	2,047
Production costs	$ 5,441	$ 3,656	$ 10,577	$