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PAN AMERICAN SILVER CORP
Form 6-K
March 11, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16

UNDER
THE SECURITIES EXCHANGE ACT OF 1934

DATED MARCH 10, 2003

Commission File Number 000-13727

PAN AMERICAN SILVER CORP.

(Registrant's name)

SUITE 1500, 625 HOWE STREET
VANCOUVER, BRITISH COLUMBIA, CANADA V6C 2T6

(Address of principal executive offices)

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

Form 20-F []

Form 40-F [X]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): []

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): []

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant 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-_____

=====

SIGNATURE

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

Date: March 10, 2003
PAN AMERICAN SILVER CORP.

By:
/s/ Ross Beaty

Ross Beaty
Chairman and C.E.O.

[PAN AMERICAN SILVER CORP. LOGO]

[LOGO]

Pan American will host a conference call on Tuesday March 11th at 9:00 a.m. Pacific time (12 p.m. Eastern time) to discuss financial and operational results, give project updates, and answer questions. To listen to the call live, dial 1-416-695-5806. To listen to a playback of the call after it has ended, dial 1-416-695-5800 and enter the pass code 1379677. This option will be available for 2 weeks after the call. The conference call will also be broadcast live and archived for later playback on the Internet at [HTTP://WWW.Q1234.COM](http://WWW.Q1234.COM).

10 March 2003

PAN AMERICAN SILVER CORP. REPORTS YEAR-END AND FOURTH QUARTER RESULTS

Vancouver, British Columbia - Pan American Silver Corp. (NASDAQ: PAAS; TSX: PAA) today reported its financial results for the fourth quarter and the year 2002. All amounts are expressed in U.S. dollars. Revenue for the fourth quarter was \$12.1 million, an 11 percent increase over that of 2001. Revenue for the year was \$45.1 million, 21 per cent greater than for 2001 due to a full year's operations from the company's Huaron mine in Peru. Full-year silver production was 7.8 million ounces, 12 percent higher than in 2001.

During the fourth quarter, Pan American recorded an unusual charge of \$12.1 million against the operations of the Quiruvilca mine, resulting in a net loss for the quarter of \$13.7 million or \$0.32 per share. The unusual charge follows the company's \$15.1 million write-down in the third quarter of the Quiruvilca mine's carrying value and an assessment of the long-term mine reclamation cost. The net loss for the year was \$33.7 million \$(0.80 per share) including the

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total \$27.2 million Quiruvilca mine write-down and reclamation charge. The fourth quarter charge consisted of a \$10 million non-cash provision for future reclamation costs, a \$1.8 million non-cash provision against the carrying value of the mine's supplies inventory and \$0.29 million of mine development costs incurred in the fourth quarter. All future expenditures at Quiruvilca will be expensed as incurred. Operations at Quiruvilca have been severely affected by record low metal prices since late 2000, particularly zinc. The mine continues to operate, and in fact has operated better than expected to date in 2003.

Excluding the unusual charge, the net loss for the fourth quarter was \$1.6 million or \$0.04 per share (2001 - net loss of \$4.4 million or \$0.12 per share). The improvement stems mainly from good results at the Huaron mine, where metal production was higher and costs lower than in the fourth quarter of 2001. Consolidated production for the quarter was 2.0 million ounces of silver, 9,555 tonnes of zinc, 5,214 tonnes of lead and 742 tonnes of copper.

Mining operations contributed \$1.9 million during the year, a \$5.2 million improvement from 2001 when mining operations lost \$3.3 million. The mining contribution in the fourth quarter was \$0.4 million (2001 - lost \$1.2 million). Capital spending totaled \$10.9 million, primarily on the La Colorada mine expansion. Financing activities, net of \$3.3 million in debt repayments during the year, generated \$18.5 million. Cash at year-end was \$10.2 million. At December 31, the company had spent and committed \$10.1 million of the \$20 million La Colorada capital budget and the balance of the expansion costs will be funded from a \$10 million loan from the IFC, a member of the World Bank group, the first tranche of which was drawn down on March 7, 2003. This project is proceeding on schedule and within budget and should be completed by July. At year-end, long-term debt was \$3.9 million (2001 - \$5 million).

Pan American's CEO Ross Beaty, said, "Pan American had another tough financial year in 2002 due to continued very low metal prices, but I am optimistic that we will have much better results in 2003 as we grow into a larger and stronger company. We have taken the difficult decision to reflect in our 2002 results our worst-case financial exposure regarding the Quiruvilca mine even though we expect metal prices and therefore Quiruvilca's results to improve in the future. We began construction of La Colorada and this

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should be our most profitable mine when it opens to full-scale production in July. Huaron had an excellent performance in 2002 and we added a new source of cash flow from the Peru silver stockpiles operation late in the year. We added major growth projects at Manantial Espejo in Argentina, and early in 2003, at Alamo Dorado in Mexico following our acquisition of Corner Bay Silver. So I am very excited about our growth ahead, and with it our ability to improve our financial results this year."

In Peru, the company increased its silver operations to three, with the November addition of a small but very profitable silver stockpile operation that is expected to produce about 0.5 million ounces annually at a cash cost of less than \$2 per ounce for the next ten years. At the Huaron mine, silver production increased to 4.5 million ounces in 2002 from 2.9 million ounces in 2001. In December a 10 percent mine expansion began at Huaron due to excellent exploration results in the year, and planned production in 2003 is 4.9 million ounces of silver. At the Quiruvilca mine, production in 2003 is planned at 2.7 million ounces of silver. Half of Quiruvilca's planned zinc production for 2003 has been hedged at higher-than-current prices and operations so far this year

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are much improved from the previous quarter.

In Mexico, Pan American began construction in July of the \$20 million project that will expand production at the La Colorada mine to 3.8 million ounces annually by mid-2003. Silver production for 2002 was 0.6 million ounces and planned production for 2003 is 2.3 million ounces. In June, the company agreed to acquire Corner Bay Silver in a merger that closed on February 20, 2003. Corner Bay's main asset was the 77 million ounce Alamo Dorado silver project and Pan American plans to complete a revised feasibility study on the deposit by mid-2003, and then proceed with production financing and construction as soon as possible on this promising project.

Elsewhere, Pan American has interests in four other growth projects that were all advanced during 2002. In Bolivia, the San Vicente mine produced 1.1 million ounces of silver under a toll-milling agreement with a Bolivian company, and Pan American anticipates advancing the property in 2003 towards a feasibility study. In Argentina, the 50 percent owned Manantial Espejo property generated very good exploration drilling results during the year, and plans for 2003 are to undertake an underground tunneling and drilling program on the property leading to a feasibility study in 2004. In Peru, the Tres Cruces gold project near Quiruvilca was reactivated during the year as a result of the large nearby Alto Chicama gold discovery by Barrick Gold, and higher gold prices. In 2003, Barrick will be exploring Tres Cruces and the company's Los Angeles gold property, also adjacent to Quiruvilca. Finally, in Russia, the 20 percent owned Dukat mine was reported to have opened in December, though no silver sales were made and it is uncertain as to when they will commence.

Mr. Beaty concluded, "Pan American now has four silver operations and several outstanding growth projects. In 2003 the company's silver production is expected to grow to 10.3 million ounces. While the silver price only rose modestly in 2002 relative to gold, it outperformed most base metal prices - an affirmation of silver's dual role as a precious and industrial metal. The outlook is good for higher metal prices in 2003 and, with our rising production base, this will immediately translate to improved financial results for our shareholders. We are solidly on track to become the world's purest large silver producer in the near future and the pre-eminent silver mining investment equity."

- End -

Ross J. Beaty, Chairman or Rosie Moore, VP Corporate Relations 604-684-1175

CAUTIONARY NOTE

SOME OF THE STATEMENTS IN THIS NEWS RELEASE ARE FORWARD-LOOKING STATEMENTS AND AS SUCH ARE BASED ON AN ASSUMED SET OF ECONOMIC CONDITIONS AND COURSES OF ACTION. THESE INCLUDE 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. THERE IS A SIGNIFICANT RISK THAT ACTUAL RESULTS WILL VARY, PERHAPS MATERIALLY, FROM RESULTS PROJECTED 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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2002 YEAR END AND FOURTH QUARTER HIGHLIGHTS

	THREE MONTHS ENDED	
	DECEMBER 31,	
	2002	2001
FINANCIAL HIGHLIGHTS (IN THOUSANDS OF US DOLLARS, EXCEPT PER SHARE AMOUNTS)		
Net income (loss)	\$(13,721)	\$(4,388)
Earnings (loss) per share	(0.32)	(0.12)
Net income (loss) before unusual items	(1,632)	(4,388)
Earnings (loss) per share before unusual items	(0.04)	(0.12)
Contribution from mining operations	379	(1,230)
Capital spending	5,005	847
Exploration expense	629	454
Cash	10,185	3,331
Working capital	\$2,399	\$(73)
 ORE MILLED, METALS RECOVERED TO CONCENTRATE, AND COST PER OUNCE PRODUCED		
HUARON MINE		
Tonnes Milled	156,305	137,139
Silver - ounces	1,134,902	1,088,183
Zinc - tonnes	5,456	4,239
Lead - tonnes	3,731	2,718
Copper -- tonnes	406	447
Total cash cost per ounce	\$3.70	\$3.93
Total production cost per ounce	\$4.22	\$4.31
 QUIRUVILCA MINE		
Tonnes Milled	119,098	136,593
Silver -- ounces	576,163	771,971
Zinc -- tonnes	3,998	5,018
Lead -- tonnes	1,398	1,915
Copper -- tonnes	336	326
Total cash cost per ounce	\$5.51	\$4.82
Total production cost per ounce	\$6.24	\$5.85
 LA COLORADA MINE		
Tonnes Milled	13,528	13,819
Silver -- ounces	197,263	227,481
Zinc -- tonnes	101	140
Lead -- tonnes	85	129
Total cash cost per ounce	--	\$5.02
Total production cost per ounce	--	\$5.78
 PYRITE STOCKPILE SALES		
Tonnes Sold	9,018	--
Silver -- ounces	101,459	--
Total cash cost per ounce	\$1.50	--
Total production cost per ounce	\$2.13	--
 CONSOLIDATED PRODUCTION		
Tonnes milled	297,949	287,551
Silver -- ounces	2,009,787	2,087,635
Zinc -- tonnes	9,555	9,397
Lead -- tonnes	5,214	4,762
Copper -- tonnes	742	773

REALIZED METALS PRICES

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Silver -- per ounce (note)	\$4.20	\$3.99
Zinc -- per pound	\$0.35	\$0.36
Lead -- per pound	\$0.20	\$0.22
Copper -- per pound (note)	\$0.62	\$0.57
Note -- Pan American pays a refining charge for silver and copper		
CONSOLIDATED COST PER OUNCE OF SILVER NET OF BY-PRODUCT CREDITS)		
Total cash cost per ounce	\$4.15	\$4.38
Total production cost per ounce	\$4.74	\$5.04

3

PAN AMERICAN SILVER CORP.
Consolidated Balance Sheets
(Unaudited - in thousands of U.S. dollars)

	DECEMBER 31 2002	DECEMBER 31 2001
	-----	-----
ASSETS		
Current		
Cash and cash equivalents	\$ 10,185	\$ 3,331
Short-term investments	13	513
Accounts receivable	4,598	6,037
Inventories	4,637	4,655
Prepaid expenses	3,197	6,534
	-----	-----
Total Current Assets	22,630	21,070
Mineral property, plant and equipment, net	59,447	66,659
Investment and other properties	4,193	1,785
Direct smelting ore	4,303	--
Other	4,393	2,003
	-----	-----
Total Assets	\$ 94,966	\$ 91,517
	=====	=====
LIABILITIES		
Current		
Operating line of credit	\$ 125	\$ 1,390
Accounts payable and accrued liabilities	15,227	12,283
Advances for metal shipments	2,158	4,071
Current portion of bank loans and capital leases	1,638	2,209
Current portion of severance indemnity and commitments	953	547
Current portion of deferred revenue	130	643
	-----	-----
Total Current Liabilities	20,231	21,143
Deferred revenue	923	1,850
Bank loans and capital leases	3,942	5,010
Provision for reclamation	12,971	2,112
Severance indemnity and commitments	1,407	2,525
	-----	-----
Total Liabilities	39,474	32,640
	-----	-----
SHAREHOLDERS' EQUITY		

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Share capital		
Authorized:		
100,000,000 common shares of no par value		
Issued:		
December 31, 2001 - 37,628,234 common shares	161,024	130,723
December 31, 2002 - 43,883,454 common shares	1,092	1,120
Additional paid in capital	(106,624)	(72,966)
Deficit		
Total Shareholders' Equity	55,492	58,877
Total Liabilities and Shareholders' Equity	\$ 94,966	\$ 91,517

4

PAN AMERICAN SILVER CORP.
Consolidated Statements of Operations and Deficit
(Unaudited - in thousands of U.S. dollars,
except for shares and per share amounts)

	TWELVE MONTHS ENDED DECEMBER 31		THREE MONTHS DECEMBER	
	2002	2001	2002	
REVENUE	\$ 45,093	\$ 37,296	\$ 12,084	\$
EXPENSES				
Operating	43,161	40,591	11,705	
General and administration	1,698	2,138	462	
Depreciation and amortization	4,872	4,312	692	
Reclamation	860	620	215	
Exploration	1,206	892	629	
Interest expense	988	783	223	
Write down of mineral properties and reclamation	27,218	--	12,089	
Gain on sale of land	--	(3,500)	--	
	80,003	45,836	26,015	
Loss from operations	(34,910)	(8,540)	(13,931)	
Other income (expenses)	1,252	463	210	
Net income (loss) for the period	(33,658)	(8,077)	(13,721)	
Deficit, beginning of period	(72,966)	(64,889)	(92,903)	
Deficit, end of period	\$ (106,624)	\$ (72,966)	\$ (106,624)	\$
Loss per share	\$ (0.80)	\$ (0.22)	\$ (0.32)	\$
Weighted average shares outstanding	41,849,413	36,162,815	43,308,203	3

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5

PAN AMERICAN SILVER CORP.
 Consolidated Statements of Cash Flows - Direct Method
 (Unaudited - in thousands of U.S. dollars)

	TWELVE MONTHS ENDED DECEMBER 31		THREE MONTHS ENDED
	2002	2001	2002
OPERATING ACTIVITIES			
Sales proceeds	\$ 44,015	\$ 38,176	\$ 10,629
Hedging activities	960	40	237
Interest paid	(988)	(783)	(223)
Other income and expenses	926	96	157
Products and services purchased	(42,533)	(36,759)	(11,148)
Exploration	(1,102)	(892)	(545)
General and administration	(2,020)	(1,964)	(934)
	(742)	(2,086)	(1,827)
FINANCING ACTIVITIES			
Shares issued for cash	22,821	9,789	113
Share issue costs	(962)	(340)	(6)
Proceeds from (repayment of) line of credit	(1,265)	--	(595)
Proceeds from (repayment of) bank loans	(2,060)	(5,044)	(459)
	18,534	4,405	(947)
INVESTING ACTIVITIES			
Mineral property, plant and equipment expenditures	(9,780)	(6,683)	(4,609)
Investment and other property expenditures	(1,158)	(24)	(396)
Proceeds from sale of short-term investments	--	256	--
Other	--	(81)	--
	(10,938)	(6,532)	(5,005)
Increase (decrease) in cash and cash equivalents during the period	6,854	(4,213)	(7,779)
Cash and cash equivalents, beginning of period	3,331	7,544	17,964
Cash and cash equivalents, end of period	\$ 10,185	\$ 3,331	\$ 10,185
SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS			
Exchange of land for equity in a subsidiary	\$ --	\$ 2,800	\$ --
Marketable securities acquired in land exchange	--	500	--
Lease of mining equipment	434	--	--
Warrants granted pursuant to equity financing	--	27	--
Shares issued to purchase a royalty	3,000	--	--
Shares issued to purchase a mineral property	1,250	--	--
Exchange of marketable securities for ore stockpiles	500	--	500
Shares issued to purchase ore stockpiles	4,000	--	4,000
Shares issued for compensation	253	--	--

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\$ 9,437 \$ 3,327 \$ 4,500
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6

PAN AMERICAN SILVER CORP.
 Consolidated Statements of Cash Flows - Indirect Method
 (Unaudited - in thousands of U.S. dollars)

	TWELVE MONTHS ENDED DECEMBER 31		THREE D
	2002	2001	2002
OPERATING ACTIVITIES			
Net income (loss) for the period	\$ (33,658)	\$ (8,077)	\$ (13,721)
Items not involving cash			
Depreciation and amortization	4,872	4,312	692
Gain on sale of assets	--	(3,523)	--
Reclamation provision	860	620	215
Write-down of mineral property	27,218	--	12,089
Operating cost provisions	(658)	529	(789)
	(1,366)	(6,139)	(1,514)
Changes in non-cash operating working capital items	624	4,053	(313)
Cash used by operations	(742)	(2,086)	(1,827)
FINANCING ACTIVITIES			
Shares issued for cash	22,759	9,789	113
Share issue costs	(962)	(340)	(6)
Changes in non-cash working capital items	62	--	--
Proceeds from (repayment of) line of credit	(1,265)	--	(595)
Proceeds from (repayment of) bank loans	(2,060)	(5,044)	(459)
	18,534	4,405	(947)
INVESTING ACTIVITIES			
Mineral property, plant and equipment expenditures	(9,612)	(6,270)	(4,843)
Investment and other property expenditures	(1,158)	(24)	(396)
Changes in non-cash working capital items	(168)	(413)	234
Proceeds from sale of short-term investments	--	256	--
Other	--	(81)	--
	(10,938)	(6,532)	(5,005)
Increase (decrease) in cash and cash equivalents for the period	6,854	(4,213)	(7,779)
Cash and cash equivalents, beginning of period	3,331	7,544	17,964
Cash and cash equivalents, end of period	\$ 10,185	\$ 3,331	\$ 10,185
SUPPLEMENTAL DISCLOSURE ON NON-CASH TRANSACTIONS			
Exchange of land equity in a subsidiary	\$ --	\$ 2,800	\$ --

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Marketable securities acquired in land exchange	--	500	--
Lease of mining equipment	434	--	--
Warrants granted pursuant to equity financing	--	27	--
Shares issued to purchase a royalty	3,000	--	--
Shares issued to purchase a mineral property	1,250	--	--
Exchange of marketable securities for ore stockpiles	500	--	500
Shares issued to purchase ore stockpiles	4,000	--	4,000
Shares issued for compensation	253	--	--
	-----	-----	-----
	\$ 9,437	\$ 3,327	\$ 4,500
	=====	=====	=====