

PAN AMERICAN SILVER CORP
Form 6-K
March 28, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of, March 2012

Commission File Number 000-13727

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 of Form 20-F or Form 40F:

Form 20-F

Form 40-F

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):

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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):

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

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

DOCUMENTS INCLUDED AS PART OF THIS REPORT

Document

- 1 Amendment Agreement, dated February 14, 2012
- 2 Second Amendment Agreement, dated March 22, 2012

AMENDMENT AGREEMENT

February 14, 2012

WHEREAS:

- A. Pan American Silver Corp. (**Pan American**) and Minefinders Corporation Ltd. (**Minefinders**) entered into an arrangement agreement dated January 22, 2012 (the **Original Agreement**); and
- B. Pan American and Minefinders wish to amend certain terms and conditions of the Original Agreement.

Now therefore in consideration of the premises, mutual covenants and agreements contained in this Amendment Agreement, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

1. The Original Agreement, as amended hereby, shall continue in full force and effect and this Amendment Agreement shall have effect so far as practicable as if all the provisions of the Original Agreement and of this Amendment Agreement were contained in the one instrument.
2. Except as otherwise specified herein, all capitalized terms defined in the Original Agreement shall have the same meaning when used herein.
3. The words February 17, 2012 in the definition of the term **Mailing Deadline** set out in Section 1.1 of the Original Agreement are deleted in their entirety and replaced with March 2, 2012 .
4. The definition of the term **Meeting Deadline** set out in Section 1.1 of the Original Agreement is deleted in its entirety and replaced with the following:

Meeting Deadline means March 26, 2012;

5. The definition of the term **Conditional Exercise Notice** set out in Section 1.1 of the Plan of Arrangement attached as Schedule A to the Original Agreement is deleted in its entirety and replaced with the following:

Conditional Exercise Notice means a notice of exercise that is conditional upon completion of the Arrangement and that is validly given by a Minefinders Optionholder under the Minefinders 2003 Option Plan or the Minefinders 2011 Option Plan with respect to the exercise of Minefinders Options that are currently vested or vest upon a change of control pursuant to section 3.4(f) of the Minefinders 2003 Option Plan or section 6 of the Minefinders 2011 Option Plan;

6. The definition of the term **Director** set out in Section 1.1 of the Plan of Arrangement attached as Schedule A to the Original Agreement is deleted in its entirety and replaced with the following:

Director means the director appointed under section 278 of the OBCA;

7. Section 1.1 of the Plan of Arrangement attached as Schedule A to the Original Agreement is amended by adding the following definition after Section 85 Tax Election Form :

Section 85 Tax Election Information has the meaning ascribed thereto in Subsection 3.4(c);

8. The first sentence of Subsection 3.1(d) of the Plan of Arrangement attached as Schedule A to the Original Agreement is deleted in its entirety and replaced with the following:

each outstanding Minefinders Option in respect of which Minefinders Shares are not issued in accordance with Subsection 3.1(a) of this Plan of Arrangement shall be exchanged for an option (each, a **Replacement Option**) to purchase from Pan American the number of Pan American Shares equal to: (i) the Option Exchange Ratio multiplied by (ii) the number of Minefinders Shares subject to such Minefinders Option immediately prior to the Effective Time.

9. Section 3.4 of the Plan of Arrangement attached as Schedule A to the Original Agreement is deleted in its entirety and replaced with the following:

3.4 Post-Effective Time Procedures

(a) For greater certainty, no Minefinders Optionholder to whom Minefinders Shares are issuable pursuant to Subsection 3.1(a) of this Plan of Arrangement shall be required to deliver share certificates representing the Minefinders Shares issued to such former Minefinders Optionholder pursuant to Subsection 3.1(a) of this Plan of Arrangement in order to receive the Consideration to which it is entitled for such Minefinders Shares in accordance with Subsection 3.1(c) of this Plan of Arrangement and no other Minefinders Optionholder who exercises Minefinders Options prior to or at the Effective Time shall be required to deliver share certificates representing Minefinders Shares to the extent that such certificates were not issued prior to the Election Deadline and provided such other Minefinders Optionholder otherwise provides satisfactory documentation evidencing due exercise of each Minefinders Option.

(b) Following the receipt of the Final Order and prior to the Effective Date, Pan American shall deliver or arrange to be delivered to the Depositary sufficient cash and certificates representing the Pan American Shares required to be issued to Former Minefinders Shareholders in accordance with the provisions of Subsection 3.1(c) hereof, to be held by the Depositary as agent and nominee for such Former Minefinders Shareholders for distribution to such Former Minefinders Shareholders in accordance with the provisions of Article 5 hereof.

(c) An Eligible Holder whose Minefinders Shares are exchanged for Consideration that includes Pan American Shares pursuant to the Arrangement shall be entitled to make an income tax election, pursuant to section 85 of the Tax Act (and any analogous provision of provincial income tax law) (a **Section 85 Election**) with respect to the exchange by providing the necessary information prescribed by the Tax Act (and, if applicable, any provincial tax statute) (the **Section 85 Tax Election Information**) in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date (the **Section 85 Election Period**). Provided such information is correct and complete and in

compliance with requirements imposed under the Tax Act (and any applicable provincial income tax law), Pan American shall, within 90 days after the end of the Section 85 Election Period, deliver a signed Section 85 Election in the form prescribed by the Tax Act (and, if applicable, by any provincial statute) (collectively, the **Section 85 Tax Election Form**) to the Eligible Holder for filing by such Eligible Holder with the applicable Governmental Entities. Notwithstanding the previous sentence, but provided that Pan American signs and delivers a Section 85 Tax Election Form to an Eligible Holder who provided the Section 85 Tax Election Information before the end of the Section 85 Election Period, neither Minefinders, Pan American nor any successor corporation shall be responsible for ensuring the proper completion of any Section 85 Tax Election Form, or for any taxes, interest or penalties resulting from the failure of an Eligible Holder to complete or file such election form properly in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Pan American or any successor corporation may choose to execute and deliver a Section 85 Tax Election Form to an Eligible Holder who does not provide the necessary information within the Section 85 Election Period, but will have no obligation to do so.

(d) Pan American will post a tax instruction letter on its website (www.panamericansilver.com) on or before the first Business Day after the Effective Date. The tax instruction letter will provide general instructions on how to make a Section 85 Election with Pan American in respect of the sale of the Eligible Holder's Minefinders Shares to Pan American.

10. As a result of the amendments set out in Sections 5, 6, 7, 8 and 9 above, the Plan of Arrangement attached as Schedule A to the Original Agreement shall be amended and restated in the form attached as Schedule A to this Amendment Agreement.

11. This Amendment Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the parties hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Amendment Agreement and waives any defences to the maintenance of an action in the Courts of the Province of Ontario.

12. This Amendment Agreement may be executed in any number of counterparts, each of which when delivered, either in original or facsimile form, shall be deemed to be an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF the parties hereto have duly executed this Amendment Agreement as of the date first above written.

PAN AMERICAN SILVER CORP.

By: *Signed Geoffrey A. Burns*
President and Chief Executive Officer

MINEFINDERS CORPORATION LTD.

By: *Signed Mark H. Bailey*
President and Chief Executive Officer

SCHEDULE A
Amended and Restated Plan of Arrangement

(see attached)

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PLAN OF ARRANGEMENT

**UNDER SECTION 182 OF THE
ONTARIO BUSINESS CORPORATIONS ACT**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, capitalized terms used but not defined shall have the meanings ascribed to them in the Arrangement Agreement and the terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below (and grammatical variations of such terms shall have corresponding meanings):

Acquireco means 2313983 Ontario Inc., a corporation existing under the OBCA;

Affiliate has the meaning ascribed thereto in National Instrument 45-106 *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

Amalco has the meaning ascribed thereto in Subsection 3.1(g) of this Plan of Arrangement;

Amalgamation has the meaning ascribed thereto in Subsection 3.1(g) of this Plan of Arrangement;

Arrangement means the arrangement of Minefinders under section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with section 8.4 of the Arrangement Agreement or this Plan of Arrangement or made at the direction of the Court in the Final Order (provided, however, that any such amendment or variation is acceptable to both Minefinders and Pan American, each acting reasonably);

Arrangement Agreement means the arrangement agreement dated as of January 22, 2012 between Pan American and Minefinders, as amended, amended and restated or supplemented prior to the Effective Date;

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Arrangement Resolution means the special resolution of the Minefinders Securityholders approving the Plan of Arrangement which is to be considered at the Minefinders Meeting;

Articles of Arrangement means the articles of arrangement to be filed in accordance with the OBCA after the Final Order is made, which shall be in form and content satisfactory to Minefinders and Pan American, each acting reasonably;

Available Cash Amount means the product obtained by multiplying the number of Minefinders Shares issued and outstanding immediately prior to the time at which the events contemplated in subsection 3.1(c) of this Plan of Arrangement occur and are deemed to occur (other than Minefinders Shares held by Pan American and its Affiliates and (without duplication) Dissenting Shares) by \$1.84;

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Available Share Amount means the product obtained by multiplying the number of Minefinders Shares issued and outstanding immediately prior to the time at which the events contemplated in subsection 3.1(c) of this Plan of Arrangement occur and are deemed to occur (other than Minefinders Shares held by Pan American and its Affiliates and (without duplication) Dissenting Shares) by 0.55;

Business Day means any day other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or Vancouver, British Columbia;

Cash Option means \$15.60;

Certificate of Arrangement means the certificate of arrangement to be issued by the Director pursuant to section 183(2) of the OBCA;

Code means the U.S. Internal Revenue Code of 1986, as amended;

Conditional Exercise Notice means a notice of exercise that is conditional upon completion of the Arrangement and that is validly given by a Minefinders Optionholder under the Minefinders 2003 Option Plan or the Minefinders 2011 Option Plan with respect to the exercise of Minefinders Options that are currently vested or vest upon a change of control pursuant to section 3.4(f) of the Minefinders 2003 Option Plan or section 6 of the Minefinders 2011 Option Plan;

Consideration means, in respect of each Minefinders Share held by a Minefinders Shareholder, the cash or fully-paid and non-assessable Pan American Shares, or combination thereof, receivable therefor by the Minefinders Shareholder pursuant to this Plan of Arrangement;

Court means the Superior Court of Justice of Ontario;

Depository means Kingsdale Shareholder Services Inc.;

Director means the director appointed under section 278 of the OBCA;

Dissent Rights shall have the meaning ascribed thereto in Subsection 4.1(a) of this Plan of Arrangement;

Dissenting Shareholder means a registered Minefinders Shareholder who validly exercises Dissent Rights and is entitled to be paid fair value of such Minefinders Shareholder's Minefinders Shares in accordance with Subsection 4.1(a)(i) of this Plan of Arrangement;

Dissenting Shares means the Minefinders Shares held by Dissenting Shareholders;

Effective Date means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

Effective Time means 12:01 a.m. on the Effective Date;

Elected Cash Amount means the sum of (A) the product of (i) the Cash Option, and (ii) the aggregate number of Minefinders Shares in respect of which holders elect the Cash Option, plus (B) the product of (a) \$1.84, and (b) the aggregate number of Minefinders Shares in respect of which holders elected or are deemed to have elected the Full Proration Option;

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Elected Share Amount means the sum of (A) the product of (i) 0.6235 and (ii) the aggregate number of Minefinders Shares in respect of which holders elect the Pan American Share Option, plus (B) the product of (a) 0.55, and (b) the aggregate number of Minefinders Shares in respect of which holders elected or are deemed to have elected the Full Proration Option;

Election Deadline means 5:00 p.m. (Vancouver time) on the day that is two (2) Business Days before the Minefinders Meeting;

Eligible Holder means a beneficial holder of Minefinders Shares that is: (i) a resident of Canada for the purposes of the Tax Act and not exempt from tax under Part I of the Tax Act; or (ii) a partnership any member of which is a resident of Canada for the purposes of the Tax Act (other than a partnership all members of which that are residents of Canada are exempt from tax under Part I of the Tax Act);

Encumbrance means, with respect to any property or asset, any mortgage, pledge, assignment, hypothec, charge, lien, security interest, adverse right or claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

Final Order means the final order of the Court pursuant to section 182(5)(f) of the OBCA, in a form acceptable to Minefinders and Pan American, each acting reasonably, approving the Arrangement as such order may be amended by the Court (with the consent of both Minefinders and Pan American, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided, however, that any such amendment is acceptable to both Minefinders and Pan American, each acting reasonably) on appeal;

Final Proscription Date shall have the meaning ascribed thereto in Section 5.5;

Former Minefinders Shareholder means, at and following the Effective Time, a person who, immediately prior to the Effective Time, was: (i) a registered holder of Minefinders Shares; (ii) a Minefinders Optionholder who validly tendered a Conditional Exercise Notice, together with the applicable exercise price, for Minefinders Options that are vested at or prior to the Effective Time; or (iii) any person who surrenders to the Depository certificates representing Minefinders Shares, duly endorsed for transfer to such person in accordance with the Letter of Transmittal;

Full Proration Option means 0.55 of a Pan American Share and \$1.84 in cash;

Interim Order means the interim order of the Court made pursuant to section 182(5)(a) and 182(5)(b) of the OBCA, in a form acceptable to Minefinders and Pan American, each acting reasonably, providing for, among other things, the calling and holding of the Minefinders Meeting, as the same may be amended by the Court with the consent of Minefinders and Pan American, each acting reasonably;

In the Money Amount means in respect of a stock option at any time, the amount, if any, by which the aggregate fair market value, at that time, of the securities subject to the option exceeds the aggregate exercise price under the option;

Letter of Transmittal means the letter of transmittal to be forwarded by Minefinders to Minefinders Shareholders together with the Minefinders Circular or such other equivalent form of letter of transmittal acceptable to Pan American acting reasonably;

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Minefinders means Minefinders Corporation Ltd., a corporation existing under the OBCA;

Minefinders 2003 Option Plan means the incentive stock option plan of Minefinders, dated April 16, 2003 (as amended);

Minefinders 2011 Option Plan means the incentive stock option plan of Minefinders, dated February 15, 2011 (as amended);

Minefinders 2011 Options means the outstanding options to acquire Minefinders Shares granted under the Minefinders 2011 Option Plan;

Minefinders Circular means the notice of the Minefinders Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Minefinders Securityholders in connection with the Minefinders Meeting, as amended, supplemented or otherwise modified from time to time;

Minefinders Meeting means the special meeting of Minefinders Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

Minefinders Optionholders means, at any particular time, the holders of Minefinders Options at that time;

Minefinders Options means the outstanding options to acquire Minefinders Shares granted under the Minefinders 2003 Option Plan and the Minefinders 2011 Options;

Minefinders Securityholders means the Minefinders Shareholders and the Minefinders Optionholders;

Minefinders Shareholders means, at any particular time, the holders of Minefinders Shares;

Minefinders Shares means the common shares without par value in the authorized share capital of Minefinders;

OBCA means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

Option Exchange Ratio means 0.6235;

Pan American means Pan American Silver Corp., a corporation existing under the *Business Corporations Act* (British Columbia);

Pan American Share Closing Price means \$25.02;

Pan American Share Option means 0.6235 of a Pan American Share and \$0.0001 in cash;

Pan American Shares means the common shares without par value in the authorized capital of Pan American;

Parties means Minefinders and Pan American, and **Party** means any of them;

Replacement Option has the meaning ascribed thereto in Subsection 3.1(d);

Section 85 Election has the meaning ascribed thereto in Subsection 3.4(c);

Section 85 Election Period has the meaning ascribed thereto in Subsection 3.4(c);

Section 85 Tax Election Form has the meaning ascribed thereto in Subsection 3.4(c);

Section 85 Tax Election Information has the meaning ascribed thereto in Subsection 3.4(c);

Tax Act means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time; and

Withholding Obligation has the meaning ascribed thereto in Section 5.4 of this Plan of Arrangement.

In addition, words and phrases used herein and defined in the OBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the OBCA unless the context otherwise requires.

1.2 Interpretation Not Affected by Headings

For the purposes of this Agreement, except as otherwise expressly provided:

(a) **this Plan of Arrangement** means this Plan of Arrangement, including the recitals and Appendices hereto, and not any particular Article, Section, Subsection or other subdivision, recital or Appendix hereof;

(b) the words **hereof**, **herein**, **hereto** and **hereunder** and other word of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection, or other subdivision, recital or Appendix hereof;

(c) all references in this Plan of Arrangement to a designated **Article**, **Section**, **Subsection** or other subdivision, recital or **Appendix** hereof are references to the designated Article, Section, Subsections or other subdivision, recital or Appendix to, this Plan of Arrangement;

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(d) the division of this Plan of Arrangement into Article, Sections, Subsections and other subdivisions, recitals or Appendix, the inclusion of a table of contents and the insertion of headings and captions are for convenience of reference only and are not intended to interpret, define or limit the scope, extent or intent of this Plan of Arrangement or any provision hereof;

(e) a reference to a statute in this Plan of Arrangement includes all regulations, rules, policies or instruments made thereunder, all amendments to the statute, regulations, rules, policies or instruments in force from time to time, and any statutes, regulations, rules, policies or instruments that supplement or supersede such statute, regulations, rules, policies or instruments;

(f) the word including is not limiting, whether or not non-limiting language (such as **without limitation** or **but not limited to** or words of similar import) is used with reference thereto; and

(g) all references to **approval** , **authorization** or **consent** in this Plan of Arrangement means written approval, authorization or consent.

1.3 Number, Gender and Persons

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter and the word person and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof) and any other entity or group of persons of any kind or nature whatsoever.

1.4 Date for any Action

If the date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and \$ refers to Canadian dollars.

1.6 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein are local time in Vancouver, British Columbia unless otherwise stipulated herein.

1.7 Statutory References

Any reference in this Plan of Arrangement to a statute includes all regulations made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein unless otherwise stated. If there is any conflict or inconsistency between the provisions of this Plan of Arrangement and the provisions of the Arrangement Agreement, the provisions of this Plan of Arrangement shall govern.

2.2 Binding Effect

At the Effective Time, this Plan of Arrangement shall be binding on:

- (a) Pan American;

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- (b) Minefinders (including, for clarity, Amalco);
- (c) Acquireco;
- (d) all Minefinders Shareholders, including Dissenting Shareholders;
- (e) all Minefinders Optionholders;
- (f) the registrar and transfer agent in respect of the Minefinders Shares and the Pan American Shares; and
- (g) the Depositary.

**ARTICLE 3
ARRANGEMENT**

3.1 Arrangement

Commencing at the Effective Time, except as otherwise noted herein, the following shall occur and shall be deemed to occur in one minute intervals, in the following order, without any further act or formality required on the part of any person:

- (a) all Minefinders Shares to be issued to Minefinders Optionholders who have tendered Conditional Exercise Notices, together with the applicable exercise price, for any Minefinders Options that are vested at or prior to the Effective Time (including any unvested Minefinders Options whose vesting was accelerated pursuant to section 3.4(f) of the Minefinders 2003 Option Plan or section 6 of the Minefinders 2011 Option Plan), will be deemed to be issued to such Minefinders Optionholders, as fully paid and non-assessable common shares in the capital of Minefinders, such Minefinders Optionholders will be entered in the share register of Minefinders as the registered holder thereof and no share certificates in respect of such Minefinders Shares shall be issued;
- (b) each Dissenting Share held by a Dissenting Shareholder shall be deemed to have been transferred to Pan American, and

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(i) the Dissenting Shareholder shall cease to be the registered holder of such Dissenting Shares and shall cease to have any rights as a Minefinders Shareholder in respect of such Dissenting Shares other than the right to be paid fair value by Pan American for such Dissenting Shares as set out in Article 4 of this Plan of Arrangement;

(ii) the Dissenting Shareholder's name shall be removed as the holder of such Dissenting Shares from the register of Minefinders Shareholders; and

(iii) Pan American will be the holder of all of the Dissenting Shareholder's Dissenting Shares and the register of Minefinders Shareholders shall be revised accordingly;

(c) subject to Sections 3.2, 3.3 and 3.5 of this Plan of Arrangement, each Minefinders Share held by a Minefinders Shareholder (other than Minefinders Shares held by Pan American and its Affiliates and (without duplication) Dissenting Shares but, for greater certainty, including Minefinders Shares acquired by former Minefinders Optionholders pursuant to

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Subsection 3.1(a) of this Plan of Arrangement) shall be transferred by the holder thereof to Pan American in exchange for (as elected or deemed to be elected by the holder in accordance with the Minefinders Shareholder's Letter of Transmittal or (in respect of Minefinders Shares issued to former Minefinders Optionholders in accordance with subsection 3.1(a) of this Plan of Arrangement) Conditional Exercise Notice:

- (i) the Cash Option;
- (ii) the Pan American Share Option; or
- (iii) the Full Proration Option,

and (1) the Former Minefinders Shareholder shall cease to be the registered holder of each Minefinders Share so transferred and shall be the holder of the Pan American Shares received by it pursuant to Subsection 3.1(c) of this Plan of Arrangement (if any), and the name of such Former Minefinders Shareholder shall be removed from the register of Minefinders Shareholders and shall be entered into the register of holders of Pan American Shares as the holder of the Pan American Shares received by it pursuant to Subsection 3.1(c) (if any); (2) the Former Minefinders Shareholder shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Minefinders Share hereunder; (3) Pan American will be the holder of all of the outstanding Minefinders Shares and the register of Minefinders Shareholders shall be revised accordingly; and (4) unless the Minefinders Shareholder receives only cash for Minefinders Shares owned by such Minefinders Shareholder, a pro rata portion of the total amount of cash and the total number of Pan American Shares received by such Minefinders Shareholder pursuant to this Subsection 3.1(c) as adjusted by Sections 3.2 and 3.5 of this Plan of Arrangement, if applicable, will be allocated to every Minefinders Share transferred by such Minefinders Shareholder hereunder, so that such Minefinders Shareholder will receive for each such Minefinders Share the same combination of Pan American Shares and cash as it receives for each other Minefinders Share held by it and neither Pan American Shares nor cash will be considered to have been received for any specific portion or fraction of such Minefinders Share;

(d) each outstanding Minefinders Option in respect of which Minefinders Shares are not issued in accordance with Subsection 3.1(a) of this Plan of Arrangement shall be exchanged for an option (each, a **Replacement Option**) to purchase from Pan American the number of Pan American Shares equal to: (i) the Option Exchange Ratio multiplied by (ii) the number of Minefinders Shares subject to such Minefinders Option immediately prior to the Effective Time. Such Replacement Option shall provide for an exercise price per Pan American Share (rounded up to the nearest whole cent) equal to: (x) the exercise price per Minefinders Share otherwise purchasable pursuant to such Minefinders Option; divided by (y) the Option Exchange Ratio. If the foregoing calculation results in the total Replacement Options of a particular holder being exercisable for a number of Pan American Shares that includes a fractional Pan American Share, the total number of Pan American Shares subject to such holder's total Replacement Options shall be rounded down to the nearest whole number of Pan American Shares. All terms and conditions of a Replacement Option, including the term to expiry, conditions to and manner of exercise, will be the same as the Minefinders Option for which it was exchanged, except that the expiry date for all Replacement

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Options for which Minefinders 2011 Options are exchanged and which are held by employees, officers, directors or consultants of Minefinders or its Affiliates:

(i) who cease to be employees, officers, directors or consultants of Minefinders of any of its Affiliates on the Effective Date will be extended to the earlier of (a) 12 months from the Effective Date, and (b) the original expiry date (absent such cessation) of any such Minefinders 2011 Option; and

(ii) whose service with Minefinders, Pan American or any Affiliate thereof is terminated other than for cause after the Effective Date will be extended to the earlier of (a) the later of (1) 12 months from the Effective Date, and (2) 90 days from the date of such termination, and (b) the original expiry date (absent such termination) of any such Minefinders 2011 Option.

Notwithstanding the foregoing, if required, the exercise price of each Replacement Option of any particular holder shall be, and shall be deemed to be, adjusted by the amount, and only to the extent, necessary to ensure that the In the Money Amount of the Replacement Option does not exceed the In the Money Amount of the original Minefinders Option immediately before the exchange;

(e) each outstanding Minefinders Share (including any Minefinders Share held by Pan American or any Affiliate thereof) shall be transferred without any further act or formality by the holder thereof to Acquireco in exchange for one common share of Acquireco;

(f) the stated capital in respect of the Minefinders Shares shall be reduced to \$1.00 without any repayment of capital in respect thereof;

(g) Minefinders and Acquireco will merge (the **Amalgamation**) to form one corporate entity with the same effect as if they were amalgamated under sections 174 through 179 (other than section 177) of Part XIV of the OBCA, except that the separate legal existence of Minefinders will not cease and Minefinders will survive the Amalgamation (Minefinders, as such surviving entity, **Amalco**) and, for the avoidance of doubt, the Plan of Arrangement is intended to qualify as a reorganization within the meaning of sections 368(a)(1)(A) and 368(a)(2)(E) of the Code for all United States federal income tax purposes and as an amalgamation as defined in subsection 87(1) of the Tax Act;

(h) without limiting the generality of the foregoing or Subsection 3.1(i) of this Plan of Arrangement,

(i) at the time of the Amalgamation the separate legal existence of Acquireco will cease without Acquireco being liquidated or wound-up, and Minefinders and Acquireco will continue as one company; and

(ii) the Amalgamation will otherwise be effected in such manner that by virtue or because of the Amalgamation (A) all of the property of Acquireco or Minefinders immediately before the Amalgamation (except amounts receivable from either of them, and shares in the capital stock of either of them) will be or become property of Amalco, (B) all of the liabilities of Acquireco or Minefinders immediately before the

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Amalgamation (except amounts payable to either of them) will be or become liabilities of Amalco, (C) each issued share of

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Acquireco will be exchanged for one fully-paid and non-assessable Amalco common share which shall be issued by Amalco and all such Acquireco shares will be cancelled without any payment of capital in respect thereof, and (D) all of the Minefinders Shares held by Acquireco will be cancelled without any payment of capital in respect thereof;

(i) with effect from the time of the Amalgamation but subject to Subsection 3.1(h):

(A) Amalco will continue to own and hold all property of Minefinders and will own and hold all property of Acquireco, and shall continue to be liable for the obligations of Minefinders and will be liable for the obligations of Acquireco, including civil, criminal and quasi-criminal liabilities and all contracts, disabilities, options and debts of each of Minefinders and Acquireco;

(B) all rights, contracts, permits and interests of Minefinders or Acquireco will continue as rights, contracts, permits and interests of Amalco and, for greater certainty, the merger will not constitute a transfer or assignment of the rights or obligations of either of Minefinders or Acquireco under any such rights, contracts, permits and interests;

(C) any existing cause of action, claim or liability to prosecution is unaffected;

(D) a civil, criminal or administrative action or proceeding pending by or against Minefinders or Acquireco may continue to be prosecuted by or against Amalco;

(E) a conviction against, or ruling, order or judgment in favour of or against, Minefinders or Acquireco may be enforced by or against Amalco;

(F) the name of Amalco shall be Minefinders;

(G) Amalco shall be authorized to issue an unlimited number of common shares;

(H) the articles and by-laws of Amalco shall be substantially in the form of Minefinders articles and by-laws;

(I) the first annual general meeting of Amalco will be held within 18 months from the Effective Date;

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(J) the first directors of Amalco following the merger shall be Geoffrey A. Burns, A. Robert Doyle and Robert P. Pirooz; and

(K) the stated capital of the Amalco common shares will be an amount equal to the paid-up capital, as that term is defined in the Tax Act, attributable to the common shares of Acquireco immediately prior to the Amalgamation,

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provided that none of the foregoing will occur or be deemed to occur unless all of the foregoing occurs or is deemed to occur.

3.2 Adjustments to Cash and Share Elections

For the purposes of determining the amount of cash and/or Pan American Shares which each Minefinders Shareholder is entitled to receive for each Minefinders Share transferred pursuant to Subsection 3.1(c), the following proration rules shall apply:

(a) if the Elected Cash Amount exceeds the Available Cash Amount, then, notwithstanding the election of the Cash Option by a Minefinders Shareholder in respect of any particular Minefinders Share, each Minefinders Shareholder (other than Pan American and its Affiliates and Dissenting Shareholders) who has elected the Cash Option in respect of any Minefinders Shares:

(i) will receive cash equal in amount to the amount that such Minefinders Shareholder would have received if such Minefinders Shareholder had elected the Cash Option in respect of the number of Minefinders Shares that is equal to the product of (1) the total number of Minefinders Shares in respect of which the Minefinders Shareholder elected the Cash Option, and (2) the number obtained by dividing (i) (a) the Available Cash Amount less (b) \$1.84 multiplied by the aggregate number of Minefinders Shares in respect of which all Minefinders Shareholders have elected or are deemed to have elected the Full Proration Option, by (ii) (a) the Elected Cash Amount less (b) \$1.84 multiplied by the aggregate number of Minefinders Shares in respect of which all Minefinders Shareholders have elected or are deemed to have elected the Full Proration Option, and rounding such resulting number up to the nearest whole number, and

(ii) will receive Pan American Shares and cash equal in amount to the amount that such Minefinders Shareholder would have received if such Minefinders Shareholder had elected the Pan American Share Option for the remainder of the Minefinders Shares in respect of which it elected the Cash Option; and

(b) if the Elected Share Amount exceeds the Available Share Amount, then, notwithstanding the election of the Pan American Share Option by a Minefinders Shareholder in respect of any particular Minefinders Share, each Minefinders Shareholder (other than Pan American and its Affiliates and Dissenting Shareholders) who has elected the Pan American Share Option in respect of any Minefinders Shares:

(i) will receive Pan American Shares and cash equal in amount to the amount that such Minefinders Shareholder would have received if such Minefinders Shareholder had elected the Pan American Share Option in respect of the number of Minefinders Shares that is equal to the product of (1) the total number of Minefinders Shares in respect of which the Minefinders Shareholder elected the Pan American Share Option, by (2) the number obtained by dividing (i) (a) the Available Share Amount less (b) 0.55 multiplied by the aggregate number of Minefinders Shares in respect of which all Minefinders Shareholders have elected or are deemed to have elected the Full Proration Option, by (ii) (a) the Elected Share Amount less (b) 0.55 multiplied by the aggregate number of Minefinders Shares in respect of which all Minefinders Shareholders have

elected or are deemed to have elected the Full Proration Option, and rounding such resulting number up to the nearest whole number, and

(ii) will receive cash equal in amount to the amount that such Minefinders Shareholder would have received if such Minefinders Shareholder had elected the Cash Option for the remainder of the Minefinders Shares in respect of which it elected the Pan American Share Option.

3.3 Manner of Making Elections

(a) Subject to Sections 3.2 and 3.5 hereof, each Minefinders Shareholder shall, in respect of such holder's aggregate holdings of Minefinders Shares, have the opportunity to elect the Cash Option, the Pan American Share Option, the Full Proration Option or a combination thereof by depositing, or by causing its agent or other representative to deposit, with the Depository prior to the Election Deadline, a duly completed Letter of Transmittal (or in the case of a former Minefinders Optionholder to whom Minefinders Shares are issued in accordance with Subsection 3.1(a) of this Plan of Arrangement, a Conditional Exercise Notice) indicating such holder's election together with the certificates representing such holder's Minefinders Shares.

(b) Subject to Sections 3.2 and 3.5 hereof, of each Minefinders Shareholder who (i) does not deposit with the Depository a duly completed Letter of Transmittal (or in the case of a former Minefinders Optionholder to whom Minefinders Shares are issued in accordance with Subsection 3.1(a) of this Plan of Arrangement, a Conditional Exercise Notice) prior to the Election Deadline or (ii) otherwise fails to comply fully with the requirements of Subsection 3.3(a) hereof and the Letter of Transmittal (or in the case of a former Minefinders Optionholder to whom Minefinders Shares are issued in accordance with Subsection 3.1(a) of this Plan of Arrangement, a Conditional Exercise Notice) in respect of such Minefinders Shareholder's election of the Cash Option, the Pan American Share Option or the Full Proration Option, shall be deemed to have elected the Full Proration Option in respect of each of the Minefinders Shareholder's Minefinders Shares.

(c) A deposit of a Letter of Transmittal or Conditional Exercise Notice and accompanying certificates may be made at any of the offices of the Depository specified in the Letter of Transmittal or Conditional Exercise Notice, as the case may be.

3.4 Post-Effective Time Procedures

(a) For greater certainty, no Minefinders Optionholder to whom Minefinders Shares are issuable pursuant to Subsection 3.1(a) of this Plan of Arrangement shall be required to deliver share certificates representing the Minefinders Shares issued to such former Minefinders Optionholder pursuant to Subsection 3.1(a) of this Plan of Arrangement in order to receive the Consideration to which it is entitled for such Minefinders Shares in accordance with Subsection 3.1(c) of this Plan of Arrangement and no other Minefinders Optionholder who exercises Minefinders Options prior to or at the Effective Time shall be required to deliver share certificates representing Minefinders Shares to the extent that such certificates were not issued prior to the Election Deadline and provided such other Minefinders Optionholder otherwise provides satisfactory documentation evidencing due exercise of each Minefinders Option.

(b) Following the receipt of the Final Order and prior to the Effective Date, Pan American shall deliver or arrange to be delivered to the Depository sufficient cash and certificates representing the Pan American Shares required to be issued to Former Minefinders Shareholders in accordance with the provisions of Subsection 3.1(c) hereof, to be held by the Depository as agent and nominee for such Former Minefinders Shareholders for distribution to such Former Minefinders Shareholders in accordance with the provisions of Article 5 hereof.

(c) An Eligible Holder whose Minefinders Shares are exchanged for Consideration that includes Pan American Shares pursuant to the Arrangement shall be entitled to make an income tax election, pursuant to section 85 of the Tax Act (and any analogous provision of provincial income tax law) (a **Section 85 Election**) with respect to the exchange by providing the necessary information prescribed by the Tax Act (and, if applicable, any provincial tax statute) (the **Section 85 Tax Election Information**) in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date (the **Section 85 Election Period**). Provided such information is correct and complete and in compliance with requirements imposed under the Tax Act (and any applicable provincial income tax law), Pan American shall, within 90 days after the end of the Section 85 Election Period, deliver a signed Section 85 Election in the form prescribed by the Tax Act (and, if applicable, by any provincial statute) (collectively, the **Section 85 Tax Election Form**) to the Eligible Holder for filing by such Eligible Holder with the applicable Governmental Entities. Notwithstanding the previous sentence, but provided that Pan American signs and delivers a Section 85 Tax Election Form to an Eligible Holder who provided the Section 85 Tax Election Information before the end of the Section 85 Election Period, neither Minefinders, Pan American nor any successor corporation shall be responsible for ensuring the proper completion of any Section 85 Tax Election Form, or for any taxes, interest or penalties resulting from the failure of an Eligible Holder to complete or file such election form properly in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Pan American or any successor corporation may choose to execute and deliver a Section 85 Tax Election Form to an Eligible Holder who does not provide the necessary information within the Section 85 Election Period, but will have no obligation to do so.

(d) Pan American will post a tax instruction letter on its website (www.panamericansilver.com) on or before the first Business Day after the Effective Date. The tax instruction letter will provide general instructions on how to make a Section 85 Election with Pan American in respect of the sale of the Eligible Holder's Minefinders Shares to Pan American.

3.5 No Fractional Pan American Shares and Rounding of Cash Consideration

(a) In no event shall a Minefinders Shareholder be entitled to a fractional Pan American Share. Where the aggregate number of Pan American Shares to be issued to a Minefinders Shareholder as consideration under this Arrangement would result in a fraction of a Pan American Share being issuable, the number of Pan American Shares to be received by such Minefinders Shareholder shall be rounded down to the nearest whole Pan American Share and in lieu of a fractional Pan American Share, the Minefinders Shareholder will receive a cash payment in Canadian dollars (rounded down to the nearest cent) determined on the basis of an amount equal to (i) the Pan American Share Closing Price, multiplied by the (ii) fractional share amount.

(b) If the aggregate amount of cash consideration which a Minefinders Shareholder is entitled to receive for all Minefinders Shares transferred by such Minefinders Shareholder pursuant to the Plan would otherwise include a fraction of \$0.01, then the aggregate cash consideration to which such Minefinders Shareholder shall be entitled to receive for all of its Minefinders Shares transferred pursuant to the Plan shall be rounded up to the nearest whole \$0.01.

ARTICLE 4 DISSENT RIGHTS

4.1 Rights of Dissent

(a) Pursuant to the Interim Order, registered Minefinders Shareholders may exercise rights of dissent (**Dissent Rights**) under section 185 of the OBCA, as modified by this Article 4, the Interim Order and the Final Order, with respect to Minefinders Shares in connection with the Arrangement; provided, however, that the written notice setting forth the objection of such registered Minefinders Shareholders to the Arrangement and exercise of Dissent Rights must be received by Minefinders not later than 5:00 p.m. on the Business Day that is two (2) Business Days before the Minefinders Meeting or any date to which the Minefinders Meeting may be postponed or adjourned; and provided further that Dissenting Shareholders who:

(i) are ultimately entitled to be paid fair value for their Minefinders Shares by Pan American, which fair value, notwithstanding anything to the contrary contained in the OBCA, shall be determined as of the close of business on the day before the Effective Date, shall be deemed to have transferred their Minefinders Shares to Pan American in accordance with Subsection 3.1(b); or

(ii) are ultimately not entitled, for any reason, to be paid fair value for their Minefinders Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Minefinders Shares and shall be entitled to receive only the Consideration that such holder would have received pursuant to the Arrangement if such holder had not exercised Dissent Rights on the basis determined in accordance with Subsections 3.1(c) and 3.3(b) above (subject to Section 3.5).

(b) In no circumstances shall Minefinders, Pan American or any other Person be required to recognize a Person as a Dissenting Shareholder unless such Person is a registered holder of those Minefinders Shares in respect of which such rights are sought to be exercised.

(c) For greater certainty, in no case shall Minefinders, Pan American or any other Person be required to recognize Dissenting Shareholders as holders of Minefinders Shares after the Effective Time, and the names of all Dissenting Shareholders shall be deleted from the register of Minefinders Shareholders as of the Effective Time. In addition to any other restrictions under section 185 of the OBCA and, for greater certainty, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Minefinders Options; and (ii) Minefinders Shareholders who vote, or who have instructed a proxyholder to vote, in favour of the Arrangement Resolution.

ARTICLE 5
DELIVERY OF PAN AMERICAN SHARES

5.1 Delivery of Pan American Shares

(a) Subject to Section 5.5 of this Plan of Arrangement, as soon as practicable following the later of the Effective Time and the date of surrender to the Depository for cancellation of a certificate (if any) that immediately before the Effective Time represented one or more outstanding Minefinders Shares that were exchanged for Pan American Shares in accordance with Subsection 3.1(c) hereof, together with such other documents and instruments contemplated by the Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, the Former Minefinders Shareholder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall, and Pan American shall cause the Depository to:

(i) forward or cause to be forwarded by first class mail (postage prepaid) to the Former Minefinders Shareholder at the address specified in the Letter of Transmittal; or

(ii) if requested by the holder in the Letter of Transmittal, make available at the offices of the Depository specified in the Letter of Transmittal for pick-up by the Former Minefinders Shareholder; or

(iii) if the Letter of Transmittal neither specifies an address as described in (i) above nor contains a request as described in (ii) above, forward or cause to be forwarded by mail (postage prepaid) to the holder at the address of such holder as shown on the share register maintained by Minefinders as at the Effective Time,

a certificate representing the Pan American Shares that such Former Minefinders Shareholder is entitled to receive, together with a cheque payable to such Minefinders Shareholders for the cash consideration payable to such Former Minefinders Shareholders, in accordance with Subsection 3.1(c) of this Plan of Arrangement.

(b) After the Effective Time and until surrendered for cancellation as contemplated by Subsection 5.1(a) hereof, each certificate that immediately prior to the Effective Time represented one or more Minefinders Shares shall be deemed at all times to represent only the right to receive in exchange therefor the Consideration that the holder of such certificate is entitled to receive in accordance with Subsection 3.1(c) hereof.

(c) As soon as practicable following the Effective Date but in any event within five (5) Business Days after the Effective Date, each former Minefinders Optionholder to whom Minefinders Shares are deemed to have been issued in accordance with Subsection 3.1(a) of this Plan of Arrangement, shall be entitled to receive, and the Depository shall, and Pan American shall cause the Depository to:

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(i) forward or cause to be forwarded by first class mail (postage prepaid) to the holder at the address specified in the Conditional Exercise Notice; or

(ii) if requested by the holder in the Conditional Exercise Notice, make available at the offices of the Depositary specified in the Conditional Exercise Notice for pick-up by the holder; or

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(iii) if the Conditional Exercise Notice neither specifies an address as described in (i) above nor contains a request as described in (ii) above, forward or cause to be forwarded by mail (postage prepaid) to the holder at the address of such holder as shown on the register of Minefinders Options maintained by or on behalf of Minefinders as at the Effective Time,

a certificate representing the Pan American Shares that such former Minefinders Optionholder is entitled to receive, together with a cheque payable to such Minefinders Optionholder for the cash consideration payable to such former Minefinders Optionholder, in accordance with Subsection 3.1(c) of this Plan of Arrangement.

5.2 Lost Certificates

If any certificate, that immediately prior to the Effective Time represented one or more outstanding Minefinders Shares that were exchanged for the Consideration in accordance with Section 3.1 hereof, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the Consideration that such holder is entitled to receive in accordance with Section 3.1 hereof. When authorizing such delivery of Consideration that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such Consideration is to be delivered shall, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to Pan American and the Depositary in such amount as Pan American and the Depositary may direct, or otherwise indemnify Pan American and the Depositary in a manner satisfactory to Pan American and the Depositary, against any claim that may be made against Pan American or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the articles and by-laws of Minefinders.

5.3 Distributions with Respect to Unsurrendered Certificates

No dividend or other distribution declared or made after the Effective Time with respect to Pan American Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Minefinders Shares unless and until the holder of such certificate shall have complied with the provisions of Section 5.1 or Section 5.2 hereof. Subject to applicable Law and to Section 5.4 hereof, at the time of such compliance, there shall, in addition to the delivery of Consideration to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of all dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such Pan American Shares.

5.4 Withholding Rights

Pan American, Minefinders and the Depositary shall be entitled to deduct and withhold from all dividends, distributions or other amounts otherwise payable to any Former Minefinders Shareholder such amounts as Pan American, Minefinders or the Depositary is required or permitted to deduct and withhold with respect to such payment under the Tax Act, the Code or any provision of any applicable federal, provincial, state, local or foreign tax Law or treaty, in each case, as amended (a **Withholding Obligation**). To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Former Minefinders Shareholder in respect of which such deduction and withholding was made, provided, however, that such withheld amounts are actually remitted to the appropriate

taxing authority. Pan American, Minefinders and the Depositary shall also have the right to withhold and sell, on their own account or through a broker (the **Broker**), and on behalf of any Former Minefinders Shareholder, such number of Pan American Shares issued or issuable to such Former Minefinders Shareholder pursuant to this Plan of Arrangement as is necessary to produce sale proceeds (after deducting commissions payable to the Broker and other costs and expenses) sufficient to fund any Withholding Obligations. Any such sale of Pan American Shares shall be affected on a public market and as soon as practicable following the Effective Date. None of Pan American, Minefinders, the Depositary or the Broker will be liable for any loss arising out of any sale of such Pan American Shares, including any loss relating to the manner or timing of such sales, the prices at which the Pan American Shares are sold or otherwise.

5.5 Limitation and Proscription

To the extent that a Former Minefinders Shareholder shall not have complied with the provisions of Section 5.1 or Section 5.2 hereof on or before the date that is six (6) years after the Effective Date (the **Final Proscription Date**), then the Consideration that such Former Minefinders Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the Consideration to which such Former Minefinders Shareholder was entitled, shall be delivered to Pan American by the Depositary and certificates representing Pan American Shares forming the Consideration shall be cancelled by Pan American, and the interest of the Former Minefinders Shareholder in such Pan American Shares to which it was entitled shall be terminated as of such Final Proscription Date.

5.6 No Encumbrances

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Encumbrances of any kind.

5.7 Paramountcy

From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Minefinders Shares and Minefinders Options issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of Minefinders Shares and Minefinders Options, and Minefinders, Pan American, the Depositary and any transfer agent or other depositary in relation thereto, shall be solely as provided for in this Plan of Arrangement.

ARTICLE 6 AMENDMENTS

6.1 Amendments to Plan of Arrangement

(a) Pan American and Minefinders reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided, however, that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by Pan American and Minefinders; (iii) filed with the Court and, unless such amendment, modification or supplement is one to which Subsection

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6.1(b) of this Plan of Arrangement applies, approved by the Court; and (iv) communicated to holders or former holders of Minefinders Shares if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be agreed to in writing by Pan American and Minefinders at any time prior to the Effective Time,

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provided, however, that each such amendment, modification or supplement is, in the reasonable opinion of Minefinders and Pan American, of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Former Minefinders Shareholder or former holder of Minefinders Options, and each such amendment, modification or supplement shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement may be agreed to in writing by Pan American and Minefinders at any time prior to the Minefinders Meeting, provided, however, that each such amendment, modification or supplement that is not an amendment, modification or supplement to which Subsection 6.1(b) of this Plan of Arrangement applies, is accepted by the persons voting at the Minefinders Meeting, with or without any other prior notice or communication (other than as may be required under the Interim Order), and each such amendment, modification or supplement so accepted shall become part of this Plan of Arrangement for all purposes.

(d) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Minefinders Meeting shall be effective only if: (i) set out in writing; (ii) agreed to in writing by Pan American and Minefinders; (iii) filed with the Court, and (iv) if required by the Court, it is approved by holders of the Minefinders Shares voting in the manner directed by the Court.

(e) Notwithstanding Subsection 6.1(a) of this Plan of Arrangement, any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time unilaterally by Pan American; provided, however, that it concerns a matter that, in the reasonable opinion of Pan American, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Former Minefinders Shareholder or former holder of Minefinders Options.

(f) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 7 FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out therein.

SECOND AMENDMENT AGREEMENT

March 22, 2012

WHEREAS:

A. Pan American Silver Corp. (**Pan American**) and Minefinders Corporation Ltd. (**Minefinders**) entered into an arrangement agreement dated January 22, 2012 (the **Original Agreement**), which was amended pursuant to an amendment agreement dated February 14, 2012 (the **First Amendment Agreement**), and together with the Original Agreement, the **Amended Agreement**); and

B. Pan American and Minefinders wish to further amend certain terms of the Amended Agreement.

Now therefore in consideration of the premises, mutual covenants and agreements contained in this Second Amendment Agreement, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

1. The Amended Agreement, as further amended hereby, shall continue in full force and effect and this Second Amendment Agreement shall have effect so far as practicable as if all the provisions of the Amended Agreement and of this Second Amendment Agreement were contained in the one instrument.

2. Except as otherwise specified herein, all capitalized terms defined in the Amended Agreement shall have the same meaning when used herein.

3. Subsection 3.1(d)(i) of the Plan of Arrangement attached as Schedule A to the First Amendment Agreement is deleted in its entirety, and replaced with the following:

(i) who cease to be employees, officers, directors or consultants of Minefinders or any of its Affiliates on the Effective Date will be extended to the earlier of (a) 12 months from the Effective Date, and (b) the original expiry date (absent such cessation) of any such Minefinders 2011 Option; and

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4. Subsections 3.1(i)(J) and 3.1(i)(K) of the Plan of Arrangement attached as Schedule A to the First Amendment Agreement are deleted in their entirety.

5. Subsection 3.1(i) of the Plan of Arrangement attached as Schedule A to the First Amendment Agreement is amended by adding the following subsections after Subsection 3.1(i)(I):

(J) the stated capital of the Amalco common shares will be an amount equal to the paid-up capital, as that term is defined in the Tax Act, attributable to the common shares of Acquireco immediately prior to the Amalgamation;

(K) the location of the registered office of Amalco shall be 40 King Street West, Suite 4400, Toronto, Ontario, M5H 3Y4;

(L) there shall be no restrictions on the business that Amalco may carry on or on the powers that Amalco may exercise;

(M) the number of directors of Amalco shall be a minimum of 1 and a maximum of 10, until changed in accordance with the OBCA;

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(N) until changed by the shareholders of Amalco, or by the directors of Amalco if authorized by the shareholders of Amalco, the number of directors of Amalco within the minimum and maximum shall be 3; and

(O) the first directors of Amalco shall be the following:

Name	Address	Resident Canadian
Geoffrey A Burns	832 Strathaven Drive, North Vancouver, British Columbia V7J 2H9	Yes
A. Robert. Doyle	380 Ventura Crescent, North Vancouver, British Columbia V7N 3G6	Yes
Robert P. Pirooz	4554 Langara Avenue, Vancouver, British Columbia V6R 1C8	Yes

6. As a result of the amendments set out in Sections 3, 4 and 5 above, the Plan of Arrangement attached as Schedule A to the First Amendment Agreement shall be amended and restated in the form attached as Schedule A to this Second Amendment Agreement.

7. This Second Amendment Agreement shall be governed, including as to validity, interpretation and effect, by the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the parties hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Second Amendment Agreement and waives any defences to the maintenance of an action in the Courts of the Province of Ontario.

8. This Second Amendment Agreement may be executed in any number of counterparts, each of which when delivered, either in original or facsimile form, shall be deemed to be an original and all of which together shall constitute one and the same document.

IN WITNESS WHEREOF the parties hereto have duly executed this Second Amendment Agreement as of the date first above written.

PAN AMERICAN SILVER CORP.

By: *Signed Geoffrey A. Burns*
Authorized Signatory

MINEFINDERS CORPORATION LTD.

By: *Signed Greg D. Smith*
Authorized Signatory

SCHEDULE A
Second Amended and Restated Plan of Arrangement

(see attached)

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PLAN OF ARRANGEMENT

**UNDER SECTION 182 OF THE
ONTARIO BUSINESS CORPORATIONS ACT**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires, capitalized terms used but not defined shall have the meanings ascribed to them in the Arrangement Agreement and the terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below (and grammatical variations of such terms shall have corresponding meanings):

Acquireco means 2313983 Ontario Inc., a corporation existing under the OBCA;

Affiliate has the meaning ascribed thereto in National Instrument 45-106 *Prospectus and Registration Exemptions* of the Canadian Securities Administrators;

Amalco has the meaning ascribed thereto in Subsection 3.1(g) of this Plan of Arrangement;

Amalgamation has the meaning ascribed thereto in Subsection 3.1(g) of this Plan of Arrangement;

Arrangement means the arrangement of Minefinders under section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with section 8.4 of the Arrangement Agreement or this Plan of Arrangement or made at the direction of the Court in the Final Order (provided, however, that any such amendment or variation is acceptable to both Minefinders and Pan American, each acting reasonably);

Arrangement Agreement means the arrangement agreement dated as of January 22, 2012 between Pan American and Minefinders, as amended, amended and restated or supplemented prior to the Effective Date;

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Arrangement Resolution means the special resolution of the Minefinders Securityholders approving the Plan of Arrangement which is to be considered at the Minefinders Meeting;

Articles of Arrangement means the articles of arrangement to be filed in accordance with the OBCA after the Final Order is made, which shall be in form and content satisfactory to Minefinders and Pan American, each acting reasonably;

Available Cash Amount means the product obtained by multiplying the number of Minefinders Shares issued and outstanding immediately prior to the time at which the events contemplated in subsection 3.1(c) of this Plan of Arrangement occur and are deemed to occur (other than Minefinders Shares held by Pan American and its Affiliates and (without duplication) Dissenting Shares) by \$1.84;

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Available Share Amount means the product obtained by multiplying the number of Minefinders Shares issued and outstanding immediately prior to the time at which the events contemplated in subsection 3.1(c) of this Plan of Arrangement occur and are deemed to occur (other than Minefinders Shares held by Pan American and its Affiliates and (without duplication) Dissenting Shares) by 0.55;

Business Day means any day other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or Vancouver, British Columbia;

Cash Option means \$15.60;

Certificate of Arrangement means the certificate of arrangement to be issued by the Director pursuant to section 183(2) of the OBCA;

Code means the U.S. Internal Revenue Code of 1986, as amended;

Conditional Exercise Notice means a notice of exercise that is conditional upon completion of the Arrangement and that is validly given by a Minefinders Optionholder under the Minefinders 2003 Option Plan or the Minefinders 2011 Option Plan with respect to the exercise of Minefinders Options that are currently vested or vest upon a change of control pursuant to section 3.4(f) of the Minefinders 2003 Option Plan or section 6 of the Minefinders 2011 Option Plan;

Consideration means, in respect of each Minefinders Share held by a Minefinders Shareholder, the cash or fully-paid and non-assessable Pan American Shares, or combination thereof, receivable therefor by the Minefinders Shareholder pursuant to this Plan of Arrangement;

Court means the Superior Court of Justice of Ontario;

Depository means Kingsdale Shareholder Services Inc.;

Director means the director appointed under section 278 of the OBCA;

Dissent Rights shall have the meaning ascribed thereto in Subsection 4.1(a) of this Plan of Arrangement;

Dissenting Shareholder means a registered Minefinders Shareholder who validly exercises Dissent Rights and is entitled to be paid fair value of such Minefinders Shareholder's Minefinders Shares in accordance with Subsection 4.1(a)(i) of this Plan of Arrangement;

Dissenting Shares means the Minefinders Shares held by Dissenting Shareholders;

Effective Date means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

Effective Time means 12:01 a.m. on the Effective Date;

Elected Cash Amount means the sum of (A) the product of (i) the Cash Option, and (ii) the aggregate number of Minefinders Shares in respect of which holders elect the Cash Option, plus (B) the product of (a) \$1.84, and (b) the aggregate number of Minefinders Shares in respect of which holders elected or are deemed to have elected the Full Proration Option;

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Elected Share Amount means the sum of (A) the product of (i) 0.6235 and (ii) the aggregate number of Minefinders Shares in respect of which holders elect the Pan American Share Option, plus (B) the product of (a) 0.55, and (b) the aggregate number of Minefinders Shares in respect of which holders elected or are deemed to have elected the Full Proration Option;

Election Deadline means 5:00 p.m. (Vancouver time) on the day that is two (2) Business Days before the Minefinders Meeting;

Eligible Holder means a beneficial holder of Minefinders Shares that is: (i) a resident of Canada for the purposes of the Tax Act and not exempt from tax under Part I of the Tax Act; or (ii) a partnership any member of which is a resident of Canada for the purposes of the Tax Act (other than a partnership all members of which that are residents of Canada are exempt from tax under Part I of the Tax Act);

Encumbrance means, with respect to any property or asset, any mortgage, pledge, assignment, hypothec, charge, lien, security interest, adverse right or claim, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing;

Final Order means the final order of the Court pursuant to section 182(5)(f) of the OBCA, in a form acceptable to Minefinders and Pan American, each acting reasonably, approving the Arrangement as such order may be amended by the Court (with the consent of both Minefinders and Pan American, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided, however, that any such amendment is acceptable to both Minefinders and Pan American, each acting reasonably) on appeal;

Final Proscription Date shall have the meaning ascribed thereto in Section 5.5;

Former Minefinders Shareholder means, at and following the Effective Time, a person who, immediately prior to the Effective Time, was: (i) a registered holder of Minefinders Shares; (ii) a Minefinders Optionholder who validly tendered a Conditional Exercise Notice, together with the applicable exercise price, for Minefinders Options that are vested at or prior to the Effective Time; or (iii) any person who surrenders to the Depository certificates representing Minefinders Shares, duly endorsed for transfer to such person in accordance with the Letter of Transmittal;

Full Proration Option means 0.55 of a Pan American Share and \$1.84 in cash;

Interim Order means the interim order of the Court made pursuant to section 182(5)(a) and 182(5)(b) of the OBCA, in a form acceptable to Minefinders and Pan American, each acting reasonably, providing for, among other things, the calling and holding of the Minefinders Meeting, as the same may be amended by the Court with the consent of Minefinders and Pan American, each acting reasonably;

In the Money Amount means in respect of a stock option at any time, the amount, if any, by which the aggregate fair market value, at that time, of the securities subject to the option exceeds the aggregate exercise price under the option;

Letter of Transmittal means the letter of transmittal to be forwarded by Minefinders to Minefinders Shareholders together with the Minefinders Circular or such other equivalent form of letter of transmittal acceptable to Pan American acting reasonably;

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Minefinders means Minefinders Corporation Ltd., a corporation existing under the OBCA;

Minefinders 2003 Option Plan means the incentive stock option plan of Minefinders, dated April 16, 2003 (as amended);

Minefinders 2011 Option Plan means the incentive stock option plan of Minefinders, dated February 15, 2011 (as amended);

Minefinders 2011 Options means the outstanding options to acquire Minefinders Shares granted under the Minefinders 2011 Option Plan;

Minefinders Circular means the notice of the Minefinders Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Minefinders Securityholders in connection with the Minefinders Meeting, as amended, supplemented or otherwise modified from time to time;

Minefinders Meeting means the special meeting of Minefinders Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

Minefinders Optionholders means, at any particular time, the holders of Minefinders Options at that time;

Minefinders Options means the outstanding options to acquire Minefinders Shares granted under the Minefinders 2003 Option Plan and the Minefinders 2011 Options;

Minefinders Securityholders means the Minefinders Shareholders and the Minefinders Optionholders;

Minefinders Shareholders means, at any particular time, the holders of Minefinders Shares;

Minefinders Shares means the common shares without par value in the authorized share capital of Minefinders;

OBCA means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

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Option Exchange Ratio means 0.6235;

Pan American means Pan American Silver Corp., a corporation existing under the *Business Corporations Act* (British Columbia);

Pan American Share Closing Price means \$25.02;

Pan American Share Option means 0.6235 of a Pan American Share and \$0.0001 in cash;

Pan American Shares means the common shares without par value in the authorized capital of Pan American;

Parties means Minefinders and Pan American, and **Party** means any of them;

Replacement Option

Fair Value Hierarchy

The following tables set forth our assets and liabilities measured at fair value on a recurring basis and a non-recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets Measured at Fair Value on a Recurring Basis as of March 31, 2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Foreign exchange contracts	\$—	\$292	\$—	\$292
Total fair value of assets measured on a recurring basis	\$—	\$292	\$—	\$292

Liabilities:				
Foreign exchange contracts	\$—	\$503	\$—	\$503
Total fair value of liabilities measured on a recurring basis	\$—	\$503	\$—	\$503

	Assets Measured at Fair Value on a Recurring Basis as of December 31, 2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Foreign exchange contracts	\$—	\$733	\$—	\$733
Total fair value of assets measured on a recurring basis	\$—	\$733	\$—	\$733
Liabilities:				

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Foreign exchange contracts	\$—	\$253	\$—	\$253
Total fair value of liabilities measured on a recurring basis	\$—	\$253	\$—	\$253

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	Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis as of March 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets held for sale	\$—	\$—	\$4,969	\$4,969
Total fair value of assets measured on a non-recurring basis	\$—	\$—	\$4,969	\$4,969
Liabilities:				
Accrued restructuring costs	\$—	\$—	\$456	\$456
Total fair value of liabilities measured on a non-recurring basis	\$—	\$—	\$456	\$456
	Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets held for sale	\$—	\$—	\$4,969	\$4,969
Total fair value of assets measured on a non-recurring basis	\$—	\$—	\$4,969	\$4,969
Liabilities:				
Accrued restructuring costs	\$—	\$—	\$957	\$957
Total fair value of liabilities measured on a non-recurring basis	\$—	\$—	\$957	\$957

8. DEBT

On February 28, 2012, we terminated our secured line of credit with UMB Bank, which was effective through August 1, 2012, and replaced it with a secured revolving credit facility with Wells Fargo Bank. The Credit Agreement was effective February 28, 2012 and has a maturity date of February 28, 2016. The amount we may borrow under the Credit Agreement is the lesser of the borrowing base calculation and \$10,000, and, so long as no default has occurred, we may increase the maximum availability to \$20,000 in \$2,500 increments. As of March 31, 2013, we had no outstanding borrowings on our credit facility and available capacity was \$9,900, net of \$100 of letters of credit backed by the facility.

Under the Credit Agreement, we are subject to certain standard affirmative and negative covenants, including the following financial covenants: 1) maintaining a minimum adjusted EBITDA, as defined in the Credit Agreement, of no less than the monthly minimum amounts set forth in an amendment to the Credit Agreement and 2) limiting non-financed capital expenditures to no more than the monthly maximum amounts set forth in an amendment to the Credit Agreement. We were in compliance with all such covenants as of March 31, 2013.

On February 25, 2013, we and Wells Fargo agreed on the financial covenants for 2013 and the first quarter of 2014, constituting the Third Amendment to the Credit Agreement. This amendment also clarified certain definitions and extended the term of the Credit Agreement one year to February 28, 2016.

9. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Our share-based compensation arrangements include grants of stock options, restricted stock awards and deferred stock units under the StarTek, Inc. 2008 Equity Incentive Plan, certain awards granted outside of these plans and our Employee Stock Purchase Plan. The compensation cost that has been charged against income for stock option awards, restricted stock and deferred stock units for the three months ended March 31, 2013 and 2012 was \$466 and \$334, respectively, and is included in selling, general and administrative expense. As of March 31, 2013, there was \$1,856 of total unrecognized compensation cost related to nonvested stock options and \$14 related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 2.4 and 1.1 years for the stock options and restricted stock awards, respectively.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consisted of the following items:

	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Total
Balance at December 31, 2012	\$2,798	\$(269)	\$2,529
Foreign currency translation	(26)	—	(26)
Reclassification to net income	—	401	401
Unrealized gains (losses)	—	(1,092)	(1,092)
Tax (provision) benefit	—	—	—
Balance at March 31, 2013	\$2,772	\$(960)	\$1,812

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2013 were as follows:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
Gains and losses on cash flow hedges		
Foreign exchange contracts	\$401	Cost of services
	\$401	

11. SEGMENT INFORMATION

Over the past several years, we have closed and opened several operating centers which has changed the way in which management and our chief operating decision maker evaluate performance and allocate resources. As a result, during the quarter ended March 31, 2012, we revised our business segments, consistent with our management of the business and internal financial reporting structure. Specifically, we consolidated our U.S. and Canadian segments into our Domestic segment and created two new segments, Asia Pacific and Latin America, which were previously reported in our Offshore segment. As of March 31, 2013, our Domestic segment included the operations of five facilities in the U.S. and one facility in Canada. Our Asia Pacific segment included the operations of two facilities in the Philippines and our Latin America segment included one facility in Costa Rica and one facility in Honduras.

We primarily evaluate segment operating performance in each reporting segment based on net sales, gross profit and working capital. Certain operating expenses are not allocated to each reporting segment; therefore, we do not present income statement information by reporting segment below the gross profit level.

Information about our reportable segments, which correspond to the geographic areas in which we operate, for the three months ended March 31, 2013 and 2012 is as follows:

	For the Three Months Ended March 31,	
	2013	2012
Revenue:		
Domestic	\$28,011	\$27,351
Asia Pacific	19,700	19,556
Latin America	6,099	3,952
Total	\$53,810	\$50,859
Gross profit:		
Domestic	\$2,925	\$844
Asia Pacific	2,207	4,844
Latin America	(404) (351
Total	\$4,728	\$5,337

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in our 2012 Annual Report on Form 10-K.

BUSINESS DESCRIPTION AND OVERVIEW

StarTek, Inc. is a global provider of business process outsourcing services with approximately 10,200 employees, whom we refer to as Brand Warriors, that have been committed to making a positive impact on our clients' business results for over 25 years. Our mission is to enable and empower our Brand Warriors to fight for our clients' brands every day to bring value to our stakeholders. We accomplish this by aligning with our clients' business objectives resulting in a trusted partnership. The StarTek Advantage System is the sum total of our culture, customized solutions and processes that enhance our clients' customer experience. The StarTek Advantage System is focused on improving customer experience and reducing total cost of ownership for our clients. StarTek has proven results for the multiple services we provide including sales, order management and provisioning, customer care, technical support, receivables management, and retention programs. We manage programs using a variety of multi-channel customer interaction capabilities including voice, chat, email, IVR and back-office support. StarTek has delivery centers in the U.S., Philippines, Canada, Costa Rica, Honduras and through our StarTek@Home workforce.

We seek to become a valuable partner by helping our clients effectively handle their customers throughout the customer life cycle. Through this effort we expect to return value to our stakeholders. Our approach is to develop relationships with our clients that are partnering and collaborative in nature where we are focused, flexible and responsive to their business needs. In addition, we offer creative industry-based solutions to meet our clients' ever changing requirements. The end result is the delivery of a customer experience which requires little effort by our clients' customers. To become a leader in the market, our strategy is to:

- grow our existing client base by deepening and broadening our relationships,
- add new clients and continue to diversify our client base,
- improve the profitability of our business through operational improvements and increased utilization,
- expand our global delivery platform to meet our clients' needs, and
- broaden our service offerings by providing more innovative and technology-enabled solutions.

As of March 31, 2013, our Domestic segment included the operations of five facilities in the U.S. and one facility in Canada. Our Asia Pacific segment included the operations of two facilities in the Philippines, and our Latin America segment included one facility in Costa Rica and one facility in Honduras.

There has been strong demand for our offshore call center services, primarily in our Asia Pacific segment. We have observed that our clients are decreasing the number of agents handling calls by leveraging call disposition technology, and there

continues to be a shift toward outsourced and offshore providers. Part of our strategy, as noted above, is to further expand our geographic footprint offshore and near-shore to capitalize on this trend and to diversify geographic risk. We also believe our clients and potential clients are seeking front and back-office business processes to increase operating efficiencies in order to enhance their customer experience. We are positioned to benefit from this trend as we have developed a comprehensive suite of services which includes front and back-office offerings for our clients.

SIGNIFICANT DEVELOPMENTS DURING THE THREE MONTHS ENDED MARCH 31, 2013

Decatur, Illinois

In February 2012, we received written notifications that a customer would be reducing business in our Decatur, Illinois facility. We recorded a \$0.5 million restructuring reserve in the second quarter of 2012. The restructuring plan was completed during the first quarter of 2013, at which time we reversed the remaining balance of \$0.03 million.

Regina, Saskatchewan

The lease for this facility was due to expire July 31, 2013. We were successful in negotiating an early termination of the lease; therefore, the restructuring plan was completed during the first quarter of 2013 and we do not expect to incur any additional restructuring liabilities for this location.

Cornwall, Ontario

In February 2013, we announced the closure of our Cornwall, Ontario facility due to an end of life client program. Operations ceased during the first quarter of 2013, earlier than initially expected. This followed the 2011 reduction of business which resulted in the renegotiation of the facility lease for a smaller portion of the space.

RESULTS OF OPERATIONS — THREE MONTHS ENDED MARCH 31, 2013 AND 2012

The following table summarizes our revenues and gross profit for the periods indicated, by reporting segment:

	For the Three Months Ended March 31,					
	2013 (in 000s)	(% of Total)	2012 (in 000s)	(% of Total)		
Domestic:						
Revenue	\$28,011	52.0	% \$27,351	53.8		%
Cost of services	25,086	51.1	% 26,507	58.2		%
Gross profit	\$2,925	61.9	% \$844	15.8		%
Gross profit %	10.4	%	3.1	%		
Asia Pacific:						
Revenue	\$19,700	36.6	% \$19,556	38.5		%
Cost of services	17,493	35.6	% 14,712	32.3		%
Gross profit	\$2,207	46.7	% \$4,844	90.8		%
Gross profit %	11.2	%	24.8	%		
Latin America:						
Revenue	\$6,099	11.4	% \$3,952	7.8		%
Cost of services	6,503	13.2	% 4,303	9.5		%
Gross profit	\$(404)	(8.5))% \$(351)	(6.6))%
Gross profit %	(6.6))%	(8.9))%		
Company Total:						
Revenue	\$53,810	100.0	% \$50,859	100.0		%
Cost of services	49,082	100.0	% 45,522	100.0		%
Gross profit	\$4,728	100.0	% \$5,337	100.0		%
Gross profit %	8.8	%	10.5	%		

Revenue

Revenue increased by \$3.0 million, or 5.8%, from \$50.9 million in the first quarter of 2012 to \$53.8 million in the first quarter of 2013. The Domestic segment increase of \$0.7 million was due to \$6.7 million of new business and growth from existing programs, partially offset by a \$6.0 million reduction from closed facilities and lost revenues from our largest client. Asia Pacific revenues grew \$0.1 million due to \$5.9 million of new business and growth from existing clients, mostly offset by reductions and lost programs of \$5.8 million from our two largest clients. The increase in the Latin America segment was due primarily to the ramp of new business secured in 2012 in our Honduras facility.

Cost of Services and Gross Profit

Cost of services increased by \$3.6 million, or 7.8%, from \$45.5 million in the first quarter of 2012 to \$49.1 million in the first quarter of 2013 primarily due to an increase in facility operating costs, the addition of transitional space and higher attrition costs in our Asia Pacific segment. Cost of services in the Domestic segment decreased by approximately \$1.4 million and gross profit as a percentage of revenue increased by 7.3% due to site closures and efficiency improvements in several locations. Cost of services in the Asia Pacific segment increased by approximately \$2.8 million, or 18.9%, and gross profit as a percentage of revenue decreased by approximately 13.6%. The unfavorable variances were due to inefficiencies across two key programs. Cost of services in Latin America increased by approximately \$2.2 million, or 5.1%, and gross profit as a percentage of revenue decreased by 2.3%, primarily due to the continued ramp of our Honduras facility.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 12.9% from \$8.3 million during the first quarter of 2012 to \$7.2 million during the first quarter of 2013, decreasing from 16.4% to 13.5% of revenue, due to cost efficiencies that were implemented in 2012.

Impairment Losses

No impairment losses were incurred during the first quarter of 2013. Impairment losses of \$3.1 million for the three months ended March 31, 2012 related to long-lived assets such as computer equipment, software, equipment and furniture and fixtures for which the future cash flows did not support the carrying value of the assets in our Decatur, Illinois and Jonesboro, Arkansas facilities due to a ramp-down in business.

Income Tax

Income tax benefit for 2013 was \$0.1 million compared to an expense of \$0.2 million in 2012. The income tax benefit is due to the impact of our Canadian operations and tax holidays in the Philippines, Cost Rica and Honduras.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are generally cash flows generated by operating activities and available borrowings under our revolving credit facility. We have historically utilized these resources to finance our operations and make capital expenditures associated with capacity expansion and upgrades of information technologies and service offerings. Due to the timing of our collections of large billings with our major customers, we have historically needed to draw on our line of credit for ongoing operating activities. Based on our current expectations, we believe our cash from operations and capital resources will be sufficient to operate our business for at least the next twelve months.

As of March 31, 2013, working capital totaled \$34.0 million and our current ratio was 2.32:1, compared to working capital of \$36.4 million and a current ratio of 2.50:1 at December 31, 2012.

Net cash flows used in operating activities for the three months ended March 31, 2013 was \$0.2 million compared to net cash provided by operating activities of \$1.8 million for the three months ended March 31, 2012. The \$2.0 million decrease in net cash flows from operating activities was due to a \$3.8 million decrease in net loss offset by a \$4.0 million decrease in non-cash items such as depreciation, impairment charges, stock-based compensation and deferred income taxes, and a \$1.8 million net decrease in cash flows from assets and liabilities. The \$1.8 million net decrease in cash flows from assets and liabilities was principally a result of decreased receivables collections of \$1.9 million.

Net cash used in investing activities for the three months ended March 31, 2013 of \$1.7 million primarily consisted of \$1.1 million of capital expenditures and the cash paid to acquire Ideal Dialogue Company, LLC of \$0.8 million. This compares to net cash used in investing activities of \$1.0 million primarily for capital expenditures for the three months ended March 31, 2012.

For the three months ended March 31, 2013, net cash provided by financing activities of \$0.11 million was primarily attributed to proceeds from the exercise of stock options and purchases of our common stock under our Employee Stock Purchase Plan, offset by payments on capital lease obligations. During the three months ended March 31, 2013, we borrowed and repaid approximately \$0.9 million on our credit facility.

Secured Revolving Credit Facility. We have a secured revolving credit facility, with a current borrowing capacity of \$10.0 million, which can increase to \$20.0 million at our option, to provide liquidity for working capital needs and a source of financing growth opportunities. After consideration for issued letters of credit under this facility, totaling

\$0.1 million, our remaining borrowing capacity was \$9.9 million as of March 31, 2013. There was no outstanding balance on our credit facility as of March 31, 2013.

Debt Covenants. Our secured revolving credit facility contains standard affirmative and negative covenants that may limit or restrict our ability to sell assets, incur additional indebtedness and engage in mergers and acquisitions. We were in compliance with all debt covenants at March 31, 2013.

CONTRACTUAL OBLIGATIONS

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There were no material changes in our contractual obligations during the first quarter of 2013.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet transactions, unconditional purchase obligations or similar instruments and we are not a guarantor of any other entities' debt or other financial obligations.

VARIABILITY OF OPERATING RESULTS

We have experienced and expect to continue to experience some quarterly variations in revenue and operating results due to a variety of factors, many of which are outside our control, including: (i) timing and amount of costs incurred to expand capacity in order to provide for volume growth from existing and future clients; (ii) changes in the volume of services provided to principal clients; (iii) expiration or termination of client projects or contracts; (iv) timing of existing and future client product launches or service offerings; (v) seasonal nature of certain clients' businesses; and (vi) variability in demand for our services by our clients depending on demand for their products or services and/or depending on our performance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America, management must undertake decisions that impact the reported amounts and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and assumptions upon which accounting estimates are based. Management applies its best judgment based on its understanding and analysis of the relevant circumstances to reach these decisions. By their nature, these judgments are subject to an inherent degree of uncertainty. Accordingly, actual results may vary significantly from the estimates we have applied.

Our critical accounting policies and estimates are consistent with those disclosed in our 2012 Annual Report on Form 10-K. Please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2012 Annual Report on Form 10-K for a complete description of our Critical Accounting Policies and Estimates.

Recently Issued Accounting Standards

In March 2013, the FASB issued ASU 2013-05 Topic 830 - Foreign Currency Matters ("ASU 2013-05"). ASU 2013-05 resolves the diversity in practice about whether Subtopic 810-10, Consolidation-Overall, or Subtopic 830-30, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, the amendments in this Update resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risks

We are exposed to market risk from foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. Dollar (“USD”) are translated into our USD consolidated financial statements. To mitigate this risk, we enter into forward currency exchange contracts to reduce the effects on our operating results and cash flows caused by volatility in foreign currency exchange rates. The contracts cover periods commensurate with expected exposure, generally three to nine months, and are principally unsecured. The cumulative translation effects for subsidiaries using functional currencies other than the USD are included in “Accumulated other comprehensive income (loss)” in stockholders’ equity. Movements in non-USD currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We serve many of our U.S.-based clients in several non-U.S. locations, such as Canada, the Philippines, Costa Rica and Honduras. Our client contracts are primarily priced and invoiced in USD, however, the functional currencies of our Canadian and Philippine operations are the Canadian dollar and the Philippine peso, respectively. In Costa Rica and Honduras, our functional currency is the USD and the majority of our costs are denominated in USD.

In order to hedge a portion of our anticipated cash flow requirements denominated in the Canadian dollar and Philippine peso we had outstanding forward contracts as of March 31, 2013 with notional amounts totaling \$38.6 million. If the USD were to weaken against the Canadian dollar and Philippine peso by 10% from current period-end levels, we would incur a loss of approximately \$4.3 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures. As of March 31, 2013, we have not entered into any arrangements to hedge our exposure to fluctuations in the Costa Rican colon or the Honduran lempira relative to the USD.

Interest Rate Risk

We currently have a \$10.0 million secured credit facility, which can increase to \$20.0 million. The interest rate on our credit facility is variable based upon the LIBOR index, and therefore, is affected by changes in market interest rates. If the LIBOR increased 100 basis points, there would not be a material impact to our Condensed Consolidated Financial Statements.

During the three months ended March 31, 2013, there were no material changes in our market risk exposure.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. As of March 31, 2013, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2013, our disclosure controls and procedures were effective and were designed to ensure that all information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in internal controls over financial reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 5. OTHER INFORMATION

Submission of Matters to a Vote of Security Holders.

On May 6, 2013, we held our 2013 Annual Meeting of Stockholders. At the Annual Meeting, the stockholders elected five nominees to serve on the Board of Directors, ratified the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2013, and approved by non-binding vote the compensation of our named executive officers. The final voting results for each of these matters are set forth below:

1. Election of Directors:

	Number of Shares Voted For	Number of Shares Voted Against	Abstain
Chad A. Carlson	11,162,627	57,099	7,388
Jack D. Plating	11,151,758	64,931	10,425
Benjamin L. Rosenzweig	11,152,958	66,931	7,225
Robert Sheft	11,151,308	65,981	9,825
Ed Zschau	11,163,345	57,981	5,788

There were 2,940,389 broker non-votes on the proposal for election of directors.

2. Ratification of Appointment of Independent Registered Public Accounting Firm:

A total of 10,504,329 shares voted for, 3,637,534 shares voted against and 25,640 shares abstained from voting. There were no broker non-votes on this matter.

3. Approval by Non-Binding Vote the Compensation of Named Executive Officers:

A total of 11,174,377 shares voted for, 34,120 shares voted against and 18,617 shares abstained from voting. There were 2,940,389 broker non-votes on this matter.

ITEM 6. EXHIBITS

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INDEX OF EXHIBITS

Exhibit No.	Exhibit Description	Incorporated Herein by Reference		
		Form	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation of StarTek, Inc.	S-1	3.1	1/29/1997
3.2	Amended and Restated Bylaws of StarTek, Inc.	8-K	3.2	11/1/2011
3.3	Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. filed with the Delaware Secretary of State on May 21, 1999.	10-K	3.3	3/8/2000
3.4	Certificate of Amendment to the Certificate of Incorporation of StarTek, Inc. filed with the Delaware Secretary of State on May 23, 2000.	10-Q	3.4	8/14/2000
4.1	Specimen Common Stock certificate.	10-Q	4.2	11/6/2007
10.1	Third Amendment to Credit and Security Agreement, by and among Wells Fargo Bank, National Association, and StarTek, Inc.	10-K	10.41	3/8/2013
10.2	Agreement No. 20120124.035.C, Contact Center Services Master Agreement effective January 25, 2013 between StarTek, Inc. and AT&T Services, Inc.	10-K	10.42	3/8/2013
31.1*	Certification of Chad A. Carlson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Lisa A. Weaver pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Written Statement of the Chief Executive Officer and Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101^	The following materials are formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2013 and 2012 (Unaudited), (ii) Condensed Consolidated Balance Sheets as of March 31, 2013 (Unaudited) and December 31, 2012, (iii) Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012 (Unaudited) and (iv) Notes to Condensed Consolidated Financial Statements (Unaudited).			
*	Filed with this Form 10-Q.			
^	Furnished, not filed.			

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

STARTEK, INC.

By: /s/ CHAD A. CARLSON
Chad A. Carlson
President and Chief Executive Officer
(principal executive officer)

Date: May 10, 2013

By: /s/ LISA A. WEAVER
Lisa A. Weaver
Senior Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)

Date: May 10, 2013