

PAN AMERICAN SILVER CORP
Form 6-K
February 02, 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, February 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 X

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

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 X

If "Yes" 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 Arrangement Agreement, dated January 22, 2012
 - 2 Voting and Support Agreement, dated January 22, 2012
-

EXECUTION COPY

PAN AMERICAN SILVER CORP.
AND
MINEFINDERS CORPORATION LTD.

ARRANGEMENT AGREEMENT

January 22, 2012

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated January 22, 2012,

BETWEEN:

PAN AMERICAN SILVER CORP., a corporation existing under the laws of British Columbia

("Pan American")

AND:

MINEFINDERS CORPORATION LTD., a corporation existing under the laws of Ontario

("Minefinders")

WITNESSES THAT WHEREAS:

- A. Pan American wishes to acquire all of the Minefinders Shares pursuant to an Arrangement to be completed under the provisions of the OBCA;
- B. The Minefinders Board has determined, after receiving financial and legal advice, that the Consideration per Minefinders Share to be received by Minefinders Shareholders (other than Pan American and its affiliates) pursuant to the Arrangement is fair to Minefinders Shareholders and that the Arrangement is in the best interests of Minefinders, and the Minefinders Board has resolved to recommend that the Minefinders Shareholders and holders of Minefinders Options vote in favour of the Arrangement Resolution, all subject to the terms and the conditions contained in this Agreement;
- C. The Pan American Board has resolved, after receiving financial and legal advice, to recommend that Pan American Shareholders vote in favour of the Pan American Resolution, in accordance with the requirements of the TSX and Nasdaq;
- D. Pan American has entered into the Voting Agreements with the Locked-Up Shareholders, pursuant to which, among other things, such Locked-Up Shareholders have agreed, subject to the terms and conditions thereof, to vote the Minefinders Shares held by them in favour of the Arrangement; and
- E. The execution and delivery of this Agreement has been approved by the Pan American Board and the Minefinders Board, respectively.

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

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

“Acquisition Proposal” means, in respect of a Party, other than the transactions contemplated by this Agreement and other than any transaction involving only a Party and/or one or more of its wholly-owned Subsidiaries, any bona fide offer, proposal or inquiry from any Person or group of Persons, whether or not in writing and whether or not delivered to that Party or the shareholders of that Party, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, of: (i) the assets of that Party and/or one or more of its Subsidiaries (or any lease, license, royalty, long term supply agreement, off-take agreement, hedging arrangement, or other arrangement having an economic effect similar to the acquisition or purchase of assets) that, individually or in the aggregate, constitute 20% or more of the consolidated assets of that Party and its Subsidiaries, taken as a whole, or which contribute 20% or more of the consolidated revenue of that Party and its Subsidiaries, taken as a whole, or (ii) 20% or more of the voting or equity securities of: (A) that Party; or (B) any one or more of its Subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of that Party and its Subsidiaries, taken as a whole; (b) any take-over bid, tender offer or exchange offer that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of the issued and outstanding voting or equity securities of any class of voting or equity securities of that Party; (c) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving: (A) that Party; or (B) any of its Subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20% or more of the consolidated assets or revenues, as applicable, of that Party and its Subsidiaries, taken as a whole; (d) an alliance, joint venture or earn-in right relating to 20% or more of the consolidated assets of that Party and its Subsidiaries, taken as a whole; (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated in this Agreement or which would or could reasonably be expected to materially reduce the benefit to a Party under this Agreement or the Arrangement; or (f) modification or proposed modification of any of the foregoing offers, proposals or inquiries;

“Affected Person” has the meaning ascribed thereto in Section 2.11;

“affiliate” has the meaning ascribed thereto in National Instrument 45-106 – Prospectus and Registration Exemptions of the Canadian Securities Administrators;

“Agreement” means this arrangement agreement, including all schedules annexed hereto, together with the Minefinders Disclosure Letter and the Pan American Disclosure Letter, as the same may be amended, amended and restated or supplemented prior to the Effective Date;

“Antitrust Filing” means a filing that must be made by either Party (or both Parties) to a Governmental Entity under any applicable antitrust, competition or similar Law applicable to the transactions contemplated by this Agreement as identified in Schedule D hereto;

“Antitrust Clearance” means any applicable approval or clearance shall have been received from a Governmental Entity and any applicable waiting period shall have expired or been terminated or waived by a Governmental Entity in relation to any Antitrust Filing identified in Schedule D hereto;

“Arrangement” means the arrangement of Minefinders under Section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 8.4 hereof or the 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 Resolution” means the special resolution of the Minefinders Securityholders approving the Plan of Arrangement which is to be considered at the Minefinders Meeting substantially in the form and content of Schedule B hereto;

“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;

“Authorization” means any authorization, order, permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law, and includes any Environmental Permit;

“Available Cash Amount” has the meaning ascribed thereto in the Plan of Arrangement;

“Available Share Amount” has the meaning ascribed thereto in the Plan of Arrangement;

“bump transaction” has the meaning ascribed thereto in Subsection 5.7(b);

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

“Broker” has the meaning ascribed thereto in Section 2.11;

“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;

“Confidentiality Agreements” means the confidentiality agreements between Pan American and Minefinders dated March 14, 2011 and May 26, 2011 pursuant to which the Parties provided confidential information to each other;

“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 the Plan of Arrangement;

“Consideration Shares” means the Pan American Shares to be issued pursuant to the Arrangement;

“Contract” means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which a Party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject;

“Court” means the Superior Court of Justice of Ontario;

“Depositary” means Kingsdale Shareholder Services Inc.;

“Director” means the director appointed under Section 278 of the OBCA;

“Dissent Rights” means the rights of dissent exercisable by the Minefinders Shareholders in respect of the Arrangement described in Article 4 of the Plan of Arrangement;

“EDGAR” means the Electronic Data Gathering and Retrieval system of the United States Securities and Exchange Commission;

“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;

“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 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;

“Environmental Approvals” means all permits, certificates, licences, consents, orders, grants, instructions, registrations, directions, approvals or other authorizations issued or required by any Governmental Entity pursuant to any Environmental Law;

“Environmental Laws” means all Laws, imposing obligations, responsibilities, liabilities or standards of conduct for or relating to: (a) the regulation or control of pollution, contamination, activities, materials, substances or wastes in connection with or for the protection of human health or safety, the environment or natural resources (including climate, air, surface water, groundwater, wetlands, land surface, subsurface strata, wildlife, aquatic species and vegetation); or (b) the use, generation, disposal, treatment, processing, recycling, handling, transport, distribution, destruction, transfer, import, export or sale of Hazardous Substances;

“Environmental Liabilities” means, with respect to any Person, all liabilities, obligations, responsibilities, responses, losses, damages, punitive damages, property damages, consequential damages, treble damages, costs (including control, remedial and removal costs, investigation costs, capital costs, operation and maintenance costs), expenses, fines, penalties and sanctions incurred as a result of or related to any claim, suit, action, administrative or court order, investigation, proceeding or demand by any Person, arising under or related to any Environmental

Laws, Environmental Permits, or in connection with any: (a) Release or threatened Release or presence of a Hazardous Substance; (b) tank, drum, pipe or other container that contains or contained a Hazardous Substance; or (c) use, generation, disposal, treatment, processing, recycling, handling, transport, transfer, import, export or sale of Hazardous Substance;

“Environmental Permits” means all Permits or program participation requirements with or from any Governmental Entity under any Environmental Laws;

“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, modified, supplemented or varied 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;

“GAAP” means, in relation to any financial year beginning on or before December 31, 2010, generally accepted accounting principles in Canada as then set out in the Canadian Institute of Chartered Accountants Handbook, and, in relation to any financial year beginning after December 31, 2010, generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook for an entity that prepares its financial statements in accordance with International Financial Reporting Standards;

“Governmental Entity” means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, agency or entity, domestic or foreign; (b) any stock exchange, including the TSX, NYSE Amex and Nasdaq; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any administrative, regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“Hazardous Substance” means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous or deleterious substance, waste or material, including cyanide, sulphuric acid, hydrogen sulphide, arsenic, cadmium, copper, lead, mercury, petroleum, polychlorinated biphenyls, asbestos and urea-formaldehyde insulation, and any other material, substance, pollutant or contaminant regulated or defined pursuant to, or that could result in liability under, any Environmental Law;

“HSR Act” means the United States Hart Scott Rodino Antitrust Improvements Act of 1976, as amended from time to time;

“Indenture” means the indenture dated as of November 3, 2010 between Minefinders and The Bank of New York Mellon, as trustee, governing the Minefinders Convertible Notes;

“Interim Order” means the interim order of the Court contemplated by Section 2.2 of this Agreement and made pursuant to Sections 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;

“Law” or “Laws” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any Permit of or from any Governmental Entity, and the term “applicable” with respect to such Laws and in a context that refers to a Party, means such Laws as are applicable to such Party and/or its Subsidiaries or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party and/or its Subsidiaries or its or their business, undertaking, property or securities;

“Locked-up Shareholders” means Mark H. Bailey, Laurence Morris, Tench C. Page, Greg D. Smith, Robert Leclerc, H. Leo King, James M. Dawson and W. Robert Gilroy, who together hold 1,518,954 Minefinders Shares and Minefinders Options to acquire up to 1,810,000 Minefinders Shares;

“Mailing Deadline” means the later of: (a) February 17, 2012; and (b) the date that is seven (7) business days following receipt by Minefinders from Pan American of all of Pan American’s information required to be included in the Minefinders Circular;

“material fact” and “material change” have the meanings ascribed thereto in the Securities Act;

“Material Contract” means an agreement to which a Party or any of its Subsidiaries is a party or by which a Party, any of its Subsidiaries or any of their material properties or assets is bound or under which a Party or any of its Subsidiaries has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied): (a) involving payments to or by such Party or any of its Subsidiaries in excess of, in the case of Pan American, \$2,500,000 annually or \$5,000,000 in aggregate over the term of the contract, or in the case of Minefinders, \$1,000,000 annually or \$2,000,000 in aggregate over the term of the contract; (b) involving rights or obligations that may reasonably extend beyond three years and which does not terminate or cannot be terminated without penalty on less than three months’ notice; (c) in the case of Minefinders or any of its Subsidiaries, which provide any interest in the material Mineral Rights or Property comprising the Dolores Mine to one or more third parties; (d) which is outside the ordinary course of business; (e) which contain covenants that: (i) in any way purport to restrict the business activity of such Party or any of its Subsidiaries; or (ii) limit the freedom of such Party or any of its Subsidiaries to engage in any line of business or to compete with any Person; (f) which, if terminated without the consent of all of the parties to the contract would result, in the case of Pan American, in a Pan American Material Adverse Effect or, in the case of Minefinders, in a Minefinders Material Adverse Effect; (g) is a contract pursuant to which a Party or any of its Subsidiaries provides any indemnification to any other Person other than in the ordinary course of business; (h) that is a financial risk management contract, such as currency, commodity or interest related hedge contracts; (i) that is a securityholder agreement, securityholder declaration, voting trust or pooling agreement; or (j) which is required to be filed on SEDAR pursuant to Securities Laws;

“Meeting Deadline” means March 21, 2012;

“MI 61-101” means Multilateral Instrument 61-101 – Protection of Minority Securityholders in Special Transactions of the Ontario Securities Commission and the *autorité des marchés financiers*;

“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 Annual Information Form” means the annual information form of Minefinders dated February 24, 2011;

“Minefinders Balance Sheet” has the meaning ascribed thereto in Subsection 3.1(m);

“Minefinders Benefit Plans” means any pension plans or other employee compensation, other than equity- or security-based compensation arrangements, or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Minefinders or any of its Subsidiaries or for which Minefinders or its Subsidiaries could have any liability;

“Minefinders Board” means the board of directors of Minefinders as the same is constituted from time to time;

“Minefinders Budget” means the draft operating budget and draft capital budget of Minefinders for 2012, together with all expenditures which have been approved by the Minefinders Board prior to the date of this Agreement, copies of which have been provided to Pan American;

“Minefinders Change in Recommendation” has the meaning ascribed thereto in Subsection 8.2(a)(iii)(A);

“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 Combined Securityholder Approval” has the meaning ascribed thereto in Subsection 2.2(c)(ii);

“Minefinders Convertible Notes” mean the 4.5% convertible senior notes due 2015 issued pursuant to the Indenture;

“Minefinders Disclosure Letter” means the disclosure letter executed by Minefinders and delivered to, and acknowledged and accepted and agreed to by, Pan American prior to the execution of this Agreement, as amended;

“Minefinders Expense Payment” has the meaning ascribed thereto in Subsection 8.3(b);

“Minefinders Expense Payment Event” has the meaning ascribed thereto in Subsection 8.3(d);

“Minefinders Material Adverse Effect” means any one or more changes, effects, events or occurrences that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, properties, assets, liabilities (contingent or otherwise), condition (financial or otherwise), capitalization, operations or results of operations of Minefinders and its Subsidiaries, taken as a whole, other than any change, effect, event or occurrence (i) in or relating to general political, economic or financial conditions in Canada, the United States or Mexico, (ii) in or relating to financial or capital market conditions in general, including any reduction in market indices, (iii) in or relating to currency exchange, interest rates

or the price of metals, (iv) in or relating to the mining industry in general, (v) in or relating to GAAP or regulatory accounting requirements, (vi) in or relating to any change in any Laws or any interpretation, application or non-application thereof by any Governmental Entity, (vii) relating to any failure to meet any internal or publicly disclosed projections, forecasts or estimates of, or guidance relating to, revenue, earnings, cash flow or other financial metrics of Minefinders or the production of metals by Minefinders, whether made by or attributed to Minefinders or any financial analyst or other Person, or any decline or decrease in the market price or volume of trading of the Minefinders Shares (it being understood that the cause or causes underlying any such failure, decline or decrease may, in and of itself or themselves, constitute a Minefinders Material Adverse Effect and may be taken into account in determining whether a Minefinders Material Adverse Effect has otherwise occurred), or (viii) relating to a change in the market trading price of the Minefinders Shares either: (A) related to this Agreement, the Arrangement or the announcement thereof; or (B) related primarily to a change, effect, event or occurrence excluded from this definition of “Minefinders Material Adverse Effect” under subsections (i) to (vi) above; provided, however, that such effect referred to in subsections (i) to (vi) above does not primarily relate to (or have the effect of primarily relating to) Minefinders or its Subsidiaries or disproportionately adversely affect Minefinders and its Subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which Minefinders and its Subsidiaries operate; and references in this Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether a “Minefinders Material Adverse Effect” has occurred;

“Minefinders Material Subsidiary” means the Minefinders Subsidiaries set out in Schedule 3.1(e) of the Minefinders Disclosure Letter;

“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 purchase Minefinders Shares granted under the Minefinders 2003 Option Plan and the Minefinders 2011 Options;

“Minefinders Public Documents” means all documents or information filed on SEDAR or EDGAR by Minefinders under applicable Securities Laws since and including January 1, 2010 to and including the date hereof;

“Minefinders Securityholders” means the Minefinders Shareholders and the Minefinders Optionholders;

“Minefinders Shareholder Approval” has the meaning ascribed thereto in Subsection 2.2(c)(i);

“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;

“Minefinders Termination Payment” has the meaning ascribed thereto in Subsection 8.3(b);

“Minefinders Termination Payment Event” has the meaning ascribed thereto in Subsection 8.3(c);

“Minefinders Third Party Consents” has the meaning ascribed thereto in Subsection 3.1(d);

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

“Mineral Rights” has the meaning ascribed thereto in Subsection 3.1(n)(i);

“misrepresentation” has the meaning ascribed thereto in the Securities Act;

“Nasdaq” means the Nasdaq Global Market;

“NI 43-101” means National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators;

“NYSE Amex” means the NYSE Amex Equities;

“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 Shares” means the Pan American Shares issuable on exercise of Replacement Options;

“ordinary course of business”, “ordinary course of business consistent with past practice”, or any similar reference, means, with respect to an action taken by a Person, that such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day business and operations of such Person; provided, however, that in any event such action is not unreasonable or unusual;

“Outside Date” means May 31, 2012, or such later date as may be agreed to in writing by the Parties;

“Pan American Annual Information Form” means the annual information form of Pan American dated March 31, 2011;

“Pan American Balance Sheet” has the meaning ascribed thereto in Subsection 4.1(l);

“Pan American Benefit Plans” means any pension or retirement income plans or other employee compensation, other than equity- or security-based compensation arrangements, or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Pan American or any of its Subsidiaries or for which Pan American or its Subsidiaries could have any liability;

“Pan American Board” means the board of directors of Pan American as the same is constituted from time to time;

“Pan American Change in Recommendation” has the meaning ascribed thereto in Subsection 8.2(a)(iv)(A);

“Pan American Circular” means the notice of the Pan American Meeting and accompanying management information circular, including all schedules, appendices and exhibits thereto and

enclosures therewith, to be sent to the Pan American Shareholders in connection with the Pan American Meeting, as amended, supplemented or otherwise modified from time to time;

“Pan American Disclosure Letter” means the disclosure letter executed by Pan American and delivered to, and acknowledged and accepted and agreed to by, Minefinders prior to the execution of this Agreement, as amended;

“Pan American Expense Payment” has the meaning ascribed thereto in Subsection 8.3(b);

“Pan American Expense Payment Event” has the meaning ascribed thereto in Subsection 8.3(f);

“Pan American Material Adverse Effect” means any one or more changes, effects, events or occurrences that, individually or in the aggregate, is, or would reasonably be expected to be, material and adverse to the business, properties, assets, liabilities (contingent or otherwise), condition (financial or otherwise), capitalization, operations or results of operations of Pan American and its Subsidiaries, taken as a whole, other than any change, effect, event or occurrence (i) in or relating to general political, economic or financial conditions in Canada, the United States, Peru, Mexico, Argentina or Bolivia, (ii) in or relating to financial or capital market conditions in general, including any reduction in market indices, (iii) in or relating to currency exchange, interest rates or the price of metals, (iv) in or relating to the mining industry in general, (v) in or relating to GAAP or regulatory accounting requirements, (vi) in or relating to any change in any Laws or any interpretation, application or non-application thereof by any Governmental Entity, (vii) relating to any failure to meet any internal or publicly disclosed projections, forecasts or estimates of, or guidance relating to, revenue, earnings, cash flow or other financial metrics of Pan American or the production of metals by Pan American, whether made by or attributed to Pan American or any financial analyst or other Person, or any decline or decrease in the market price or volume of trading of the Pan American Shares (it being understood that the cause or causes underlying any such failure, decline or decrease may, in and of itself or themselves, constitute a Pan American Material Adverse Effect and may be taken into account in determining whether a Pan American Material Adverse Effect has otherwise occurred), or (viii) relating to a change in the market trading price of the Pan American Shares either: (A) related to this Agreement, the Arrangement or the announcement thereof; or (B) related primarily to a change, effect, event or occurrence excluded from this definition of “Pan American Material Adverse Effect” under subsections (i) to (vi) above; provided, however, that such effect referred to in subsections (i) to (vi) above does not primarily relate to (or have the effect of primarily relating to) Pan American or its Subsidiaries or disproportionately adversely affect Pan American and its Subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which Pan American and its Subsidiaries operate; and references in this Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether an “Pan American Material Adverse Effect” has occurred;

“Pan American Material Subsidiaries” means the Pan American subsidiaries listed in Schedule 4.1(e) of the Pan American Disclosure Letter;

“Pan American Meeting” means the special meeting of Pan American Shareholders, including any adjournment or postponement thereof, to be called for the purpose of obtaining Pan American Shareholder Approval;

“Pan American Mineral Rights” has the meaning ascribed thereto in Subsection 4.1(m)(i);

“Pan American Property” has the meaning ascribed thereto in Subsection 4.1(m)(i);

“Pan American Public Documents” means all documents or information filed on SEDAR or EDGAR by Pan American under applicable Securities Laws since and including January 1, 2010 to and including the date hereof;

“Pan American Resolution” means the ordinary resolution of Pan American Shareholders approving the issuance of the Consideration Shares, Option Shares and Underlying Shares at the Pan American Meeting substantially in the form and content of Schedule C;

“Pan American Shareholder Approval” means the approval by the Pan American Shareholders by ordinary resolution of the issuance of the Consideration Shares, Option Shares and Underlying Shares at the Pan American Meeting, in accordance with the policies of the TSX and Nasdaq;

“Pan American Shareholders” means the holders of Pan American Shares;

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

“Pan American Termination Payment” has the meaning ascribed thereto in Subsection 8.3(b);

“Pan American Termination Payment Event” has the meaning ascribed thereto in Subsection 8.3(c);

“Pan American Third Party Consents” has the meaning ascribed thereto in Subsection 4.1(d);

“Pan American Warrants” means the outstanding share purchase warrants to purchase Pan American Shares;

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

“Payment” has the meaning ascribed thereto in Subsection 8.3(b)(i);

“Permit” means any license, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other Authorization of, from or required by any Governmental Entity;

“Person” includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government (including any Governmental Entity) or any other entity, whether or not having legal status;

“Plan of Arrangement” means the plan of arrangement of Minefinders, substantially in the form of Schedule A hereto, and any amendments or variations thereto made in accordance with the Plan of Arrangement or upon the direction of the Court in the Final Order with the consent of Minefinders and Pan American, each acting reasonably;

“Pre-Acquisition Reorganization” has the meaning ascribed thereto in Subsection 5.7(a);

“Property” has the meaning ascribed thereto in Subsection 3.1(n)(i);

“Proposed Pan American Agreement” has the meaning ascribed thereto in Subsection 7.2(e);

“Proposed Minefinders Agreement” has the meaning ascribed thereto in Subsection 7.1(e);

“Regulatory Approvals” means those sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the waiver or lapse, without objection, of a prescribed time under a statute or regulation that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required in connection with the consummation of the Arrangement or any of the transactions contemplated hereby, including, if applicable, any Antitrust Clearance;

“Release” means any release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of any Hazardous Substance in the indoor or outdoor environment, including the movement of Hazardous Substance through or in the air, soil, surface water, ground water or property;

“Replacement Options” has the meaning ascribed thereto in Subsection 3.1(d) of the Plan of Arrangement;

“Response Period” shall have the meaning ascribed thereto in Section 7.1(e)(v);

“Securities Act” means the Securities Act (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“Securities Laws” means the securities legislation of each of the provinces and territories of Canada, the policies and instruments of the Canadian Securities Administrators, the U.S. Securities Act and U.S. Exchange Act and all other applicable state, federal and provincial securities Laws, rules and regulations and published policies thereunder, as now in effect and as they may be promulgated or amended from time to time;

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“Subsidiary” has the meaning ascribed thereto in the National Instrument 45-106 – Prospectus and Registration Exemptions of the Canadian Securities Administrators;

“Superior Proposal” means an unsolicited Acquisition Proposal made by a third party to a Party or its shareholders in writing after the date hereof: (i) to purchase or otherwise acquire, directly or indirectly, by means of a merger, take-over bid, amalgamation, plan of arrangement, business combination, consolidation, recapitalization, liquidation, winding-up or similar transaction, all of the Minefinders Shares or all of the Pan American Shares, as the case may be, or all or substantially all of the assets of Minefinders or Pan American on a consolidated basis, as the case may be; (ii) that is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal; (iii) that is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been obtained or demonstrated to the satisfaction of the board of directors of that Party, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel) to be reasonably likely to be obtained without undue delay; (iv) which is not subject to a due diligence and/or access condition; (v) that did not result from a breach of Section 7.1 or 7.2, as applicable, by that Party, any of its Subsidiaries or their representatives; (vi) that is made available to all Minefinders Shareholders or all Pan American Shareholders, as the case may be, on the same terms and conditions; and (vii) in respect of which the board of directors of that Party determines in good

faith (after receipt of advice from its outside legal counsel with respect to (x) below and financial advisors with respect to (y) below), (x) that failure to recommend such Acquisition Proposal to its securityholders would be inconsistent with its fiduciary duties and (y) would, taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to its securityholders from a financial point of view than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by Pan American pursuant to Subsection 7.1(f));

“Supplemental Indenture” means any instrument executed and delivered by Pan American to The Bank of New York Mellon, as trustee with respect to the Minefinders Convertible Notes, in accordance with the terms of the Indenture, pursuant to which Pan American expressly assumes all the obligations of Minefinders under the Minefinders Convertible Notes and the Indenture;

“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;

“Taxes” includes any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Entity, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, windfall, royalty, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, United Kingdom, European Union and other pension plan premiums or contributions imposed by any Governmental Entity, and any transferee liability in respect of any of the foregoing;

“Tax Returns” includes all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required by a Governmental Entity to be made, prepared or filed by Law in respect of Taxes;

“Transaction Personal Information” has the meaning ascribed thereto in Section 9.1;

“TSX” means the Toronto Stock Exchange;

“Underlying Shares” means the Pan American Shares (including, for greater certainty, any “Additional Shares”, as such term is defined in the Indenture) issuable, following the Effective Date of the Arrangement, upon the conversion of the Minefinders Convertible Notes in accordance with the terms and conditions thereof, if any;

“United States” means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“U.S. Exchange Act” means the United States Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder;

“U.S. Securities Act” means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder;

“Voting Agreements” means the voting agreements (including all amendments thereto) between Pan American and the Locked-up Shareholders setting forth the terms and conditions upon which they have agreed, among other things, to vote their Minefinders Shares in favour of the Arrangement Resolution; and

“Withholding Obligations” has the meaning ascribed thereto in Section 2.11.

1.2 Interpretation

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

- (a) “this Agreement” means this Arrangement Agreement, including the recitals and Appendices hereto, and not any particular Article, Section, Subsection or other subdivision, recital or Appendix hereof and includes the Pan American Disclosure Letter and the Minefinders Disclosure Letter, as the same may, from time to time, be supplemented or amended in accordance with the terms 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 Agreement 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 Agreement;
- (d) the division of this Agreement 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 Agreement or any provision hereof;
- (e) a reference to a statute in this Agreement 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 “or” is not exclusive;
- (g) 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
- (h) all references to “approval”, “authorization” or “consent” in this Agreement means written approval, authorization or consent, unless expressly stated to the contrary.

1.3 Number and Gender

In this Agreement, 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.

1.4 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party 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 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement in respect of either Party shall have the meanings attributable thereto under GAAP and all determinations of an accounting nature required to be made shall be made in a manner consistent with GAAP consistently applied.

1.7 Knowledge

- (a) In this Agreement, references to “the knowledge of Minefinders” means the actual knowledge of Mark H. Bailey, Laurence Morris, Tench C. Page and Greg D. Smith, in each case, after making due enquiries regarding the relevant matter.
- (b) In this Agreement, references to “the knowledge of Pan American” means the actual knowledge of Geoff Burns, Steven Busby, Rob Doyle, Michael Steinmann and Robert Pirooz, in each case, after making due enquiries regarding the relevant matter.

1.8 Schedules

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof:

- Schedule A - Plan of Arrangement
- Schedule B - Arrangement Resolution
- Schedule C - Pan American Resolution
- Schedule D - Antitrust Filings and Clearances

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

Minefinders and Pan American agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement.

2.2 Interim Order

As soon as reasonably practicable following the execution of this Agreement, and in any event in sufficient time to hold the Minefinders Meeting in accordance with Section 2.3, Minefinders shall apply to the Court in a manner acceptable to Pan American, acting reasonably, pursuant to clause 182(5) of the OBCA and prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Minefinders Meeting and for the manner in which such notice is to be provided;
- (b) for confirmation of the record date for the Minefinders Meeting referred to in Section 2.3(a);
- (c) that the requisite approval for the Arrangement Resolution shall be:
 - (i) two-thirds of the votes cast on the Arrangement Resolution by the Minefinders Shareholders present in person or by proxy at the Minefinders Meeting and voting as a single class (the “Minefinders Shareholder Approval”), with each Minefinders Share entitling the holder thereof to one vote thereon; and
 - (ii) two-thirds of the votes cast on the Arrangement Resolution by the Minefinders Shareholders and the holders of Minefinders Options present in person or by proxy at the Minefinders Meeting and voting as a single class (the “Minefinders Combined Securityholder Approval”), with each Minefinders Share entitling the holder thereof to one vote thereon and each Minefinders Option entitling the holder thereof to that number of votes thereon equal to that number of Minefinders Shares issuable upon valid exercise of such Minefinders Option;
- (d) that, in all other respects, the terms, conditions and restrictions of the Minefinders constating documents, including quorum requirements and other matters, shall apply in respect of the Minefinders Meeting;
- (e) for the grant of Dissent Rights to the Minefinders Shareholders who are registered Minefinders Shareholders;
- (f) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (g) that the Minefinders Meeting may be adjourned or postponed from time to time by the Minefinders Board, subject to the terms of this Agreement, without the need for additional approval of the Court;
- (h) that it is Pan American’s intention to rely upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act with respect to the issuance of the Consideration Shares and Replacement Options to be issued pursuant to the Arrangement, based on the Court’s approval of the Arrangement; and
- (i) for such other matters as Pan American may reasonably require, subject to obtaining the prior consent of Minefinders, such consent not to be unreasonably withheld or delayed.

2.3 Minefinders Meeting

Subject to the terms of this Agreement:

- (a) Minefinders agrees to convene and conduct the Minefinders Meeting in accordance with the Interim Order, Minefinders' articles, by-laws and applicable Law as soon as reasonably practicable, and in any event on or before the Meeting Deadline. Minefinders and Pan American agree to use their commercially reasonable efforts to schedule the Minefinders Meeting and Pan American Meeting to occur on the same day, with the Minefinders Meeting to occur after the Pan American Meeting. Minefinders agrees that it shall, in consultation with Pan American, fix and publish a record date for the purposes of determining the Minefinders Shareholders and holders of Minefinders Options entitled to receive notice of and vote at the Minefinders Meeting in accordance with the Interim Order;
- (b) Subject to Subsection 7.1(k), Minefinders shall not, except as required for quorum purposes, as required by Law, or otherwise as permitted under this Agreement, adjourn, postpone or cancel (or propose or permit the adjournment, postponement or cancellation of) the Minefinders Meeting without Pan American's prior written consent;
- (c) Minefinders shall advise Pan American as Pan American may reasonably request, and at least on a daily basis on each of the last ten (10) business days prior to the date of the Minefinders Meeting, as to the aggregate tally of the proxies received by Minefinders in respect of the Arrangement Resolution;
- (d) Minefinders shall promptly advise Pan American of any written notice of dissent or purported exercise by any Minefinders Shareholder of Dissent Rights received by Minefinders in relation to the Arrangement and any withdrawal of Dissent Rights received by Minefinders and any written communications sent by or on behalf of Minefinders to any Minefinders Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement; and
- (e) Minefinders shall provide notice to Pan American of the Minefinders Meeting and use its commercially reasonable efforts to allow representatives of Pan American to attend the Minefinders Meeting.

2.4 Minefinders Circular

- (a) As promptly as reasonably practicable following execution of this Agreement, and in any event prior to the close of business on the Mailing Deadline, Minefinders shall (i) prepare the Minefinders Circular together with any other documents required by applicable Laws in connection with the Minefinders Meeting, (ii) file the Minefinders Circular in all jurisdictions where the same is required to be filed, and (iii) mail the Minefinders Circular as required under applicable Laws and by the Interim Order. On the date of mailing thereof, the Minefinders Circular shall comply in all material respects with all applicable Laws and the Interim Order and shall contain sufficient detail to permit the Minefinders Shareholders and holders of Minefinders Options to form a reasoned judgement concerning the matters to be placed before them at the Minefinders Meeting.
- (b) In the event that Minefinders provides a notice to Pan American regarding a possible Acquisition Proposal pursuant to Subsection 7.1(c) prior to the mailing of the

Minefinders Circular, then unless the Parties agree otherwise, the Mailing Deadline will be extended until the date that is seven days following the earlier of either: (i) written notification from Minefinders to Pan American that the Minefinders Board has determined that the Acquisition Proposal is not a Superior Proposal; or (ii) the date on which Minefinders and Pan American enter into an amended agreement pursuant to Subsection 7.1(f) which results in the Acquisition Proposal in question not being a Superior Proposal. In the event that the Mailing Deadline is so extended, the Meeting Deadline and the Outside Date shall be extended by the same number of days as the Mailing Deadline has been extended.

(c) Minefinders shall ensure that the Minefinders Circular complies in all material respects with all applicable Laws, and, without limiting the generality of the foregoing, that the Minefinders Circular will not contain any misrepresentation (except that Minefinders shall not be responsible for any information relating to Pan American and its affiliates, including the Pan American Shares).

(d) Minefinders shall disclose in the Minefinders Circular:

(i) that the Minefinders Board has received a fairness opinion from BMO Nesbitt Burns Inc. to the effect that as of the date of such opinion, subject to the scope of review, assumptions and limitations, set out therein, the Consideration is fair from a financial point of view to the Minefinders Shareholders (other than Pan American and its affiliates);

(ii) complete text of the fairness opinion from BMO Nesbitt Burns Inc.;

(iii) subject to Subsection 7.1(h), that the Minefinders Board has determined, after receiving financial and legal advice, that the Consideration per Minefinders Share to be received by Minefinders Shareholders (other than Pan American and its affiliates) pursuant to the Arrangement is fair and that the Arrangement is in the best interests of Minefinders, and the Minefinders Board has decided to recommend that the Minefinders Shareholders and holders of Minefinders Options vote in favour of the Arrangement Resolution.

(e) Subject to Section 7.1: (i) Minefinders shall solicit proxies in favour of the Arrangement Resolution, against any resolution submitted by any Minefinders Shareholder, including, if so requested by Pan American, using the services of dealers and proxy solicitation services selected and compensated by Pan American and permitting Pan American to otherwise assist Minefinders in such solicitation, and take all other actions that are reasonably necessary or desirable to seek the approval of the Arrangement by Minefinders Shareholders and holders of Minefinders Options; (ii) the Minefinders Board shall recommend to holders of Minefinders Shares and Minefinders Options that they vote in favour of the Arrangement Resolution; (iii) the Minefinders Board shall not make a Minefinders Change in Recommendation; and (iv) Minefinders shall include in the Minefinders Circular a statement that each director and executive officer of Minefinders intends to vote all of such Person's Minefinders Shares and Minefinders Options in favour of the Arrangement Resolution, subject to the other terms of this Agreement and the Voting Agreements.

(f) Pan American shall provide to Minefinders all information regarding Pan American, its affiliates and the Pan American Shares, including any pro forma financial statements

prepared in accordance with GAAP and applicable Laws, as required by the Interim Order or applicable Laws for inclusion in the Minefinders Circular or in any amendments or supplements to such Minefinders Circular. Pan American shall also use commercially reasonable efforts to obtain any necessary consents from any of its auditors and any other advisors to the use of any financial, technical or other expert information required to be included in the Minefinders Circular and to the identification in the Minefinders Circular of each such advisor. Pan American shall ensure that such information is complete and accurate in all material respects, complies in all material respects with applicable Laws and, without limiting the generality of the foregoing, does not include any misrepresentation concerning Pan American, its affiliates or the Pan American Shares.

(g) Pan American and its legal counsel shall be given a reasonable opportunity to review and comment on the Minefinders Circular prior to the Minefinders Circular being printed and filed with any Governmental Entity, and reasonable consideration shall be given to any comments made by Pan American and its legal counsel; provided, however, that all information relating solely to Pan American, its affiliates and the Pan American Shares included in the Minefinders Circular shall be in form and content satisfactory to Pan American, acting reasonably. Minefinders shall provide Pan American with final copies of the Minefinders Circular prior to the mailing to the Minefinders Shareholders and holders of Minefinders Options.

(h) Minefinders and Pan American shall each promptly notify the other if, at any time before the Effective Date, either becomes aware that the Minefinders Circular contains a misrepresentation, or that an amendment or supplement to the Minefinders Circular is otherwise required and the Parties shall co-operate in the preparation of any amendment or supplement to the Minefinders Circular as required or appropriate, and Minefinders shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Minefinders Circular to Minefinders Shareholders and holders of Minefinders Options and, if required by the Court or applicable Laws, file the same with any Governmental Entity and as otherwise required.

2.5 Preparation of Filings

Pan American and Minefinders shall co-operate and use their reasonable commercial efforts in good faith to take, or cause to be taken, all reasonable actions, including the preparation of Antitrust Filings and other orders, registrations, consents, filings, rulings, exemptions, no-action letters, circulars and approvals required in connection with this Agreement and the Arrangement and the preparation of any required documents, in each case as reasonably necessary to discharge their respective obligations under this Agreement, the Arrangement and the Plan of Arrangement, and to complete any of the transactions contemplated by this Agreement, including their obligations under applicable Laws. It is acknowledged and agreed that, unless required to ensure that (i) the Consideration Shares, Option Shares and Underlying Shares are freely tradeable in Canada, and (ii) that the Consideration Shares, the Option Shares and the Underlying Shares will not be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act upon their issuance, Pan American shall not be required to file a prospectus, registration statement or similar document or otherwise become subject to the securities Laws of any jurisdiction (other than the United States and a Province of Canada) in order to complete the Arrangement. Pan American may elect, at its sole discretion, to make such securities and other regulatory filings in the United States, including state “blue sky” securities laws or other jurisdictions as may be necessary or desirable in connection with the completion of the Arrangement. Minefinders shall provide to Pan American all information regarding Minefinders and its affiliates as required by

applicable Securities Laws in connection with such filings. Minefinders shall also use commercially reasonable efforts to obtain any necessary consents from any of its auditors and any other advisors to the use of any financial, technical or other expert information required to be included in such filings and to the identification in such filings of each such advisor.

2.6 Final Order

If:

(a) the Interim Order is obtained; and

(b) the Arrangement Resolution is passed at the Minefinders Meeting as provided for in the Interim Order and as required by applicable Law and the Pan American Resolution is passed at the Pan American Meeting as required by applicable Law,

subject to the terms of this Agreement, Minefinders shall diligently pursue and take all steps necessary or desirable to have the hearing before the Court of the application for the Final Order pursuant to Section 182(5)(f) of the OBCA held as soon as reasonably practicable and, in any event, within two (2) business days following the later of the approval of the Arrangement Resolution at the Minefinders Meeting and the approval of the Pan American Resolution at the Pan American Meeting.

2.7 Court Proceedings

Subject to the terms of this Agreement, Pan American will cooperate with and assist Minefinders in seeking the Interim Order and the Final Order, including by providing Minefinders on a timely basis any information reasonably required to be supplied by Pan American in connection therewith. Minefinders will provide legal counsel to Pan American with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and will give reasonable consideration to all such comments. Subject to applicable Law, Minefinders will not file any material with the Court in connection with the Arrangement or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated by this Section 2.7 or with Pan American's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided, however, that nothing herein shall require Pan American to agree or consent to any increase in Consideration or other modification or amendment to such filed or served materials that expands or increases Pan American's obligations set forth in any such filed or served materials or under this Agreement or the Arrangement. Minefinders shall also provide to Pan American's legal counsel on a timely basis copies of any notice of appearance or other Court documents served on Minefinders in respect of the application for the Interim Order or the Final Order or any appeal therefrom and of any notice, whether written or oral, received by Minefinders indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order. Minefinders will ensure that all materials filed with the Court in connection with the Arrangement are consistent in all material respects with the terms of this Agreement and the Plan of Arrangement. In addition, Minefinders will not object to legal counsel to Pan American making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate; provided, however, that Minefinders is advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Agreement and the Plan of Arrangement. Minefinders will also oppose any proposal from any party that the Final Order contain any provision inconsistent with this Agreement, and, if at any time after the issuance of the Final Order and

prior to the Effective Date, Minefinders is required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, it shall do so after notice to, and in consultation and cooperation with, Pan American.

2.8 Articles of Arrangement and Effective Date

The Articles of Arrangement shall implement the Plan of Arrangement. On the second (2nd) business day after the satisfaction or, where not prohibited, the waiver of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver of those conditions as of the Effective Date) set forth in Article 6, unless another time or date is agreed to in writing by the Parties, the Articles of Arrangement shall be filed by Minefinders with the Director; provided, however, that the Articles of Arrangement shall not be sent to the Director, for endorsement by the Director, except as contemplated hereby or with Pan American's prior written consent. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Law, including the OBCA. Minefinders agrees to amend the Plan of Arrangement at any time prior to the Effective Time in accordance with Section 8.4 of this Agreement to include such other terms determined to be necessary or desirable by Pan American; provided, however, that the Plan of Arrangement shall not be amended in any manner which has the effect of reducing the Consideration or which is otherwise prejudicial to the Minefinders Shareholders or other parties to be bound by the Plan of Arrangement and is not inconsistent with the provisions of this Agreement. The closing of the Arrangement will take place at the offices of Borden Ladner Gervais LLP, Suite 1200, 200 Burrard Street, Vancouver, British Columbia at 7:00 a.m. (Vancouver time) on the Effective Date, or at such other time and place as may be agreed to by the Parties.

2.9 Payment of Consideration

Pan American will, following receipt by Minefinders of the Final Order and prior to the filing by Minefinders of the Articles of Arrangement, deposit in escrow with the Depositary (a) sufficient Pan American Shares and cash to satisfy the Consideration payable to the Minefinders Shareholders and (b) sufficient cash to satisfy any cash payments in lieu of fractional Pan American Shares, pursuant to the Plan of Arrangement (other than payments to Minefinders Shareholders exercising Dissent Rights and who have not withdrawn their notice of objection).

2.10 Announcement and Shareholder Communications

Pan American and Minefinders shall each publicly announce the transactions contemplated hereby promptly following the execution of this Agreement by Pan American and Minefinders, the text and timing of each Party's announcement to be approved by the other Party in advance, acting reasonably. Pan American and Minefinders agree to co-operate in the preparation of presentations, if any, to Minefinders Shareholders or the Pan American Shareholders regarding the transactions contemplated by this Agreement, and no Party shall: (a) issue any press release or otherwise make public announcements with respect to this Agreement or the Plan of Arrangement without the consent of the other Party (which consent shall not be unreasonably withheld or delayed); or (b) make any filing with any Governmental Entity with respect thereto without prior consultation with the other Party; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any disclosure or filing required under applicable Laws, and the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately

following the making of such disclosure or filing. To the extent possible, each Party shall provide prior notice to the other Party of any material public disclosure that it proposes to make regarding its business or operations, together with a draft copy of such disclosure. Such other Party and its legal counsel shall be given a reasonable opportunity to review and comment on such information prior to such information being disseminated publicly or filed with any Governmental Entity, and reasonable consideration shall be given to any comments made by such other Party and its counsel.

2.11 Withholding Taxes

Pan American, Minefinders and the Depositary shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder and from all dividends, interest or other amounts payable to any former Minefinders Shareholder (an "Affected Person") such amounts as Pan American, Minefinders or the Depositary may be required to deduct and withhold therefrom under any provision of applicable Laws in respect of Taxes (the "Withholding Obligations"). To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid, provided 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 Affected Person, such number of Pan American Shares issued or issuable to such Affected Person pursuant to the Arrangement Agreement 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 and 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.

2.12 List of Shareholders

At the reasonable request of Pan American from time to time, Minefinders shall provide Pan American with a list (in both written and electronic form) of the registered Minefinders Shareholders, together with their addresses and respective holdings of Minefinders Shares, with a list of the names and addresses and holdings of all Persons having rights issued by the Minefinders to acquire Minefinders Shares (including holders of Minefinders Options and Minefinders Convertible Notes) and a list of non-objecting beneficial owners of Minefinders Shares, together with their addresses and respective holdings of Minefinders Shares. Minefinders shall from time to time require that its registrar and transfer agent furnish Pan American with such additional information, including updated or additional lists of Minefinders Shareholders and lists of holdings and other assistance as Pan American may reasonably request.

2.13 U.S. Securities Law Matters

The Parties agree that the Arrangement will be carried out with the intention that all Consideration Shares and Replacement Options issued on completion of the Arrangement to the Minefinders Shareholders and holders of Minefinders Options, as applicable, will be issued by Pan American in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder. In order to ensure the availability of the

exemption under Section 3(a)(10) of the U.S. Securities Act, the Parties agree that the Arrangement will be carried out on the following basis:

- (a) the procedural and substantive fairness of the terms and conditions of the Arrangement will be subject to the approval of the Court;
- (b) the Court will be advised as to the intention of the Parties to rely on the exemption provided by Section 3(a)(10) of the U.S. Securities Act prior to the hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement;
- (c) the Court will be required to satisfy itself as to the procedural and substantive fairness of the terms and conditions of the Arrangement to the Minefinders Shareholders and holders of Minefinders Options, as applicable, subject to the Arrangement;
- (d) Minefinders will ensure that each Minefinders Shareholder and holder of Minefinders Options entitled to receive Consideration Shares and Replacement Options, as applicable, on completion of the Arrangement, will be given adequate notice advising them of their right to attend the hearing of the Court to approve the procedural and substantive fairness of the terms and conditions of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (e) the Minefinders Shareholders and holders of Minefinders Options entitled to receive Consideration Shares and Replacement Options, as applicable, will be advised that the Consideration Shares and Replacement Options, respectively, issued pursuant to the Arrangement have not been registered under the U.S. Securities Act and will be issued by Pan American in reliance on the exemption provided by Section 3(a)(10) of the U.S. Securities Act;
- (f) the Final Order approving the terms and conditions of the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being procedurally and substantively fair to the Minefinders Shareholders and holders of Minefinders Options;
- (g) the Interim Order approving the Minefinders Meeting will specify that each Minefinders Shareholder and holder of Minefinders Options will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as they enter an appearance within a reasonable time;
- (h) the Court will hold a hearing before approving the procedural and substantive fairness of the terms and conditions of the Arrangement; and
 - (i) the Final Order shall include a statement to substantially the following effect:

“This Order will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that act, regarding the distribution of securities of Pan American Silver Corp., pursuant to the Plan of Arrangement.”

2.14 U.S. Tax Matters

Pan American, Acquireco and Minefinders intend to adopt this Agreement as a “plan of reorganization” within the meaning of Treasury Regulation section 1.368-2(g) and to treat Pan American’s acquisition of Minefinders as a “reorganization” within the meaning of section 368(a) of the Code. To that end, it is acknowledged that the exchange of Minefinders Shares for the Consideration pursuant to this Agreement and the Plan of Arrangement, the transfer of the Minefinders Shares to Acquireco, and the amalgamation of Acquireco and Minefinders with Minefinders surviving, are interdependent steps in a single transaction, to which the Parties hereto are legally committed as provided herein, and which may be fairly characterized as a tax-deferred “reorganization” within the meaning of section 368(a) of the Code. Both Parties agree to treat the Arrangement as a reorganization within the meaning of Section 368(a) of the Code for all United States federal income tax purposes, and to not take any position on any Tax Return or otherwise take any Tax reporting position inconsistent with such treatment, unless otherwise required by a “determination” within the meaning of Section 1313 of the Code that such treatment is not correct. The Parties agree to act in a manner that is consistent with the Parties’ intention that the Arrangement be treated as a reorganization within the meaning of Section 368(a) of the Code for all United States federal income tax purposes. Notwithstanding the foregoing, Pan American and Minefinders make no representation, warranty or covenant to each other, to any Minefinders Shareholder, or any holder of securities of Minefinders (including without limitation any holder of Minefinders Options and Minefinders Convertible Notes) regarding the U.S. federal income tax consequences of the transactions contemplated by this Agreement to Minefinders, any Minefinders Shareholder, or any holder of securities of Minefinders.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF MINEFINDERS

3.1 Representations and Warranties

Except as disclosed in the Minefinders Disclosure Letter (which, except as expressly stated therein, shall make reference to the applicable section, subsection, paragraph or subparagraph below in respect of which such qualification is being made), Minefinders hereby represents and warrants to Pan American as follows, and acknowledges that Pan American is relying upon such representations and warranties in connection with the entering into of this Agreement:

(a) Organization and Qualification. Minefinders is validly existing under the OBCA and has full corporate power and capacity to own its assets and conduct its business as now owned and conducted. Minefinders is duly qualified to carry on business and is in good standing in each jurisdiction in which the character of its properties or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not, individually or in the aggregate, have a Minefinders Material Adverse Effect. True and complete copies of the constating documents of Minefinders have been delivered or made available to Pan American, and Minefinders has not taken any action to amend or supersede such documents.

(b) Fairness Opinion and Recommendation. As of the date hereof:

(i) BMO Nesbitt Burns Inc. has delivered an oral opinion to the Minefinders Board to the effect that as of the date of such opinion, subject to the scope of review, assumptions and limitations, set out therein, the Consideration is fair, from a

financial point of view, to the Minefinders Shareholders (other than Pan American and its affiliates); and

- (ii) the Minefinders Board has determined, after receiving financial and legal advice, that the Arrangement is fair to Minefinders Shareholders (other than Pan American and its affiliates) and that the Arrangement is in the best interests of Minefinders, and the Minefinders Board has resolved to recommend that the Minefinders Shareholders and holders of Minefinders Options vote in favour of the Arrangement Resolution.
- (c) Authority Relative to this Agreement. Minefinders has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Minefinders and the consummation by Minefinders of the transactions contemplated by this Agreement have been duly authorized by the Minefinders Board and no other corporate proceedings on the part of Minefinders are necessary to authorize this Agreement other than Minefinders Shareholder Approval and Minefinders Combined Securityholder Approval. This Agreement has been duly executed and delivered by Minefinders and constitutes a valid and binding obligation of Minefinders, enforceable by Pan American against Minefinders in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency and other applicable Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (d) No Conflict; Required Filings and Consent. The execution and delivery by Minefinders of this Agreement and the performance by it of its obligations hereunder and the completion of the Arrangement will not violate, conflict with or result in a breach of any provision of the constating documents of Minefinders or those of any of its Subsidiaries, and except as would not, individually or in the aggregate, have or reasonably be expected to have a Minefinders Material Adverse Effect, will not: (i) violate, conflict with or result in a breach of: (A) any agreement, contract, indenture, deed of trust, mortgage, bond, instrument, Authorization, licence or permit to which Minefinders or any of its Subsidiaries is a party or by which Minefinders or any of its Subsidiaries is bound; or (B) any Law to which Minefinders or any of its Subsidiaries is subject or by which Minefinders or any of its Subsidiaries is bound; (ii) give rise to any right of termination, or the acceleration of any indebtedness, under any such agreement, contract, indenture, Authorization, deed of trust, mortgage, bond, instrument, licence or permit; or (iii) give rise to any rights of first refusal or rights of first offer, trigger any change in control or influence provisions or any restriction or limitation under any such agreement, contract, indenture, Authorization, deed of trust, mortgage, bond, instrument, licence or permit, or result in the imposition of any Encumbrance upon any of Minefinders' assets or the assets of any of its Subsidiaries. Other than the Interim Order, the Final Order, the third party consents, approvals and notices listed in Schedule 3.1(d) of the Minefinders Disclosure Letter (the "Minefinders Third Party Consents"), the filing or issuance (as the case may be) of the Certificate of Arrangement and Articles of Arrangement and any Antitrust Filing and Antitrust Clearance, no Authorization, consent or approval of, or filing with, any Governmental Entity or any court or other authority is necessary on the part of Minefinders for the consummation by Minefinders of its obligations in connection with the Arrangement under this Agreement or for the completion of the Arrangement not to cause or result in any loss of any rights or assets or any interest therein held by Minefinders or any of its Subsidiaries in any material properties, except for such

Authorizations, consents, approvals and filings as to which the failure to obtain or make would not, individually or in the aggregate, prevent or materially delay consummation of the Arrangement. For greater certainty, the only Regulatory Approval necessary on the part of Minefinders for the consummation by Minefinders of its obligations in connection with the Arrangement under this Agreement is the Antitrust Clearance.

(e)Subsidiaries. Minefinders does not have Subsidiaries or any material interests in any Person, other than those listed on Schedule 3.1(e) to the Minefinders Disclosure Letter. Each Subsidiary of Minefinders is duly organized and is validly existing under the Laws of its jurisdiction of incorporation or organization, has full corporate power and authority to own its assets and conduct its business as now owned and conducted by it and is duly qualified to carry on business in each jurisdiction in which the character of its properties or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Minefinders Material Adverse Effect. Except as disclosed on Schedule 3.1(e) of the Minefinders Disclosure Letter, Minefinders beneficially owns, directly or indirectly, all of the issued and outstanding securities of each of its Subsidiaries. All of the outstanding shares in the capital of each of the Subsidiaries that is a corporation are: (a) validly issued, fully-paid and non-assessable and all such shares are owned free and clear of all Encumbrances of any kind or nature whatsoever; and (b) are free of any other restrictions including any restriction on the right to vote, sell or otherwise dispose of shares. Minefinders does not hold any material equity interest in any Subsidiary, other than its interests in the Subsidiaries listed on Schedule 3.1(e) to the Minefinders Disclosure Letter.

(f)

Compliance with Laws.

(i)The operations of Minefinders and its Subsidiaries have been and are now conducted in compliance with all Laws of each jurisdiction, the Laws of which have been and are now applicable to the operations of Minefinders or of any of its Subsidiaries and none of Minefinders or any of its Subsidiaries has received any notice of any alleged violation of any such Laws, other than non-compliance or violations which, individually or in the aggregate, would not have a Minefinders Material Adverse Effect.

(ii)None of Minefinders or any of its Subsidiaries is in conflict with, or in default (including cross defaults) under or in violation of: (a) its articles or by-laws or equivalent organizational documents; or (b) any agreement or understanding to which it or by which any of its properties or assets is bound or affected, except for failures which, individually or in the aggregate, would not have a Minefinders Material Adverse Effect.

(g)Authorizations. Minefinders and its Subsidiaries have obtained all Authorizations (including for greater certainty, Authorizations in connection with water supply and power supply) necessary for the ownership, operation, development, maintenance, or use of the Properties, Mineral Rights and material assets of Minefinders or its Subsidiaries or otherwise in connection with the material business or operations of Minefinders or its Subsidiaries as currently conducted and such Authorizations are in full force and effect, except where a failure to be in full force and effect would not have a Minefinders Material Adverse Effect. Minefinders and its Subsidiaries have fully complied with and are in compliance with all Authorizations, except, in each case, for such non-compliance which, individually or in the aggregate, would not have a Minefinders Material Adverse

Effect. There is no action, investigation or proceeding pending or, to the knowledge of Minefinders, threatened regarding any of the Authorizations. None of Minefinders or any of its Subsidiaries has received any notice, whether written or oral, of revocation or non-renewal of any such Authorizations, or of any intention of any Person to revoke or refuse to renew any of such Authorizations, except in each case, for revocations or non-renewals which, individually or in the aggregate, would not have a Minefinders Material Adverse Effect and, to the knowledge of Minefinders, all such Authorizations continue to be effective in order for Minefinders and its Subsidiaries to continue to conduct their respective businesses as they are currently being conducted. No Person other than Minefinders or a Subsidiary thereof owns or has any proprietary, financial or other interest (direct or indirect) in any of the Authorizations.

(h) Capitalization and Listing.

- (i) The authorized share capital of Minefinders consists of an unlimited number of Minefinders Shares. As at the date of this Agreement there are: (A) 89,759,427 Minefinders Shares validly issued and outstanding as fully-paid and non-assessable shares of Minefinders; (B) outstanding Minefinders Options providing for the issuance of 2,898,413 Minefinders Shares upon the exercise thereof; and (C) outstanding Minefinders Convertible Notes providing for the issuance of 3,027,152 Minefinders Shares upon the conversion thereof (subject to increase in accordance with the terms of the Indenture). The terms of the Minefinders Options (including exercise price) and Minefinders Convertible Notes are disclosed in Schedule 3.1(h)(i) to the Minefinders Disclosure Letter. Except for the Minefinders Options and Minefinders Convertible Notes referred to in this Subsection 3.1(h)(i) there are no options, warrants, conversion privileges, calls or other rights, shareholder rights plans, agreements, arrangements, commitments, or obligations of Minefinders or any of its Subsidiaries to issue or sell any shares of Minefinders or of any of its Subsidiaries or securities or obligations of any kind convertible into, exchangeable for or otherwise carrying the right or obligation to acquire any shares of Minefinders or any of its Subsidiaries, and there are no outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments of Minefinders or any of its Subsidiaries based upon the book value, income or any other attribute of Minefinders or any of its Subsidiaries, and no Person is entitled to any pre-emptive or other similar right granted by Minefinders or any of its Subsidiaries. The Minefinders Shares are listed on the TSX, NYSE Amex and the Frankfurt Stock Exchange and are not listed or quoted on any other market.
- (ii) Schedule 3.1(h)(ii) to the Minefinders Disclosure Letter sets forth, as of the date hereof, the holders of all outstanding Minefinders Options and, to the knowledge of Minefinders, Minefinders Convertible Notes and full details with respect to all such securities (including, where applicable, the number, exercise prices and expiration dates of each grant to such holders). All Minefinders Shares that may be issued pursuant to the exercise of outstanding Minefinders Options and Minefinders Convertible Notes will, when issued in accordance with the terms thereof, be duly authorized, validly issued, fully-paid and non-assessable and are not and will not be subject to or issued in violation of, any pre-emptive rights.
- (iii) There are no outstanding contractual obligations of Minefinders or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Minefinders Shares

or any shares of any of its Subsidiaries. No Subsidiary of Minefinders owns any Minefinders Shares.

(iv) No order ceasing or suspending trading in securities of Minefinders nor prohibiting the sale of such securities has been issued and is outstanding against Minefinders or its directors, officers or promoters.

(i) Shareholder and Similar Agreements. Minefinders is not party to any shareholder, pooling, voting trust or other similar agreement relating to the issued and outstanding shares in the capital of Minefinders or any of its Subsidiaries.

(j) U.S. Securities Law Matters.

(i) Minefinders is a “foreign private issuer” as defined in Rule 3b-4 under the U.S. Exchange Act.

(ii) Minefinders is not an investment company registered or required to be registered under the U.S. Investment Company Act of 1940, as amended.

(iii) Minefinders is not a “shell company” as such term is defined in Rule 405 under the U.S. Securities Act.

(k) Reports. Minefinders has filed with all applicable Governmental Entities true and complete copies of the Minefinders Public Documents that Minefinders is required to file therewith. Minefinders Public Documents at the time filed: (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) complied in all material respects with the requirements of applicable Securities Laws. Minefinders has not filed any confidential material change report with any Governmental Entity which at the date hereof remains confidential.

(l) Financial Statements.

(i) The audited consolidated financial statements for Minefinders as at and for each of the fiscal years ended on December 31, 2010, December 31, 2009, and December 31, 2008 including the notes thereto and the reports by Minefinders’ auditors thereon and the interim consolidated financial statements for Minefinders for the period ended September 30, 2011 including the notes thereto have been, and all financial statements of Minefinders which are publicly disseminated by Minefinders in respect of any subsequent periods prior to the Effective Date will be, prepared in accordance with GAAP applied on a basis consistent with prior periods and all applicable Laws and present fairly, in all material respects, the assets, liabilities (whether accrued, absolute, contingent or otherwise), consolidated financial position and results of operations of Minefinders and its Subsidiaries as of the respective dates thereof and its results of operations and cash flows for the respective periods covered thereby (except as may be indicated expressly in the notes thereto). There are no outstanding loans made by Minefinders or any of its Subsidiaries to any executive officer or director of Minefinders.

- (ii) The management of Minefinders has established and maintained a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Minefinders in its annual filings, interim filings or other reports filed or submitted by it under the applicable Laws imposed by Governmental Entities is recorded, processed, summarized and reported within the time periods specified in such Laws imposed by such Governmental Entities. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by Minefinders in its annual filings, interim filings or other reports filed or submitted under the applicable Laws imposed by Governmental Entities is accumulated and communicated to Minefinders' management, including its chief executive officers and chief financial officers (or Persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure.
- (iii) Minefinders maintains internal control over financial reporting. Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that: (A) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Minefinders and its Subsidiaries; (B) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Minefinders and its Subsidiaries are being made only with Authorizations of management and directors of Minefinders and its Subsidiaries; and (C) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Minefinders or its Subsidiaries that could have a material effect on its financial statements. To the knowledge of Minefinders as of the date of this Agreement: (x) there are no material weaknesses in the design and implementation or maintenance of internal controls over financial reporting of Minefinders that are reasonably likely to adversely affect the ability of Minefinders to record, process, summarize and report financial information; and (y) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Minefinders.
- (iv) Since December 31, 2010, neither Minefinders nor any of its Subsidiaries nor, to Minefinders' knowledge, any director, officer, employee, auditor, accountant or representative of Minefinders or any of its Subsidiaries has received or otherwise had or obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Minefinders or any of its Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion, or claim that Minefinders or any of its Subsidiaries has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the audit committee of the Board.
- (v) Minefinders has commenced reporting under IFRS effective the quarter ended March 31, 2011, and, to the knowledge of Minefinders, the transition to IFRS will not result in any delay in the release of Minefinders' financial results for any relevant period.

(m) Undisclosed Liabilities. Neither Minefinders nor any of its Subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, except for: (a) liabilities and obligations that are specifically presented on the audited balance sheet of Minefinders as of December 31, 2010 (the "Minefinders Balance Sheet") or disclosed in the notes thereto; or (b) liabilities and obligations incurred in the ordinary course of business consistent with past practice since December 31, 2010, that are not and would not, individually or in the aggregate with all other liabilities and obligations of Minefinders and its Subsidiaries (other than those disclosed on the Minefinders Balance Sheet and/or in the notes to the Minefinders financial statements), reasonably be expected to have a Minefinders Material Adverse Effect, or have a Minefinders Material Adverse Effect, or, as a consequence of the consummation of the Arrangement, have a Minefinders Material Adverse Effect. Without limiting the foregoing, the Minefinders Balance Sheet reflects reasonable reserves in accordance with GAAP for contingent liabilities relating to pending litigation and other contingent obligations of Minefinders and its Subsidiaries except as disclosed in the Minefinders Disclosure Letter.

(n) Interest in Properties and Mineral Rights.

(i) All of Minefinders' and its Subsidiaries' material real properties (collectively, the "Property") and all of Minefinders' and its Subsidiaries' material mineral interests and rights (including any material claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Law or otherwise) (collectively, the "Mineral Rights"), are set out in the Minefinders Annual Information Form and Schedule 3.1(n)(i) of the Minefinders Disclosure Letter. Other than the Properties and the Mineral Rights set out in the Minefinders Annual Information Form and Schedule 3.1(n)(i) of the Minefinders Disclosure Letter, neither Minefinders nor its Subsidiaries, owns or has any interest in any material real property or any material mineral interests and rights.

(ii) Except as disclosed in the Minefinders Annual Information Form and Schedule 3.1(n)(ii) of the Minefinders Disclosure Letter, Minefinders or one of its Subsidiaries is the sole legal and beneficial owner of all right, title and interest in and to the Property and the Mineral Rights, free and clear of any Encumbrances.

(iii) All of the Mineral Rights have been properly located and recorded in compliance with applicable Law and are comprised of valid and subsisting mineral claims.

(iv) The Property and the Mineral Rights are in good standing under applicable Law and all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made.

(v) There is no material adverse claim against or challenge to the title to or ownership of the Property or any of the Mineral Rights.

(vi) Minefinders or one of its Subsidiaries has the exclusive right to deal with the Property and all of the Mineral Rights.

- (vii) Except as disclosed in the Minefinders Annual Information Form and Schedule 3.1(n)(vii) of the Minefinders Disclosure Letter, no Person other than Minefinders and its Subsidiaries has any interest in the Property or any of the Mineral Rights or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest.
- (viii) There are no options, back-in rights, earn-in rights, rights of first refusal or similar provisions or rights which would affect Minefinders' or a Subsidiary's interest in the Property or any of the Mineral Rights.
- (ix) There are no material restrictions on the ability of Minefinders and its Subsidiaries to use, transfer or exploit the Property or any of the Mineral Rights, except pursuant to the applicable Law.
- (x) Neither Minefinders nor any of its Subsidiaries has received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of Minefinders or a Subsidiary in any of the Property or any of the Mineral Rights.
- (xi) Minefinders and its Subsidiaries have all surface rights, including fee simple estates, leases, easements, rights of way and permits or licences for operations from landowners or Governmental Entities permitting the use of land by Minefinders and its Subsidiaries, and mineral interests, that are required to conduct current operations on the Property and the Mineral Rights as contemplated in Minefinders Public Documents filed (and available on SEDAR) on or before the date hereof and no third party or group holds any such rights that would be required by Minefinders to conduct current operations on the Property or any of the Mineral Rights as contemplated in Minefinders Public Documents filed (and available on SEDAR) on or before the date hereof.
- (xii) All mines located in or on the lands of Minefinders or any of its Subsidiaries, or lands pooled or unitized therewith, which have been abandoned by Minefinders or any of its Subsidiaries, have been abandoned in accordance with good mining practices and in compliance with all applicable Laws, and all material future abandonment, remediation and reclamation obligations known to Minefinders as of the date hereof have been accurately set forth in Minefinders Public Documents without omission of information necessary to make the disclosure not misleading.
- (o) Mineral Reserves and Resources. The proven and probable mineral reserves and mineral resources for the various Properties and Mineral Rights in which Minefinders or its Subsidiaries hold an interest, as set forth in the Minefinders Public Documents, were prepared in all material respects in accordance with sound mining, engineering, geoscience and other applicable industry standards and practices, and in all material respects in accordance with all applicable Laws, including the requirements of NI 43-101. There has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Minefinders, its Subsidiaries and its material joint ventures, taken as a whole, from the amounts set forth in the Minefinders Public Documents, other than in the ordinary course. All information regarding the Property and the Mineral Rights, including all drill results, technical reports

and studies, that is required to be disclosed at Law, have been disclosed in the Minefinders Public Documents on or before the date hereof.

(p) Operational Matters. Except as would not, individually or in the aggregate, be reasonably expected to result in a Minefinders Material Adverse Effect:

(i) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Minefinders, its Subsidiaries and its material joint ventures, have been: (A) duly paid; (B) duly performed; or (C) provided for prior for the date hereof; and

(ii) all costs, expenses, and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Minefinders or any of its Subsidiaries or material joint ventures is directly or indirectly bound have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.

Except as disclosed in the Minefinders Public Documents, to the knowledge of Minefinders as of the date of this Agreement there are no operational, geotechnical, geochemical or structural issues relating to the exploration and development of the Property or Mineral Rights that, individually or in the aggregate, may be reasonably expected to result in a Minefinders Material Adverse Effect.

(q) Employment Matters.

(i) Other than as disclosed in the Minefinders Disclosure Letter, neither Minefinders nor any of its Subsidiaries has entered into any written or oral agreement or understanding providing for severance or termination payments to any director, officer or employee in connection with the termination of their position or their employment as a direct result of a change in control of Minefinders.

(ii) Except as disclosed in Schedule 3.1(q)(ii) of the Minefinders Disclosure Letter, neither Minefinders nor any of its Subsidiaries: (i) is a party to any collective bargaining agreement; or (ii) is subject to any application for certification or, to the knowledge of Minefinders, threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement. To the knowledge of Minefinders, no fact or event exists that is likely to give rise to a change in the representation in this Subsection 3.1(q) on or before the Effective Date.

(iii) Neither Minefinders nor any of its Subsidiaries is subject to any claim for wrongful dismissal, constructive dismissal or any other tort claim, actual or, to the knowledge of Minefinders, threatened, or any litigation actual, or to the knowledge of Minefinders, threatened, relating to employment or termination of employment of employees or independent contractors, except for such claims or litigation which individually or in the aggregate would not be reasonably expected to have a Minefinders Material Adverse Effect. To the knowledge of Minefinders, no labour strike, lock-out, slowdown or work stoppage is pending

or threatened against or directly affecting Minefinders, except as would not be reasonably expected to have a Minefinders Material Adverse Effect.

(iv) Minefinders and its Subsidiaries have operated in accordance with all applicable Laws with respect to employment and labour, including employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights, labour relations and privacy and there are no current, pending, or to the knowledge of Minefinders, threatened proceedings before any board or tribunal with respect to any of the areas listed in this Subsection 3.1(q)(iv), except where the failure to so operate would not have a Minefinders Material Adverse Effect.

(r) Absence of Certain Changes or Events. Since December 31, 2010:

- (i) Minefinders and its Subsidiaries have conducted their respective businesses only in the ordinary course of business and consistent with past practice;
- (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had or is reasonably likely to have a Minefinders Material Adverse Effect has been incurred;
- (iii) there has not been any event, circumstance or occurrence which has had or is reasonably likely to give rise to a Minefinders Material Adverse Effect;
- (iv) there has not been any change in the accounting practices used by Minefinders and its Subsidiaries, except as disclosed in the Minefinders Public Documents;
 - (v) except as disclosed in Minefinders' management information circular dated March 3, 2011 and except for ordinary course adjustments, there has not been any increase in the salary, bonus, or other remuneration payable to any senior or executive officers or non-executive employees of Minefinders or its Subsidiaries;
- (vi) there has not been any redemption, repurchase or other acquisition of Minefinders Shares by Minefinders, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, shares or property) with respect to the Minefinders Shares;
- (vii) there has not been a material change in the level of accounts receivable or payable, inventories or employees, other than those changes in the ordinary course of business consistent with past practice;
- (viii) there has not been any entering into, or an amendment of, any Material Contract other than in the ordinary course of business consistent with past practice; and
- (ix) there has not been any satisfaction or settlement of any material claims or material liabilities that were not reflected in Minefinders' audited financial statements, other than the settlement of claims or liabilities incurred in the ordinary course of business consistent with past practice.
- (s) Litigation. Except as disclosed in the Minefinders Public Documents, there is no claim, action, proceeding or investigation pending or, to the knowledge of Minefinders,

threatened against or relating to Minefinders or any of its Subsidiaries, the business of Minefinders or any of its Subsidiaries or affecting any of their properties, assets, before or by any Governmental Entity which, if adversely determined, would have, or reasonably could be expected to have, a Minefinders Material Adverse Effect or prevent or materially delay the consummation of the Arrangement, nor to knowledge of Minefinders are there any events or circumstances which could reasonably be expected to give rise to any such claim, action, proceeding or investigation (provided, however, that the representation in this Subsection 3.1(s) shall not apply to claims, actions, proceedings, or investigations which may arise after the date of this Agreement which do not have a reasonable prospect of succeeding or, if successful, would not give rise to, nor reasonably be expected to give rise to, a Minefinders Material Adverse Effect). Neither Minefinders nor any of its Subsidiaries is subject to any outstanding order, writ, injunction or decree which has had or is reasonably likely to have a Minefinders Material Adverse Effect or which would prevent or materially delay consummation of the transactions contemplated by this Agreement.

(t) Taxes.

- (i) Each of Minefinders and its Subsidiaries has duly and in a timely manner made or prepared all Tax Returns required to be made or prepared by it, and duly and in a timely manner filed all Tax Returns required to be filed by it with the appropriate Governmental Entity, such Tax Returns were complete and correct in all material respects and Minefinders and each of its Subsidiaries has paid all material Taxes, including instalments on account of Taxes for the current year required by applicable Law, which are due and payable by it and Minefinders has provided adequate accruals in accordance with GAAP in the most recently published financial statements of Minefinders for any Taxes of Minefinders and each of its Subsidiaries for the period covered by such financial statements that have not been paid whether or not shown as being due on any Tax Returns. Since such publication date, no material liability in respect of Taxes not reflected in such statements or otherwise provided for has been assessed, proposed to be assessed, incurred or accrued, other than in the ordinary course of business.
- (ii) Each of Minefinders and its Subsidiaries has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the benefit of any Person) and has duly and timely remitted to the appropriate Governmental Entity such Taxes or other amounts required by Law to be remitted by it.
- (iii) Each of Minefinders and its Subsidiaries has duly and timely collected all amounts on account of any sales, use or transfer Taxes, including goods and services, harmonized sales, provincial and territorial taxes and state and local taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Law to be remitted by it.
- (iv) None of Minefinders nor any of its Subsidiaries has made, prepared and/or filed any elections, designations or similar filings relating to Taxes or entered into any agreement or other arrangement in respect of Taxes or Tax Returns that has effect for any period ending after the Effective Date.

- (v) To the best of its knowledge, Minefinders believes it was not a “passive foreign investment company” as defined in the Code during its previous taxable year.
- (vi) Other than ordinary course audits, reviews and investigations, there are no proceedings, investigations, audits or claims now pending or, to the knowledge of Minefinders, threatened against Minefinders or any of its Subsidiaries in respect of any Taxes and there are no matters under discussion, audit or appeal with any Governmental Entity relating to Taxes.
- (vii) None of Minefinders or any of its Subsidiaries has acquired property from a non-arm’s length Person, within the meaning of the Tax Act for consideration the value of which is less than the fair market value of the property.
- (viii) Minefinders has made available to Pan American copies of all Tax Returns for the years 2010 and 2009 and all material written communication to or from any Governmental Entity and relating to the Taxes of any of Minefinders and its Subsidiaries, including, but not limited to, any closing agreements under Section 7121 of the Code or any similar provision of state, local or non-U.S. law or any private letter ruling of the Internal Revenue Service or comparable ruling of any other Governmental Entity, to the extent relating to periods or events in respect of which any Governmental Entity may by Law assess or otherwise impose any such tax on Minefinders or any of its Subsidiaries.
- (ix) For the purposes of the Tax Act and any other relevant Tax purposes, Minefinders and each of the Minefinders Material Subsidiaries are solely resident in the country in which they were formed or are now continued, as applicable, and are not resident in any other country.
- (x) There are no Encumbrances for Taxes upon any properties or assets of Minefinders or any of the Minefinders Material Subsidiaries (other than Encumbrances relating to Taxes not yet due and payable and for which adequate reserves have been recorded on the most recent balance sheet included in Minefinders’ audited financial statements).
- (xi) Neither Minefinders nor any of the Minefinders Material Subsidiaries has received any notice or inquiry from any Governmental Entity outside of the country in which Minefinders or the Minefinders Material Subsidiaries, respectively, is organized, to the effect that Minefinders or any of the Minefinders Material Subsidiaries is subject to net basis taxation or is tax resident or tax domiciled in any country other than the country in which Minefinders or any of the Minefinders Material Subsidiaries, respectively, is organized.
- (xii) None of Minefinders’ Subsidiaries is now or has ever been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.
- (xiii) Neither Minefinders nor any of its Subsidiaries has been a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(xiv) Neither Minefinders nor any of its Subsidiaries is an “expatriated entity” within the meaning of Section 7874 of the Code.

(u) Books and Records. The corporate records and minute books of Minefinders and its Subsidiaries have been maintained in accordance with all applicable Laws, and the minute books of Minefinders and its Subsidiaries as provided to Pan American are complete and accurate in all material respects. The corporate minute books for Minefinders and its Subsidiaries contain minutes of all meetings and resolutions of the directors and securityholders held. The financial books and records and accounts of Minefinders and its Subsidiaries in all material respects: (a) have been maintained in accordance with good business practices and in accordance with GAAP and with the accounting principles generally accepted in the country of domicile of each such entity, on a basis consistent with prior years; (b) are stated in reasonable detail and, in the case of its Subsidiaries, during the period of time when owned by Minefinders, accurately and fairly reflect the transactions and dispositions of assets of Minefinders and its Subsidiaries; and (c) in the case of its Subsidiaries, during the period of time when owned by Minefinders, accurately and fairly reflect the basis for Minefinders’ consolidated financial statements.

(v) Insurance.

(i) Minefinders has in place reasonable and prudent insurance policies appropriate for its size, nature and stage of development. All premiums payable prior to the date hereof under such policies of insurance have been paid and neither Minefinders nor any of its Subsidiaries has failed to make a claim thereunder on a timely basis.

(ii) Each of such policies and other forms of insurance is in full force and effect on the date hereof. No written (or to the knowledge of Minefinders other) notice of cancellation or termination has been received by Minefinders or any of its Subsidiaries with respect to any such policy.

(w) Non-Arm’s Length Transactions. Except for employment or employment compensation agreements entered into in the ordinary course of business or as disclosed in the Minefinders Public Documents or in Schedule 3.1(w) of the Minefinders Disclosure Letter, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Minefinders or any of its Subsidiaries) between Minefinders or any of its Subsidiaries on the one hand, and any: (a) officer or director of Minefinders or any of its Subsidiaries; (b) any holder of record or, to the knowledge of Minefinders, beneficial owner of five percent or more of the voting securities of Minefinders; or (c) any affiliate or associate of any officer, director or beneficial owner, on the other hand.

(x) Benefit Plans.

(i) Schedule 3.1(x)(i) of the Minefinders Disclosure Letter contains a true and complete list of all material Minefinders Benefit Plans. Complete copies of all material Minefinders Benefit Plans including, but not limited to, any material trust instruments, insurance contracts and all amendments thereto have been provided to Pan American.

- (ii) Minefinders and its Subsidiaries have no material liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, and there has been no communication to employees by Minefinders or any of its Subsidiaries which could reasonably be interpreted to promise or guarantee such employees retiree health or life insurance or other retiree death benefits on a permanent basis.
 - (iii) No Minefinders Benefit Plan is a “registered pension plan” as such term is defined in the Tax Act.
- (iv) Each Minefinders Benefit Plan has been operated in accordance with its terms and any contributions required to be made under each Minefinders Benefit Plan, as of the date hereof, have been timely made and all obligations in respect of each Minefinders Benefit Plan have been properly accrued and reflected in the audited consolidated financial statements for Minefinders as at and for the fiscal year ended on December 31, 2010, including the notes thereto and the report by Minefinders’ auditors thereon.
- (v) There has been no amendment to, announcement by Minefinders or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Minefinders Benefit Plan which would increase materially the expense of maintaining such plan above the level of the expense incurred therefor for the most recent fiscal year. Neither the execution of this Agreement, nor the consummation of the Arrangement will: (i) entitle any employees of Minefinders or any of its Subsidiaries to severance pay or any increase in severance pay upon any termination of employment after the date hereof; (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Minefinders Benefit Plans; or (iii) limit or restrict the right of Minefinders or, after the consummation of the Arrangement, Pan American to merge, amend or terminate any of the Minefinders Benefit Plans.
- (y) Environmental. Except for any matters that, individually or in the aggregate, would not have or would not reasonably be expected to have a Minefinders Material Adverse Effect:
 - (i) all facilities and operations of Minefinders and its Subsidiaries have been conducted, and are now, in compliance with all Environmental Laws;
 - (ii) Minefinders and its Subsidiaries are in possession of, and in compliance with, all Environmental Permits that are required to own, lease and operate the Property and Mineral Rights and to conduct their respective business as they are now being conducted;
 - (iii) no environmental, reclamation or closure obligation, demand, notice, work order or other liabilities presently exist with respect to any portion of any currently or formerly owned, leased, used or otherwise controlled property, interests and rights or relating to the operations and business of Minefinders and its Subsidiaries and, to the knowledge of Minefinders, there is no basis for any such obligations, demands, notices, work orders or liabilities to arise in the future as a

result of any activity in respect of such property, interests, rights, operations and business;

- (iv) neither Minefinders nor any of its Subsidiaries is subject to any proceeding, application, order or directive which relates to environmental, health or safety matters, and which may require any material work, repairs, construction or expenditures;
- (v) to the knowledge of Minefinders, there are no changes in the status, terms or conditions of any Environmental Permits held by Minefinders or any of its Subsidiaries or any renewal, modification, revocation, reassurance, alteration, transfer or amendment of any such environmental approvals, consents, waivers, permits, orders and exemptions, or any review by, or approval of, any Governmental Entity of such environmental approvals, consents, waivers, permits, orders and exemptions that are required in connection with the execution or delivery of this Agreement, the consummation of the transactions contemplated herein or the continuation of the business of Minefinders or any of its Subsidiaries following the Effective Date;
- (A) Minefinders and its Subsidiaries have made available to Pan American all material audits, assessments, investigation reports, studies, plans, regulatory correspondence and similar information with respect to environmental matters; and
- (B) to the knowledge of Minefinders, Minefinders and its Subsidiaries are not subject to any past or present fact, condition or circumstance that could reasonably be expected to result in liability under any Environmental Laws that would individually or in the aggregate, constitute a Minefinders Material Adverse Effect.
- (z) Restrictions on Business Activities. There is no agreement, judgment, injunction, order or decree binding upon Minefinders or any of its Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting or materially impairing any business practice of Minefinders or any of its Subsidiaries, any acquisition of property by Minefinders or any of its Subsidiaries or the conduct of business by Minefinders or any of its Subsidiaries as currently conducted (including following the transaction contemplated by this Agreement).
- (aa) Material Contracts. Minefinders and its Subsidiaries have performed in all material respects all respective obligations required to be performed by them to date under any of their respective Material Contracts. Neither Minefinders nor any of its Subsidiaries is in breach or default under any Material Contract to which it is a party or bound, nor does Minefinders have knowledge of any condition that with the passage of time or the giving of notice or both would result in such a breach or default, except in each case where any such breaches or defaults would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Minefinders Material Adverse Effect. Neither Minefinders nor any of its Subsidiaries knows of, or has received written notice of, any breach or default under (nor, to the knowledge of Minefinders, does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such Material Contract by any other party thereto except where any such violation or default would not, individually or in the aggregate,

reasonably be expected to result in, or result in, a Minefinders Material Adverse Effect. Prior to the date hereof, Minefinders has made available to Pan American true and complete copies of all of the material contracts of Minefinders. All contracts that are material to Minefinders and its Subsidiaries, on a consolidated basis, are with Minefinders or one of its Subsidiaries. All Material Contracts of Minefinders and its Subsidiaries are legal, valid, binding and in full force and effect and are enforceable by Minefinders or one of its Subsidiaries in accordance with their respective terms (subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity) and are the product of fair and arms' length negotiations between the parties thereto. Notwithstanding the foregoing, Minefinders has not entered into any Engineering, Procurement and Construction or Engineering, Procurement and Construction Management contract or contracts in respect of the construction of a mill at the Dolores Mine.

- (bb) Relationships with Customers, Suppliers, Distributors and Sales Representatives. Minefinders has not received any written (or to the knowledge of Minefinders other) notice that any customer, supplier, distributor or sales representative intends to cancel, terminate or otherwise modify or not renew its relationship with Minefinders or any Subsidiary, and, to the knowledge of Minefinders, no such action has been threatened, which, in either case, individually or in the aggregate, would reasonably be expected to have a Minefinders Material Adverse Effect.
- (cc) Brokers. Except for the fees to be paid to BMO Nesbitt Burns Inc. pursuant to its engagement letter with Minefinders, a true and complete copy of which has been delivered to Pan American, none of Minefinders, any of its Subsidiaries, or any of their respective officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.
- (dd) Reporting Issuer Status. As of the date hereof, Minefinders is a reporting issuer not in default (or the equivalent) under the Securities Laws of each of the provinces and territories of Canada.
- (ee) Stock Exchange Compliance. Minefinders is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the TSX and NYSE Amex.
- (ff) No Expropriation. No property or asset of Minefinders or its Subsidiaries (including any Property or Mineral Rights) has been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of Minefinders, is there any intent or proposal to give any such notice or to commence any such proceeding.
- (gg) Corrupt Practices Legislation. Neither Minefinders, its Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of Minefinders or any of its Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action which would cause Minefinders or any of its Subsidiaries or affiliates to be in violation of the United States' Foreign Corrupt Practices Act (and the regulations promulgated thereunder), the Corruption of Foreign Public Officials Act (Canada) (and the regulations promulgated thereunder) or any applicable Law of similar effect of any other jurisdiction, and to the knowledge of Minefinders no such action has been taken by

any of its agents, representatives or other Persons acting on behalf of Minefinders or any of its Subsidiaries or affiliates.

- (hh) NGOs and Community Groups. No material dispute between Minefinders or any of its Subsidiaries and any non-governmental organization, community, community group, ejido, aboriginal peoples or aboriginal group exists or, to the best of Minefinders' knowledge, is threatened or imminent with respect to any of Minefinders' or any of its Subsidiaries' properties or exploration activities. Minefinders has provided Pan American and Pan American's representatives with full and complete access to all material correspondence received by Minefinders, Minefinders' Subsidiaries or their representatives from any non-governmental organization, community, community group, ejido, aboriginal peoples or aboriginal group.
- (ii) HSR Act. As determined in accordance with the HSR Act: (i) Minefinders and all entities controlled by Minefinders did not hold more than US\$66 million in U.S. assets or have aggregate sales in or into the United States in excess of US\$66 million in Minefinders' most recent fiscal year; (ii) Minefinders and all entities controlled by Minefinders did not have aggregate sales in excess of US\$5 million generated from property in the U.S. in the last 36 months; and (iii) Minefinders is not a "United States issuer" as defined in the HSR Act.
- (jj) Full Information. Minefinders has provided Pan American and Pan American's representatives with full and complete access to all of Minefinders' and Minefinders' Subsidiaries' records and other documents and data. The information provided to Pan American or its representatives and made available to Pan American or its representatives by Minefinders or its representatives, is true and correct in all material respects as at its respective date as stated therein or, if undated, the date of posting to the electronic data room or other method of delivery to Pan American and its representatives and no material facts have been omitted from that information which would make such information misleading. Without limiting the generality of the foregoing, Minefinders has not failed to disclose to Pan American any fact or information which would be material to the consummation of the Arrangement.

3.2 Survival of Representations and Warranties

The representations and warranties of Minefinders contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF PAN AMERICAN

4.1 Representations and Warranties

Except as disclosed in the Pan American Disclosure Letter (which shall make reference to the applicable section, subsection, paragraph or subparagraph below in respect of which such qualification is being made), Pan American hereby represents and warrants to Minefinders as follows, and acknowledges that Minefinders is relying upon such representations and warranties in connection with the entering into of this Agreement:

(a) Organization and Qualification. Pan American is duly incorporated and validly existing under the laws of the province of British Columbia and has full corporate power and capacity to own its assets and conduct its business as now owned and conducted. Pan American is duly qualified to carry on business and is in good standing in each jurisdiction in which the character of its properties or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not, individually or in the aggregate, have a Pan American Material Adverse Effect. True and complete copies of the constating documents of Pan American have been delivered or made available to Minefinders, and Pan American has not taken any action to amend or supersede such documents.

(b) Fairness Opinion and Recommendation. As of the date hereof:

(i) CIBC World Markets Inc. and Scotia Capital Inc. have each delivered an oral opinion to the Pan American Board to the effect that, as of the date of such opinion and subject to the assumptions, limitations and qualifications set out therein, the Consideration to be paid by Pan American pursuant to this Agreement is fair from a financial point of view to Pan American; and

(ii) the Pan American Board has resolved, after receiving financial and legal advice, to recommend that Pan American Shareholders vote in favour of the Pan American Resolution.

(c) Authority Relative to this Agreement. Pan American has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Pan American and the consummation by Pan American of the transactions contemplated by this Agreement have been duly authorized by the board of directors of Pan American and no other corporate proceedings on the part of Pan American are necessary to authorize this Agreement, other than Pan American Shareholder Approval. This Agreement has been duly executed and delivered by Pan American and constitutes a valid and binding obligation of Pan American, enforceable by Minefinders against Pan American in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency and other applicable Laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(d) No Conflict; Required Filings and Consent. The execution and delivery by Pan American of this Agreement and the performance by it of its obligations hereunder and the completion of the Arrangement will not violate, conflict with or result in a breach of any provision of the constating documents of Pan American or those of any of the Pan American Material Subsidiaries, and except as would not, individually or in the aggregate, have or reasonably be expected to have a Pan American Material Adverse Effect, will not: (a) violate, conflict with or result in a breach of: (i) any agreement, contract, indenture, deed of trust, mortgage, bond, instrument, Authorization, licence or permit to which Pan American or any of the Pan American Material Subsidiaries is a party or by which Pan American or any of the Pan American Material Subsidiaries is bound; or (ii) any Law to which Pan American or any of the Pan American Material Subsidiaries is subject or by which Pan American or any of the Pan American Material Subsidiaries is bound; (b) give rise to any right of termination, or the acceleration of any indebtedness, under any such agreement, contract, indenture, Authorization, deed of trust,

mortgage, bond, instrument, licence or permit; or (c) give rise to any rights of first refusal or rights of first offer, trigger any change in control or influence provisions or any restriction or limitation under any such agreement, contract, indenture, Authorization, deed of trust, mortgage, bond, instrument, licence or permit, or result in the imposition of any encumbrance, charge or lien upon any of Pan American's assets or the assets of any of the Pan American Material Subsidiaries. Other than Pan American Shareholder Approval, conditional listing approval of the TSX and the Nasdaq and the third party consents, approvals and notices listed in Schedule 4.1(d) of the Pan American Disclosure Letter (the "Pan American Third Party Consents"), and any Antitrust Filings and Antitrust Clearances, no Authorization, consent or approval of, or filing with, any Governmental Entity or any court or other authority is necessary on the part of Pan American for the consummation by Pan American of its obligations in connection with the Arrangement under this Agreement or for the completion of the Arrangement not to cause or result in any loss of any rights or assets or any interest therein held by Pan American or any of the Pan American Material Subsidiaries in any material properties, except for such Authorizations, consents, approvals and filings as to which the failure to obtain or make would not, individually or in the aggregate, prevent or materially delay consummation of the Arrangement. For greater certainty, the only Regulatory Approvals necessary on the part of Pan American for the consummation by Pan American of its obligations in connection with the Arrangement under this Agreement are the Antitrust Clearance and the conditional listing approval of the TSX and the Nasdaq.

(e) Subsidiaries. Each Pan American Material Subsidiary is duly organized and is validly existing under the Laws of its jurisdiction of incorporation or organization, has full corporate power and authority to own its assets and conduct its business as now owned and conducted by it and is duly qualified to carry on business in each jurisdiction in which the character of its properties or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not have a Pan American Material Adverse Effect. Except as disclosed on Schedule 4.1(e) of the Pan American Disclosure Letter, Pan American beneficially owns, directly or indirectly, all of the issued and outstanding securities of each of the Pan American Material Subsidiaries. Except as set forth in Schedule 4.1(e) of the Pan American Disclosure Letter, all of the outstanding shares in the capital of each of the Pan American Material Subsidiaries that is a corporation are: (i) validly issued, fully-paid and non-assessable and all such shares are owned free and clear of all Encumbrances of any kind or nature whatsoever; and (ii) are free of any other restrictions including any restriction on the right to vote, sell or otherwise dispose of shares. Pan American does not have any material equity interests, other than (A) its interests in the Pan American Material Subsidiaries; and (B) as otherwise disclosed in the Pan American Public Documents.

(f) Compliance with Laws.

(i) The operations of Pan American and the Pan American Material Subsidiaries have been and are now conducted in compliance with all Laws of each jurisdiction, the Laws of which have been and are now applicable to the operations of Pan American or of any of the Pan American Material Subsidiaries of Pan American and none of Pan American or any of the Pan American Material Subsidiaries has received any notice of any alleged violation of any such Laws, other than non-compliance or violations which, individually or in the aggregate, would not have a Pan American Material Adverse Effect.

- (ii) None of Pan American or any of its Subsidiaries is in conflict with, or in default (including cross defaults) under or in violation of: (A) its articles or by-laws or equivalent organizational documents; or (B) any agreement or understanding to which it or by which any of its properties or assets is bound or affected, except for failures which, individually or in the aggregate, would not have a Pan American Material Adverse Effect.
- (g) Pan American Authorizations. Pan American and the Pan American Material Subsidiaries have obtained all Authorizations necessary for the ownership, operation, development, maintenance, or use of the material assets of Pan American or its Subsidiaries or otherwise in connection with the material business or operations of Pan American or its Subsidiaries as currently conducted and such Authorizations are in full force and effect, except where a failure to be in full force and effect, would not have a Pan American Material Adverse Effect. Pan American and the Pan American Material Subsidiaries have fully complied with and are in compliance with all Authorizations, except, in each case, for such non-compliance which, individually or in the aggregate, would not have a Pan American Material Adverse Effect. There is no action, investigation or proceeding pending or, to the knowledge of Pan American, threatened regarding any of the Authorizations. None of Pan American or any of the Pan American Material Subsidiaries has received any notice, whether written or oral, of revocation or non-renewal of any such Authorizations, or of any intention of any Person to revoke or refuse to renew any of such Authorizations, except in each case, for revocations or non-renewals which, individually or in the aggregate, would not have a Pan American Material Adverse Effect and, to the knowledge of Pan American, all such Authorizations continue to be effective in order for Pan American and the Pan American Material Subsidiaries to continue to conduct their respective businesses as they are currently being conducted. Except as set forth in Schedule 4.1(g) of the Pan American Disclosure Letter, no Person other than Pan American or a Pan American Material Subsidiary thereof owns or has any proprietary, financial or other interest (direct or indirect) in any of the Authorizations.

(h) Capitalization and Listing.

- (i) The authorized share capital of Pan American consists of 200,000,000 Pan American Shares. As at the date of this Agreement there were: (A) 104,492,743 Pan American Shares validly issued and outstanding as fully-paid and non-assessable shares of Pan American; (B) outstanding options providing for the issuance of 1,240,209 Pan American Shares upon the exercise thereof; and (C) 7,814,984 Pan American Warrants providing for the issuance of 7,814,984 Pan American Shares upon the exercise thereof. Except for the securities referred to in this Subsection 4.1(h)(i) and except as set forth in Schedule 4.1(h) of the Pan American Disclosure Letter, there are no options, warrants, conversion privileges, calls or other rights, shareholder rights plans, agreements, arrangements, commitments, or obligations of Pan American or any of its Subsidiaries to issue or sell any shares of Pan American or of any of its Subsidiaries or securities or obligations of any kind convertible into, exchangeable for or otherwise carrying the right or obligation to acquire any shares of Pan American or any of its Subsidiaries, and there are no outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments of Pan American or any of its Subsidiaries based upon the book value, income or any other attribute of Pan American or any of its

Subsidiaries, and no Person is entitled to any pre-emptive or other similar right granted by Pan American or any of its Subsidiaries. Pan American Shares are listed on the TSX and the Nasdaq, and are not listed or quoted on any other market.

- (ii) All Pan American Shares that may be issued pursuant to the exercise of outstanding Pan American options will, when issued in accordance with the terms of such securities, be duly authorized, validly issued, fully-paid and non-assessable and are not and will not be subject to or issued in violation of, any pre-emptive rights.
- (iii) There are no outstanding contractual obligations of Pan American or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Pan American Shares or any shares of any of its Subsidiaries. No Subsidiary of Pan American owns any Pan American Shares.
- (iv) No order ceasing or suspending trading in securities of Pan American nor prohibiting the sale of such securities has been issued and is outstanding against Pan American or, its directors, officers or promoters.
- (v) All Consideration Shares, Option Shares and Underlying Shares will, when issued in accordance with the terms of the Arrangement, the Replacement Options, or the Minefinders Convertible Notes and the Supplemental Indenture (if any), as the case may be, be duly authorized, validly issued, fully-paid and non-assessable Pan American Shares.
- (i) Shareholder and Similar Agreements. Except as set forth in Schedule 4.1(i) of the Pan American Disclosure Letter, Pan American is not party to any shareholder, pooling, voting trust or other similar agreement relating to the issued and outstanding shares in the capital of Pan American or any of its Subsidiaries.
- (j) Reports. Pan American has filed with all applicable Governmental Entities true and complete copies of Pan American Public Documents that Pan American is required to file therewith. Pan American Public Documents at the time filed: (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) complied in all material respects with the requirements of applicable Securities Laws. Pan American has not filed any confidential material change report with any Governmental Entity which at the date hereof remains confidential.

(k) Financial Statements.

- (i) The audited consolidated financial statements for Pan American as at and for each of the fiscal years ended on December 31, 2010, December 31, 2009, and December 31, 2008 including the notes thereto and the report by Pan American's auditors thereon and the interim consolidated financial statements for Pan American for the period ended September 30, 2011 including the notes thereto have been, and all financial statements of Pan American which are publicly disseminated by Pan American in respect of any subsequent periods prior to the Effective Date will be, prepared in accordance with GAAP applied on a basis

consistent with prior periods and all applicable Laws and present fairly, in all material respects, the assets, liabilities (whether accrued, absolute, contingent or otherwise), consolidated financial position and results of operations of Pan American and its Subsidiaries as of the respective dates thereof and its results of operations and cash flows for the respective periods covered thereby (except as may be indicated expressly in the notes thereto). There are no outstanding loans made by Pan American or any of its Subsidiaries to any executive officer or director of Pan American.

- (ii) The management of Pan American has established and maintained a system of disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed by Pan American in its annual filings, interim filings or other reports filed or submitted by it under the applicable Laws imposed by Governmental Entities is recorded, processed, summarized and reported within the time periods specified in such Laws imposed by such Governmental Entities. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by Pan American in its annual filings, interim filings or other reports filed or submitted under the applicable Laws imposed by Governmental Entities is accumulated and communicated to Pan American's management, including its chief executive officers and chief financial officers (or Persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure.
- (iii) Pan American maintains internal control over financial reporting. Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes policies and procedures that: (A) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Pan American and its Subsidiaries; (B) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Pan American and its Subsidiaries are being made only with Authorizations of management and directors of Pan American and its Subsidiaries, as applicable; and (C) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Pan American or its Subsidiaries that could have a material effect on its financial statements. To the knowledge of Pan American, as of the date of this Agreement: (x) there are no material weaknesses in the design and implementation or maintenance of internal controls over financial reporting of Pan American that are reasonably likely to adversely affect the ability of Pan American to record, process, summarize and report financial information; and (y) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of Pan American.
- (iv) Since December 31, 2010, neither Pan American nor any of its Subsidiaries nor, to Pan American's knowledge, any director, officer, employee, auditor, accountant or representative of Pan American or any of its Subsidiaries has received or otherwise had or obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding the accounting or auditing

practices, procedures, methodologies or methods of Pan American or any of its Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion, or claim that Pan American or any of its Subsidiaries has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the audit committee of the Board.

(v) Pan American is in the process of converting to IFRS for financial reporting purposes, and, to the knowledge of Pan American, the transition to IFRS will not result in any delay in the release of Pan American's financial results for any relevant period.

(l) Undisclosed Liabilities. Except as set forth in Schedule 4.1(l) of the Pan American Disclosure Letter, neither Pan American nor any of its Subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, except for: (i) liabilities and obligations that are specifically presented on the audited balance sheet of Pan American as of December 31, 2010 (the "Pan American Balance Sheet") or disclosed in the notes thereto; or (ii) liabilities and obligations incurred in the ordinary course of business consistent with past practice since December 31, 2010, that are not and would not, individually or in the aggregate with all other liabilities and obligations of Pan American and its Subsidiaries (other than those disclosed on the Pan American Balance Sheet and/or the notes to the Pan American financial statements), reasonably be expected to have a Pan American Material Adverse Effect, or have a Pan American Material Adverse Effect, or, as a consequence of the consummation of the Arrangement, have a Pan American Material Adverse Effect. Without limiting the foregoing, the Pan American Balance Sheet reflects reasonable reserves in accordance with GAAP for contingent liabilities relating to pending litigation and other contingent obligations of Pan American and its Subsidiaries except as disclosed in Pan American Disclosure Letter.

(m) Interest in Properties and Mineral Rights.

(i) All of Pan American's and its Subsidiaries' material real properties (collectively, the "Pan American Property") and all of Pan American's and its Subsidiaries' material mineral interests and rights (including any material claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Law or otherwise) (collectively, the "Pan American Mineral Rights"), are accurately set forth in the Pan American Annual Information Form and Schedule 4.1(m)(i) of the Pan American Disclosure Letter. Other than the Pan American Properties and the Pan American Mineral Rights set out in the Pan American Annual Information Form and the Pan American Disclosure Letter, neither Pan American nor its Subsidiaries, owns or has any interest in any material real property or any material mineral interests and rights.

(ii) Except as set forth in the Pan American Annual Information Form and Schedule 4.1(m)(ii) of the Pan American Disclosure Letter, Pan American or a Pan American Material Subsidiary is the sole legal and beneficial owner of all right, title and interest in and to the Pan American Property and the Pan American Mineral Rights, free and clear of any Encumbrances.

(iii) Except as set forth in Schedule 4.1(m)(iii) of the Pan American Disclosure Letter, all of the Pan American Mineral Rights have been properly located and recorded

in compliance with applicable Law and are comprised of valid and subsisting mineral claims.

- (iv) Except as set forth in Schedule 4.1(m)(iv) of the Pan American Disclosure Letter, the Pan American Property and the Pan American Mineral Rights are in good standing under applicable Law and all work required to be performed and filed in respect thereof has been performed and filed, all Taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred and all filings in respect thereof have been made.
- (v) Except as set forth in Schedule 4.1(m)(v) of the Pan American Disclosure Letter, there is no material adverse claim against or challenge to the title to or ownership of the Pan American Property or any of the Pan American Mineral Rights.
- (vi) Pan American or a Pan American Material Subsidiary has the exclusive right to deal with the Pan American Property and all of the Pan American Mineral Rights.
- (vii) Except as set forth in the Pan American Annual Information Form and Schedule 4.1(m)(vii) of the Pan American Disclosure Letter, no Person other than Pan American and the Pan American Material Subsidiaries has any interest in the Pan American Property or any of the Pan American Mineral Rights or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest.
- (viii) There are no options, back-in rights, earn-in rights, rights of first refusal or similar provisions or rights which would affect Pan American's or a Subsidiary's interest in the Pan American Property or any of the Pan American Mineral Rights.
- (ix) Except as set forth in Schedule 4.1(m)(ix) of the Pan American Disclosure Letter, there are no material restrictions on the ability of Pan American and its Subsidiaries to use, transfer or exploit the Pan American Property or any of the Pan American Mineral Rights, except pursuant to the applicable Law.
- (x) Except as set forth in Schedule 4.1(m)(x) of the Pan American Disclosure Letter, neither Pan American nor any of its Subsidiaries has received any notice, whether written or oral, from any Governmental Entity of any revocation or intention to revoke any interest of Pan American or a Subsidiary in any of the Pan American Property or any of the Pan American Mineral Rights.
- (xi) Except as set forth in Schedule 4.1(m)(xi) of the Pan American Disclosure Letter, Pan American and the Pan American Material Subsidiaries have all surface rights, including fee simple estates, leases, easements, rights of way and permits or licences for operations from landowners or Governmental Entities permitting the use of land by Pan American and its Subsidiaries, and mineral interests that are required to conduct current operations on the Pan American Property and the Pan American Mineral Rights as contemplated in Pan American Public Documents filed (and available on SEDAR) on or before the date hereof and no third party or group holds any such rights that would be required by Pan American to conduct current operations on the Pan American Property or any of

the Pan American Mineral Rights as contemplated in Pan American Public Documents filed (and available on SEDAR) on or before the date hereof.

(xii) All mines located in or on the lands of Pan American or any of its Subsidiaries, or lands pooled or unitized therewith, which have been abandoned by Pan American or any of its Subsidiaries, have been abandoned in accordance with good mining practices and in compliance with all applicable Laws, and all future abandonment, remediation and reclamation obligations known to Pan American as of the date hereof have been accurately set forth in Pan American Public Documents without omission of information necessary to make the disclosure not misleading

(n) Mineral Reserves and Resources. The proven and probable mineral reserves and mineral resources for the various Pan American Properties and Pan American Mineral Rights were prepared in all material respects in accordance with sound mining, engineering, geoscience and other applicable industry standards and practices, and in all material respects in accordance with all applicable Laws, including the requirements of NI 43-101. Except as set forth in Schedule 4.1(n) of the Pan American Disclosure Letter, there has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Pan American, its Subsidiaries and its material joint ventures, taken as a whole, from the amounts set forth in Pan American Public Documents, other than in the ordinary course. All information regarding the Pan American Property and the Pan American Mineral Rights, including all drill results, technical reports and studies, that is required to be disclosed at Law, have been disclosed in Pan American Public Documents on or before the date hereof.

(o) Operational Matters. Except as would not, individually or in the aggregate, be reasonably expected to result in a Pan American Material Adverse Effect:

(i) all rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect assets of Pan American, its Subsidiaries and its material joint ventures, have been: (i) duly paid or accrued; (ii) duly performed; or (iii) provided for prior for the date hereof; and

(ii) all costs, expenses, and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Pan American or any of its Subsidiaries or material joint ventures is directly or indirectly bound have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.

(p)

Employment Matters.

(i) Except as set forth in Schedule 4.1(p)(i) of the Pan American Disclosure Letter, neither Pan American nor any of its Subsidiaries: (i) is a party to any collective bargaining agreement; or (ii) is subject to any application for certification or, to the knowledge of Pan American, threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement. To the knowledge of Pan American, no fact or event exists that is likely to give

rise to a change in the representation in this Subsection 4.1(p) on or before the Effective Date.

- (ii) Neither Pan American nor any of its Subsidiaries is subject to any claim for wrongful dismissal, constructive dismissal or any other tort claim, actual or, to the knowledge of Pan American, threatened, or any litigation actual, or to the knowledge of Pan American, threatened, relating to employment or termination of employment of employees or independent contractors, except for such claims or litigation which individually or in the aggregate would not be reasonably expected to have a Pan American Material Adverse Effect. Except as set forth in Schedule 4.1(p)(ii) of the Pan American Disclosure Letter, to the knowledge of Pan American, no labour strike, lock-out, slowdown or work stoppage is pending or threatened against or directly affecting Pan American, except as would not be reasonably expected to have a Pan American Material Adverse Effect.
- (iii) Pan American and the Pan American Material Subsidiaries have operated in accordance with all applicable Laws with respect to employment and labour, including employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights, labour relations and privacy and there are no current, pending, or to the knowledge of Pan American, threatened proceedings before any board or tribunal with respect to any of the areas listed in this Subsection 4.1(p)(iii), except where the failure to so operate would not have a Pan American Material Adverse Effect.

(q) Absence of Certain Changes or Events. Since December 31, 2010:

- (i) Pan American and the Pan American Material Subsidiaries have conducted their respective businesses only in the ordinary course of business and consistent with past practice;
 - (ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had or is reasonably likely to have a Pan American Material Adverse Effect has been incurred;
 - (iii) there has not been any event, circumstance or occurrence which has had or is reasonably likely to give rise to a Pan American Material Adverse Effect; and
 - (iv) there has not been any change in the accounting practices used by Pan American and its Subsidiaries, except as disclosed in the Pan American Public Documents.
- (r) Litigation. Except as set forth in Schedule 4.1(r) of the Pan American Disclosure Letter, there is no claim, action, proceeding or investigation pending or, to the knowledge of Pan American, threatened against or relating to Pan American or any of its Subsidiaries, the business of Pan American or any of its Subsidiaries or affecting any of their properties, assets, before or by any Governmental Entity which, if adversely determined, would have, or reasonably could be expected to have, a Pan American Material Adverse Effect or prevent or materially delay the consummation of the Arrangement, nor to knowledge of Pan American are there any events or circumstances which could reasonably be expected to give rise to any such claim, action, proceeding or investigation (provided, however, that the representation in this Subsection 4.1(r) shall not apply to claims, actions, proceedings, or investigations which may arise after the date of this Agreement

which do not have a reasonable prospect of succeeding or, if successful, would not give rise to, nor reasonably be expected to give rise to, a Pan American Material Adverse Effect). Neither Pan American nor any of its Subsidiaries are subject to any outstanding order, writ, injunction or decree which has had or is reasonably likely to have a Pan American Material Adverse Effect or which would prevent or materially delay consummation of the transactions contemplated by this Agreement.

(s) Taxes.

- (i) Each of Pan American and the Pan American Material Subsidiaries has duly and in a timely manner made or prepared all Tax Returns required to be made or prepared by it, and duly and in a timely manner filed all Tax Returns required to be filed by it with the appropriate Governmental Entity, such Tax Returns were complete and correct in all material respects and Pan American and each of the Pan American Material Subsidiaries has paid all material Taxes, including instalments on account of Taxes for the current year required by applicable Law, which are due and payable by it and Pan American has provided adequate accruals in accordance with GAAP in the most recently published financial statements of Pan American for any Taxes of Pan American and each of the Pan American Material Subsidiaries for the period covered by such financial statements that have not been paid whether or not shown as being due on any Tax Returns. Since such publication date, no material liability in respect of Taxes not reflected in such statements or otherwise provided for has been assessed, proposed to be assessed, incurred or accrued, other than in the ordinary course of business.
- (ii) Each of Pan American and the Pan American Material Subsidiaries has duly and timely withheld all Taxes and other amounts required by Law to be withheld by it (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the benefit of any Person) and has duly and timely remitted to the appropriate Governmental Entity such Taxes or other amounts required by Law to be remitted by it.
- (iii) Each of Pan American and the Pan American Material Subsidiaries has duly and timely collected all amounts on account of any sales, use or transfer Taxes, including goods and services, harmonized sales, provincial and territorial taxes and state and local taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity such amounts required by Law to be remitted by it.
- (iv) Other than ordinary course audits, reviews and investigations, there are no proceedings, investigations, audits or claims now pending or, to the knowledge of Pan American, threatened against Pan American or any of the Pan American Material Subsidiaries in respect of any Taxes and there are no matters under discussion, audit or appeal with any Governmental Entity relating to Taxes.
- (v) To the best of its knowledge, Pan American believes that it was not a “passive foreign investment company” as defined in the Code during its previous taxable year.

- (vi) For the purposes of the Tax Act and any other relevant Tax purposes, Pan American and each of the Pan American Material Subsidiaries are solely resident in the country in which they were formed or are now continued, as applicable, and are not resident in any other country.
- (vii) There are no Encumbrances for Taxes upon any properties or assets of Pan American or any of the Pan American Material Subsidiaries (other than Encumbrances relating to Taxes not yet due and payable and for which adequate reserves have been recorded on the most recent balance sheet included in Pan American's audited financial statements).
- (viii) Neither Pan American nor any of the Pan American Material Subsidiaries has received any notice or inquiry from any Governmental Entity outside of the country in which Pan American or the Pan American Material Subsidiaries, respectively, is organized, to the effect that Pan American or any of the Pan American Material Subsidiaries is subject to net basis taxation or is tax resident or tax domiciled in any country other than the country in which Pan American or any of the Pan American Material Subsidiaries, respectively, is organized.
- (ix) Neither Pan American nor any of its Subsidiaries is an "expatriated entity" within the meaning of Section 7874 of the Code.
- (t) **Books and Records.** The corporate records and minute books of Pan American and the Pan American Material Subsidiaries have been maintained in accordance with all applicable Laws, and the minute books of Pan American and the Pan American Material Subsidiaries as provided to Pan American are complete and accurate in all material respects. The corporate minute books for Pan American and the Pan American Material Subsidiaries contain minutes of all meetings and resolutions of the directors and securityholders held. The financial books and records and accounts of Pan American and the Pan American Material Subsidiaries in all material respects: (a) have been maintained in accordance with good business practices and in accordance with GAAP and with the accounting principles generally accepted in the country of domicile of each such entity, on a basis consistent with prior years; (b) are stated in reasonable detail and, in the case of the Pan American Material Subsidiaries, during the period of time when owned by Pan American, accurately and fairly reflect the transactions and dispositions of assets of Pan American and the Pan American Material Subsidiaries; and (c) in the case of the Pan American Material Subsidiaries, during the period of time when owned by Pan American, accurately and fairly reflect the basis for Pan American's consolidated financial statements.

(u)

Insurance.

- (i) Pan American has in place reasonable and prudent insurance policies appropriate for its size, nature and stage of development. All premiums payable prior to the date hereof under such policies of insurance have been paid and neither Pan American nor any of the Pan American Material Subsidiaries has failed to make a claim thereunder on a timely basis.
- (ii) Each of such policies and other forms of insurance is in full force and effect on the date hereof and Pan American will use reasonable commercial efforts to keep them in full force and effect or renew them as appropriate through the Effective

Date. No written (or to the knowledge of Pan American other) notice of cancellation or termination has been received by Pan American or any Pan American Material Subsidiary with respect to any such policy.

- (v) Non-Arm's Length Transactions. Except for employment or employment compensation agreements entered into in the ordinary course of business or as disclosed in Schedule 4.1(v) of the Pan American Disclosure Letter, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by Pan American or any of the Pan American Material Subsidiaries) between Pan American or any of the Pan American Material Subsidiaries on the one hand, and any (i) officer or director of Pan American or any of the Pan American Material Subsidiaries, (ii) any holder of record or, to the knowledge of Pan American, beneficial owner of five percent or more of the voting securities of Pan American, or (iii) any affiliate or associate of any officer, director or beneficial owner, on the other hand.
- (w) Benefit Plans. Each Pan American Benefit Plan has been operated in accordance with its terms and any contributions required to be made under each Pan American Benefit Plan, as of the date hereof, have been timely made and all obligations in respect of each Pan American Benefit Plan have been properly accrued and reflected in the audited consolidated financial statements for Pan American as at and for the fiscal year ended on December 31, 2010, including the notes thereto and the report by Pan American's auditors thereon.
- (x) Environmental. Except for any matters that, individually or in the aggregate, would not have or would not reasonably be expected to have a Pan American Material Adverse Effect or as set out in Schedule 4.1(x) of the Pan American Disclosure Letter:
 - (i) all facilities and operations of Pan American and the Pan American Material Subsidiaries have been conducted, and are now, in compliance with all Environmental Laws;
 - (ii) Pan American and the Pan American Material Subsidiaries are in possession of, and in compliance with, all Environmental Permits that are required to own, lease and operate the Property and Mineral Rights and to conduct their respective business as they are now being conducted;
 - (iii) except as set forth in Schedule 4.1(x)(iii) of the Pan American Disclosure Letter, no environmental, reclamation or closure obligation, demand, notice, work order or other liabilities presently exist with respect to any portion of any currently or formerly owned, leased, used or otherwise controlled property, interests and rights or relating to the operations and business of Pan American and the Pan American Material Subsidiaries and, to the knowledge of Pan American, there is no basis for any such obligations, demands, notices, work orders or liabilities to arise in the future as a result of any activity in respect of such property, interests, rights, operations and business;
 - (iv) neither Pan American nor any of the Pan American Material Subsidiaries is subject to any proceeding, application, order or directive which relates to environmental, health or safety matters, and which may require any material work, repairs, construction or expenditures;

- (v) to the knowledge of Pan American, there are no changes in the status, terms or conditions of any Environmental Permits held by Pan American or any of the Pan American Material Subsidiaries or any renewal, modification, revocation, reassurance, alteration, transfer or amendment of any such environmental approvals, consents, waivers, permits, orders and exemptions, or any review by, or approval of, any Governmental Entity of such environmental approvals, consents, waivers, permits, orders and exemptions that are required in connection with the execution or delivery of this Agreement, the consummation of the transactions contemplated herein or the continuation of the business of Pan American or any of the Pan American Material Subsidiaries following the Effective Date;
- (vi) Pan American and the Pan American Material Subsidiaries have made available to Minefinders all material audits, assessments, investigation reports, studies, plans, regulatory correspondence and similar information with respect to environmental matters; and
- (vii) to the knowledge of Pan American, Pan American and the Pan American Material Subsidiaries are not subject to any past or present fact, condition or circumstance that could reasonably be expected to result in liability under any Environmental Laws that would individually or in the aggregate, constitute a Pan American Material Adverse Effect.
- (y) Restrictions on Business Activities. Except as set forth in Schedule 4.1(y) of the Pan American Disclosure Letter, there is no agreement, judgement, injunction, order or decree binding upon Pan American or any Pan American Material Subsidiary that has or could reasonably be expected to have the effect of prohibiting, restricting or materially impairing any business practice of Pan American or any Pan American Material Subsidiary, any acquisition of property by Pan American or any Pan American Material Subsidiary or the conduct of business by Pan American or any Pan American Material Subsidiary as currently conducted (including following the transaction contemplated by this Agreement) other than such agreements, judgments, injunctions, orders or decrees which would not, individually or in the aggregate, reasonably be expected to have a Pan American Material Adverse Effect.
- (z) Material Contracts. Pan American and its Subsidiaries have performed in all material respects all respective obligations required to be performed by them to date under any Material Contracts to which any of them is a party. Neither Pan American nor any of its Subsidiaries is in breach or default under any Material Contract to which it is a party or bound, nor does Pan American have knowledge of any condition that with the passage of time or the giving of notice or both would result in such a breach or default, except in each case where any such breaches or defaults would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Pan American Material Adverse Effect. Neither Pan American nor any of its Subsidiaries knows of, or has received written notice of, any breach or default under (nor, to the knowledge of Pan American, does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such Material Contract by any other party thereto except where any such violation or default would not, individually or in the aggregate, reasonably be expected to result in, or result in, a Pan American Material Adverse Effect. Prior to the date hereof, Pan American has made available to Minefinders true and complete copies of all of the Material Contracts of Pan

American. All Material Contracts of Pan American and its Subsidiaries are legal, valid, binding and in full force and effect and are enforceable by Pan American or its Subsidiaries in accordance with their respective terms (subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity) and are the product of fair and arms' length negotiations between the parties thereto.

- (aa) Relationships with Customers, Suppliers, Distributors and Sales Representatives. Pan American has not received any written (or to the knowledge of Pan American other) notice that any customer, supplier, distributor or sales representative intends to cancel, terminate or otherwise modify or not renew its relationship with Pan American or any Pan American Material Subsidiary, and, to the knowledge of Pan American, no such action has been threatened, which, in either case, individually or in the aggregate, would reasonably be expected to have a Pan American Material Adverse Effect.
- (bb) Brokers. Except for the fee to be paid to CIBC World Markets Inc. pursuant to its engagement letter with Pan American and except as set forth in Schedule 4.1(bb) of the Pan American Disclosure Letter, none of Pan American, any of the Pan American Material Subsidiaries, or any of their respective officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finder's fees in connection with the transactions contemplated by this Agreement.
- (cc) Reporting Issuer Status. As of the date hereof, Pan American is a reporting issuer not in default (or the equivalent) under the Securities Laws of each of the provinces and territories of Canada.
- (dd) Stock Exchange Compliance. Pan American is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the TSX and the Nasdaq.
- (ee) No Expropriation. Except as set forth in Schedule 4.1(ee) of the Pan American Disclosure Letter, no property or asset of Pan American or its Subsidiaries (including any Pan American Property or Pan American Mineral Rights) has been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of Pan American, is there any intent or proposal to give any such notice or to commence any such proceeding.
- (ff) Corrupt Practices Legislation. Neither Pan American, its Subsidiaries and affiliates, nor any of their respective officers, directors or employees acting on behalf of Pan American or any of its Subsidiaries or affiliates has taken, committed to take or been alleged to have taken any action which would cause Pan American or any of its Subsidiaries or affiliates to be in violation of the United States' Foreign Corrupt Practices Act (and the regulations promulgated thereunder), the Corruption of Foreign Public Officials Act (Canada) (and the regulations promulgated thereunder) or any applicable Law of similar effect of any other jurisdiction, and to the knowledge of Pan American, no such action has been taken by any of its agents, representatives or other Persons acting on behalf of Pan American or any of its Subsidiaries or affiliates.
- (gg) NGOs and Community Groups. No material dispute between Pan American or any of its Subsidiaries and any non-governmental organization, community, community group,

ejido, aboriginal peoples or aboriginal group exists or, to the best of Pan American's knowledge, is threatened or imminent with respect to any of Pan American's or any of its Subsidiaries' properties or exploration activities. Pan American has provided Minefinders and Minefinders' representatives with full and complete access to all material correspondence received by Pan American, Pan American's Subsidiaries or their representatives from any non-governmental organization, community, community group, ejido, aboriginal peoples or aboriginal group.

(hh) Minefinders Shares. Neither Pan American nor any of its affiliates have legal or beneficial ownership, control or direction over any Minefinders Shares, other than pursuant to its rights under the Voting Agreements.

(ii) U.S. Securities Law Matters.

(i) Pan American is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act.

(ii) Pan American is not an investment company registered or required to be registered under the U.S. Investment Company Act of 1940, as amended.

(iii) Pan American is not a "shell company" as such term is defined in Rule 405 under the U.S. Securities Act.

(jj) Arrangements with Securityholders of Minefinders. Other than the Voting Agreements and this Agreement, neither Pan American nor any of its affiliates has any agreement, arrangement or understanding (whether written or oral) with respect to Minefinders or any of its securities, businesses or operations with any shareholder of Minefinders, any interested party of Minefinders or any related party of any interested party of Minefinders, or any joint actor with any such persons (and for this purpose, the terms "interested party", "related party" and "joint actor" shall have the meaning ascribed to such terms in MI 61-101).

(kk) Investment Canada Act. Pan American is not a non-Canadian for purposes of the Investment Canada Act.

(ll) Financing. Pan American will have at and after the Effective Time funds sufficient to consummate the Arrangement upon the terms contemplated by this Agreement.

(mm) Full Information. Pan American has provided Minefinders and Minefinders' representatives with full and complete access to all of Pan American's and Pan American's Subsidiaries' records and other documents and data. The information provided to Minefinders or its representatives and made available to Minefinders or its representatives by Pan American or its representatives, is true and correct in all material respects as at its respective date as stated therein or, if undated, the date of posting to the electronic data room or other method of delivery to Minefinders and its representatives and no material facts have been omitted from that information which would make such information misleading. Without limiting the generality of the foregoing and except as set forth in Schedule 4.1(mm) of the Pan American Disclosure Letter, Pan American has not failed to disclose to Minefinders any fact or information which would be material to the consummation of the Arrangement.

4.2 Survival of Representations and Warranties