

PAN AMERICAN SILVER CORP
Form 6-K
February 24, 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

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):

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

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 Notice of Special Meeting of Shareholders to be held on Monday, March 26, 2012 and Management Information Circular with respect to a proposed Arrangement involving Minefinders Corporation Ltd., dated February 20, 2012

This report on Form 6-K is incorporated by reference into the Registrant's outstanding registration statement on Form F-10 (No. 333-164752) and on Form S-8 (No. 333-149580) that have been filed with the Securities and Exchange Commission.

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Document 1

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on Monday, March 26, 2012

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed

ARRANGEMENT

involving

Minefinders Corporation Ltd.

February 20, 2012

These materials are important and require your immediate attention. They require the shareholders of Pan American Silver Corp. to make important decisions. If you are in doubt as to how to make such decisions, please contact your professional advisers. If you have questions, you may contact the proxy solicitation and information agent, Kingsdale Shareholder Services Inc., by (i) telephone, toll-free in North America at 1-877-657-5859 or call collect at 416-867-2272 outside North America; or (ii) e-mail to contactus@kingsdaleshareholder.com.

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Pan American's mission is to be the world's largest low-cost primary silver mining company. We have seven operating mines in Mexico, Peru, Argentina and Bolivia. We also own the Navidad project in Chubut, Argentina, one of the world's largest undeveloped silver deposits, and are the operator of the La Preciosa project in Durango, Mexico.

We are seeking shareholder approval to issue Pan American shares in connection with our acquisition of Minefinders Corporation Ltd., a Vancouver-based precious metals company whose principal property is the Dolores mine, a multi-million ounce long-life, low-cost gold and silver mine located in Chihuahua, Mexico.

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February 20, 2012

Dear Shareholder:

You are invited to attend a special meeting (the **Special Meeting**) of shareholders of Pan American Silver Corp. (**Pan American**) to be held on Monday, March 26, 2012 at 9:00 a.m. (Vancouver time) in the Vancouver Room of the Metropolitan Hotel, 645 Howe Street, Vancouver, British Columbia.

At the Special Meeting you will be asked to consider an ordinary resolution (the **Share Issuance Resolution**) to approve the issuance of Pan American Shares in connection with Pan American's proposed acquisition of all of the issued and outstanding common shares of Minefinders Corporation Ltd. (**Minefinders**) by way of a plan of arrangement (the **Arrangement**) under the *Business Corporations Act* (Ontario).

The Circular that accompanies this letter contains a detailed description of the Arrangement as well as detailed information regarding Pan American and Minefinders and certain *pro forma* and other information regarding Pan American after giving effect to the Arrangement. It also includes certain risk factors relating to the completion of the Arrangement. Please give this material your careful consideration.

Minefinders is a precious metals mining and exploration company and operates the multi-million ounce Dolores gold and silver mine in Mexico. The acquisition of Minefinders is logical and consistent with Pan American's vision to become the largest low-cost primary producer of silver in the world.

Under the Arrangement, Minefinders' shareholders can elect to receive, in exchange for each Minefinders share they hold, either: (i) 0.55 Pan American shares and Cdn.\$1.84 in cash; (ii) 0.6235 Pan American shares and Cdn.\$0.0001 in cash; or (iii) Cdn.\$15.60 in cash, subject to proration under total aggregate cash and share pools. The total transaction value is approximately Cdn.\$1.38 billion. Following completion of the transaction, former Minefinders securityholders will own up to approximately 32% of Pan American on a fully-diluted basis.

The Arrangement also provides for the treatment of outstanding options of Minefinders, which will be exchanged for options of Pan American (**Replacement Options**). A maximum of 53,666,003 Pan American shares will be issuable in connection with the Arrangement and upon the exercise of all Replacement Options. The Share Issuance Resolution will authorize Pan American to issue up to this number of Pan American shares. A maximum of approximately \$178.8 million will be payable to Minefinders securityholders in connection with the Arrangement.

AFTER CAREFUL CONSIDERATION OF THE ARRANGEMENT, THE BOARD OF DIRECTORS OF PAN AMERICAN UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

In order to become effective, the Share Issuance Resolution must be approved by at least a majority of the votes cast by Pan American's shareholders (50% plus one vote), either present in person or by proxy at the Special Meeting. Approval of the Share Issuance Resolution is required for completion of the Arrangement as, pursuant to the listing rules of the Toronto Stock Exchange and the Nasdaq Global Market, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase

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www.panamericansilver.com

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price for the acquisition exceeds, in the case of the Toronto Stock Exchange, 25%, and in the case of the Nasdaq Global Market 20%, of the number of outstanding securities of the listed issuer, on a non-diluted basis, prior to the date of closing of the transaction.

In order to become effective, among other things, the Arrangement also requires the approval of the securityholders of Minefinders and the Superior Court of Justice of Ontario, and the satisfaction of certain closing conditions customary to transactions of this nature. Assuming that all conditions to the Arrangement are satisfied, we expect the Arrangement to be completed on or about March 30, 2012.

Your vote is very important. Whether or not you plan to attend the Special Meeting, please submit your vote as soon as possible to ensure your views are represented at the Special Meeting. You can vote online or by phone, fax, mail or in person at the Special Meeting.

If you have any questions relating to the attached document or the Special Meeting, please contact Kingsdale Shareholder Services Inc. by toll-free telephone at 1-877-657-5859 in North America, or call collect at (416) 867-2272 outside of North America, or by email at contactus@kingsdaleshareholder.com.

Yours sincerely,

(signed) Geoffrey A. Burns

Geoffrey A. Burns,
President and Chief Executive Officer

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Notice of 2012 Special Meeting of Shareholders

When

Monday, March 26, 2012
9:00 a.m. (Vancouver time)

Where

The Metropolitan Hotel – Vancouver Room
645 Howe Street, Vancouver, British Columbia

We will cover two items of business at the Special Meeting:

1. The issuance of up to 53,666,003 common shares of Pan American Silver Corp. (**Pan American**) in connection with an arrangement involving Pan American and Minefinders Corporation Ltd. (**Minefinders**) under the *Business Corporations Act* (Ontario), pursuant to which Pan American will acquire all of the issued and outstanding common shares of Minefinders, as more fully described in the accompanying management information circular (the **Circular**). The full text of the ordinary resolution approving this share issuance is attached as Schedule B to the accompanying Circular.
2. Other business.

Your vote is important.

You are entitled to receive this notice and vote at our Special Meeting if you owned common shares of Pan American as of the close of business on February 14, 2012 (the record date for the Special Meeting).

The accompanying Circular contains important information about what the Special Meeting will cover, who can vote and how to vote. Please read it carefully.

We have retained Kingsdale Shareholder Services Inc. (**Kingsdale**) to act as our proxy solicitation and information agent in connection with the Special Meeting. If you have any questions relating to the attached document or the Special Meeting, please contact Kingsdale by toll-free telephone at 1-877-657-5859 in North America, or call collect at (416) 867-2272 outside of North America, or by email at contactus@kingsdaleshareholder.com.

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DATED at Vancouver, British Columbia this 20th day of February, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Delaney Fisher

Delaney Fisher
Corporate Secretary and
Legal Counsel

These securityholder materials are being sent to both registered and non-registered owners of our securities. If you are a non-registered owner, and Pan American or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, Pan American (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting.

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Management Information Circular

You've received this management information circular (the **Circular**) because our records indicate that you owned common shares (**Pan American Shares**) of Pan American Silver Corp. (**we**, **us**, **our**, the **Company** or **Pan American**) as of the close of business on February 1, 2012, (the **Record Date**), and we are sending you this Circular in connection with the 2012 special meeting of our shareholders scheduled to be held on Monday, March 26, 2012 (the **Special Meeting**). You have the right to attend the Special Meeting and vote your Pan American Shares in person or by proxy. You retain these rights if the Special Meeting is adjourned or postponed.

In this document, *we, us, our, Pan American* and *the Company* mean Pan American Silver Corp.

You, your and *Pan American Shareholder* mean holders of common shares of Pan American.

Your vote is important. This Circular describes what the Special Meeting will cover and how to vote. Please read it carefully and vote, either by completing the form included with this package or by attending the Special Meeting in person.

In particular, you will be asked to approve the issuance of our shares in connection with an arrangement involving us and Minefinders Corporation Ltd. (**Minefinders**), pursuant to which we will acquire all of Minefinders' issued and outstanding common shares.

Both the Board of Directors (the **Board**) and management of Pan American encourage you to vote. Our management will be soliciting your vote for this Special Meeting and any Special Meeting that is reconvened if it is postponed or adjourned. You may be contacted by telephone by a representative of Kingsdale Shareholder Services Inc. (**Kingsdale**), whom we have retained to assist with soliciting votes for the meeting. If you have any questions, you can call them toll free at 1-877-657-5859 in North America, or call collect at (416) 867-2272 outside North America, or you can contact them by email at: contactus@kingsdaleshareholder.com.

Kingsdale is providing us with a variety of services related to the Special Meeting. This includes reviewing this Circular, liaising with proxy advisory firms, developing and implementing shareholder communication and engagement strategies, advising on Special Meeting and proxy protocol, reporting and reviewing the tabulation of shareholder proxies, and soliciting shareholder proxies. We are paying Kingsdale approximately Cdn.\$150,000 for their services.

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This Circular is dated February 20, 2012. Unless otherwise stated, information in this Circular is as of February 20, 2012.

Receiving documents

This Circular is expected to be mailed to our shareholders on or about February 24, 2012 with a proxy or voting instruction form, in accordance with applicable laws.

This Circular and other materials are being sent to both registered and non-registered shareholders.

If you are a *registered* shareholder, send your completed proxy by fax or mail, or on the internet, to Computershare Investor Services Inc. They must receive your proxy by 9:00 a.m. (Vancouver time) on Thursday, March 22, 2012, or at least 48 hours (excluding Saturdays, Sundays and statutory holidays in

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British Columbia) prior to the time of any adjournment or postponement of the Special Meeting. The chairman of the Special Meeting has the discretion to accept late proxy forms.

If you are a *non-registered* shareholder and you have received these materials from us or our agent, we have obtained your name, address and information about your shareholdings from your securities broker, custodian, nominee, fiduciary or other intermediary holding these securities on your behalf in accordance with applicable requirements of securities regulators. By sending these materials to you directly, we (and not your intermediary) have assumed responsibility for delivering them to you and executing your proper voting instructions. Please return your voting instructions as specified in the enclosed voting information form.

If you are a *non-registered* shareholder and object to us receiving access to your personal name and address (an objecting beneficial owner, or **OBO**), we have provided these documents to your broker, custodian, fiduciary or other intermediary to forward to you. Please follow the voting instructions that you receive from your intermediary. Your intermediary is responsible for properly executing your voting instructions.

Additional information

You can find financial information relating to Pan American in our comparative financial statements and management's discussion and analysis for our most recently completed financial year.

See our management's discussion and analysis, financial statements and the Pan American Annual Information Form (or Form 40-F) for additional information about Pan American. These documents are available on our website (www.panamericansilver.com), on SEDAR (www.sedar.com), and on EDGAR (www.sec.gov/edgar.shtml).

You can also request copies of these documents free of charge by contacting our corporate secretary:

Corporate Secretary
Pan American Silver Corp.
1500 625 Howe Street
Vancouver, British Columbia V6C 2T6

panamericansilver.com
604-684-1175 (call toll-free)
604-684-0147 (fax)

Additional copies of this Circular are also available on request.

Our Board has approved the contents of this Circular and have authorized us to send it to you. We've also sent a copy to each of our directors and our auditors.

DATED at Vancouver, British Columbia this 20th day of February, 2012.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Delaney Fisher

Delaney Fisher
Corporate Secretary and
Legal Counsel

*If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc.
at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com*

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General Information

Defined Terms

This Circular contains defined terms. For a list of the defined terms, please see the Glossary. It is attached as Schedule A to this Circular.

Information Contained in this Circular

The information contained in this Circular is given as at February 20, 2012, except where otherwise noted, and information contained in documents incorporated by reference herein is given as of the dates noted in those documents.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

You should not construe the contents of this Circular as legal, tax or financial advice and should consult with your own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Special Meeting other than those contained in this Circular (or incorporated by reference herein). If given or made, any such information or representation must not be relied upon as having been authorized by us.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement attached as Schedule A to the Amendment Agreement, which is available on SEDAR (www.sedar.com). You are urged to carefully read the full text of the Plan of Arrangement.

Information Concerning Minefinders

Except as otherwise indicated, the information concerning Minefinders contained in this Circular has been taken from, or is based upon, publicly available information and records on file with Canadian securities regulatory authorities and other public sources. In the Arrangement Agreement, Minefinders provided a covenant that it would ensure that the information provided by it for the preparation of this Circular does not include any misrepresentation concerning Minefinders, its subsidiaries or the Minefinders Shares. Although we have no knowledge that would

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indicate that any statements contained herein concerning Minefinders taken from or based on such documents and records are untrue or incomplete, neither we nor any of our directors or officers assume any responsibility for the accuracy or completeness of such information, including any of Minefinders' financial statements or Minefinders' mineral reserve and mineral resource estimates, or for any failure of Minefinders to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to us.

Cautionary Notice Regarding Forwarding-Looking Statements and Information

This Circular, and the documents incorporated by reference herein, contain certain forward-looking statements within the meaning of the United States *Private Securities Litigation Reform Act of 1995* and

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forward-looking information within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or information. When used in this Circular, the words anticipate, believe, continue, estimate, expect, objective, ongoing, will, project, should, intend, potential *pro forma*, target, plan, forecast, budget, may, expressions are intended to identify forward-looking statements or information. These forward-looking statements or information relate to, among other things:

- the timing and implementation of the proposed Arrangement;
- the integration of Minefinders with Pan American following the Arrangement;
- the anticipated benefits of the Arrangement;
- our business outlook following the Arrangement;
- the addition of a mill at the Dolores mine and development of the Navidad project, the La Preciosa project, and other exploration or development projects of Pan American and Minefinders;
- plans and expectations for Pan American's and Minefinders' properties and operations following the Arrangement;
- forecast business and financial results, including the estimates of expected or anticipated economic returns from Pan American and Minefinders' mining projects;
- estimated capital costs;
- cash and total costs of production at each of Pan American's and Minefinders' properties;
- estimated production rates for silver and other payable metals produced by Pan American and Minefinders;

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- the price of silver and other metals;
- future sales of metals, concentrates or other products produced by Pan American and Minefinders;
- Pan American's and Minefinders' mineral reserve and mineral resource estimates;
- our ability to pay out dividends following the Arrangement;
- the sufficiency of Pan American's and Minefinders' current working capital and anticipated operating cash flow;
- the estimated costs of, and availability of financing for, construction, development and ramp-up of Pan American's and Minefinders' respective mine development projects and ongoing capital replacement or improvement programs;
- estimated closure costs and the cost of remediation programs;
- the effects of laws, regulations and government policies affecting Pan American's and Minefinders' operations or potential future operations, including but not limited to, laws in the province of Chubut, Argentina, which currently have significant restrictions on mining, recent changes to the laws of Bolivia with respect to mining, and laws in Argentina which impact our ability to repatriate funds;

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- the ability of Pan American and Minefinders to maintain and repair equipment necessary to operate their mines, particularly for example, in light of recent changes to import and export restrictions in Argentina;
- the trading price of Pan American's and Minefinders' common shares;
- there being no significant political developments, whether generally, or in respect of the mining industry specifically, in any of Mexico, Argentina, Peru, Bolivia and the United States that are not consistent with Pan American's or Minefinders' current expectations;
- there being no significant disruptions affecting Pan American's or Minefinders' operations, whether due to permitting issues, environmental issues, construction delays, labour disruptions, natural disasters, litigation, social issues, supply disruptions, power disruptions, damage to equipment or otherwise;
- the exchange rates between the Canadian dollar, US dollar, Peruvian Sol, Mexican Peso, Argentina Peso and Bolivia Boliviano;
- prices for energy inputs and other key supplies;
- labour and materials costs; and
- anticipated taxes.

These statements reflect our current views with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements or information contained in this Circular and we have made assumptions and estimates based on or related to many of these factors. The factors and assumptions related to the Arrangement include, but are not limited to:

- the approval of the Arrangement by the Court;
- the approval of the Share Issuance Resolution by our shareholders;

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- the approval of the Minefinders Resolution by the Minefinders Shareholders (voting as a single class) and the Minefinders Securityholders (voting as a single class); and
- the receipt of all required regulatory and third party approvals to complete the Arrangement;
- the completion of the Arrangement.

Other factors include, without limitation: fluctuations in spot and forward markets for silver, gold, base metals and certain other commodities (such as natural gas, fuel oil and electricity); fluctuations in currency markets (such as the Peruvian Sol, Mexican Peso, Argentine Peso and Bolivian Boliviano versus the U.S. dollar); changes in national and local government, legislation, taxation, controls or regulations including, among others, changes to import and export regulations and laws relating to the repatriation of capital and foreign currency controls; political or economic developments in Canada, the United States, Mexico, Peru, Argentina, Bolivia or other countries where Pan American and Minefinders may carry on business in the future; operational risks and hazards associated with the business of mineral exploration, development and mining (including equipment breakdowns, natural disasters, environmental hazards, industrial accidents, unusual or unexpected geological or structural formations,

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cave-ins and flooding); risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom Pan American and Minefinders do business; inadequate insurance, or inability to obtain insurance, to cover these risks and hazards; employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits and the presence of laws and regulations that may impose restrictions on mining, including those currently in the Province of Chubut, Argentina; diminishing quantities or grades of mineral reserves as properties are mined; global financial conditions; Pan American's and Minefinders' ability to complete and successfully integrate acquisitions and to mitigate other business combination risks; challenges to, or difficulty in maintaining, Pan American's and Minefinders' title to properties and continued ownership thereof; the actual results of current exploration activities, conclusions of economic evaluations, and changes in project parameters to deal with unanticipated economic or other factors; increased competition in the mining industry for properties, equipment, qualified personnel, and their costs; risks associated with the operation of leach pads and those factors identified under the caption "Risks Related to Pan American's Business" in our most recent Form 40-F and the Pan American Annual Information Form and under the caption "Risk Factors" in Minefinders' most recent Form 40-F and the Minefinders Annual Information Form, each as filed with the SEC and Canadian provincial securities regulatory authorities, as applicable. Investors are cautioned against attributing undue certainty or reliance on forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. We do not intend, and do not assume any obligation, to update these forward-looking statements or information to reflect changes in assumptions or changes in circumstances or any other events affecting such statements or information, other than as required by applicable law.

Notice to United States Securityholders

NEITHER THE ARRANGEMENT NOR THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The securities to be issued under the Arrangement have not been registered under the U.S. Securities Act or any state securities laws and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act and applicable state securities laws on the basis of the approval of the Court which will consider, among other things, the fairness of the terms and conditions of the Arrangement to Minefinders Securityholders. Section 3(a)(10) of the U.S. Securities Act provides an exemption from registration under the U.S. Securities Act for offers and sales of securities issued in exchange for one or more outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court authorized to grant such approval after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and have received adequate notice thereof. See "The Arrangement" in this Circular for more information.

We are a corporation existing under the laws of the Province of British Columbia. The proxy solicitation rules under Section 14(a) of the U.S. Exchange Act are not applicable to us or this solicitation based on exemptions from the proxy solicitation rules for "foreign private issuers" (as such term is defined in Rule 3b-4 under the U.S. Exchange Act). Accordingly, this Circular has been prepared in accordance with

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disclosure requirements applicable in Canada and in accordance with Canadian corporate and securities laws. Securityholders in the United States should be aware that disclosure requirements under Canadian securities laws may be different from requirements of the United States.

Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in or incorporated by reference in this Circular have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the requirements of the SEC and United States securities laws. Without limiting the foregoing, this Circular, including the documents incorporated by reference herein, use the terms measured mineral resources, indicated mineral resources and inferred mineral resources. United States securityholders are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States securityholders are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into reserves. Further, inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of inferred mineral resources will ever be upgraded to a higher category. Therefore, United States securityholders are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this Circular or in the documents incorporated by reference, may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

Financial statements included or incorporated by reference in this Circular have been prepared in accordance with GAAP or IFRS, which differ from U.S. generally accepted accounting principles in certain material respects, and thus they may not be comparable to financial statements of U.S. companies. The issuance of Pan American Shares in connection with the acquisition of the Minefinders Shares and Minefinders Options as described in this Circular should not result in any Canadian or United States federal income tax consequences to our shareholders with respect to their ownership of Pan American Shares.

The enforcement by securityholders of civil liabilities under U.S. securities laws may be affected adversely by the fact that each of Pan American and Minefinders is incorporated or organized outside the United States, that some or all of their respective directors and officers and the experts named in this Circular are not residents of the United States and that all or a substantial portion of their respective assets and said persons may be located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon Pan American or Minefinders, their respective officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

Table of Contents**Reporting Currencies and Accounting Principles**

Unless stated otherwise or the context otherwise requires, all references to dollar amounts in this Circular are references to United States dollars. References to \$ are to U.S. dollars and references to Cdn.\$ are to Canadian dollars. Pan American's and Minefinders' respective financial statements incorporated by reference into this Circular, in respect of documents for financial years beginning prior to January 1, 2011, have been prepared in accordance with GAAP which are reconciled to U.S. generally accepted accounting principles where required, and, in respect of documents for financial periods beginning on or after January 1, 2011, have been prepared in accordance with IFRS.

Currency Exchange Rate Information

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the noon buying rates provided by the Bank of Canada:

High	1.0272	1.0604	1.0778	1.3000
Low	0.9924	0.9449	0.9946	1.0292
Rate at end of period	0.9924	1.0170	0.9946	1.0466
Average rate for period	1.0066	0.9891	1.0299	1.1420

On February 20, 2012, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon buying rates provided by the Bank of Canada was Cdn.\$0.9924.

Non-GAAP and IFRS Measures

References in the documents incorporated by reference in this Circular refer to various non-GAAP and IFRS measures, such as cash and total cost per ounce of silver which we use to manage and evaluate operating performance at each of our mines and are widely reported in the silver mining industry as benchmarks for performance, but do not have standardized meaning and are not a recognized measure under GAAP or IFRS. To facilitate a better understanding of these measures as calculated by us, please see Non-GAAP Measures in our management's discussion and analysis of financial condition and results of operation for the year ended December 31, 2010, and see Alternative Performance Measures in our management's discussion and analysis of financial condition and results of operations for the three and nine months ended September 30, 2011.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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Frequently Asked Questions

What is this document?

This Circular is being sent to you in connection with the Special Meeting of Pan American Shareholders that will be held on Monday, March, 26, 2012 at 9:00 a.m. (Vancouver time) in the Vancouver Room of the Metropolitan Hotel, 645 Howe Street, Vancouver, British Columbia. This Circular provides additional information about the business of the Special Meeting, Pan American and Minefinders. A form of proxy or voting instruction form accompanies this Circular.

Why is the Special Meeting being held?

We are holding the meeting in order to approve the issuance of Pan American Shares in connection with the Arrangement. Under the rules of the TSX and Nasdaq, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25%, in the case of the TSX, and 20%, in the case of Nasdaq, of the number of outstanding securities of the listed issuer, on a non-diluted basis, prior to the date of closing of the transaction. **As the Arrangement will result in us issuing in excess of 25% of the outstanding Pan American Shares, approval of the Share Issuance Resolution by a simple majority (50% plus one vote) of votes cast at the Special Meeting by our shareholders, present in person or by proxy, is required.** The text of the Share Issuance Resolution is set out in full at Schedule B to this Circular.

Who is eligible to vote?

Holders of our shares at the close of business on the Record Date (February 14, 2012) and their duly appointed representatives are eligible to vote. Each Pan American Share is entitled to one vote.

Who is soliciting my proxy?

Proxies are being solicited in connection with this Circular by Pan American's management. Pan American will bear the costs associated with the solicitation. The solicitation will be made primarily by mail, but proxies may also be solicited personally by regular employees of the Company to whom no additional compensation will be paid. In addition, we have retained the services of Kingsdale who may contact you by telephone to solicit proxies for the Company. We estimate Kingsdale's fees will be approximately Cdn.\$150,000.

What is the Arrangement?

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The Arrangement involves us acquiring all of the issued and outstanding Minefinders Shares. Under the Arrangement, Minefinders Shareholders can elect to receive, in exchange for each of their Minefinders Shares, either: (i) 0.55 Pan American Shares and Cdn.\$1.84 in cash (the Full Proration Option); or (ii) 0.6235 Pan American Shares and Cdn.\$0.0001 in cash (the Pan American Share Option); or (iii) Cdn.\$15.60 in cash (the Cash Option), subject to proration on the basis of the Available Cash Amount (up to approximately Cdn.\$178.8 million), and the Available Share Amount (up to approximately 53,452,000 Pan American Shares). The calculations of the maximum cash and the maximum number of shares that may comprise the Available Cash Amount and the Available Share Amount, respectively, are based on certain assumptions; see Business to be Acted Upon at the Special Meeting Share Issuance Resolution . The total transaction value is approximately Cdn.\$1.38 billion.

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Each outstanding Minefinders Option not exercised at or before the Effective Time will be exchanged for a Replacement Option that will entitle the holder to receive, upon exercise, 0.6235 (the Option Exchange Ratio) Pan American Shares at an exercise price equal to the exercise price of the Minefinders Option divided by the Option Exchange Ratio (subject to rounding and adjustment pursuant to the Plan of Arrangement) and otherwise with the same general terms and conditions as the original Minefinders Option (subject to an extension of term for all Replacement Options for which Minefinders 2011 Options are exchanged; see The Arrangement Replacement Options).

The Arrangement is being carried out pursuant to the terms of an Arrangement Agreement between Pan American and Minefinders and will be conducted in accordance with a court-approved Plan of Arrangement under the OBCA.

Following completion of the Arrangement, assuming the maximum number of 53,666,003 Pan American Shares are issued and issuable to Minefinders Securityholders in connection with the Arrangement, it is expected that the current Pan American Shareholders and former Minefinders Securityholders will hold approximately 68% and 32% of the outstanding Pan American Shares, respectively (each on a fully-diluted basis).

Why is Pan American proposing to acquire Minefinders?

Minefinders is a precious metals mining and exploration company that operates the multi-million ounce Dolores gold and silver mine in Chihuahua, Mexico. Pan American believes the acquisition of Minefinders is logical and consistent with our vision to become the largest low-cost primary producer of silver in the world for the following reasons:

- **Creates leading silver mining company:** The combined company will be one of the largest geographically diversified silver mining companies with a combined market capitalization of approximately Cdn.\$3.7 billion, providing enhanced capital markets scale and profile and increased strategic flexibility. The combined company will have a leading and well sequenced growth profile combining immediate access to near-term cash flow with significant future growth opportunities.
- **Lowers production costs:** Meaningfully reduces our average silver cash costs across our portfolio of producing mines through the addition of low-cost, near-term production from the Dolores mine.
- **Provides near term cash flow:** The transaction provides us with additional near-term cash flow to help finance our development of the Navidad project, and reduces our need to seek other dilutive financing.
- **Leading growth profile:** Combined production for the year ended 2011 of approximately 26 million ounces of silver (based on Pan American 2011 guidance and Minefinders disclosed 2011 results) is expected to reach over 50 million ounces by the year 2015. Minefinders Dolores property also provides a number of attractive near-term opportunities (including a potential mill addition), to drive production growth prior to the expected commencement of production at Pan American's Navidad project.

- **Enhances portfolio diversification:** The transaction diversifies Pan American's portfolio towards producing assets from developing assets. The combined company will consist of eight operating mines and an extensive portfolio of development and exploration projects in jurisdictions throughout the Americas. The combined company will enjoy a greater presence in Mexico, a mining-friendly jurisdiction where we already have extensive operations and which is

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viewed by analysts as having less political risk than certain other South American jurisdictions in which we currently operate. Based on expected silver production in 2011, approximately 52% of combined production will be from mines in Mexico, 21% from Peru, 15% from Argentina and 12% from Bolivia.

- **Significant silver mineral reserves and mineral resources:** The combined company will have a significant mineral reserve base consisting of 350 million ounces of proven and probable silver mineral reserves and 3.0 million ounces of proven and probable gold mineral reserves with additional measured and indicated mineral resources of 742 million ounces of silver and 2.0 million ounces of gold and inferred mineral resources of 265 million ounces of silver and 1.4 million ounces of gold, as of the end of December 2010.
- **Strong balance sheet and access to capital:** The additional cash flow from Minefinders Dolores property will solidify our ability to fund our industry-leading growth profile without equity dilution while maintaining our existing dividend payments. The *pro forma* company will have a cash balance of approximately \$570 million, undrawn credit facilities in the amount of \$150 million, substantial cash flow generating capacity and negligible debt. In addition, our shares will remain one of the world's most liquid silver investments with listings on both the TSX and Nasdaq and with one of the largest public market floats of primary silver producers.
- **Attractive re-rating opportunity:** The valuation of the combined company will be well positioned to benefit from enhanced scale, diversification and growth profile as well as strong transaction rationale.

What does the Pan American Board think about the Arrangement?

AFTER CAREFUL CONSIDERATION OF THE ARRANGEMENT, THE PAN AMERICAN BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

Has Pan American received a fairness opinion in connection with the Arrangement?

Yes. Two, in fact. CIBC (exclusive financial advisor to Pan American) and Scotia Capital (independent fairness opinion provider to the Pan American Board) have each provided fairness opinions to the effect that, as of January 20, 2012, and based upon and subject to the assumptions, limitations and qualifications set forth in their opinions, the Consideration to be paid by us pursuant to the Arrangement Agreement is fair, from a financial point of view, to Pan American. The full text of the opinions can be found at Schedules D and E to this Circular.

How many Pan American Shares could be issued pursuant to the Arrangement?

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A maximum of 53,666,003 Pan American Shares will be issuable in connection with the Arrangement. The Share Issuance Resolution will authorize Pan American to issue up to this number of Pan American Shares.

How does Pan American intend to pay for the Arrangement?

Pan American intends to fund the Available Cash Amount (of up to approximately Cdn.\$178.8 million) to be paid to Minefinders Shareholders under the Arrangement from cash on hand.

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How will the Arrangement affect my ownership and voting rights as a Pan American Shareholder?

Following completion of the Arrangement, assuming the maximum number of 53,666,003 Pan American Shares are issued and issuable to Minefinders Securityholders in connection with the Arrangement, it is expected that the current Pan American Shareholders and former Minefinders Securityholders will hold approximately 68% and 32% of the outstanding Pan American Shares, respectively (each on a fully-diluted basis).

As a result of the issuance of Pan American Shares in connection with the Arrangement, your ownership and voting interests in the Company will be diluted, relative to your current interests.

What level of Pan American shareholder approval is required for the Share Issuance Resolution?

In order to become effective, the Share Issuance Resolution must be approved by a simple majority (50% plus one vote) of the votes cast at the Special Meeting by our shareholders, present in person or by proxy.

Who intends to support the Share Issuance Resolution?

Each of our directors and executive officers, holding shares representing, in aggregate, approximately 2.8% of Pan American's outstanding shares intend to vote their shares **FOR** the Share Issuance Resolution.

When does Pan American expect the Arrangement to be completed?

As the Arrangement is conditional upon the receipt of a number of stock exchange, regulatory, court and securityholder approvals, the exact timing of completion of the Arrangement cannot be predicted, but it is expected to be on or about March 30, 2012.

What conditions must be satisfied to complete the Arrangement?

The Arrangement is conditional upon the receipt of, among other things: (i) the approval of the Share Issuance Resolution by a simple majority (50% plus one vote) of votes cast at the Special Meeting by shareholders, present in person or by proxy; (ii) the approval of the Minefinders Resolution by at least two-thirds (66 $\frac{2}{3}$ %) of the Minefinders Shareholders present in person or by proxy at the Minefinders Meeting voting as a single class and by at least two-thirds (66 $\frac{2}{3}$ %) of the votes cast by Minefinders Shareholders and Minefinders Optionholders present in person or by proxy at the Minefinders Meeting, voting together as a single class; (iii) applicable stock exchange and regulatory approvals, including

receipt of the Final Order from the Court; and (iv) the satisfaction of certain closing conditions customary for transactions of this nature.

Am I entitled to dissent rights?

No. Pan American Shareholders are not entitled to dissent rights in connection with the actions to be taken at the Special Meeting.

What if Pan American Shareholders do not approve the Share Issuance Resolution?

The Arrangement will not complete and either we or Minefinders may elect to terminate the Arrangement Agreement. If we do not obtain Pan American Shareholder Approval at the Special Meeting, the Pan American Expense Payment of Cdn.\$5 million or the Pan American Termination Payment of Cdn.\$42

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million may be payable by us to Minefinders. The Cdn.\$5 million Pan American Expense Payment will be payable if our shareholders do not approve the Share Issuance Resolution, unless approval of the Minefinders Resolution by Minefinders Shareholders was not obtained at the Minefinders Meeting, or a Minefinders Material Adverse Effect occurs prior to the Special Meeting. The Cdn.\$42 million Pan American Termination Payment will only be payable if, prior to such termination, an Acquisition Proposal for Pan American was made or publicly announced by any person other than Minefinders, and within 12 months following the date of such termination, we enter into a definitive agreement in respect of one or more Acquisition Proposals or there shall have been consummated one or more Acquisition Proposals for Pan American. In this case, we would be entitled to deduct the Pan American Expense Payment from the Pan American Termination Payment if any such payment was made to Minefinders.

Are there risks I should consider in connection with the Arrangement?

Yes. There are a number of risk factors that you should consider in connection with the Arrangement. These are described in the section of this Circular entitled Risk Factors .

How do I vote?

If you are a registered shareholder, you may vote your shares by proxy or you can attend the Special Meeting and vote in person. Voting by proxy is the easiest way to vote because you're appointing the persons named in the proxy or some other person you choose, who need not be a Pan American Shareholder, to represent you as a proxyholder and vote your shares at the Special Meeting.

There are different ways to submit your voting instructions depending on whether you are a registered or non-registered shareholder.

If your shares are held in an account with a bank, trust company, securities broker, trustee or other intermediary, please refer to the answer to the question How do I vote if my shares are held in the name of an intermediary?

How do I vote my shares in person?

If you are a registered shareholder and plan to attend the Special Meeting on March 26, 2012, and you wish to vote your Pan American Shares in person at the meeting, do not complete the enclosed form of proxy, as your vote will be taken and counted at the Special Meeting. Please register with Pan American's transfer agent, Computershare, upon arrival at the Special Meeting.

If your Pan American Shares are held in an account with an intermediary, please see the answer to the question How do I vote if my shares are held in the name of an intermediary?

How do I know if I am a registered Pan American Shareholder or a beneficial Pan American Shareholder?

You may own Pan American Shares in one or both of the following ways:

1. If you are in possession of a physical share certificate, you are a registered Pan American Shareholder and your name and address are known to us through our transfer agent, Computershare.

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2. If you own our shares through a bank, broker or other intermediary, you are a beneficial Pan American Shareholder and you will not have a physical share certificate. In this case, you will have an account statement from your bank or broker as evidence of your share ownership.

Most of our shareholders are beneficial owners who are non-registered Pan American Shareholders. Their shares are registered in the name of an intermediary, such as a bank, trust company, securities broker, trustee, custodian or other nominee who holds the shares on their behalf, or in the name of a clearing agency in which the intermediary is a participant (such as CDS). Intermediaries have obligations to forward meeting materials to such non-registered holders unless otherwise instructed by the holder (and as required by regulation in some cases, despite such instructions).

OBOs are beneficial Pan American Shareholders who do not want us to know their identity.

NOBOs are beneficial Pan American Shareholders who do not object to us knowing their identity.

We can deliver proxy-related materials directly to NOBOs. Our transfer agent, Computershare, sends NOBOs the Special Meeting materials and a voting instruction form, along with instructions for completing the form and returning it to them. Computershare is responsible for following the voting instructions it receives, tabulating the results and then providing appropriate instructions at the Special Meeting.

If you're an OBO, we must send the Special Meeting materials to your intermediary so they or their service company can forward them to you. The package includes a request for voting instruction form or a form of proxy for you to complete.

If my shares are held in the name of an intermediary, will they automatically vote my shares for me?

No. Specific voting instructions must be provided. See [How do I vote if my shares are held in the name of an intermediary](#) below.

How do I vote if my shares are held in the name of an intermediary?

Only registered Pan American Shareholders, or the persons they appoint as proxies, are permitted to attend and vote at the Special Meeting. To vote using the voting instruction form NOBOs received with this package, fill out the form and carefully follow the instructions. To vote using the voting instruction form or form of proxy OBOs received from their intermediary, sign and date the form and carefully follow the instructions for returning the form.

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To attend and vote at the Special Meeting: (i) if you are a NOBO, you must follow the instructions on the voting instruction form and request a legal proxy to grant you the right to attend the Special Meeting and vote in person; and (ii) if you are an OBO, you must follow the instructions on the voting instruction form, or in the case of a form of proxy, strike out the names of the person named in the proxy and insert your (or such other person's) name in the blank space provided.

What happens if I sign the enclosed form of proxy?

Signing the enclosed form of proxy gives authority to the Company's listed directors or officers to vote your shares at the Special Meeting in accordance with your instructions. You have the right to appoint as your proxyholder a person or company (who need not be a Pan American Shareholder), other than the persons designated in the form of proxy accompanying this Circular, to attend and to act on your behalf at the Special Meeting. You may do so by striking out the names of the persons designated in the form of

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proxy and by inserting that other person's name in the blank space provided. If you hold your shares through an intermediary you should refer to "How do I vote if my shares are held in the name of an intermediary?" above.

What do I do with my completed form of proxy?

You must deposit your completed proxy with Computershare no later than 9:00 a.m. (Vancouver time) on March 22, 2012, or at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of any adjournment or postponement of the Special Meeting. If you hold shares through an intermediary you should refer to "How do I vote if my shares are held in the name of an intermediary?" above.

Once I have submitted my proxy, can I change my vote?

Yes. To revoke a proxy, a registered shareholder may deliver a written notice to our registered office at any time up to and including the last business day before the Special Meeting or any adjournment or postponement of the Special Meeting. A proxy may also be revoked, with the consent of the chairman, on the day of the Special Meeting or any adjournment or postponement of the Special Meeting by a registered shareholder by delivering written notice to the chairman. In addition, a proxy may be revoked by depositing with Computershare another properly executed instrument appointing a proxy bearing a later date in the manner described above, or by any other method permitted by applicable law. The written notice of revocation may be executed by the registered shareholder or by an attorney who has the shareholder's written authorization. If the registered shareholder is a corporation, the written notice must be executed by a duly authorized officer or attorney.

How will my shares be voted if I give my proxy?

If you appointed designated individuals on the form of proxy as your proxyholders, the shares represented by your proxy will be voted for or against the Share Issuance Resolution in accordance with your instructions as indicated on the form, on any ballot that may be called for. **If you submit a proxy, but do not provide specific instructions on your form of proxy as to how your shares should be voted, your shares will be voted FOR the Share Issuance Resolution.**

Can I vote or appoint a proxy by internet or telephone?

Registered shareholders may use the internet (www.investorvote.com) or the telephone (toll-free 1-866-732-8683) to transmit voting instructions on or before the date and time noted above, and may also use the internet to appoint a proxyholder to attend and vote on behalf of the shareholder at the Special Meeting. For information regarding voting or appointing a proxy by internet or telephone, see the form of proxy for registered shareholders.

What if amendments are made to these matters or other business is brought before the Special Meeting?

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The accompanying form of proxy confers discretionary authority on the individuals designated in the form of proxy with respect to any amendments or variations to the matters identified in the Notice of Meeting or other matters that may properly come before the Special Meeting and the named proxies in your properly executed proxy will vote on such matters in accordance with their best judgment. At the date of this Circular, we are not aware of any such amendments, variation or other matter which may be presented for action at the Special Meeting.

*If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc.
at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com*

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How many Pan American Shares are entitled to vote?

As of February 14, 2012, the Record Date for the Special Meeting, there were 104,492,744 Pan American Shares issued and outstanding, with each share carrying the right to one vote.

What if I have other questions?

If you have questions, you may contact our proxy solicitation and information agent, Kingsdale Shareholder Services Inc., by:

- (i) telephone, toll-free in North America at 1-877-657-5859;
- (ii) call collect outside North America at 416-867-2272; or
- (iii) e-mail to contactus@kingsdaleshareholder.com.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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About the Special Meeting

Our Special Meeting gives you the opportunity to vote on items of Pan American business including the Share Issuance Resolution receive an update on the Company, meet face to face with management and interact with our board of directors.

What the Special Meeting will cover

We will cover the following two items of business at the Special Meeting:

1. *Share Issuance Resolution* See pages 23 to 24 of this Circular

Our shareholders will be asked to consider and vote on the Share Issuance Resolution, which authorizes Pan American to issue up to 53,666,003 of its common shares in connection with an arrangement involving Pan American and Minefinders under Section 182 of the *Business Corporations Act* (Ontario), pursuant to which Pan American will acquire all of the issued and outstanding common shares of Minefinders. The full text of the Share Issuance Resolution is attached as Schedule B to this Circular.

After careful consideration of the Arrangement, the Pan American Board UNANIMOUSLY RECOMMENDS that shareholders VOTE IN FAVOUR of the Share Issuance Resolution.

2. *Other business*

We will also consider other matters that properly come before the Special Meeting. As of the date of this Circular, we are not aware of any other items of business to be considered at the Special Meeting. If other items of business are properly brought before the Special Meeting or after any postponement or adjournment, you (or your proxyholder, if you are voting by proxy) can vote as you see fit.

Level of Approval Required

We need a quorum

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We can only hold the Special Meeting and transact business if at the beginning of the Special Meeting we have a *quorum* where two or more people attending the meeting hold, or represent by proxy, at least 25% of our total common shares issued and outstanding.

We require a simple majority (50% plus one vote) of votes cast at the Special Meeting to approve all items of business, including the Share Issuance Resolution.

Shares and Outstanding Principal Holders

We are authorized to issue 200,000,000 Pan American Shares without par value. As of the close of business on the Record Date, 104,492,744 fully paid and non-assessable Pan American Shares were issued and outstanding and entitled to vote at the Special Meeting. Each Pan American Share you own entitles you to one vote on each item of business to be considered at the Special Meeting. We do not have any other classes of voting securities.

Our shares are listed on two exchanges:

- TSX under the symbol PAA; and
- Nasdaq under the symbol PAAS.

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The following individuals or companies owned or controlled 10% or more of our shares on the Record Date, according to the most recent early warning reports and alternative monthly reports filed on SEDAR:

- Royce & Associates, LLC and its affiliates owned or controlled approximately 10,960,127 Pan American Shares (approximately 10.5%).

Management and the Pan American Board are not aware of any other shareholder who beneficially owns, directly or indirectly, or exercise control or direction over, more than 10% of our outstanding shares.

Interests of Certain Persons

Other than as otherwise described in this Circular, none of the following persons have a direct or indirect substantial or material interest, by way of beneficial ownership of securities or otherwise, in any item of business to be considered at the Special Meeting:

- our directors or officers, or any person who has held a similar position since the beginning of fiscal 2011; or
- any of their associates or affiliates.

Interest of Insiders in Material Transactions

Other than as disclosed in this Circular, we are not aware of any shareholder that owns or controls more than 10% of the voting rights attached to the Pan American Shares, or of any director or officer of Pan American or a subsidiary of Pan American, or any associate or affiliate of any of the foregoing, who has a direct or indirect material interest in:

- any transaction we entered into since the beginning of 2011; or
- any proposed transaction which has, or will have, a material effect on us or any of our subsidiaries.

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*If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc.
at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com*

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Voting

Questions about voting?

Contact:

Kingsdale Shareholder Services Inc.

The Exchange Tower

130 King Street West

Suite 2950, P.O. Box 361

Toronto, Ontario M5X 1E2

contactus@kingsdaleshareholder.com

T. 1.877.657.5859

(toll free within North America)

T. 1.416.867.2272

(collect call outside North America)

Who can vote

You are entitled to receive notice of and vote at the Special Meeting to be held on Monday, March 26, 2012, if you held Pan American Shares as of the close of business on February 14, 2012, the Record Date for the Special Meeting.

Each Pan American Share you own entitles you to one vote on each item of business to be considered at the Special Meeting.

How to vote

You can vote by proxy or voting instruction form or you can attend the Special Meeting and vote your shares in person.

Voting by Proxy or Voting Instruction Form

Voting by proxy or by voting instruction form is the easiest way to vote. It means you are giving someone else (called your proxyholder) the authority to attend the Special Meeting and vote your shares for you.

There are different ways to submit your voting instructions, depending on whether you are a registered or non-registered shareholder.

The voting process is different depending on whether you are a registered or non-registered shareholder.

You are a *registered* shareholder if your name appears on your share certificate.

You are a *non-registered* shareholder if your bank, trust company, securities broker, trustee or other financial institution holds your shares (your *nominee*). This means the shares are registered in your nominee's name, and you are the *beneficial* shareholder.

Non-registered Pan American Shareholders

You are a non-registered (or beneficial) shareholder if your shares are registered in the name of:

- your bank, trust company, securities dealer or broker, trustee, administrator, custodian or other intermediary, who holds your shares in a nominee account; or
- a clearing agency like CDS.

OBOs are beneficial shareholders who do not want us to know their identity.

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NOBOs are non-objecting beneficial shareholders that do not object to us knowing their identity.

Under NI 54-101, we can deliver proxy-related materials directly to NOBOs. Our agent, Broadridge, sends NOBOs the Special Meeting materials and a voting instruction form, along with instructions for completing the form and returning it to them. Broadridge is responsible for following the voting instructions it receives, tabulating the results and then providing appropriate instructions to our transfer agent, Computershare.

If you're an OBO, we must send the Special Meeting materials to your intermediary so they or their service company can forward them to you, unless you've waived the right to receive certain proxy-related

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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materials. The package should include a request for voting instruction form for you to complete with your voting instructions.

Voting using the voting instruction form

- NOBOs: Fill in the voting instruction form you received with this package and carefully follow the instructions provided. You can send your voting instructions by phone or by mail or through the internet.

- OBOs: Sign and date the voting instruction form your intermediary sends to you, and follow the instructions for returning the form. Your intermediary is responsible for properly executing your voting instructions.

Registered Pan American Shareholders

You are a registered shareholder if you hold a share certificate in your name.

Our President and Chief Executive Officer, Geoffrey A. Burns, or failing him, our General Counsel, Robert Pirooz have agreed to act as the Pan American management proxyholders in connection with the Special Meeting. **You can appoint someone other than the Pan American management proxyholders to attend the Special Meeting and vote on your behalf.** If you want to appoint someone else as your proxyholder, strike out the names on the enclosed proxy form and print the name of the person you want to appoint as your proxyholder in the space provided. This person does not need to be a Pan American Shareholder.

On any ballot, your proxyholder must vote your shares or withhold your vote according to your instructions and if you specify a choice on a matter, your shares will be voted accordingly. If there are other items of business that properly come before the Special Meeting, or amendments or variations to the items of business, your proxyholder has the discretion to vote your shares as he or she sees fit.

It is important you provide voting instructions with your proxy. **If you appoint the Pan American management proxyholders, but do not tell them how to vote, your shares will be voted FOR the Share Issuance Resolution.** This is consistent with the voting recommendations of the Pan American Board. **If there are other items of business that properly come before the Special Meeting, or amendments or variations to the items of business, the Pan American management proxyholders will vote according to management's recommendation.**

If you appoint someone other than the Pan American proxyholders to be your proxyholder, that person must attend and vote at the Special Meeting for your vote to be counted.

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A proxy will not be valid unless it is signed by the registered Pan American Shareholder, or by the registered shareholders' attorney with proof that they are authorized to sign. If you represent a registered shareholder who is a corporation or association, your proxy should have the seal of the corporation or association, and must be executed by an officer or an attorney who has written authorization. If you execute a proxy as an attorney for an individual registered shareholder, or as an officer or attorney of a registered shareholder who is a corporation or association, you must include the original or a notarized copy of the written authorization for the officer or attorney, with your proxy form.

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If you are voting by proxy, you may vote:

- by phone;

- by mail; or

- on the internet.

Computershare must receive your proxy by 9:00 a.m. (Vancouver time) on Thursday, March 22, 2012, or at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the province of British Columbia) prior to the time set for the Special Meeting or any adjournment or postponement of the Special Meeting. The chairman of the Special Meeting has the discretion to accept late proxy forms.

By telephone

You may vote your shares using the telephone by dialling the following toll-free number from a touch tone telephone: 1-866-732-8683. If you vote using the telephone, you will need your control number, which appears below your name and address on your proxy form.

By mail

Complete your proxy form, including the section on declaration of residency, sign and date it, and send it to Computershare in the envelope provided.

If you did not receive a return envelope, please send the completed form to:

Computershare Investor Services Inc.

Attention: Proxy Department

100 University Avenue

9th Floor

Toronto, Ontario M5J 2Y1

On the internet

Go to www.investorvote.com and follow the instructions on screen. If you vote using the internet, you will need your control number, which appears below your name and address on your proxy form.

Attending the Special Meeting and voting in person

Non-Registered Pan American Shareholders

- NOBOs: Follow the instructions on the voting instruction form. You must request a legal proxy form granting you the right to attend the Special Meeting and vote in person.
- OBOs: Follow the instructions on the voting instruction form from your intermediary, and request a proxy form, which grants you the right to attend the Special Meeting and vote in person.

If you are a NOBO or an OBO holding your shares in a customer account at a U.S.-registered broker-dealer, your shares will not be voted, and your shares will not be represented at the Special Meeting, unless you complete and return a voting instruction form.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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When you arrive at the Special Meeting, make sure you register with a representative from Computershare so your voting instructions can be taken at the Special Meeting.

Registered Pan American Shareholders

Do not complete the enclosed proxy form if you want to attend the Special Meeting and vote in person. Simply register with a representative from Computershare when you arrive at the Special Meeting.

Send us your voting instructions right away

Your vote will only be counted if Computershare receives your voting instructions before 9:00 a.m. (Vancouver time) on Thursday, March 22, 2012, if you are submitting your voting instructions online or by telephone, or if you are sending the proxy form by mail.

Make sure the proxy form is properly completed and that you allow enough time for it to reach Computershare if you are sending it by mail.

If the meeting is postponed or adjourned, Computershare must receive your voting instructions at least 48 hours before the meeting is reconvened.

Changing your Vote

Non-registered Pan American Shareholders

Only registered shareholders have the right to revoke a proxy.

Non-registered shareholders can change their vote:

- NOBOs: contact Broadridge right away so they have enough time before the Special Meeting to arrange to change their vote.

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- OBOs: contact your intermediary right away so they have enough time before the Special Meeting to arrange to change the vote and, if necessary, revoke the proxy.

Registered Pan American Shareholders

You can revoke your proxy by sending a new completed proxy form with a later date, or a written note signed by you, or by your attorney if he or she has your written authorization. You can also revoke your proxy in any manner permitted by law.

If you represent a registered shareholder who is a corporation or association, your written note must have the seal of the corporation or association, and must be executed by an officer or an attorney who has their written authorization. The written authorization must accompany the revocation notice.

We must receive the written notice any time up to and including the last business day before the day of the Special Meeting, or the day the Special Meeting is reconvened if it was postponed or adjourned.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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Send the signed written notice to:

Pan American Silver Corp.

Suite 1500, 625 Howe Street

Vancouver, British Columbia

Canada, V6C 2T6

Attention: Delaney Fisher

You can also give your written notice to the chairman of the Special Meeting on the day of the Special Meeting. If the Special Meeting has already started, your new voting instructions can only be executed for items that have not yet been voted on.

If you've sent in your completed proxy form and since decided that you want to attend the Special Meeting and vote in person, you need to revoke the proxy form before you vote at the Special Meeting.

Processing the Votes

Our transfer agent, Computershare, or its authorized agents count and tabulate the votes on our behalf.

We will file the voting results of the Special Meeting on SEDAR (www.sedar.com) and EDGAR (www.sec.gov/edgar.shtml) and post them on our website (www.panamericansilver.com) after the Special Meeting.

If you have any questions or need assistance completing your proxy, please call Kingsdale Shareholder Services Inc. at 1-877-657-5859 or email: contactus@kingsdaleshareholder.com

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Business to be Acted Upon at the Special Meeting

Items of Business

We will cover two items of business at the Special Meeting:

1. *Share Issuance Resolution*

Shareholders will be asked to consider and vote on the Share Issuance Resolution, described below. The Share Issuance Resolution authorizes Pan American to issue up to 53,666,003 Pan American Shares in connection with the Arrangement, pursuant to which Pan American will acquire all of the issued and outstanding Minefinders Shares. The full text of the Share Issuance Resolution is attached as Schedule B to this Circular.

After careful consideration of the Arrangement, the Pan American Board UNANIMOUSLY RECOMMENDS that Pan American Shareholders VOTE IN FAVOUR of the Share Issuance Resolution.

2. *Other business*

We will also consider other matters that properly come before the Special Meeting. As of the date of this Circular, we are not aware of any other items of business to be considered at the Special Meeting.

Share Issuance Resolution

As set out in the Notice of Meeting, at the Special Meeting shareholders will be asked to consider and vote on the Share Issuance Resolution in connection with the Arrangement.

The Arrangement involves the acquisition by us of all of the issued and outstanding Minefinders Shares. Under the Arrangement, Minefinders Shareholders can elect to receive, in exchange for each Minefinders Share held, either: (i) 0.55 Pan American Shares and Cdn.\$1.84 in cash (the Full Proration Option); or (ii) 0.6235 Pan American Shares and Cdn.\$0.0001 in cash (the Pan American Share Option); or (iii) Cdn.\$15.60 in cash (the Cash Option), subject to proration on the basis of the Available Cash Amount (up to approximately Cdn.\$178.8 million) and the Available Share Amount (up to approximately 53,452,000 Pan American Shares) assuming, in each case, the exercise and conversion of all Minefinders Options and Minefinders Convertible Notes(1) prior to the Effective Time).

Each outstanding Minefinders Option not exercised at or before the Effective Time will be exchanged for a Replacement Option that will entitle the holder to receive, upon the exercise thereof, 0.6235 (the Option Exchange Ratio) Pan American Shares at an exercise price equal to the exercise price of the Minefinders

(1) Assuming a conversion ratio of 125 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. The Minefinders Convertible Notes are convertible into Minefinders Shares at a conversion ratio of 83.5422 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. If the Arrangement becomes effective, Minefinders Convertible Noteholders may be entitled to receive a conversion premium in the form of Additional Shares as provided in the Indenture. The number of Additional Shares is calculated at the Effective Date based in part on the volume weighted average price of the Minefinders Shares for the five trading days prior to the Effective Date subject to a maximum of 125 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. Since the number of Additional Shares cannot be calculated until after the close of trading on the trading day preceding the Effective Date, any Additional Shares issuable in respect of Minefinders Convertible Notes converted prior to the Effective Date will be issued immediately prior to the Effective Time. If the Arrangement is not completed, Minefinders Convertible Noteholders will not be entitled to receive any conversion premium.

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Option divided by the Option Exchange Ratio (subject to rounding and adjustment pursuant to the Plan of Arrangement) and otherwise with the same general terms and conditions as the original Minefinders Option (subject to an extension of term for all Replacement Options for which Minefinders 2011 Options are exchanged; see The Arrangement Replacement Options).

The Arrangement is being carried out pursuant to the terms of the Arrangement Agreement and will be conducted in accordance with a court-approved Plan of Arrangement under the OBCA.

The maximum number of Pan American Shares issuable in connection with the Arrangement is 53,666,003 (51.4% of the number of Pan American Shares issued and outstanding as of the date of this Circular; 47% of such number on a fully-diluted basis), which number includes, for greater certainty, the Option Shares that could be issued in the event that all of the outstanding Minefinders Options are exchanged for Replacement Options and such options are exercised after the Effective Date, and the maximum number of Pan American Shares issuable assuming conversion of all of the outstanding Minefinders Convertible Notes(1) prior to the Effective Date.

Following completion of the Arrangement, assuming the maximum number of 53,666,003 Pan American Shares are issued and issuable to Minefinders Securityholders in connection with the Arrangement, it is expected that the current Pan American Shareholders and former Minefinders Securityholders will hold approximately 68% and 32% of the outstanding Pan American Shares, respectively (each on a fully-diluted basis).

As a result of the issuance of Pan American Shares in connection with the Arrangement, your ownership and voting interests in Pan American will be diluted, relative to your current proportional ownership and voting interests.

Pursuant to the rules of the TSX and Nasdaq, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25%, in the case of the TSX, and 20%, in the case of Nasdaq, of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. **As the Arrangement will result in us issuing in excess of 25% of the outstanding Pan American Shares, Pan American Shareholder Approval is required. It is a condition of the Arrangement Agreement which governs the acquisition of Minefinders that the Share Issuance Resolution be approved by a simple majority (50% plus one vote) of votes cast at the Special Meeting by our shareholders, present in person or by proxy.**

Record Date

The Board has passed a resolution to fix the close of business (Vancouver time) on February 14, 2012 as the Record Date for the determination of the registered Pan American Shareholders who will be entitled

(1) Assuming a conversion ratio of 125 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. The Minefinders Convertible Notes are convertible into Minefinders Shares at a conversion ratio of 83.5422 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. If the Arrangement becomes effective, Minefinders Convertible Noteholders may be

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entitled to receive a conversion premium in the form of Additional Shares as provided in the Indenture. The number of Additional Shares is calculated at the Effective Date based in part on the volume weighted average price of the Minefinders Shares for the five trading days prior to the Effective Date subject to a maximum of 125 Minefinders Shares for each \$1,000 principal amount of Minefinders Convertible Notes. Since the number of Additional Shares cannot be calculated until after the close of trading on the trading day preceding the Effective Date, any Additional Shares issuable in respect of Minefinders Convertible Notes converted prior to the Effective Date will be issued immediately prior to the Effective Time. If the Arrangement is not completed, Minefinders Convertible Noteholders will not be entitled to receive any conversion premium.

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to notice of the Special Meeting, and any adjournment or postponement of the Special Meeting, and who will be entitled to vote at the Special Meeting.

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The Arrangement

General

This section provides material information about our acquisition of Minefinders pursuant to the Arrangement. The Arrangement is governed by both the Arrangement Agreement and the Plan of Arrangement. Both the Pan American Board and the Minefinders Board have approved the Arrangement Agreement.

The Arrangement Agreement and the Plan of Arrangement provide that we will acquire all of the outstanding Minefinders Shares subject to, among other things:

approval of the Share Issuance Resolution by the Pan American Shareholders;

approval of the Minefinders Resolution by Minefinders Shareholders voting as a single class and by Minefinders Securityholders voting as a single class;

approval of the Arrangement by the Court and approvals of the relevant stock exchanges; and

satisfaction of certain closing conditions customary to transactions of this nature.

Pursuant to the Plan of Arrangement, each outstanding Minefinders Share will be transferred by the holder thereof to Acquireco. Minefinders and Acquireco will then be amalgamated and continued as one corporation under the OBCA, with Minefinders surviving the Amalgamation (we call such surviving entity, Amalco). Amalco will be a wholly owned subsidiary of Pan American.

If permitted by applicable laws, we intend to delist the Minefinders Shares from the TSX and the NYSE Amex as soon as practicable following the Effective Date and to apply for a decision for Minefinders to cease to be a reporting issuer under the Securities laws of each jurisdiction of Canada in which it is a reporting issuer.

Under the OBCA, the Court must approve the Plan of Arrangement. If, among other things, Pan American Shareholder Approval is obtained at the Special Meeting and Minefinders Shareholder Approval and Minefinders Combined Securityholder Approval is obtained at the Minefinders Meeting, the Court will hold a hearing regarding the Final Order. The Court will consider, among other things, the fairness and reasonableness

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of the Arrangement. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Background to the Arrangement

Our mission is to be the largest and lowest cost primary silver mining company worldwide. Our growth strategy is based on increasing low-cost silver production through: the efficient operation and expansion of our existing mines; an aggressive exploration program to replace the silver ounces mined each year and increase our silver reserves and resources; and the acquisition and development of new silver-rich deposits. Our management regularly reviews the activities of other silver and precious metals mining, development and exploration companies for the purpose of identifying and investigating prospective silver assets and transactions that could complement our existing operations and advance our strategic goals.

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During the period from 2008 to 2011, we investigated a number of potential strategic acquisitions, entered into a number of confidentiality agreements with interested parties, and our technical teams conducted due diligence on numerous projects and companies. As a result of these corporate development activities in addition to the current Arrangement Agreement with Minefinders - we also acquired an interest and operatorship in the La Preciosa silver development project in Durango, Mexico in April 2009 and acquired Aquiline Resources Inc., which owned the Navidad silver development project in Chubut, Argentina, by way of a friendly take-over bid in December 2009.

Our President and Chief Executive Officer, Geoff Burns, was first introduced to Mark Bailey, Minefinders President and Chief Executive Officer, at the Denver Gold Show in September 2008. At this informal introductory meeting, Mr. Burns and Mr. Bailey generally discussed the operations of Pan American and Minefinders and the possible merits of exploring a potential combination of the two companies.

On October 16, 2008, we entered into a confidentiality and non-disclosure agreement with Minefinders under which Minefinders allowed us access to certain confidential information relating to Minefinders and its business operations. Shortly thereafter, Minefinders granted us access to a confidential data room containing technical information, and we conducted desktop technical due diligence on Minefinders and its Dolores mine located in Chihuahua, Mexico.

On October 21, 2008, Michael Steinmann, our Executive Vice President, Geology & Exploration, and Martin Wafforn, our Vice President, Technical Services, travelled to Golden, Colorado, USA, to review mineral resource estimates for the Dolores mine at the offices of Chlumsky, Armbrust & Meyer, LLC (CAM), an external consultant that had been engaged by Minefinders. From October 28 to 30, 2008, Mr. Steinmann, Mr. Wafforn and Steve Busby, our Chief Operating Officer, conducted a site visit of the Dolores mine. In the two months that followed this site visit, further meetings took place among Mr. Bailey, Mr. Burns and Robert Pirooz, our General Counsel, which involved general discussions regarding us acquiring Minefinders.

Between November 3 and November 4, 2008, Mr. Steinmann and Mr. Busby travelled to Minefinders exploration offices located in Reno, Nevada, USA to conduct a review of Minefinders exploration programs. On December 19, 2008, we entered into a confidentiality and non-disclosure agreement with Minefinders under which we allowed Minefinders access to certain confidential information relating to us and our business operations.

With the market collapse in late 2008, however, the parties decided not to pursue a potential transaction at that time.

In February and March 2009, Minefinders conducted reciprocal due diligence on certain of our properties. Minefinders technical personnel visited our Manantial Espejo mine, in Argentina and our Alamo Dorado mine in Mexico.

In early March 2009, Mr. Burns met with Minefinders senior management at the Global Metals and Mining Conference that was held by BMO Capital Markets in Florida and reinitiated discussions about a potential transaction. On March 26, 2009, Mr. Steinmann, Mr. Wafforn, Mr. Busby and Joe Phillips (our former Senior Vice President, Project Development) undertook a second site visit to the Dolores mine.

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In June 2009, we delivered a non-binding proposal letter to Minefinders with indicative terms for a potential acquisition of Minefinders. Following a review of the proposal, the Minefinders Board determined not to proceed with the proposed transaction at that time given the proposed terms and the then prevailing market conditions. However, the respective management teams of Pan American and Minefinders agreed to consider discussions in the future if warranted.

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On March 1, 2011, Mr. Burns and Mr. Bailey met informally at the Global Metals and Mining Conference held by BMO Capital Markets in Florida, and after discussions concerning recent developments for Pan American and Minefinders, they agreed to renew the two companies' previous confidentiality agreements with each other so that we could update our due diligence on Minefinders' projects and the parties could, if interested, resume discussions regarding a possible transaction. We renewed our confidentiality and non-disclosure agreement with Minefinders on March 14, 2011 pursuant to which Minefinders agreed to disclose certain confidential information to us. On March 22, 2011, management provided the Board with an update on the recent developments with respect to re-initiation of discussions between Pan American and Minefinders. Between March 30 and April 1, 2011, a further site visit of the Dolores property was conducted by Mr. Steinmann, Mr. Wafforn, Mr. Busby, Doug Ward, our Director, Business Development, and Wade Stogran, our Director, Environmental Services. During this site visit, among other matters, our technical team reviewed Minefinders' geological model and life-of-mine plan for the Dolores mine. Based on this information, our technical team prepared its own geological model for Dolores and an economic valuation model for Dolores based on Minefinders' life-of-mine plan. In addition, on May 9, 2011, Mr. Steinmann, Mr. Ward and Pamela DeMark, our Director, Resources, attended CAM's offices and conducted another mineral reserve review relating to the Dolores mine. In May 2011, our senior management made a presentation to the Pan American Board concerning Minefinders and proposed transaction terms.

Based on a positive response from our initial due diligence, Minefinders renewed its confidentiality and non-disclosure agreement with us on May 27, 2011, under which we agreed to disclose certain confidential information to Minefinders. In early June 2011, we provided Minefinders with access to our confidential data room containing technical, financial and corporate information. Later that month, Minefinders' senior technical personnel and independent director Bob Gilroy conducted site visits of our Manantial Espejo, Alamo Dorado and La Colorada mines.

On July 8, 2011, we entered into an engagement agreement with CIBC (effective as of June 27, 2011) pursuant to which CIBC agreed to act as our financial advisor in connection with a potential transaction with Minefinders.

On July 11, 2011, we submitted a draft indicative proposal to Minefinders (without any proposed consideration amount specified) to provide Minefinders' management, the Minefinders Board and their advisors an indication of the type of proposal being considered by us. On July 14, 2011, Mr. Steinmann undertook a further visit to Minefinders' Reno exploration office to review Minefinders' exploration programs.

On August 4, 2011, Mr. Burns and Mr. Pirooz met with Mr. Bailey and Greg Smith, Minefinders' Vice President, Finance and Chief Financial Officer. At that meeting, we presented Minefinders with a non-binding expression of interest and an exclusivity agreement, both of which were open for acceptance for seven days. This proposal involved the acquisition of all outstanding Minefinders Shares by us in exchange for consideration consisting of 0.53 Pan American Shares per Minefinders Share. The respective management teams discussed the proposed exchange ratio and timing and agreed to extend the period for acceptance of the expression of interest to allow for the Minefinders Board and its advisors to review the proposal and for market conditions to improve.

On August 11, 2011, Mr. Bailey confirmed by letter to Mr. Burns that the Minefinders Board had concluded that the proposed exchange ratio was not acceptable at that time and, therefore, negotiations would cease. However, Mr. Bailey also indicated that the Confidentiality Agreements would remain in place and Pan American would be permitted to complete its due diligence then underway.

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In early November 2011, Mr. Burns reinitiated discussions with Mr. Bailey over a potential transaction between us and Minefinders, specifically one that involved both the share exchange component proposed in June and an additional cash component. Minefinders' response to this new proposal was positive, and between November 22 to November 23, 2011, Mr. Wafforn, Ota Hally, our Director, Finance, Americo Delgado, our Director, Metallurgy, and Gerardo Real, our former controller at the Alamo Dorado mine, conducted a further site visit of the Dolores mine. During this site visit, among other matters, our technical team reviewed operations costing, taxation and metallurgical recoveries for the Dolores mine. Between December 1 and December 3, 2011, Mr. Ward conducted another site visit of the Dolores mine with two representatives of our external geotechnical consultant, Golder & Associates, to specifically assess geotechnical issues, including the stability of pit walls and leach pads at the mine. Based on the information from all site visits, our technical team subsequently updated our financial model for Minefinders.

During November and December 2011, Mr. Burns and Mr. Bailey met on at least two more occasions to discuss the potential combination of Pan American and Minefinders. During this period we also delivered to Minefinders a list of additional financial, legal and corporate materials we required in connection with our due diligence.

On December 14, 2011, we delivered to Mr. Bailey and Robert Leclerc, a director and the Chairman of Minefinders' board of directors, a written, non-binding, conditional expression of interest indicating the terms and conditions upon which we would be prepared to consider combining the two companies under a plan of arrangement, subject to satisfactory due diligence, negotiation of definitive transaction agreements and mutual board approvals. In particular, the expression of interest provided that we would acquire each outstanding Minefinders Share for consideration consisting of 0.53 Pan American Shares and Cdn.\$1.84 in cash.

On December 15, 2011, Mr. Bailey contacted Mr. Burns with the comments and concerns of Minefinders and its advisors respecting the December 14 expression of interest. Messrs. Bailey and Burns also discussed potentially increasing the share exchange ratio to improve the terms of the proposed transaction. Between December 15 and December 19, 2011, we continued to negotiate the terms of the non-binding proposal letter and exclusivity agreement with Minefinders.

On December 19, 2011, we delivered to Minefinders a revised non-binding expression of interest which proposed consideration of 0.55 Pan American Shares and Cdn.\$1.84 per Minefinders Share. This expression of interest was accepted by Minefinders on December 22, 2011 and we entered into an exclusivity agreement with Minefinders later that day, providing for exclusive dealings until January 23, 2012 to allow confirmatory financial and legal due diligence to be completed and to negotiate definitive transaction agreements.

During the period from December 23, 2011 to January 22, 2012, our and Minefinders' respective financial and legal advisors continued with due diligence and negotiated the terms of definitive transaction agreements. Extensive due diligence continued during this period with reviews of corporate records and accounting materials for both companies, and a review by our local counsel in Mexico, R.B. Abogados, of the mineral concessions and related permits held by Minefinders in Mexico and corporate matters in connection with Minefinders' Mexican subsidiaries. We also hired a Mexican labour relations law firm, Legalmex S.C., and a community relations specialist law firm, Grupo Abogacía Profesional, S.C., to assist with our due diligence of Minefinders focusing on labour matters and issues relating to the *ejido* and the local community surrounding the Dolores mine, respectively.

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On January 10, 2012, the Pan American Board engaged Scotia Capital as an independent financial advisor in respect of the proposed Arrangement, and under the terms of the engagement we agreed to pay Scotia Capital a fee for the preparation of its fairness opinion that was not contingent on the successful completion of the Arrangement.

On January 17, 2012, the senior management and technical teams of Minefinders and Pan American held a full day reciprocal due diligence session in Vancouver. At this session, we gave a number of presentations ranging from our 2012 consolidated mining operations budget, to a summary and analysis of our operating properties as well as our long term outlook. Similarly, Minefinders provided us with a summary of its operations, and both companies had an opportunity to pose a number of questions to each other, which were answered at the meeting.

On the afternoon of Friday, January 20, 2012, after the close of trading on North American markets, the Pan American Board met to consider the proposed transaction and received presentations from management and our external legal counsel, Borden Ladner Gervais LLP (**BLG**), on the results of their technical, financial and legal due diligence on Minefinders. Each of CIBC and Scotia Capital then reviewed with the Pan American Board their respective financial analysis of the transaction and delivered to the Pan American Board their respective oral fairness opinions, which were confirmed by subsequent delivery of written fairness opinions dated January 20, 2012, to the effect that, as of that date and based on and subject to the assumptions, limitations and qualifications described in such opinions, the Consideration to be paid by us pursuant to the Arrangement Agreement is fair, from a financial point of view, to Pan American. The Pan American Board then received a summary of the terms of the Arrangement Agreement and the Voting Agreement from BLG. After considering these reports and presentations, the Pan American Board carefully reviewed, considered and deliberated aspects of the proposed transaction, including the terms and conditions of the Arrangement Agreement and the Voting Agreement, and then unanimously: (i) determined that entering into the Arrangement Agreement and completing the transactions contemplated in the Arrangement Agreement is in the best interests of Pan American; (ii) approved the execution and delivery of the Arrangement Agreement and the Voting Agreement; and (iii) recommended that Pan American Shareholders vote in favour of an ordinary resolution to approve the issuance of Pan American Shares in connection with the Arrangement. The determination of the Pan American Board is based on various factors described more fully under the heading **The Arrangement** **Reasons for and Benefits of the Arrangement** .

On the afternoon of Sunday, January 22, 2012, the Minefinders Board met to consider the Arrangement and passed a unanimous resolution to approve the Arrangement.

Later in the afternoon of Sunday, January 22, 2012, execution copies of the Arrangement Agreement and the Voting Agreement and ancillary documents were finalized. The Arrangement Agreement was then executed and delivered by us and Minefinders that evening and the Voting Agreement was executed by us and the Locked-up Shareholders. The transaction was announced by us and Minefinders by way of a joint press release at approximately 8:00 a.m. (EST) on Monday, January 23, 2012, prior to the opening of North American markets for trading. We held a joint conference call and webcast with Minefinders on Monday, January 23, 2012 at 8:00 a.m. (PST) to discuss the Arrangement.

During the process of reviewing the proposed transaction, there were no materially contrary views expressed or abstention by any of our directors.

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Recommendation of the Board

AFTER CAREFUL CONSIDERATION OF THE ARRANGEMENT, INCLUDING THE FACTORS SET FORTH BELOW, THE PAN AMERICAN BOARD UNANIMOUSLY RECOMMENDS THAT PAN AMERICAN SHAREHOLDERS VOTE IN FAVOUR OF THE SHARE ISSUANCE RESOLUTION.

Reasons for and Benefits of the Arrangement

In evaluating the Arrangement and unanimously reaching their conclusion and making their recommendations in support of the Arrangement, the Pan American Board considered a number of factors including, among others:

- **Creates leading silver mining company:** The combined company will be one of the largest geographically diversified silver mining companies with a combined market capitalization of approximately Cdn.\$3.7 billion, providing enhanced capital markets scale and profile and increased strategic flexibility. The combined company will have a leading and well sequenced growth profile combining immediate access to near-term cash flow with significant future growth opportunities.
- **Lowers production costs:** Meaningfully reduces our average silver cash costs across our portfolio of producing mines through the addition of low-cost, near-term production from the Dolores mine.
- **Provides near term cash flow:** The transaction provides us with additional near-term cash flow to help finance our development of the Navidad project, and reduces our need to seek other dilutive financing.
- **Leading growth profile:** Combined production for the year ended 2011 of approximately 26 million ounces of silver (based on Pan American 2011 guidance and Minefinders disclosed 2011 results) is expected to reach over 50 million ounces by the year 2015. Minefinders Dolores property also provides a number of attractive near-term opportunities (including a potential mill addition at the Dolores mine), to drive production growth prior to the expected commencement of production at Pan American's Navidad project.
- **Enhances portfolio diversification:** The transaction diversifies Pan American's portfolio towards producing assets from developing assets. The combined company will consist of eight operating mines and an extensive portfolio of development and exploration projects in jurisdictions throughout the Americas. The combined company will enjoy more diversified operations with a greater presence in Mexico, a mining-friendly jurisdiction where we already have extensive operations and which is viewed by analysts as having less political risk than certain other South American jurisdictions in which we currently operate. Based on expected silver production in 2011, approximately 52% of combined production will be from mines in Mexico, 21% from Peru, 15% from Argentina and 12% from Bolivia.

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- **Significant silver mineral reserves and mineral resources:** The combined company will have a significant mineral reserve base consisting of 350 million ounces of proven and probable silver mineral reserves and 3.0 million ounces of proven and probable gold mineral reserves with additional measured and indicated mineral resources of 742 million ounces of silver and 2.0 million ounces of gold and inferred mineral resources of 265 million ounces of silver and 1.4 million ounces of gold, as of the end of December 2010.

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- **Strong balance sheet and access to capital:** The additional cash flow from Minefinders Dolores property will solidify our ability to fund our industry-leading growth profile without equity dilution while maintaining our existing dividend payments. The *pro forma* company will have a cash balance of approximately \$570 million, undrawn credit facilities in the amount of \$150 million, substantial cash flow generating capacity and negligible debt. In addition, our shares will remain one of the world's most liquid silver investments with listings on both the TSX and Nasdaq and with one of the largest public market floats of primary silver producers.
- **Attractive re-rating opportunity:** The valuation of the combined company will be well positioned to benefit from enhanced scale, diversification and growth profile as well as strong transaction rationale.

A number of these anticipated benefits and factors are based on various assumptions and are subject to various risks. See the sections of the Circular entitled *Forward-Looking Statements and Information* and *Risk Factors*.

In reaching their conclusion and making their recommendations, the Pan American Board relied on their knowledge of Pan American, Minefinders and the silver industry, on the information provided by Pan American's management and on the advice of its legal and financial advisors. The Pan American Board considered numerous other factors in assessing the Arrangement including, among others, the following:

- **Opinions:** The respective financial analyses and opinions of each of CIBC and Scotia Capital, as of January 20, 2012 and based on and subject to various assumptions, matters considered and limitations and qualifications described in such opinions, as to the fairness, from a financial point of view, to Pan American of the Consideration to be paid by Pan American in the Arrangement.
- **Due Diligence:** Our management and its technical, legal and financial advisors conducted extensive due diligence on Minefinders from 2008 through 2012 and several site visits to Minefinders Dolores mine in Chihuahua, Mexico.
- **Likelihood of Completion:** The Arrangement is not subject to unreasonable or extraordinary conditions to completion. We expect to obtain all necessary regulatory approvals in due course.
- **Voting Agreement:** The directors and executive officers of Minefinders, who, as at January 22, 2012, in aggregate held approximately 1.69% of the outstanding Minefinders Shares and 62.45% of the outstanding Minefinders Options, being 3.5% of the Minefinders Securities outstanding, indicated a willingness to enter into the Voting Agreement with Pan American under which they would agree to vote in favour of the Arrangement.
- **Ability to Accept a Superior Proposal:** Under the Arrangement Agreement, the Pan American Board remains able to respond, in accordance with its fiduciary duties, to certain unsolicited proposals that are more favourable to Pan American Shareholders than the Arrangement. The Pan American Board received advice from its financial and legal advisors that the deal protection terms including the Pan American Termination Payment and Pan American Expense Payment and circumstances for payment of such payments, are within the ranges

typical in the market for similar transactions.

- **Pan American Shareholder Approval:** The Share Issuance Resolution must be approved by a majority of the votes cast in respect thereof by Pan American Shareholders present in person or represented by proxy at the Special Meeting. The Pan American Board believes that the required approval protects the rights of Pan American Shareholders.

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- **Absence of Competing Proposal:** Since the entering into of the Arrangement Agreement on January 22, 2012, neither Minefinders nor Pan American have received any expressions of interest or competing offers related to a merger or acquisition transaction.

The Pan American Board also considered potential adverse factors associated with the Arrangement including, among others, the following:

- **Dilution** As a result of the issuance of Pan American Shares under the Arrangement, existing shareholders will experience a degree of dilution in their ownership of Pan American. Dilution to existing shareholders will be reduced to the extent such shareholders are also shareholders of Minefinders. Following completion of the Arrangement, assuming the maximum number of 53,666,003 Pan American Shares are issued and issuable to Minefinders Securityholders in connection with the Arrangement, it is expected that the current Pan American Shareholders and former Minefinders Securityholders will hold approximately 68% and 32% of the outstanding Pan American Shares, respectively (each on a fully-diluted basis).

- **Integration Challenges** The challenges inherent in the combination of two enterprises of the size and scope of Pan American and Minefinders and the possible resulting diversion of management attention for an extended period of time as well as the risk that anticipated benefits, long-term as well as short-term, of the transaction for our shareholders might not be realized.

- **Opportunity Costs** The investment of management time to the Arrangement may delay or prevent us from exploiting other business opportunities that may arise pending completion of the Arrangement.

- **Risk of Non-Completion** The risks and costs to us if the Arrangement is not completed, including the adverse effects on our ability to execute another transaction.

- **Expenses and Payments on Termination** Our obligation to pay the Pan American Expense Payment and the Pan American Termination Payment if the Arrangement Agreement is terminated under certain circumstances.

- **Risks in Minefinders Business** The risks involved in the business of Minefinders, particularly with respect to the potential addition of a mill at the Dolores mine, the use of sodium cyanide in connection with the heap leach pads at the Dolores mine and past difficulties with heap leach pads at the Dolores mine.

The foregoing summary of the information and factors considered by the Pan American Board in reaching its conclusions and recommendations is not, and is not intended to be, exhaustive. In view of the wide variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Pan American Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each specific factor considered in reaching its conclusions and recommendations. In addition, our individual directors may have assigned different weight to different factors.

Fairness Opinions

CIBC

Pursuant to an amended and restated engagement agreement dated January 19, 2012 and effective as of June 27, 2011, CIBC agreed to act as our financial advisor in connection with the Arrangement and provide the Pan American Board with an opinion as to the fairness to Pan American, from a financial point

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of view, of the Consideration to be paid by us pursuant to the Arrangement Agreement. At a meeting held on January 20, 2012, CIBC provided the Pan American Board with an oral opinion, subsequently confirmed in writing to the Pan American Board, to the effect that, based upon and subject to the assumptions, limitations and qualifications contained therein, and as of the date thereof, the Consideration to be paid by us pursuant to the Arrangement Agreement was fair, from a financial point of view, to Pan American.

The full text of the CIBC Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached to this Circular as Schedule D. The CIBC Fairness Opinion is not intended to be and does not constitute a recommendation to any Pan American Shareholder as to how to vote or act at the Special Meeting. The CIBC Fairness Opinion was only one of a number of factors taken into consideration by the Pan American Board in considering the Arrangement and should not be viewed as determinative of the views of the Pan American Board with respect to the Arrangement or the Consideration to be paid by us pursuant to the Arrangement. This summary of the CIBC Fairness Opinion is qualified in its entirety by reference to the full text of the CIBC Fairness Opinion and shareholders are urged to read the CIBC Fairness Opinion in its entirety.

The CIBC Fairness Opinion was rendered on the basis of securities markets, economic, monetary, general business, financial and other conditions and circumstances prevailing as at the date of the opinion and the conditions, prospects, financial and otherwise, of Pan American and Minefinders, as applicable, as they are reflected in the information and documents reviewed by CIBC and as they were presented to CIBC. Subsequent developments may affect the CIBC Fairness Opinion. CIBC has disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the CIBC Fairness Opinion which may come or be brought to the attention of CIBC after the date of the CIBC Fairness Opinion.

CIBC has acted as our exclusive financial advisor in connection with the Arrangement and will receive a fee for its services, including a fee for the delivery of the CIBC Fairness Opinion and fees that are contingent upon the completion of the Arrangement or another change of control involving Pan American and Minefinders. We have also agreed to indemnify CIBC against certain liabilities.

Scotia Capital

On January 10, 2012, we entered into an engagement agreement with Scotia Capital pursuant to which, among other things, Scotia Capital agreed to provide the Pan American Board with an independent fairness opinion as to the fairness of the Consideration, from a financial point of view, to Pan American. At a meeting held on January 20, 2012, Scotia Capital provided the Pan American Board with an oral opinion, subsequently confirmed in writing to the Pan American Board, to the effect that, based upon and subject to the various assumptions, limitations and qualifications contained therein, the Consideration was fair, from a financial point of view, to Pan American.

The full text of the Scotia Capital Fairness Opinion, which sets forth, among other things, the assumptions made, information reviewed and matters considered, and limitations and qualifications on the review undertaken in connection with the opinion, is attached to this Circular as Schedule E. The Scotia Capital Fairness Opinion is not intended to be and does not constitute a recommendation to any Pan American Shareholder as to how to vote or act at the Special Meeting. The Scotia Capital Fairness Opinion was only one of a number of factors taken into consideration by the Pan American Board in considering the Arrangement and should not be viewed as determinative of the views of the Pan American Board with respect to the Arrangement or the Consideration to be paid by Pan American pursuant to the Arrangement. This summary of the Scotia Capital Fairness Opinion is qualified in its entirety by reference

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to the full text of the Scotia Capital Fairness Opinion and shareholders are urged to read the Scotia Capital Fairness Opinion in its entirety.

The Scotia Capital Fairness Opinion was rendered on the basis of securities markets, economic, monetary, general business, financial and other conditions and circumstances prevailing as at the date of the opinion and the conditions, prospects, financial and otherwise, of Pan American and Minefinders, as applicable, as they are reflected in the information and documents reviewed by Scotia Capital and as they were presented to Scotia Capital. Subsequent developments may affect the Scotia Capital Fairness Opinion. Scotia Capital has disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the Scotia Capital Fairness Opinion which may come or be brought to the attention of Scotia Capital after the date of the Scotia Capital Fairness Opinion.

Scotia Capital has acted as an independent fairness opinion provider to the Pan American Board, and in exchange, we have agreed to pay Scotia Capital a fee for rendering the Scotia Capital Fairness Opinion, regardless of the conclusions reached therein and regardless of whether the Arrangement is consummated. Scotia Capital will not be paid an additional fee that is contingent upon the completion of the Arrangement or any alternative transaction. The Pan American Board took this fee structure into account when considering the Scotia Capital Fairness Opinion. In addition, we agreed to reimburse Scotia Capital for its reasonable out-of-pocket expenses in connection with the provision of its services.

Plan of Arrangement

The Plan of Arrangement sets out the steps and actions by which the Arrangement will be effected.

The Plan of Arrangement is set out as Schedule A to the Amendment Agreement, which is available in full on SEDAR (www.sedar.com) and may also be obtained, free of charge, by Pan American Shareholders upon request from the Corporate Secretary of Pan American at Suite 1500 625 Howe Street, Vancouver, British Columbia V6C 2T6 (Attention: Corporate Secretary).

The following summary of certain material provisions of the Plan of Arrangement is not comprehensive, and is qualified in its entirety by reference to the full text of the Plan of Arrangement.

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

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

2. each Dissenting Minefinders Share held by a Dissenting Minefinders Shareholder shall be deemed to have been transferred to Pan American, and

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

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

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

Please note that only registered Minefinders Shareholders are entitled to exercise Dissent Rights. Pan American Shareholders are not entitled to exercise any dissent rights in connection with the Share Issuance Resolution or the Arrangement.

3. subject to certain provisions of the Plan of Arrangement (regarding adjustments to cash and share elections, the manner of making elections and adjustments to ensure no Minefinders Shareholder is entitled to a fraction of a Pan American Share or a fraction of Cdn.\$0.01), each Minefinders Share held by a Minefinders Shareholder (other than Minefinders Shares held by Pan American and its affiliates and (without duplication) Dissenting Minefinders Shares but, for greater certainty, including Minefinders Shares acquired by former Minefinders Optionholders pursuant to paragraph 1 above) shall be transferred by the holder thereof to Pan American in exchange for (as elected or deemed to be elected by the holder in accordance with the Minefinders Shareholder's Letter of Transmittal or (in respect of Minefinders Shares issued to former Minefinders Optionholders in accordance with paragraph 1 above) Conditional Exercise Notice:

(a) the Cash Option;

(b) the Pan American Share Option; or

(c) the Full Proration Option,

and (1) the Former Minefinders Shareholder shall cease to be the registered holder of each Minefinders Share so transferred and shall be the holder of the Pan American Shares received by it pursuant to this paragraph (if any), and the name of such Former Minefinders Shareholder shall be removed from the register of Minefinders Shareholders and shall be entered into the register of holders of Pan American Shares as the holder of the Pan American Shares received by it pursuant to this paragraph (if any); (2) the Former Minefinders Shareholder shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Minefinders Share in accordance with this paragraph; (3) Pan American will be the holder of all of the outstanding Minefinders Shares and the register of Minefinders Shareholders shall be revised accordingly; and (4) unless the Minefinders Shareholder receives only cash for Minefinders Shares owned by such Minefinders Shareholder, a pro rata portion of the total amount of cash and the total number of Pan American Shares received by such Minefinders Shareholder pursuant to this paragraph as adjusted (pursuant to the cash and share elections described below, and as adjusted to ensure no Minefinders Shareholder is entitled to a fraction of a Pan American Share or a fraction of a Cdn.\$0.01), if applicable, will be allocated to every Minefinders Share transferred by such Minefinders Shareholder hereunder, so that such Minefinders Shareholder will receive for each such Minefinders Share the same combination of Pan American Shares and cash as it receives for each other Minefinders Share held by it and neither Pan American Shares nor cash will be considered to have been received for any specific portion or fraction of such Minefinders Share;

4. each outstanding Minefinders Option in respect of which Pan American Shares are not issued in accordance with paragraph 1 above (all in accordance with the Plan of Arrangement) shall be exchanged for an option (each, a **Replacement Option**) to purchase from Pan American the

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number of Pan American Shares equal to: (i) the Option Exchange Ratio multiplied by (ii) the number of Minefinders Shares subject to such Minefinders Option immediately prior to the Effective Time. Such Replacement Option shall provide for an exercise price per Pan American Share (rounded up to the nearest whole cent) equal to: (x) the exercise price per Minefinders Share otherwise purchasable pursuant to such Minefinders Option; divided by (y) the Option Exchange Ratio. If the foregoing calculation results in the total Replacement Options of a particular holder being exercisable for a number of Pan American Shares that includes a fractional Pan American Share, the total number of Pan American Shares subject to such holder's total Replacement Options shall be rounded down to the nearest whole number of Pan American Shares. All terms and conditions of a Replacement Option, including the term to expiry, conditions to and manner of exercise, will be the same as the Minefinders Option for which it was exchanged, except that the expiry date for all Replacement Options for which Minefinders 2011 Options are exchanged and which are held by employees, officers, directors or consultants of Minefinders or its affiliates:

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

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

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

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

6. the stated capital in respect of the Minefinders Shares shall be reduced to Cdn.\$1.00 without any repayment of capital in respect thereof;

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

For the purposes of determining the amount of cash and/or Pan American Shares which each Minefinders Shareholder is entitled to receive for each Minefinders Share transferred pursuant to paragraph 3 above, the following proration rules shall apply:

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

(a)