ARRANGEMENT AGREEMENT

NEWMEX MINERALS INC.

- and -

PAN-GLOBAL ENERGY LTD.

February 3, 2006

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ARRANGEMENT AGREEMENT

THIS AGREEMENT made the 3rd day of February, 2006.

BETWEEN:

NEWMEX MINERALS INC., a company incorporated under the laws of Canada

("Newmex")

AND:

PAN-GLOBAL ENERGY LTD., a company incorporated under the laws of British Columbia

("Pan-Global")

WHEREAS:

A. The boards of directors of each of Newmex and Pan-Global have determined that it would be in the best interests of Newmex and Pan-Global to combine the businesses carried on by each of them;

B. Newmex and Pan-Global have entered into a letter of intent dated December 22, 2005 (the "Letter of Intent") pursuant to which, among other things, Newmex agreed to purchase from the securityholders of Pan-Global all of the outstanding common shares of Pan-Global in consideration of the issuance of common shares of Newmex on the basis set out in the Letter of Intent (the "Transaction");

C. The parties have agreed to effect the Transaction by way of a plan of arrangement (the "Arrangement") and, in this regard, Pan-Global intends to propose the Arrangement to its shareholders, under Section 288 of the Business Corporations Act, on the terms and conditions set forth in the Plan of Arrangement attached as Schedule A to this Agreement;

D. The parties have agreed to enter into this Agreement setting out the terms and conditions on which the Arrangement will be carried out.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement:

(a) "Agreement" means this Agreement (including Schedule A) as the same may be supplemented or amended from time to time;

(b) "Alternative Company Transaction" means an amalgamation, merger, arrangement or other business combination of or involving Pan-Global, the sale, lease, exchange, transfer or other disposition of any material portion of the assets of Pan-Global (except as may be contemplated in this Agreement and the Plan of Arrangement), the adoption of any plan of liquidation or dissolution of or involving Pan-Global, or any similar transaction of or involving Pan-Global, other than pursuant to this Agreement and the Plan of Arrangement;

(c) "Applicable Securities Laws" means the applicable securities laws of the Provinces of British Columbia and Alberta and the respective rules and regulations thereunder together with all applicable published policy statements, orders, notices and rulings of the British Columbia Securities Commission and the Alberta Securities Commission in effect as of the date hereof;

(d) "Arrangement" means the arrangement under Section 288 of the Business Corporations Act on the terms and conditions set out in the Plan of Arrangement attached as Schedule A and any amendment or variation thereto;

(e) "Business" means the business currently carried on by Pan-Global, specifically, the development of its oil and gas properties and the exploration for additional properties of merit;

(f) "Business Corporations Act" means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended;

(g) "Business Day" means any day which is not a Saturday, Sunday or a day on which banks are not open for business in the relevant place;

(h) "Competing Offer" means any offer, other than the Arrangement, involving Pan-Global for (i) the direct or indirect acquisition of Pan-Global Shares representing more than 25% of the number of such shares then outstanding; or (ii) any amalgamation, merger, sale of Pan-Global assets representing more than 25% of the book value of such assets on a consolidated basis, take-over bid, plan of arrangement, exchange offer, reverse take-over or other business combination or similar transaction involving Pan-Global, as applicable, or its assets;

(i) "Court" means the Supreme Court of British Columbia;

(j) "Dissenting Shareholder" means a Pan-Global Shareholder who exercises a right of dissent ordered by the Court with respect to the Arrangement;

(k) "Effective Date" means the date that is five business days after the last of the conditions precedent to the completion of the Arrangement have been satisfied or waived, or such earlier or later date as is agreed to by the parties hereto;

(l) "Environment" means the air immediately around, the water in and under, and the land comprising the properties of Pan-Global;

(m) "Exchange" means the TSX Venture Exchange;

(n) “Fairness Opinion” means the fairness opinion of Jennings Capital Inc. provided to Pan-Global’s board of directors with respect to the fairness, from a financial point of view, of the Transaction to Pan-Global Shareholders;

(o) “Final Order” means the final order of the Court approving the Arrangement following the application therefor contemplated by Section 2.1, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed then, unless such appeal is withdrawn or denied, as affirmed;

(p) “Governmental Entity” means any (i) federal, provincial, state, territorial, regional, municipal, local or other government, governmental or public department, court, tribunal, arbitral body, commission, board or agency; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriatory or taxing authority under or for the account of any of the foregoing;

(q) “Hazardous Substance” means any substance which is regulated under applicable Laws, including any hazardous product, contaminant, toxic substance, deleterious substance, waste, dangerous goods or reportable substance;

(r) “Interim Order” means the interim court order of the Court provided for, among other things, the calling and holding of the Pan-Global Meeting following the application therefor contemplated by Section 2.1, as the same may be amended, supplemented or varied by the Court;

(s) “Laws” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, judicial or arbitral administrative or ministerial or departmental or regulatory judgments, orders, decisions, policies, guidelines, rulings or awards, including general principles of common law, legally binding on the Person referred to in the context in which the word is used;

(t) “Material Adverse Change” means, with respect to any party, a change in the business, operations, assets or ownership of the party that would reasonably be expected to have a significant adverse effect on the market price or value of any of the securities of that party;

(u) “Material Adverse Effect” means, with respect to any party, any condition, event or development which is or would reasonably be expected to have a material adverse effect on the business, operations or financial condition of that party and its subsidiaries taken as a whole;

(v) “Newmex Audited Financial Statements” means the audited financial statements of Newmex for the financial year ended September 30, 2005, including the notes thereto;

(w) “Newmex Business” means the business currently carried on by Newmex, specifically, the development of its oil and gas properties and the exploration for additional properties of merit;

(x) “Newmex Shares” means the common shares in the capital of Newmex;

(y) "Newmex Subsidiaries" means Pearl Exploration and Production USA Ltd. and Newmex Energy (USA) Ltd., wholly owned subsidiaries of Newmex;

(z) "Pan-Global Circular" means the notice of the Pan-Global Meeting and the accompanying management information circular, including all schedules thereto, to be sent to the Pan-Global Shareholders and others in connection with the Pan-Global Meeting, together with any amendments or supplements thereto;

(aa) "Pan-Global Financial Statements" means the audited annual financial statements of Pan-Global for the year ended June 30, 2005 and for the interim period ended September 30, 2005, including the notes thereto;

(bb) "Pan-Global Meeting" means the extraordinary general meeting of Pan-Global Shareholders and any adjournment thereof to be held to consider and, if deemed advisable, approve the Pan-Global Resolutions;

(cc) "Pan-Global Optionholders" means at any time the holders of Pan-Global options;

(dd) "Pan-Global Options" means the options to purchase Pan-Global Shares;

(ee) "Pan-Global Resolutions" means the special resolutions of the holders of Pan-Global Shares approving the Transaction and the Plan of Arrangement as required by the Interim Order, attached hereto as Schedule F;

(ff) "Pan-Global Shareholders" means at any time the holders at that time of Pan-Global Shares;

(gg) "Pan-Global Shares" means the common shares in the capital of Pan-Global;

(hh) "Person" includes an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, a natural person in his capacity as trustee, executor, administrator, or other legal representative and the Crown or any agency or instrumentality thereof;

(ii) "Plan of Arrangement" means the plan of arrangement set out in Schedule A, as amended or supplemented from time to time in accordance with any order of the Court;

(jj) "Registrar" means the Registrar of Companies appointed under Section 400 of the Business Corporations Act;

(kk) "Superior Proposal" means any Competing Offer or proposal for an Alternative Company Transaction that in the good faith determination of the board of directors of Pan-Global after consultation with its outside legal counsel (a) is reasonably capable of being completed, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal, and (b) would, if consummated in accordance with its terms, result in a transaction more favourable to its shareholders than the transaction contemplated by this Agreement; and

(ll) "Transaction" means the purchase from the Pan-Global Shareholders of all of the Pan-Global Shares in consideration of the issuance of the Newmex Shares on the basis set out in this Agreement.

1.2 Currency

Except where otherwise specified, all sums of money which are referred to in this Agreement are expressed in lawful money of Canada.

1.3 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "the Agreement", "hereof", "herein", "hereunder", and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, section or other portion hereof and include any agreement, schedule or instrument supplementary or ancillary hereto.

1.4 Number, etc.

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders; and words importing persons shall include firms and corporations and vice versa.

1.5 Date of any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

1.6 Accounting Principles

Whenever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the Canadian generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor thereto, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles.

ARTICLE 2
THE ARRANGEMENT

2.1 The Arrangement

(a) Newmex and Pan-Global agree that the Arrangement shall be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement.

(b) Pan-Global will, as soon as reasonably practicable, but in any event not later than March 1, 2006 or such other date as is agreed to by the parties, apply to the Court pursuant to Section 291 of the *Business Corporations Act* for an Interim Order providing for, among other things, the calling and holding of the Pan-Global Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement.

(c) Pan-Global will convene and use commercially reasonable efforts to hold the Pan-Global Meeting in accordance with the Interim Order.

(d) If the Arrangement is approved at the Pan-Global Meeting in accordance with the Interim Order, Pan-Global will, as soon as reasonably practicable thereafter, apply to the Court for the Final Order.

(e) If the Final Order is obtained, subject to the satisfaction, waiver or release of the conditions set forth in Article 5 (as confirmed by each party to the other in writing), Pan-Global will, in consultation with Newmex and as soon as reasonably practicable thereafter, file with the Registrar any documentation required to be filed pursuant to section 292 of the Business Corporations Act.

(f) The Arrangement shall become effective on the Effective Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Mutual Representations and Warranties

Each party represents and warrants to the other party as follows and acknowledges that the other party is relying upon such representations and warranties in connection with entering into this Agreement:

(a) it, and in the case of Newmex, each of the Newmex Subsidiaries, is duly incorporated and validly existing under the laws of its respective jurisdiction of incorporation and has the corporate power and capacity to own, lease and operate its properties and assets and to carry on its business as is now being carried on by it;

(b) it has the corporate power and authority to enter into and perform its obligations under this Agreement and to consummate the transactions contemplated herein and, in the case of Pan-Global, in the Plan of Arrangement and this Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and the availability of equitable remedies;

(c) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Plan of Arrangement do not and will not (nor will they with the giving of notice or the lapse of time or both): (i) contravene, breach or result in any default under any Law applicable to it, or any of its properties or assets (subject to compliance with any Laws contemplated by this Agreement); (ii) contravene, breach or result in any default under its constating documents or by-laws; (iii) contravene, breach or result in any default under or termination of, or accelerate or permit the acceleration of the performance required by, any material agreement, covenant, undertaking, commitment, instrument, licence or permit to which it is a party or by which it is bound or to which the property or assets of it is subject; or (iv) result in the cancellation, suspension or material alteration in the terms of any material licence, permit or authority held by it or in the creation of any lien, charge, security interest or encumbrance upon any of its properties or assets;

(d) it, and, in the case of Newmex, each of the Newmex Subsidiaries is conducting its businesses in compliance, in all material respects, with all Laws of each jurisdiction in which its business is carried on and has obtained all licenses, approvals, permits and concessions necessary to carry on business as now being carried on by it; and

(e) there is no court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry by any governmental, administrative, regulatory or similar body, or any similar matter or proceeding (collectively, "proceedings") against or involving it, in respect of its businesses, properties or assets (whether in progress or, to the best of its knowledge after due inquiry, threatened). To the best of its knowledge, no event has occurred which might reasonably be expected to give rise to any proceedings and there is no judgment, decree, injunction, rule, award or order of any court, government department, board, commission, agency, arbitrator or similar body outstanding against it in respect of its businesses, properties or assets.

3.2 Representations and Warranties of Newmex

Newmex represents and warrants to Pan-Global as follows and acknowledges that Pan-Global is relying upon these representations and warranties in connection with entering into this Agreement:

(a) the authorized capital of Newmex consists of an unlimited number of common shares without par value, of which 33,173,822 common shares are issued and outstanding as fully paid and non-assessable shares as of the date of this Agreement;

(b) it is the sole holder of all of the outstanding securities of each of the Newmex Subsidiaries;

(c) it is duly qualified to carry on business in each jurisdiction in which the character of their respective properties and assets, owned or leased, or the nature of their activities makes such qualification necessary;

(d) it has no outstanding agreements, subscriptions, warrants, options or commitments (nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue additional shares or other securities or securities convertible into or exchangeable for shares or other securities, except as described in Schedule B hereto;

(e) the Newmex Audited Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis except as otherwise stated in the notes to such statements and present fairly, in all material respects, the financial position of Newmex for the periods and as at the dates thereof;

(f) since September 30, 2005, Newmex has conducted its business only in the ordinary course consistent with past practice; Newmex has no material liability or material obligation of any nature (whether accrued, absolute, contingent or otherwise) not reflected in the Newmex Audited Financial Statements and since that date no liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) has been incurred, nor does there exist or has there occurred (or been threatened) any change (or any condition or event) which, individually or in the aggregate, would or does have a Material Adverse Effect;

(g) Newmex is a "reporting issuer" within the meaning of the *Securities Act* (British Columbia) and the *Securities Act* (Alberta), and is not a "reporting issuer" in any other jurisdiction of Canada, and, to the best of its knowledge, is not in default of any material provision of Applicable Securities Laws; the Newmex Shares are listed on the Exchange and trading in the Newmex Shares is not currently halted under the policies of the Exchange; all documents and information filed by Newmex under Applicable Securities Laws, and the rules and policies of the Exchange (the "Newmex Disclosure Record"), including: (i) the Newmex Audited Financial Statements; (ii) the management proxy circular relating to Newmex's 2006 annual general meeting of shareholders to be held on February 24, 2006; and (iii) all material change reports and press releases filed since September 30, 2005 are, as of their respective dates, in compliance in all material respects with Applicable Securities Laws and the rules and policies of the Exchange and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and Newmex is up-to-date in all its filings under such Applicable Securities Laws and the rules and policies of the Exchange;

(h) Newmex is the beneficial owner of the properties and assets described as being owned by it in the Newmex Disclosure Record with good and marketable title to such properties free and clear of encumbrances and except as disclosed in the Newmex Disclosure Record;

(i) since September 30, 2005, Newmex has not declared or paid any dividend or made any distribution of its properties or assets to shareholders;

(j) all material information relating to the business, assets, properties, capitalization and financial condition of Newmex provided by Newmex to Pan-Global is true, accurate and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact necessary in order to make such information not misleading;

(k) since September 30, 2005, Newmex has not made any increase in the compensation or other benefits payable or to become payable to its employees, directors or officers or any of them, other than general salary increases made in the ordinary course of business, consistent with past practice; Newmex has not entered into any written employment agreements with any of its officers or employees other than as disclosed in Schedule D;

(l) Newmex has not incurred any liability or agreed to pay or reimburse any broker, finder, financial adviser or investment banker for any brokerage, finder's, advisory or other fee or commission, or for the reimbursement of expenses, in connection with this Agreement or the transactions contemplated hereby or in the Plan of Arrangement.

(m) Newmex has filed all necessary tax returns in all jurisdictions required to be filed by it, corporation capital tax returns, if required, and any other material reports and information required to be filed by Newmex with any governmental authority; all such returns and reports have been filed in the manner prescribed by law and are true, complete and correct; Newmex has paid all income and capital taxes payable by it; Newmex has prepared and filed all federal and provincial income taxes for all years to and including the period ended March 22, 2005; Newmex has withheld and remitted in the manner and within the time required under applicable legislation to tax collection authorities such taxes as are required by law to be withheld and remitted; Newmex has paid all instalments of corporate taxes due and payable, and there is not presently outstanding any notice of re-assessment from any applicable tax collecting authority;

(n) Newmex has not sold, transferred, disposed, mortgaged, pledged, charged, leased or otherwise encumbered, or agreed to sell, transfer, dispose of, mortgage, pledge, charge, lease or otherwise encumber, any of its property or assets other than property royalties incurred in the ordinary course in connection with certain property acquisitions and as set out in Schedule C hereto;

(o) Newmex has no outstanding material continuing contractual rights or obligations whatsoever relating to or affecting the conduct of its business or any of its property or assets or for the purchase, sale or leasing of any property other than those contracts listed in Schedule D and all such contracts, agreements, indentures, or other instruments are in good standing and Newmex is entitled to all benefits thereunder;

(p) Newmex is not in default under or in breach of, or would, after notice or lapse of time or both, be in default under any contract, agreement, indenture or other instrument to which it is a party or by which it is bound, including those contracts set out in Schedule D hereof;

(q) there are no management contracts or consulting contracts to which Newmex is a party or by which it is bound, other than as disclosed in Schedule D, and other than pursuant to the material contracts disclosed in Schedule D, no amount is payable or has been agreed to be paid by Newmex to any Persons as remuneration, pension, bonus, share of profits or other similar benefit and no director, officer, employee, consultant or shareholder, or former director, officer, employee, consultant, shareholder of Newmex, nor any associate or affiliate of any such Person, has any claim of any nature against, or is indebted to, Newmex;

(r) Newmex has no information or knowledge of any material facts pertaining to Newmex which, if known to Pan-Global, might reasonably be expected to deter Pan-Global from completing the transactions contemplated hereby;

(s) the accounting and financial books and records of Newmex set out and disclose all material financial transactions of Newmex and such transactions have been accurately recorded in such books and records;

(t) to the best of Newmex's knowledge, the minute books and corporate records of Newmex contain complete and accurate minutes of all meetings and proceedings of the shareholders, directors and committees of Newmex other than with respect to the minutes of board and committee meetings held in January 2006;

(u) the Newmex Business is the only material business carried on by Newmex at present and the property and assets owned or leased by Newmex are sufficient to carry on the Newmex Business;

(v) Newmex holds all material licences and permits as may be required for carrying on the Newmex Business and is in material compliance with same;

(w) to the best of its knowledge, Newmex is not in breach of applicable Laws to which it is subject or which apply to it;

(x) as of the date hereof, Newmex has one employee;

(y) Newmex is not a party to any collective agreement with any trade union or other association of employees and, to the best of its knowledge, no attempt has been, or is being, made to organize or certify the employees of Newmex; and

(z) Newmex maintains such insurance against loss or damage to its assets and with respect to public liability as is reasonably prudent for a corporation operating similar businesses as that of Newmex.

3.3 Representations and Warranties of Pan-Global

Pan-Global represents and warrants to Newmex as follows and acknowledges that Newmex is relying upon these representations and warranties in connection with entering into this Agreement:

(a) the authorized capital of Pan-Global consists of 100,000,000 common shares without par value, of which 36,748,388 shares are issued and outstanding as fully paid and non-assessable shares as at the date of this Agreement;

(b) it has no subsidiaries and has no minority interest in any other corporation or entity;

(c) it is duly qualified to carry on business in each jurisdiction in which the character of their respective properties and assets, owned or leased, or the nature of their activities makes such qualification necessary;

(d) it has no outstanding agreements, subscriptions, warrants, options, or commitments (nor has it granted any rights or privileges capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue additional shares or other securities or securities convertible or exchangeable for shares or other securities, except as described in Schedule B hereto;

(e) the Pan-Global Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis except as otherwise stated in the notes to such statements and present fairly, in all material respects, the financial position of Pan-Global for the periods and as at the dates thereof; the notes to such financial statements do not contain any misstatement of a material fact nor do they omit to state a material fact required to make any statement contained therein not untrue or misleading;

(f) Other than as disclosed to Newmex with respect of Pan-Global's dealings with IOGC, Pan-Global does not have any material liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) not reflected in the Pan-Global Financial Statements and no liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) has been incurred, nor does there exist or has there occurred (or been threatened) any change (or any condition, event or development involving a prospective change), which, individually or in the aggregate, would or does have a Material Adverse Effect;

(g) Pan-Global is a "reporting issuer" within the meaning of the *Securities Act* (British Columbia) and the *Securities Act* (Alberta), and is not a "reporting issuer" in any other jurisdiction of Canada, and, to the best of its knowledge, is not in default of any material provision of Applicable Securities Laws; the Pan-Global Shares are listed on the Exchange and trading in the Pan-Global Shares is not currently halted under the policies of the Exchange; all documents and information filed by Pan-Global under Applicable Securities Laws, and the rules and policies of the Exchange (the "Pan-Global Disclosure Record"), including (i) the Pan-Global Financial Statements; (ii) the management proxy circular relating to Pan-Global's 2005 annual and special general meeting of shareholders held on December 21, 2005; and (iii) all material change reports and press releases filed since September 30, 2005 are, as of their respective dates, in compliance in all material respects with Applicable Securities Laws and the rules and policies of the Exchange and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and Pan-Global is up-to-date in all its filings under such Applicable Securities Laws and the rules and policies of the Exchange;

(h) Pan-Global is the beneficial owner of the properties and assets described as being owned by it in the Pan-Global Disclosure Record with good and marketable title to such properties free and clear of encumbrances except as disclosed in the Pan-Global Disclosure Record and except as otherwise disclosed in Schedule C hereto;

(i) since September 30, 2005, Pan-Global has not declared or paid any dividend or made any distribution of its properties or assets to shareholders;

(j) since September 30, 2005, Pan-Global has not made any increase in the compensation or other benefits payable or to become payable to its employees, directors or officers or any of them, other than general salary increases made in the ordinary course of business, consistent with past practice; Pan-Global has not entered into any written employment agreements with any of its officers or employees other than as disclosed in Schedule D;

(k) all material information relating to the business, assets, properties, capitalization and financial condition of Pan-Global provided by Pan-Global to Newmex is true, accurate and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact necessary in order to make such information not misleading;

(l) Pan-Global has not incurred any liability or agreed to pay or reimburse any broker, finder, financial adviser or investment banker for any brokerage, finder's, advisory or other fee or commission, or for the reimbursement of expenses, in connection with this Agreement or the transactions contemplated herein or in the Plan of Arrangement, other than to Jennings Capital Inc. with respect to the Fairness Opinion;

(m) Pan-Global has filed all necessary tax returns in all jurisdictions required to be filed by it, all returns affecting workers' compensation with the appropriate agency, corporation capital tax returns, if required, and any other material reports and information required to be filed by Pan-Global with any governmental authority; all such returns and reports have been filed in the manner prescribed by law and are true, complete and correct; Pan-Global has paid all income, sales and capital taxes payable by it; Pan-Global has been reviewed, determined and assessed for federal and provincial income taxes for all years to and including the fiscal year ended June 30, 2005; Pan-Global has withheld and remitted in the manner and within the time required under applicable legislation to tax collection authorities such taxes as are required by law to be withheld and remitted; Pan-Global has paid all instalments of corporate taxes and there is not presently outstanding any notice of re-assessment from any applicable tax collecting authority;

(n) Pan-Global has not sold, transferred, disposed, mortgaged, pledged, charged, leased or otherwise encumbered, or agreed to sell, transfer, dispose of, mortgage, pledge, charge, lease or otherwise encumber, any of its property or assets other than as set out in Schedule C hereto;

(o) Pan-Global has no outstanding material continuing contractual rights or obligations whatsoever relating to or affecting the conduct of its business or any of its property or assets or for the purchase, sale or leasing of any property other than those contracts listed in Schedule D and all such contracts, agreements, indentures, or other instruments are in good standing and Pan-Global is entitled to all benefits thereunder;

(p) Pan-Global is not in default under or in breach of, or would, after notice or lapse of time or both, be in default under any contract, agreement, indenture or other instrument to which it is a party or by which it is bound, including those contracts set out in Schedule D hereof;

(q) there are no management contracts or consulting contracts to which Pan-Global is a party or by which it is bound, other than as disclosed in Schedule D, and other than pursuant to the material contracts disclosed in Schedule D, no amount is payable or has been agreed to be paid by Pan-Global to any Persons as remuneration, pension, bonus, share of profits or other similar benefit and no director, officer, employee, consultant or shareholder, or former director, officer, employee, consultant, shareholder of Pan-Global, nor any associate or affiliate of any such Person, has any claim of any nature against, or is indebted to, Pan-Global;

(r) Pan-Global has no information or knowledge of any material facts pertaining to Pan-Global which, if known to Newmex, might reasonably be expected to deter Newmex from completing the transactions contemplated hereby;

(s) the accounting and financial books and records of Pan-Global set out and disclose all material financial transactions of Pan-Global and such transactions have been accurately recorded in such books and records;

(t) to the best of Pan-Global's knowledge, the minute books and corporate records of Pan-Global contain complete and accurate minutes of all meetings and proceedings of the shareholders, directors and committees of Pan-Global;

(u) the Business is the only material business carried on by Pan-Global at present and the property and assets owned or leased by Pan-Global are sufficient to carry on the Business;

(v) Pan-Global holds all material licences and permits as may be required for carrying on the Business and is in material compliance with same;

(w) to the best of its knowledge, Pan-Global is not in breach of applicable Laws to which it is subject or which apply to it;

(x) since September 30, 2005, Pan-Global has conducted its business only in the ordinary course consistent with past practice and, without limiting the generality of the foregoing, Pan-Global has not:

  (i) issued any securities of Pan-Global other than 317,000 common shares to Tenax Energy Inc. and certain stock options as set out in Schedule B;

  (ii) incurred any debt in excess of an aggregate of $100,000 other than borrowing up to $1,000,000 from Newmex;

  (iii) declared or paid any dividends or distributed any of its properties or assets to shareholders;

  (iv) altered or amended its notice of articles or articles;

  (v) sold, pledged, leased, disposed of, granted any interest in, encumbered or agree to sell, pledge, lease, dispose of, grant any interest in or encumber any material portion of its assets; or

  (vi) redeemed, purchased or offered to purchase any of its shares or other securities.

(y) as of the date hereof, Pan-Global has one employee;

(z) Pan-Global is not a party to any collective agreement with any trade union or other association of employees and, to the best of its knowledge, no attempt has been, or is being, made to organize or certify the employees of Pan-Global;

(aa) to the best of its knowledge, there are no Hazardous Substances in the Environment except as stored, discharged or emitted in compliance with all applicable Laws, and since the date Pan-Global acquired its interest in its properties, there have been no spills, releases, discharges or emissions of Hazardous Substances into the Environment or other activities affecting the Environment in contravention of applicable Laws and all Hazardous Substances disposed of, treated or stored by or on behalf of Pan-Global on or off site of its properties have been disposed of, treated and stored in compliance with all applicable Laws. There are no investigations, tests, audits or reports respecting the Environment relating to its properties or the Business; and

(bb) Pan-Global maintains such insurance against loss or damage to its assets and with respect to public liability as is reasonably prudent for a corporation operating similar businesses as that of Pan-Global.

3.4 Survival of Representations and Warranties

The representations and warranties of each party hereto shall survive the execution and delivery of this Agreement and shall continue in full force and effect until the Effective Date and thereafter for a period of two years.

ARTICLE 4
COVENANTS

4.1 Mutual Covenants

Except as contemplated in this Agreement and in the Plan of Arrangement, each party covenants and agrees that:

(a) until the Effective Date, except with the prior written consent of the other party, it will not, and Newmex will not permit the Newmex Subsidiaries to:

(i) declare or pay any dividends or make any distribution of its properties or assets to its shareholders or purchase or retire any shares of its capital stock;

(ii) alter or amend or authorize any alteration or amendment to its constating documents or articles as they exist at the date of this Agreement, except as required to complete the Transaction or any transaction contemplated under this Agreement or the Arrangement;

(iii) split, consolidate, exchange or reclassify its shares or other securities;

(iv) engage in any business, enterprise or other activity other than in the ordinary course of business;

(v) other than as disclosed herein, enter into or modify any employment, consulting, bonus, retention or similar agreements or arrangements with, or grant any bonuses, salary increases, severance or termination pay to, any of its officers, directors or employees;

(vi) acquire or agree to acquire, by amalgamating, plan of arrangement, merging, consolidating or entering into a business combination with or purchasing or leasing substantially all of the assets or otherwise of, any business or undertaking or any corporation, partnership, association or other business organization or division thereof, except in accordance with the Plan of Arrangement;

(vii) sell, lease, transfer, mortgage or otherwise dispose of or encumber any of its property or assets, real or personal, or agree to the same, except in accordance with the Plan of Arrangement or in the ordinary course of its business;

(viii) resolve or propose that it be wound-up, dissolved, liquidated, amalgamated or merged into, appoint or agree to the appointment of a liquidator, receiver or trustee in bankruptcy for it or consent to an order by a court for its winding-up or dissolution, except in accordance with the Plan of Arrangement; or

(ix) take any action or fail to take any action which would cause any of the conditions precedent set forth in Article 5 not to be satisfied (except as may be expressly permitted hereunder);

(b) until the Effective Date, it will at all reasonable times permit representatives of the other party full access to its properties and its books and records including material contracts, other agreements, minute books and share registers and to give such party and its representatives such copies and information with respect thereto as may be reasonably required. It will cause its senior officers to discuss and answer fully any and all questions relating to its business and affairs. The provisions of this subsection are without prejudice to the warranties and representations of the parties set out in this Agreement and the conditions set out in this Agreement;

(c) until the Effective Date, it will notify the other party in writing: (i) promptly after the occurrence thereof of any Material Adverse Change (actual, anticipated, or threatened) with respect to it; and (ii) promptly after the occurrence, or failure to occur, of any such event, of information of which it becomes aware with respect to any event which, if known as of the date of this Agreement, would have been required to be disclosed to the other party or which would have been likely to cause any of its representations or warranties in this Agreement to be untrue or incorrect or result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any party herein provided, however, that no such notification shall affect the representations or warranties of the parties or the conditions to the obligations of the parties herein;

(d) take all actions within its control to ensure that the representations and warranties in Section 3.1 and 3.2, in the case of Newmex, and Section 3.1 and 3.3, in the case of Pan-Global, remain true and correct as of the Effective Date as if such representations and warranties were made at and as of such date;

(e) take all actions within its control to cause each of the conditions precedent set forth in Article 5 hereof to be complied with on or before the Effective Date;

(f) it will cooperate and use its respective reasonable efforts to obtain, before the Effective Date, all authorizations, waivers, exemptions, consents, orders and other approvals from domestic or foreign courts, governmental or regulatory agencies, boards, commissions or other authorities, shareholders and third parties as are necessary for it to consummate the transactions contemplated hereby; and

(g) subject to Section 4.6 it will support the transactions contemplated herein and in the Plan of Arrangement and use all reasonable efforts to obtain the approvals of its shareholders to this Agreement and the Transaction.

4.2 Covenants of Pan-Global

Pan-Global covenants and agrees that:

(a) until the Effective Date, except with the prior written consent of Newmex, it will not:

(i) incur or commit to incur any indebtedness for borrowed money; or

(ii) enter into any agreement for the allotment or issuance, or grant any other rights to acquire, Pan-Global Shares or other securities or securities convertible into, exchangeable for, or which carry a right to acquire, directly or indirectly, Pan-Global Shares or other securities, except as contemplated by the Transaction or any transaction under this Agreement or the Arrangement;

(b) until the Effective Date, it will ensure that the disclosure in the Pan-Global Circular shall constitute full, true and plain disclosure of all material facts relating to Pan-Global and the Pan-Global Shares and will not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make any statement therein not misleading in light of the circumstances in which it is made;

(c) subject to Section 4.6, until the Effective Date, it will not authorize or permit any officers, directors or employees, agents, advisers, consultants or other representatives of it to:

(i) solicit, initiate or encourage (including, without limitation, by way of furnishing information) any inquiry or the making of any proposal to it or its shareholders from any Person which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions), a Competing Offer, or agree to or endorse any of the foregoing; or

(ii) enter into or participate in any discussions or negotiations regarding any Competing Offer, or furnish to any other Person any information with respect to the business, properties, operations, prospects or conditions (financial or otherwise) of it or in connection with any Competing Offer, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek to do any of the foregoing;

(d) it will conduct its business, diligently and in the ordinary course consistent with the manner in which the business generally has been operated up to the date of the execution of this Agreement;

(e) it will prepare and file all material to be filed with the Court by it, as applicant, in connection with the Arrangement and apply for and use all reasonable efforts to obtain the Interim Order and the Final Order;

(f) it will provide to Newmex's legal counsel on a timely basis with copies of any notice of appearance and evidence served on it or its legal counsel in respect of the application for the Final Order or any appeal therefrom;

(g) carry out the terms of the Interim Order and the Final Order;

(h) take all actions required under its constating documents to approve the transactions contemplated by this Agreement and the Arrangement;

(i) on or before the Effective Date, Pan-Global will, if necessary, arrange for its shareholders to execute and deliver to Newmex any securities regulatory materials required in connection with the transactions contemplated hereby, including, without limitation, any documentation or undertaking required by the Exchange or any relevant securities regulatory authority;

(j) it will, both before and after the Effective Date, execute and do all acts, further deeds, things and assurances as may be required in the reasonable opinion of Newmex's legal counsel to consummate the transactions contemplated herein;

(k) it will use its best efforts to cause all holders of unexercised Pan-Global Options to agree to exercise all options that have vested in accordance with the terms of the Pan-Global stock option plan prior to the Effective Date;

(l) it will forthwith use its best efforts to obtain the necessary approval of the Exchange to the terms of this Agreement and the de-listing of the Pan-Global Shares upon the Effective Date;

(m) until the Effective Date it will not, except in the usual, ordinary and regular course of business and consistent with past practice: (A) satisfy or settle any claims or liabilities prior to the same being due, which are, individually or in the aggregate, material; or (B) grant any waiver, exercise any option or relinquish any contractual rights which are, individually or in the aggregate, material; and

(n) until the Effective Date it will not make any changes to its existing accounting practices except as required by Law or required by generally accepted accounting principles or make any material tax election inconsistent with past practice.

4.3 Shareholders' Meetings

As soon as practicable but in any event not later than February 28, 2006, Pan-Global will prepare the Pan-Global Circular, and subject to the issuance of the Interim Order and receipt of approval by the Exchange of the Pan-Global Circular, will convene the Pan-Global Meeting and mail the Pan-Global Circular to its shareholders. The Pan-Global Meeting will be held on or before March 31, 2006, or as soon as reasonably practicable thereafter. Pan-Global will file the Pan-Global Circular with the appropriate regulatory authorities in all jurisdictions where the same is required, in accordance with applicable Laws and the Interim Order. Pan-Global will keep Newmex informed of any requests or comments made by regulatory authorities in connection with the Pan-Global Circular.

4.4 Court Proceedings

Pan-Global shall permit Newmex to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement prior to the service and filing of that material and will give reasonable consideration to such comments. In addition, Pan-Global will not object to legal counsel to Newmex making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel deems appropriate, provided that Pan-Global is advised of the nature of any submissions not reasonably contemplated in the material to be filed with the Court prior to the hearing. Pan-Global shall also provide legal counsel to Newmex on a timely basis with copies of any notice of appearance and evidence served on Pan-Global or its legal counsel in respect of the application for the Final Order or any appeal therefrom.

4.5 Confidentiality

All information provided by each of Pan-Global and Newmex, in any form whether written, electronic or verbal, as to financial condition, business, properties, title, assets and affairs (including any material contracts) as may reasonably be requested by the other party, including all information to be included in the Pan-Global Circular (the "Confidential Information"), will be kept confidential by each party hereto, notwithstanding the termination of this Agreement, other than information that:

(a) has become generally available to the public;

(b) was available to a party hereto or its representatives on a non-confidential basis before the date of this Agreement; or

(c) has become available to a party hereto or its representatives on a non-confidential basis from a person who is not, to the knowledge of such party or its representatives, otherwise bound by confidentiality obligations to the provider of such information or otherwise prohibited from transmitting the information to the party or its representatives.

No Confidential Information may be released to third parties other than legal counsel and other advisors to the parties hereto without the consent of the provider thereof, except that the parties hereto agree that they will not unreasonably withhold such consent to the extent that such Confidential Information is compelled to be released by legal process or must be released to regulatory bodies and/or included in public documents.

4.6 Fiduciary Duties

Nothing contained in this Agreement will prohibit, enjoin or otherwise restrict the board of directors of Pan-Global or any director of Pan-Global, in the fulfilment of their fiduciary duties, from supporting or facilitating any Competing Offer or Alternative Company Transaction that the board of directors determines in good faith is reasonably likely to result in a Superior Proposal; provided, however, that prior to taking such action, the Board of Directors must receive advice of outside counsel that it is appropriate that the Board of Directors take such action in order to discharge properly its fiduciary duties. Pan-Global shall not consider, negotiate, accept, approve or recommend a Competing Offer or a proposal regarding an Alternative Company Transaction after the date of the issuance of the Final Order. In addition, nothing contained in this Agreement will prohibit, enjoin or otherwise restrict the board of directors of Pan-Global or any director of Pan-Global, in the fulfilment of their fiduciary duties, from failing to give, qualifying or otherwise amending any recommendation to be or previously given to Pan-Global Shareholders, as applicable, in connection with the Transaction or the Plan of Arrangement.

Pan-Global shall immediately notify Newmex, at first orally and then in writing, of any Competing Offer or a proposal regarding an Alternative Company Transaction and any inquiry that could lead to a Competing Offer or a proposal regarding an Alternative Company Transaction, or any amendments to the foregoing, or any request for non-public information relating to it in connection with a Competing Offer or a proposal regarding an Alternative Company Transaction or for access to any of its properties, books or records by any Person that informs it that such Person is considering making, or has made, a Competing Offer or a proposal regarding an Alternative Company Transaction. Such notice shall include a description of the material terms and conditions of any proposal, the identity of the Person making such proposal, inquiry or contact and provide such other details of the proposal, inquiry or contact and provide such other details of the proposal, inquiry or contact as the other may reasonably request. Pan-Global shall (i) keep Newmex fully informed of the status including any change to the material terms of any such Competing Offer or a proposal regarding an Alternative Company Transaction or inquiry and (ii) provide to Newmex as soon as practicable after receipt or delivery thereof with copies of all correspondence and other written material sent or provided to it from any Person in connection with any Competing Offer or a proposal regarding an Alternative Company Transaction.

4.7 Board Recommendation

Pan-Global confirms that its board of directors has unanimously approved this Agreement, the Arrangement and the Plan of Arrangement, has determined, after consultation with its financial advisers, that the Arrangement is fair from a financial point of view, to the Pan-Global Shareholders and has resolved to unanimously recommend approval of the Arrangement by the Pan-Global Shareholders. The Pan-Global Circular will set forth (among other things) the recommendation of the board of directors of Pan-Global as described above and will include the Fairness Opinion of Jennings Capital Inc.

4.8 Directors and Officers

On execution of this Agreement, Pan-Global shall deliver to its legal counsel for delivery on the Effective Date, undated, signed resignations of all members of its board of directors, to be effective as of the Effective Date, and the parties shall take all necessary steps to ensure that the director and officers of Pan-Global as of the Effective Date shall be the following Persons:

Director

Gary Hyde;

Officers

Gary Hyde - President; and
Arlene Weatherdon – Secretary and Treasurer.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the parties hereto to complete the Arrangement are subject to the satisfaction of, or mutual waiver by the parties on or before the Effective Date of each of the following conditions, which are for the mutual benefit of Newmex and Pan-Global and which may be waived, in whole or in part, by Newmex or Pan-Global, as applicable, at any time:

(a) the Interim Order shall have been obtained in form and substance satisfactory to each of the parties, acting reasonably;

(b) the Plan of Arrangement, without amendment or with amendments acceptable to Newmex and Pan-Global, acting reasonably, shall have been approved at the Pan-Global Meeting as required by the Interim Order;

(c) the Pan-Global Resolutions, without amendment or with amendments acceptable to Newmex and Pan-Global, acting reasonably, shall have been approved at the Pan-Global Meeting, as applicable;

(d) the Final Order shall have been obtained in form and substance satisfactory to each of the parties, acting reasonably;

(e) all approvals and consents, regulatory or otherwise, which are required in connection with the consummation of the transactions contemplated in this Agreement and in the Plan of Arrangement shall have been obtained (including, without limitation, the approval of the Transaction by the Exchange);

(f) the time period for the exercise of any right to dissent conferred upon the Pan-Global Shareholders in respect of the Arrangement shall have expired and the Pan-Global Shareholders shall not have exercised (and not abandoned) such right of dissent with respect to greater than 5% of the number of outstanding Pan-Global Shares;

(g) no preliminary or permanent injunction, restraining order, cease trading order or order or decree of any domestic or foreign court, tribunal, governmental agency or other regulatory authority or administrative agency, board or commission, and no law, regulation, policy, directive or order shall have been enacted, promulgated, made, issued or applied to cease trade, enjoin, prohibit or impose material limitations on, the Arrangement or the transactions contemplated herein or in the Plan of Arrangement shall have been issued and remain in effect and no such action, proceeding or order shall, to the best of the knowledge of Newmex or Pan-Global, be pending or threatened and, without limiting the generality of the foregoing, no Person shall have filed any notice of appeal of the Final Order, and no Person shall have communicated to Newmex or Pan-Global (orally or in writing) any intention to appeal the Final Order which, in the reasonable opinion of Newmex or Pan-Global (on the advice of legal counsel), would make it inadvisable to proceed with the implementation of the Arrangement;

(h) there shall not exist any prohibition at law against the completion of the Arrangement; and

(i) this Agreement shall not have been terminated pursuant to Article 6.

5.2 Additional Conditions Precedent to the Obligations of Pan-Global

The obligation of Pan-Global to complete the Arrangement shall be subject to the satisfaction of, or waiver by Pan-Global, on or before the Effective Date or such earlier date stipulated of the following conditions, which are for the benefit of Pan-Global and may be waived in whole or in part, by Pan-Global at any time:

(a) Newmex shall not be in material default of any covenant contained herein and its representations and warranties shall be true and correct in all material respects and Pan-Global shall have received a certificate of Newmex, signed by the Chief Executive Officer and one other senior officer confirming the foregoing;

(b) Newmex shall have furnished Pan-Global with a favourable opinion of legal counsel to Newmex, dated the Effective Date, in form and substance acceptable to Pan-Global and its legal counsel, acting reasonably;

(c) there shall not exist or have occurred (or been threatened) any change (or any condition, event or development involving a prospective change) which, singly or in the aggregate, would or does have a Material Adverse Effect on Newmex;

(d) Pan-Global, in its sole discretion, will not have received, prior to March 1, 2006, any advice from its tax advisors that there are unfavourable income tax consequences to Pan-Global, or to its shareholders, as a result of the Arrangement; and

(e) the Fairness Option shall have been received and accepted by the board of directors of Pan-Global by February 28, 2006.

5.3 Additional Conditions Precedent to the Obligations of Newmex

The obligation of Newmex to complete the Arrangement shall be subject to the satisfaction of, or waiver by Newmex, on or before the Effective Date or such earlier date stipulated of the following conditions, which are for the benefit of Newmex and which may be waived by Newmex, in whole or in part, at any time:

(a) Pan-Global shall not be in material default of any covenant contained herein and its representations and warranties shall be true and correct in all material respects and Newmex shall have received a certificate of Pan-Global signed by the Interim Chief Executive Officer and one other senior officer or director confirming the foregoing;

(b) Pan-Global shall have furnished Newmex with a favourable opinion of legal counsel to Pan-Global dated the Effective Date, in form and substance acceptable to Newmex and its legal counsel, acting reasonably;

(c) there shall not exist or have occurred (or been threatened) any change (or any condition, event or development involving a prospective change) which, singly or in the aggregate, would or does have a Material Adverse Effect on Pan-Global;

(d) there shall not be more than 39,000,000 Pan-Global Shares issued and outstanding on the Effective Date;

(e) Newmex, in its sole discretion, will not have received prior to March 1, 2006 any advice from its tax advisors that there are unfavourable tax consequences to Newmex as a result of the Arrangement; and

(f) Newmex being satisfied, in its sole discretion, with the terms of the re-structuring of Pan-Global's long term and short term debt that is currently being re-negotiated by Pan-Global and Newmex with Pan-Global's creditors.

ARTICLE 6
TERMINATION OF AGREEMENT

6.1 Termination by Newmex or Pan-Global

(a) If any of the conditions set forth in Section 5.1 are not complied with or waived on or before the Effective Date, either Newmex or Pan-Global, upon written notice to the other party, may terminate this Agreement and the obligations of the parties hereunder other than those in Section 4.5 which will survive**.** If any of the conditions set forth in Sections 5.2 or 5.3 are not complied with or waived on or before the Effective Date, the party which has the benefit of such condition, upon written notice to the other party, may terminate this Agreement and the obligations of the parties hereunder other than those in Section 4.5, which will survive.

(b) If the board of directors of Pan-Global amends or withdraws its recommendation for the Transaction or recommends a Competing Offer or an Alternative Company Transaction, Newmex, may, by giving notice in writing to the other party, terminate this Agreement and the obligations of the parties hereunder other than those set out in Section 4.5, which will survive.

6.2 Automatic Termination

This Agreement shall terminate and the obligations of the parties hereunder other than those set out in Section 4.5 which will survive, shall terminate if the Effective Date does not occur by 11:59 p.m. (Pacific Standard Time) on April 30, 2006.

ARTICLE 7
GENERAL

7.1 Notices

All notices and other communications hereunder shall be in writing and shall be delivered by hand to the parties at the following addresses or sent by telecopy at the following numbers or at such other addresses or telecopier numbers as shall be specified by the parties by like notice:

(a) if to Newmex:

Newmex Minerals Inc.
#750, 736 – 6th Avenue S.W.
Calgary, Alberta
T2P 3T7

Attention: Gary Guidry
Facsimile No.: 403-261-1007

with a copy to:

McCullough O'Connor Irwin LLP
1100 – 888 Dunsmuir Street
Vancouver, British Columbia
V6C 3K4

Attention: Kevin E. Hisko
Facsimile No.: 604-687-7099

(b) and if to Pan-Global:

Pan-Global Energy Ltd.
Suite 1000, 521 – 3rd Avenue S.W.
Calgary, Alberta
T2P 3T3

Attention: Richard Naden
Facsimile No.: 403-216-5828

with a copy to:

MacLeod Dixon LLP
3700 Canterra Tower
400 Third Avenue SW
Calgary, Alberta
T2P 4H2

Attention: Rick Skeith
Facsimile No.: 403-264-5973

The date of receipt of any such notice shall be deemed to be the date of delivery thereof or, in the case of notice sent by telecopy, the date of successful transmission thereof (unless transmission is received after business hours, in which case the date of receipt shall be deemed to be the next Business Day in the place of receipt).

7.2 Fees and Expenses

Each party will be responsible for and bear all of its own fees, costs and expenses incurred at any time in connection with entering into this Agreement and consummating the transactions contemplated herein and in the Plan of Arrangement.

7.3 Successors and Assigns

This Agreement and all the provisions hereof shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other party.

7.4 Time of Essence

Time shall be of the essence of this Agreement and of each of its provisions.

7.5 Public Announcements

All press releases or other public written communications of any sort by either of the parties hereto relating to this Agreement or the Arrangement and the method of release for publication thereof will be provided for review and comment by the other party hereto. Each party will deal expeditiously with a request for comments on such written communication provided that the party issuing such written communication shall not be delayed if to do so would be contrary to any legal or regulatory requirement.

7.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of British Columbia.

7.7 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties hereto with respect to the subject matter hereof. There are no representations, warranties, covenants or conditions with respect to the subject matter hereof except as contained herein.

7.8 Further Assurances

Each party shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be reasonably required in order to implement this Agreement, the transactions contemplated herein and in the Plan of Arrangement.

7.9 Amendment or Waiver

Subject to any requirements imposed by law or by the Court, this Agreement may be supplemented or amended, and any of the terms, covenants, representations, warranties or conditions hereof may be waived, but only by written document executed by both parties; provided, however, that the terms of this Agreement may not be supplemented or amended, or any of the provisions waived, in a manner materially prejudicial to the holders of Pan-Global Shares without their approval at the Pan-Global Meeting, as applicable, or, following the Pan-Global Meeting, without their approval given in the same manner as required by law for the approval of the Arrangement or the Transaction, as applicable and, as may be required by the Court. No waiver of any nature, in any one or more instances, shall be deemed or construed as a further or continued waiver of any condition or breach of any other term, representation or warranty in this Agreement. Notwithstanding the foregoing, the Plan of Arrangement may only be supplemented or amended in accordance with the provisions thereof.

7.10 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

NEWMEX MINERALS INC.	**PAN-GLOBAL ENERGY LTD.**
By: (signed) Gary S. Guidry Authorized Signatory	By: (signed) Gordon Harris Authorized Signatory

SCHEDULE A

**To the Arrangement Agreement dated as of February 3, 2006
between Newmex Minerals Inc. and
Pan-Global Energy Ltd.**

**PLAN OF ARRANGEMENT UNDER
SECTION 288 OF THE BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Plan of Arrangement:

(a) "Arrangement" means an arrangement under Section 288 of the Business Corporations Act on the terms and conditions set forth in this Plan of Arrangement and any amendment or variation thereto made in accordance with the terms of the Arrangement Agreement;

(b) "Arrangement Agreement" means the arrangement agreement dated as of February 3, 2006 between Newmex and Pan-Global to which this Plan of Arrangement is attached as Schedule A, as the same may be amended from time to time;

(c) "Business Corporations Act" means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended;

(d) "Business Day" means any day which is not a Saturday, Sunday or a day on which banks are not open for business in the relevant place;

(e) "Court" means the Supreme Court of British Columbia;

(f) "Depositary" means Computershare Trust Company of Canada, in its capacity as depositary for the Pan-Global Shares under the Arrangement;

(g) "Effective Date" means the date that is five business days after the last of the conditions precedent contained in the Arrangement Agreement have been satisfied or waived, or such earlier or later date as is agreed to by the parties;

(h) "Exchange" means the TSX Venture Exchange;

(i) "Final Order" means the final order of the Court made in connection with the approval of the Arrangement and the fairness of the terms and conditions thereof following the application therefor contemplated by Section 2.1 of the Arrangement Agreement;

(j) "Holder" means a holder of Pan-Global Shares or any person who surrenders to the Depositary certificates representing such Pan-Global Shares duly endorsed for transfer to such person in accordance with the Letter of Transmittal;

(k) “Interim Order” means the interim order of the Court providing for, among other things, the calling and holding of the Pan-Global Meeting following the application therefor contemplated by Section 2.1 of the Arrangement Agreement, as the same may be amended, supplemented or varied by the Court;

(l) “Letter of Transmittal” means the letter of transmittal to be forwarded by Pan-Global to Pan-Global Shareholders and others together with the Pan-Global Circular;

(m) “Newmex Shares” means the common shares in the capital of Newmex;

(n) “Pan-Global Options” means the options to purchase Pan-Global Shares;

(o) “Pan-Global Circular” means the notice of the Pan-Global Meeting and the accompanying management information circular, including all schedules thereto, to be sent to the Pan-Global Shareholders and others in connection with the Pan-Global Meeting, together with any amendments or supplements thereto;

(p) “Pan-Global Meeting” means the extraordinary general meeting of Pan-Global Shareholders and any adjournment thereof to be held to consider and, if deemed advisable, approve the Arrangement, the Transaction and related matters;

(q) “Pan-Global Shareholders” means at any time the registered holders at that time of Pan-Global Shares;

(r) “Pan-Global Shares” means the common shares in the capital of Pan-Global;

(s) “Plan of Arrangement” means this plan of arrangement, proposed under Section 288 of the Business Corporations Act, as amended and supplemented from time to time in accordance herewith and any order of the Court;

(t) “Registrar” means the Registrar of Companies appointed under Section 400 of the Business Corporations Act; and

(u) “Tax Act” means the *Income Tax Act* (Canada).

1.2 Headings and References

The division of this Plan of Arrangement into Articles and sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan of Arrangement. Unless otherwise specified, references to sections are to sections of this Plan of Arrangement.

1.3 Number, etc.

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders; and words importing persons shall include firms and corporations and vice versa.

1.4 Date of Any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of the Arrangement Agreement.

ARTICLE 3
THE ARRANGEMENT

3.1 The Arrangement

On the Effective Date, the following shall occur and shall be deemed to occur without any further authorization, act or formality:

(a) each issued and outstanding Pan-Global Share shall be and shall be deemed to be acquired by Newmex, free from any claims, in exchange for one-sixth of a Newmex Share, provided that the aggregate number of Newmex Shares payable to any Pan-Global Shareholder, if calculated to include a fraction of a Newmex Share, shall be rounded to the nearest whole Newmex Share;

(b) each Pan-Global Shareholder shall have transferred such Pan-Global Shares held by him to Newmex and Newmex shall have issued Newmex Shares in exchange therefor;

(c) each Pan-Global Shareholder shall cease to be a holder of Pan-Global Shares and the name of each Pan-Global Shareholder shall be removed from the central securities register of Pan-Global as of the Effective Date;

(d) the certificate representing each Pan-Global Share shall be deemed to have been cancelled as of the Effective Date;

(e) each Pan-Global Shareholder shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Arrangement;

(f) Newmex shall be and shall be deemed to be the transferee of all Pan-Global Shares, free of all liens, claims and encumbrances, and shall be entered in the central securities register of Pan-Global as the holder of such Pan-Global Shares as of the Effective Date;

(g) each outstanding Pan-Global Option, to the extent it has not been exercised, shall be transferred to Newmex in exchange for a Newmex Option to purchase that number of Newmex Shares determined by multiplying the number of Pan-Global Shares subject to each such Pan-Global Option by one-sixth at an exercise price per Newmex Share equal to the exercise price per Pan-Global Share of each such Pan-Global Option divided by one-sixth. All Newmex Options issued on such exchange shall be governed by the Newmex stock option plan. Any Newmex Options held by an optionholder following such exchange who is not a director, officer, employee or consultant of Newmex on the Effective Date will be cancelled within the time period set out in the Newmex stock option plan;

3.2 Acquisition of Common Shares of Dissenting Holders

The Pan-Global Shares owned by each Pan-Global Shareholder who sends to Pan-Global a written objection to the resolution to approve the Arrangement, as modified by the Interim Order or the Final Order, at or prior to the Pan-Global Meeting in accordance with Article 4 below, provided the dissent procedures are completed as required by the Interim Order and Article 4 below, shall be, and shall be deemed to be, transferred to Pan-Global for cancellation and cancelled contemporaneously with the acquisition by Newmex of Pan-Global Shares pursuant to Section 3.1 and such holders shall thereupon have no rights or entitlements with respect to those Pan-Global Shares, except as provided in Article 4.

ARTICLE 4
RIGHTS OF DISSENT

4.1 Grant of Rights of Dissent

Notwithstanding Section 3.1, pursuant to the Interim Order, each Holder of Pan-Global Shares is permitted to exercise a right of dissent (the "Dissent Right") under Division 2 of Part 8 of the Business Corporations Act in respect of the Arrangement.

4.2 Dissent Procedures

Further to the Interim Order, a Pan-Global Shareholder who wishes to exercise his Dissent Right must strictly follow, and will be subject to, the provisions set out in Division 2 of Part 8 of the Business Corporations Act.

ARTICLE 5
AMENDMENT OF THE PLAN OF ARRANGEMENT

5.1 Amendment of the Plan of Arrangement

Newmex and Pan-Global may jointly amend or supplement this Plan of Arrangement at any time and from time to time provided that such amendment or supplement must be contained in a written document which is filed with the Court and, if made following the Pan-Global Meeting, approved by the Court and communicated to the Pan-Global Shareholders in the manner, if any, required by the Court. Any amendment or supplement to this Plan of Arrangement may be proposed by Newmex and Pan-Global, jointly, at any time prior to the Pan-Global Meeting with or without any prior notice or communication and, if so proposed and accepted by the persons voting at the Pan-Global Meeting, shall become part of this Plan of Arrangement for all purposes.

SCHEDULE B

**To the Arrangement Agreement dated as of February 3, 2006
between Newmex Minerals Inc. and
Pan-Global Energy Ltd.**

Outstanding Options and Warrants

Newmex:

Options

Name	Date of Grant	No. of Shares	Exercise Price	Expiry Date
Various	October 19, 2007	197,500	$3.65	October 19, 2007
Various	January 5, 2006	935,000	$3.41	January 5, 2008

Warrants -

Date of Grant	No. of Shares issuable upon exercise	Exercise Price	Expiry Date
September 13, 2005	1,000,000	$2.00	September 13, 2006
November 18, 2005	4,000,000	$1.00	November 18, 2008
December 8, 2005	270,000	N/A	December 1, 2008
December 14, 2005	2,158,000	$4.00	December 14, 2007

Pan-Global:

Options

Name	Date of Grant	No. of Shares	Exercise Price	Expiry Date
Arn Shoch	February 5, 2003	200,000	$0.25	February 5, 2008
Rooky Driver	February 5, 2003	200,000	$0.25	February 5, 2008
Maureen Flynn Best	March 9, 2004	30,000	$1.49	March 9, 2009
Don Gardiner	March 9, 2004	70,000	$1.49	March 9, 2009
Gordon Harris	November 9, 2004	100,000	$1.00	November 9, 2009
Ian Walker	February 1, 2005	45,000	$1.00	February 1, 2010
Don Seager	February 1, 2005	50,000	$1.00	February 1, 2010
Di Ciseki	February 1, 2005	10,000	$1.00	February 1, 2010
Glen Basnett	February 1, 2005	20,000	$1.00	February 1, 2010
Kristoffer Benson	February 1, 2005	15,000	$1.00	February 1, 2010
Lester Stach	April 27, 2005	150,000	$0.88	April 27, 2010
Mel Benson	April 27, 2005	150,000	$0.88	April 27, 2010
John Land	April 27, 2005	150,000	$0.88	April 27, 2010

Name	**Date of Grant**	**No. of Shares**	**Exercise Price**	**Expiry Date**
632959 AB Ltd.	April 27, 2005	150,000	$0.88	April 27, 2010
Corrine Lyons	November 14, 2005	40,000	$0.50	November 14, 2010
Ian Walker	November 14, 2005	25,000	$0.50	November 14, 2010
Gordon D. Harris	November 14, 2005	200,000	$0.50	November 14, 2010
Richard Naden	November 14, 2005	500,000	$0.50	November 14, 2010
Michael D. Win	December 28, 2005	100,000	$0.51	December 28, 2010
John D. McBride	December 28, 2005	100,000	$0.51	December 28, 2010
Byron Fleming	December 28, 2005	50,000	$0.51	December 28, 2010

No Warrants

SCHEDULE C

To the Arrangement Agreement dated as of February 3, 2006
between Newmex Minerals Inc. and
Pan-Global Energy Ltd.

Encumbrances

Newmex:

- 15% Back-In Right granted to 0733259 B.C. Ltd (in respect of the Palo Duro transaction);
- Various industry standard royalty provisions

Pan-Global:

- $5,000,000 Secured Convertible Debenture issued to Middlemarch Partners Limited dated June 8, 2005
- Credit Agreement with Quest Capital Corp. dated October 12, 2004
- Joint Venture and Farmout Agreement between Onion Lake Energy Ltd. and Pan-Global Ventures Ltd. and Tenax Energy Inc.

SCHEDULE D

To the Arrangement Agreement dated as of February 3, 2006
between Newmex Minerals Inc. and
Pan-Global Energy Ltd.

Material Contracts

Newmex

1. Merger Agreement dated November 14, 2005 between Newmex, Newmex Acquisition Co. and San Miguel Developments Inc.

2. Escrow Agreement dated November 18, 2005 among Newmex, Raymond T. Pirraglia and U.S. Bank National Association

3. Operating Agreement (Palo Duro)

4. Participation Agreement (Palo Duro)

5. Assignment and Assumption Agreement (Palo Duro)

6. Assignment of Agreements (Palo Duro)

7. Rincon Consulting Agreement dated effective January 1, 2006

8. Gary Hyde Employment Agreement dated January 5, 2006

9. Letter Agreement dated December 22, 2005 between Valkyries Petroleum Corp., Valkyries U.S.A. Limited and Newmex (assigned by Newmex to Pearl Exploration and Production USA Ltd. pursuant to an Assignment Agreement dated January 19, 2006);

10. Representation and Warranty agreement dated January 19, 2006 between Valkyries Petroleum Corp., Valkyries U.S.A. Limited, Newmex and Pearl Exploration and Production USA Ltd.

Pan-Global

1. Consulting Agreement dated March 8, 2005 between Pan-Global and Richard Naden

2. Joint Venture Farmount and Operating Agreement between Onion Lake Energy Ltd., Pan-Global and Tenax Energy Inc. as amended August 22, 2003

3. Business Development and Management Services Agreement dated March 11, 2003 between Pan-Global and Tenax Energy Inc. as amended October 29, 2003

4. Consulting Agreement dated February 1, 2003 between Pan-Global, Tenax Energy Inc. et al as amended

5. Credit Agreement with Quest Capital Corp. dated October 12, 2004, as amended

SCHEDULE E

To the Arrangement Agreement dated as of February 3, 2006 between Newmex Minerals Inc. and Pan-Global Energy Ltd.

Pan Global Resolutions

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement agreement (the "Arrangement Agreement") dated February 3, 2006 between Pearl Exploration and Production Ltd. ("Pearl") and Pan-Global Energy Ltd. ("Pan-Global") with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement, is hereby ratified, authorized and approved.

2. The arrangement ("Arrangement") under section 288 of the *Business Corporations Act* (British Columbia), substantially as set forth in the Plan of Arrangement attached as Schedule A to the Arrangement Agreement, and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

3. Notwithstanding that this resolution has been duly passed and/or has received the approval of the Supreme Court of British Columbia, the board of directors of Pan-Global may, without further notice to or approval of the holders of Pan-Global securities or other interested or affected parties, subject to the terms of the Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the Effective Date of the Arrangement.

4. Any director or officer of Pan-Global is hereby authorized, for and on behalf of Pan-Global, to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action.