MINEFINDERS CORPORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three and Nine Months Ended September 30, 2004.
(Expressed in United States Dollars)

This discussion and analysis of financial position and results of operations of Minefinders Corporation Ltd. (the Company) should be read in conjunction with the unaudited interim consolidated financial statements of the Company and the notes thereto for the nine months ended September 30, 2004 and with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2003. Additional information relating to the Company, including the Company's Annual Information Form and Annual Report, is available on SEDAR at www. sedar.com.

Effective January 1, 2004, the Company changed its reporting currency from the Canadian dollar to the United States dollar so its financial results may be more comparable to other mineral exploration companies operating internationally. The effect of the change is discussed elsewhere in this report.

All amounts in this report are expressed in United States dollars, unless the context indicates otherwise.

Introduction

The attached interim consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differ in certain material respects from accounting principles generally accepted in the United States (US GAAP) (See note 10 to the interim financial statements.). The Company's accounting policies and estimates used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements, except for a change in reporting currency and adoption of new Canadian accounting standards for stock-based compensation, both of which are discussed elsewhere in this report. The policies and estimates are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Business Conditions and Highlights

The Company is engaged in the exploration and development of mineral properties, principally for precious metals. Its main asset is the Dolores deposit in Chihuahua, Mexico. A bankable feasibility study is in progress, the results of which will be the principal consideration in advancing the Company from the exploration stage into development and production. The Company has selected a combined flotation and heap leach mineral recovery process for the final feasibility study which is still expected to be completed early in 2005. The addition of flotation to the Dolores mine plan is expected to substantially increase the overall percentage recovery of contained gold and silver. Drilling continues at Dolores, and other infrastructure and preparatory activities continue in anticipation of a positive outcome to the feasibility study. On August 9, 2004 the Company reported an increase of 10% in measured and indicated resources at the Dolores project to 93 million tonnes containing 2.6 million ounces of gold and 123 million ounces of silver (at a 0.3 grams per tonne cut-off), and further drilling has caused the resource to be increased to 97.3 million tonnes containing 2.75 million ounces of gold and 128 million ounces of silver. These most recent figures have been submitted to independent engineering firms for review, audit and approval for inclusion in the feasibility study. This further drilling also appears to confirm and add to the amount of resources that may be mined underground, either from the planned open pit or directly from surface. This underground resource is not being considered in the current feasibility study, and will be dealt with at a later time as an additional resource.

The Company is conducting an exploration program on several of its Northern Sonora properties, and added to its portfolio in the first quarter of 2004 by securing mineral rights on the 500 hectare Planchas de Plata mineral concession in Northern Sonora, approximately 18 kilometers west-southwest of Nogales, Mexico. Since the end of the third quarter the Company has obtained the necessary surface rights to allow drilling to begin before year-end. In June 2004 the Company announced the discovery of significant silver mineralization in an initial drilling program at its Real Viejo project, also located in Northern Sonora, approximately 10 kilometres northwest of the Planchas de Plata District. In view of this success an additional drill program of 2000 meters of reverse circulation drilling was started in October. Also, a six-hole diamond drilling program has been started on the Dottie property in Elko County, Nevada.

The Company does not have revenue except interest earned on cash balances. It relies on equity financing to fund corporate expenses and exploration programs on its properties in Mexico and the United States. The market for gold and silver equity issues was favourable in the first quarter of 2004. The price for gold was above $400 per ounce for most of that quarter, and peaked at $427 on April 1.

In the second quarter, prices ranged from $375 per ounce to $427, with an average of $393, down from the first quarter average of $401. For the third quarter, the average price was $401 with a high of $416 and a low of $387. The price of gold on November 10 was $433. Silver prices ranged from $5.87 per ounce to $6.82, with a November 10 price of $7.50. The current prices of these two commodities are considered by management to be favourable to a development decision at Dolores.

Operating Activities

The Company recorded a net loss for the quarter ended September 30, 2004 of $0.42 million ($0.01 per share) compared with $1.259 million ($0.04 per share) in 2003. The 2003 figure includes $1.157 million in stock-option compensation expense for which there is no equivalent in the third quarter of 2004. Year to date, the net loss is $2.403 million ($0.07 per share) compared with a loss in 2003 of $2.315 million ($0.07 per share). These figures include $1.318 million of stock-based compensation expense incurred in the second quarter of 2004 and $1.157 million in the third quarter of 2003. Without these charges, the net losses for the nine months ended September 30, 2004 and 2003 would have been $1.085 million and $1.158 million. For the third quarters, a similar adjustment would result in a net loss of $0.420 million in 2004 compared with $0.102 million in 2003.

Administration costs increased from $0.322 million in the third quarter of 2003 to $0.376 million in 2004 after adjusting for stock-based compensation expense. Accounting and auditing costs increased by $54,000. Additional accounting staff have been hired and additional audit expense has been incurred to meet the Company’s continued growth and the substantial increase in its regulatory compliance responsibilities. Consulting costs year to date of $237 are higher than the $134 for the same period in 2003, primarily because of bonus compensation to two officers amounting to $80 for which there is no equivalent in 2003. General office costs increased from $173,000 to $292,000 primarily because of a corporation capital tax assessment of $74,000, and additional staff hired in this group.

Summary by Quarter

The following tables present our unaudited quarterly results of operations for each of the

last eight quarters.

Net loss by quarter (000's)

	Q-1	**Q-2**	**Q-3**	**Q-4**
2004				
Net loss excluding write-down	$194	$1,700	$224	
Write-down of mineral properties	48	41	196	
Net loss	$242	$1,741	420	
Loss per share	$0.01	$0.05	$0.01	
2003				
Net loss excluding write-down	$689	$325	$1,226	$620
Write-down of mineral properties	23	19	33	1,012
Net loss	$712	$344	$1,259	$1,632
Loss per share	$0.02	$0.01	$0.04	$0.05
2002				
Net loss excluding write-down				$550
Write-down of mineral properties				269
Net loss				$819
Loss per share				$0.03

The above figures have been restated to conform to the newly adopted accounting policy for stock-based compensation and for the change in reporting currency to the United States dollar, both as described in Note 3 to the consolidated financial statements for the three and nine month periods ended September 30, 2004.

As the Company is still in the exploration stage, its quarterly losses are not affected by sales or production-related factors. Variances by quarter reflect overall corporate activity and are also caused by factors which are not recurring each quarter, such as charges for stock-based compensation on the award of stock options.

Financial Position and Liquidity

The Company's financial condition improved significantly in 2003 and the Company maintained high levels of cash balances and working capital throughout the first three quarters of 2004. As at September 30, 2004, the Company had working capital of $41.331 million, compared with $45.0 million at December 31, 2003. The most significant component of the change in working capital in the third quarter was the increase in cash and cash equivalents by $0.461 million over the June 30, 2004 balance. The Company's cash and cash equivalents are held primarily in Canadian dollars and in the third quarter the US dollar value of those Canadian dollars rose substantially because of the major change in Canada/US exchange rates from US $0.75 per Canadian dollar at June 30, 2004 to US$0.79 at September 30, 2004. The resultant increase in the cash equivalents was a third quarter translation gain of $2.29 million. The gain was offset by the cash expenditures on mineral properties, exploration and capital assets of $1.896 million. Positive changes in working capital balances of $0.288 more than offset the cash loss for the quarter of $0.221, giving rise to a relatively insignificant $0.067 million of positive cash flow from operating activities.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities, some of which are denominated in United States dollars and Mexican pesos. These accounts are recorded at their fair market value. The Company is at risk to financial gain or loss as a result of foreign exchange movements against the Canadian dollar. During the three months ended September 30, 2004, the Company realised a gain of $0.064 million, while in the same period in 2003 a loss of $0.159 million was recorded. The Company will continue to seek to maintain a low exposure to foreign currency fluctuations.

The Company's cash and cash equivalents are liquid renewable Canadian dollar bank instruments which provide a fixed rate of interest during the term.

Investment in Mineral Exploration and Development

As at November 10, 2004 and September 30, 2004, there were 36,451,841 common shares issued and outstanding and there were 3,465,000 stock options outstanding with exercise prices ranging between CDN$1.05 and CDN$12.53 per share, all of which have vested.

Selected Annual Information

The following information is derived from the consolidated financial statements of the Company for each of the three years ended December 31, 2001, 2002 and 2003:

	2003	**2002**	**2001**
	(Thousands of US dollars except per share data)		
Revenues - Interest income	$ 398	$ 116	$ 11
Net loss	3,892	2,496	828
Net loss per share, basic and fully diluted	(0.12)	(0.10)	(0.04)
Total assets	80,406	29,238	23,957
Long-term liabilities	-	-	-
Dividends	-	-	-

The above table reflects the increased interest income derived from the investment of funds received from substantial equity issues in 2002 and 2003. The net losses for 2003 and 2002 include charges of $540,841 and $741,959 for stock-based compensation expense. Had these charges not been recorded the net losses would have been $3.35 million in 2003 and $1.75 million in 2002. Compared with the loss of $0.83 million in 2001, these adjusted numbers reflect the increasing level of the Company's activities.

The increase in total assets from $29.238 million at December 31, 2002 to $80.406 million at December 31, 2003 is almost entirely accounted for by an increase in cash balances of approximately $40 million arising from equity issues of $44.44 million in late 2003 and in additional deferred mineral exploration expenditures of $11.76 million financed in part by equity issues of $9.35 million in 2002.

The above table does not necessarily reflect a trend that investors should expect to continue; it shows the outcome of specific events, primarily the Company's exploration success that has enabled it to access the equity markets for substantial funds in a period when such funds were more available because of higher gold and silver prices.

Outlook

The Company is adequately funded to carry out further development work at Dolores in anticipation of a positive result from its feasibility study. Current work plans are incorporated into a $7 to $10 million cash budget (of which $4.63 million has been expended through September 30, 2004) for additional drilling, engineering and construction, and environmental studies. Apart from property payments, the Company has no significant contractual obligations relating to Dolores at this time, except for contingent royalty payments once production commences. The Company believes it is well-positioned to secure the remaining capital required to undertake construction of the Dolores project. The Company may seek to secure debt financing for all or part of the Dolores construction costs, or it may seek equity financing for all or part of the costs. There can be no guarantee that such financing will be available to the Company when it seeks to begin construction of the project.

The Company plans to expand its exploration and development programs for 2004 on projects other than Dolores, with renewed drilling at its Northern Sonora properties, and to conduct initial and follow-up drilling at some of its Nevada properties. Expenditures on Northern Sonora are budgeted at $1.7 million and on Nevada projects at $0.5 million.

Change in Accounting Policy and Reporting Currency

The Company's functional currency is the Canadian dollar. On January 1, 2004, the Company adopted the United States dollar as its reporting currency with a restatement of prior period accounts.

Effective January 1, 2004, the Company adopted the recommendations of revised Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-based compensation and other stock-based payments".

Readers are referred to Notes 3, 4 and 9 of the consolidated financial statements for the nine months ended September 30, 2004 for further information.

Critical Accounting Estimates

There are no changes to critical accounting estimates from those presented for December 31, 2003. Readers are referred to Management's Discussion and Analysis dated March 31, 2004 for further information.

Table of Commitments
Payments due by period (000's)

	2004	2005-2006	2007-2008
Property payments (a)	$ 50	$ 200	$ 150
Operating lease payments (b)	20	100	-
Contingent royalty payments (c)	-	-	-
	$ 70	$ 300	$ 150

a) Payments in respect of Dolores property, which the Company expects to make; all other property payments are at the discretion of the Company;
b) Includes existing leases without extensions;
c) Royalty payments on the Dolores property, consisting of net smelter payments totaling 3.25% on gold and 2% on silver net revenues cannot be quantified until the project reaches production.

Related Party Transactions

Related party transactions are summarized in Note 8 to the financial statements for the nine months ended September 30, 2004.

Risks and Uncertainties

Certain statements contained in this report, including statements regarding the anticipated development and expansion of the Company's business, the intent, belief or current expectations of the Company, its directors and its officers, primarily with respect to the future operating performance of the Company and the products it expects to offer and other statements contained herein regarding matters that are not historical facts, are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act (the "Reform Act"). Future filings with the Securities and Exchange Commission, future press releases and future oral or written statements made by or with the approval of the Company, which are not statements of historical fact, may contain forward-looking statements, as defined under the Reform Act. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements.

For a more detailed discussion of some of the risks and uncertainties facing the Company, please see the management discussion and analysis found on pages 6-10 of the 2003 Annual Report or in the Company's annual information form.

Note to U.S. Investors

While the terms "mineral resource", "measured mineral resource", "indicated mineral resource", and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under standards in the United States. As such, information contained in this report concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the Securities and Exchange Commission. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their existence and a great uncertainty as to their economic and legal feasibility. It can not be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

"Mark H. Bailey"	"Ronald J. Simpson"
Mark H. Bailey	Ronald J. Simpson
President and Chief Executive Officer	Chief Financial Officer

Vancouver, B.C.
November 10, 2004.