PANORO MINERALS LTD.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2016

May 30, 2016

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Background & Date

The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Panoro Minerals Ltd. ("Panoro" or the "Company"), as filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website.

The MD&A is a narrative explanation, through the eyes of management, of how Panoro performed and the significant factors relating to the Company during the three months ended March 31, 2016 ("Q1 2016"), and up until the date of this MD&A, as known to management. The MD&A complements and supplements the unaudited condensed interim consolidated financial statements of the Company for Q1 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting.* This MD&A is prepared as of May 30, 2016, and includes certain statements that may be deemed "forward-looking statements". Readers are directed to the section: Risks and Uncertainties" and "Statement on Forward-Looking Information" included within this MD&A.

See the going concern discussion in the liquidity section of this document, Page 20.

Additional Sources of Information

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Audited Financial Statements, the 2015 Annual Information Form, 2015 Management Information Circular, Material Change Reports, press releases, and the Company's technical reports, each of which are available on the SEDAR website at www.sedar.com or on the Company's website www.panoro.com.

Our Business

Panoro was incorporated pursuant to the laws of British Columbia on September 28, 1994, under the name "Anaconda Minerals Corporation", by Memorandum and Articles filed with the Registrar of Companies for British Columbia. On February 28, 1997, the Company changed its name to "Panoro Resources Ltd.". The Company was amalgamated in British Columbia on June 6, 2003, under the Company Act of British Columbia (the predecessor of the BCA) and changed its name to "Panoro Minerals Ltd.".

The head office of Panoro is located at Suite 1610, 700 West Pender Street, Vancouver, British Columbia V6C 1G8. The registered and records offices of Panoro are located at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

The common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "PML", the Frankfurt Exchange ("PZM") and on the Junior Board of the Bolsa de Valores de Lima ("PML" - Lima Stock Exchange). The Company is an "exchange issuer" as that term is defined in the Securities Act (British Columbia). The Company is a "reporting issuer" as defined under applicable securities legislation in British Columbia, Alberta and Ontario.

Qualified Person

The technical information in this MD&A has been reviewed and approved by Mr. Luis Vela, a Qualified Person as defined by National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("NI 43-101"). Mr. Vela is responsible for the preparation and/or verification of the technical disclosure in this document unless otherwise noted.

All dollar amounts set forth in the tables and financial section of this MD&A are expressed in Canadian dollars and referred to as "$" and financial information is prepared under recorded under IFRS unless otherwise specifically indicated. There are also references in this MD&A to Perúvian Nuevos Soles ("S/.") and United States dollars ("US"). As at March 31, 2016, the closing rate for one Canadian dollar in S/. was C$1.00 = S/. 2.5589, and the closing rate for one Canadian dollar in USD was C$1.00 = US$0.7700 as reported by the Bank of Canada.

CAUTION REGARDING FORWARD LOOKING STATEMENTS: Information and statements contained in this MD&A that are not historical facts are "forward-looking information" within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Examples of forward-looking information and statements contained in MD&A include information and statements with respect to:

- acceleration of payments by Silver Wheaton to match third party financing by Panoro targeted for exploration at the Cotabambas Project
- payment by Silver Wheaton of US$140 million in installments
- Panoro weathering the current depressed equity and commodity markets, minimizing dilution to existing shareholders and making targeted investments into exploration at the Cotabambas Project
- mineral resource estimates and assumptions
- the PEA, including, but not limited to, base case parameters and assumptions, forecasts of net present value, internal rate of return and payback;
- copper concentrate grade from the Antilla and Cotabambas Projects;

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. In some instances, material assumptions and factors are presented or discussed in this news release in connection with the statements or disclosure containing the forward-looking information and statements. You are cautioned that the following list of material factors and assumptions is not exhaustive. The factors and assumptions include, but are not limited to, assumptions concerning: metal prices and by-product credits; cut-off grades; short and long term power prices; processing recovery rates; mine plans and production scheduling; process and infrastructure design and implementation; accuracy of the estimation of operating and capital costs; applicable tax and royalty rates; open-pit design; accuracy of mineral reserve and resource estimates and reserve and resource modeling; reliability of sampling and assay data; representativeness of mineralization; accuracy of metallurgical test work; and amenability of upgrading and blending mineralization.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- risks relating to metal price fluctuations;
- risks relating to estimates of mineral resources, production, capital and operating costs, decommissioning or reclamation expenses, proving to be inaccurate;
- the inherent operational risks associated with mining and mineral exploration, development, mine construction and operating activities, many of which are beyond Panoro's control;
- risks relating to Panoro's ability to enforce Panoro's legal rights under permits or licenses or risk that Panoro's will become subject to litigation or arbitration that has an adverse outcome;
- risks relating to Panoro's projects being in Perú, including political, economic and regulatory instability;
- risks relating to the uncertainty of applications to obtain, extend or renew licenses and permits;
- risks relating to potential challenges to Panoro's right to explore and/or develop its projects;
- risks relating to mineral resource estimates being based on interpretations and assumptions which may result in less mineral production under actual circumstances;
- risks relating to Panoro's operations being subject to environmental and remediation requirements, which may increase the cost of doing business and restrict Panoro's operations;
- risks relating to being adversely affected by environmental, safety and regulatory risks, including increased regulatory burdens or delays and changes of law;
- risks relating to inadequate insurance or inability to obtain insurance;
- risks relating to the fact that Panoro's properties are not yet in commercial production;
- risks relating to fluctuations in foreign currency exchange rates, interest rates and tax rates; and
- risks relating to Panoro's ability to raise funding to continue its exploration, development and mining activities.

This list is not exhaustive of the factors that may affect the forward-looking information and statements contained in this news release. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information. The forward-looking information contained in this news release is based on beliefs, expectations and opinions as of the date of this news release. For the reasons set forth above, readers are cautioned not to place undue reliance on forward-looking information. Panoro does not undertake to update any forward-looking information and statements included herein, except in accordance with applicable securities laws.

Cautionary Note to US Investors

Information and disclosure concerning mineral properties in this MD&A has been prepared in accordance with Canadian disclosure standards under applicable Canadian securities laws, which are not comparable in all respects to United States disclosure standards. The terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" (and similar expressions) used in this MD&A are Canadian mining terms as defined in accordance with National Instrument 43-101 ("NI 43-101") under guidelines set out in the standards set by the Canadian Institute of Mining, Metallurgy and Petroleum.

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 the standards of the U.S. Securities and Exchange Commission ("SEC"). As such, certain information contained or incorporated by reference in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. An "Inferred Mineral Resource" has a great amount of uncertainty as to its existence and as to its economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. Investors are cautioned not to assume that all or any part of Measured, Indicated or Inferred Mineral Resources will ever be converted into Mineral Reserves. Investors are also cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists, or is economically or legally mineable.

Description of Business

Panoro holds a portfolio of twelve mineral properties in Perú of which two, the Cotabambas and Antilla projects, are at an advanced stage of exploration.

The Company is planning to reduce carrying costs on certain mineral projects by not renewing the mineral concessions for certain non-core concessions. The Company has until the end of June 2016 to determine which, if any, of the concessions will not be renewed. As the Company may forego its rights to explore these concessions, certain capitalized exploration and evaluation costs of $2,266,865 were written off in fiscal 2015.

Readers are also directed to the Annual Information Form dated April 29, 2016, for a detailed discussion and history on all the Company's projects.

Developments in the Company in Q1 2016 and to the date of this MD&A are summarized below:

Recent Activities and Highlights

Two key developments during 2016 have been achieved:

1) Completion of the Early Deposit Precious Metals Purchase Agreement; and
2) Completion of Antilla Project Preliminary Economic Assessment

Early Deposit Precious Metals Purchase Agreement

The Company and its wholly-owned subsidiary entered into a definitive Early Deposit Precious Metals Purchase Agreement (the "Cotabambas Early Deposit Agreement") signed on March 21, 2016, with Silver Wheaton (Caymans) Ltd. ("Silver Wheaton"), in respect of the Cotabambas project located in Perú.

The principal terms of the Cotabambas Early Deposit Agreement are such that Silver Wheaton will pay the Company upfront cash payments totalling US$140 million for 25% of the payable gold production and 100% of the payable silver production from the Company's Cotabambas Project in Perú. In addition, Silver Wheaton will make production payments to the Company of the lesser of the market price and US$450 per payable ounce of gold and US$5.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Company's Cotabambas Project. On April 18, 2016, the Company received the first payment of US$1.0 million, pursuant to the terms of the agreement.

The Company is entitled to receive US$14.0 million spread over up to 9 years as an early deposit with payments to be used to fund expenses related to the Cotabambas Project. The Cotabambas Early Deposit Agreement includes provisions to accelerate these payments, whereby Silver Wheaton will pay an additional payment in an amount equal to the amount of funds raised in any offering of equity securities for the purpose of exploration of the Cotabambas Project during the period January 27, 2016, to March 21, 2018, up to a maximum of US$3.5 million for all such offerings. The acceleration could result in total early deposit payments of up to US$7.0 million being made to the Company in the first two years of the agreement. The balance of the US$140.0 million, should Silver Wheaton elect to proceed with the Cotabambas Early Deposit Agreement, is payable in instalments during construction of the Cotabambas Project.

The US$14.0 million in payments will be sufficient for the Company's minimum working capital for the foreseeable future.

An additional US$1.0 million, expected in the second quarter of fiscal 2016, has not been received as of May 30, 2016, the effective date of this MD&A.

The Cotabambas Early Deposit Agreement provides for the basic working capital requirements of the Company; however, additional financing will be required to advance work on the Company's other projects.

The principal focus of activity, pending additional financing, will remain the Cotabambas Project. The Company filed a Technical Report on a Preliminary Economic Assessment of the Cotabambas Project dated April 9, 2015, (the "April PEA") which was superceded by a second Technical Report on an updated Preliminary Economic Assessment of the Cotabambas Project dated September 22, 2015 (the "Updated PEA"). In addition to demonstrating an improved economic outcome for the Cotabambas project, the Updated PEA identified a number of areas with the potential to further enhance and expand the project plan and economics. The priority areas targeted for future investment include:

- drilling and metallurgical testing to delineate and test additional oxide mineralization to the north side of the current proposed pit limits with the potential to incorporate a heap leach and SX/EW circuit to the project plan;
- metallurgical testing of the sulphide and high gold oxide mineralization zones to assess the potential for increased recoveries; and
- drilling to test and delineate the mineralization mapped and sampled at the nearby Maria Jose target.

The Cotabambas Early Deposit Agreement includes a provision for Silver Wheaton to match any investment into the Cotabambas project by accelerating their payments by up to US$3.5 million over the first two years of the agreement. This matching provision will reduce the amount of additional financing required to complete the planned works at the Cotabambas Project. Copies of the Cotabambas technical reports can be found on SEDAR or on the Company's website.

Antilla PEA

The Antilla project is a copper-molybdenum porphyry deposit, located 140 km south west of the city of Cusco, in the Apurimac region in Southern Peru. On May 2, 2016, the Company issued a news release announcing the results of a Preliminary Economic Assessment of the Antilla Project ("Antilla PEA") and a Technical Report will be filed on SEDAR within 45 days of that date.

Highlights of the Antilla PEA, directly excerpted from the news release, include:

- Pre-tax NPV(7.5%) is US$ 491 million, IRR is 22.1% and payback is estimated at 3.3 years
- After-tax NPV(7.5%) is US$ 225 million, IRR is 15.1% and payback is estimated at 4.1 years
- Conventional open pit mining and flotation processing
- Design throughput of 40,000 tonnes per day with an operational life of mine of 24 years
- low waste to mill feed ratio of 0.85:1
- Average annual payable copper of 81 million pounds
- Average annual payable molybdenum of 1.9 million pounds
- Average direct cash costs (C1) of US$1.83 per pound of payable copper, net of byproduct credits
- Initial project capital costs of US$ 603 million, including contingencies
- Good potential for discovery of additional mineralization adjacent to the current mineral resource area.

The Antilla PEA was prepared by SRK Consulting (Canada) Inc. ("SRK") and Moose Mountain Technical Services Ltd. ("MMTS") in accordance with the definitions in NI 43-101. The Antilla PEA is based on a Mineral Resource estimate completed by Tetra Tech Inc. ("Tetra Tech") in December 2013, based on 2,919 metres of drilling from legacy campaigns (2003-5), 9,130 metres of drilling by Panoro (2008), and 2,242 metres of drilling during a joint venture agreement with Chancadora Centauro SA (CHC) in 2010. The Mineral Resource estimate includes primary and supergene sulphides, as well as oxide copper. -

A PEA is considered preliminary in nature. It includes Inferred Mineral Resources that are considered too speculative to have the economic considerations applied that would enable classification as Mineral Reserves. There is no certainty that the conclusions within the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Economics

The table below summarizes base case economic metrics for the project as well as its sensitivity to the price of copper:

Table 1.Summary of PEA estimates of NPV, IRR, and Payback

	Before Tax*					After Tax				
Copper Price ($/lb)	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)	NPV 5% (million USD)	NPV 7.5% (million USD)	NPV 10% (million USD)	IRR (%)	Payback (Years)
2.75	389	261	161	16.2	4.0	163	78	11	10.5	4.8
3.00	**676**	**491**	**350**	**22.2**	**3.3**	**348**	**225**	**131**	**15.1**	**4.1**
3.25	964	721	538	27.7	2.7	529	369	248	19.0	3.6

* Note: base case at Cu=$US 3.00 in bold, all cases include Mo=$US 12.00; excludes Peru statutory charges, i.e. profit sharing, regulatory fees, mining royalty, special mining tax, and income tax

Project economics were estimated on the basis of long term metal price forecasts derived from prices periodically published by large banking and financial institutions and included copper at $3.00/lb, and molybdenum at $12.00/lb.

Mineral Resources

The Antilla PEA was based on a Mineral Resource model prepared by Tetra Tech, which is documented in a technical report filed on SEDAR, dated December 16, 2013.

A block model was generated with grade estimation constrained by modeled mineralization wireframes. Mineralization is mined from an open pit and treated using conventional flotation and hydrometallurgical flow sheets. Copper equivalent (CuEq) cut-offs were used to report the mineral resource. Metal prices: copper - US$3.25/lb and molybdenum – US$9.00/lb and metallurgical recoveries: copper - 90% and molybdenum – 80% were applied in the equivalency calculation.

During the preparation of the Antilla PEA, Tetra Tech re-classified the mineral resources and also revised the pit shell used to constrain the mineral resource for reporting, using more current pit optimization parameters. The estimation parameters for the 2015 mineral resource model are identical that of 2013.

The updated Mineral Resource has an effective date October 19, 2015, and is tabulated in Table 2.

Table 2. Mineral Resource Statement*, Antilla Project, Peru, Tetra Tech Inc., October 19, 2015

Domain	Quantity	Grade		
	'000 tonnes	Cu %	Mo %	CuEq%
Indicated				
Overburden/Cover	5,600	0.25	0.01	0.28
Leach Cap	13,400	0.25	0.01	0.27
Supergene	168,900	0.41	0.01	0.42
Primary Sulphides	103,900	0.24	0.01	0.26
Total Indicated	**291,800**	**0.34**	**0.01**	**0.36**
Inferred				
Overburden/Cover	500	0.22	0.009	0.24
Leach Cap	13,400	0.21	0.008	0.22
Supergene	25,900	0.34	0.008	0.36
Primary Sulphides	50,700	0.24	0.007	0.25
Total Inferred	**90,500**	**0.26**	**0.007**	**0.28**

* Reported at a cut-off grade of 0.175 CuEq%; assuming an open pit extraction scenario, a copper of US$3.25 per pound and a molybdenum price of US$ 9.00 per pound, and a metallurgical recovery of 90 percent for copper and 80 percent for molybdenum.

The revised reporting methodology for the 2015 Mineral Resource statement has resulted in a positive and significant net redistribution of material from Inferred to Indicated compared to the 2013 mineral resource statement. A detailed analyses of the 2013 to 2015 mineral resource reconciliation will be provided in the technical report being prepared to support the Antilla PEA. Primary reasons for the change include a revised pit shell used to constrain mineral resource reporting, a drop in reporting cut-off grade from 0.20 CuEq% to 0.175CuEq% and the unique distribution of grade within the deposit.

Table 3 tabulates the variance between the 2013 and 2015 mineral resource statements, which highlights the net increase in Indicated mineral resources at the expense of Inferred mineral resources. The small decreases in metal grades, due to the lower cut-off grade, are offset by large increases in tonnage; therefore this update reports a net increase in metal over previous estimates.

Table 3. Reconciliation* Table Comparing the December 2013 and October 2015 Mineral Resource Statements

Domain	Quantity	Grade		
	'000 tonnes	Cu %	Mo %	CuEq%
Indicated				
Overburden/Cover	22%	-7%	0%	-7%
Leach Cap	54%	-11%	10%	-10%
Supergene	27%	-9%	-20%	-9%
Primary Sulphides	144%	-20%	-10%	-19%
Total Indicated	**55%**	**-16%**	**-15%**	**-15%**
Inferred				
Overburden/Cover	101%	-8%	-10%	-8%
Leach Cap	59%	-5%	-20%	-8%
Supergene	-47%	3%	-20%	6%
Primary Sulphides	-42%	-8%	-30%	-7%
Total Inferred	**-38%**	**-6%**	**-26%**	**-5%**

* Reconciliation: 22% = (2015-2013)/2013

Mining and Processing

The Antilla PEA incorporates an open pit mining operation using conventional truck and shovel methods. The estimated 24 year life of mine includes 350 million tonnes of mill feed plus 297 million tonnes of waste rock resulting in an average waste:mill feed ratio of 0.85:1. The average life of mine mill feed grade is 0.31% copper and 0.009% molybdenum. The mill throughput is planned at 40,000 tonnes per day through the processing plant that will be located approximately 1 km to the West of the Antilla ultimate pit limit. Approximately half of the wasterock will be used for construction of the Tailings Storage Facility ("TSF") with the remaining wasterock placed in storage areas around the pit limit and within the pit.

The sub-set of the Mineral Resources contained within the ultimate pit and included in the mine plan is 291.1 million tonnes averaging 0.322% Cu and 0.0089% Mo classified as Indicated Resources and 59.8 million tonnes averaging 0.249% Cu and 0.0071% Mo classified as Inferred Resources. Inferred Resources are included in the mine plan but are considered too speculative geologically to have economic considerations applied to them that would enable categorization as Mineral Reserves. There is no certainty that Inferred Resources will be upgraded to Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 4 summarizes the production parameters:

Table 4. Projected Production Summary

Total Mill Feed Material*	350.4 million tonnes*	
Average Processing Rate	40,000 tonnes per day	
Life of Mine (LOM) Strip Ratio	0.85	
	Copper	**Molybdenum**
Average Mill Feed Grade	0.31%	0.009%
Average Process Recoveries	84.5%	67.4%

* The cut-off grade used to calculate the mill feed is NSR>=6.1 NSR is calculated using the following formula:

NSR = [Cu grade (%) * Cu process recovery (%) * 57.76] + [Mo grade (%) * Mo process recovery (%) * 203.93]. The total mill feed tonnes do not include 0.5 Mt of stockpiled material that will not be processed at the end of the mine life since this material forms the base of the stockpile pad.

The run of mine mineralized material will feed a gyratory crusher ahead of a conventional SAG and ball mill grinding circuit. A bulk copper-molybdenum concentrate will be recovered in rougher and scavenger flotation stages. Following regrinding, molybdenum will be separated from the bulk concentrate in three or more stages of cleaner flotation. Both concentrates will be thickened and filtered while the tailings will be thickened prior to being pumped to the TSF.

For the two main zones (Supergene and Primary Sulphide), the copper concentrate will be 20% to 30% Cu, a clean concentrate free of penalty elements and precious metal content below payable levels. The molybdenum concentrate will be 32% to 40% Mo; future testwork will determine if further processing is required to reduce the copper and zinc levels. Both concentrates will be transported off site via truck with the copper concentrate shipped out of the port of Marcona, in Nazca province.

Metallurgical testwork was completed in 2013 by Certimin Laboratories S.A. in Lima, Perú on individual samples of Supergene and Primary Sulphide mineralised material. No metallurgical testwork has been conducted on the Cover or Leach Cap domains.

Table 5 summarizes the expected recoveries of the four mineralized domains, with the Cover and Leach Cap performance assumed to follow the main domains based on similar copper mineralogy/speciation.

Table 5. Summary of Metallurgical Recoveries Estimated in the PEA

Mineralized Domain	Cu Recovery (%)	Mo Recovery (%)
Cover*	80	65
Leach Cap*	75	65
Supergene	85	70
Primary Sulphide	85	65

* QP estimates - no supporting testwork completed

Projected production of payable metals is summarized in Table 6.

Table 6. Summary of Annual Average and Life of Mine Payable Metals

	Annual Average	Life of Mine
Copper (Mlbs)	81.0	1,944
Molybdenum (Mlbs)	1.9	44

Tailings

Flotation tailings will be pumped as a low solids content slurry to the TSF and discharged via spigots. The TSF containment dam will be constructed predominantly from wasterock produced from the mining activities and will include a geomembrane liner on the upstream face. Additional zones within the containment dam will be constructed with borrow material. Dam construction will be staged over the life of the mine using the downstream construction method. Reclaim water from the TSF will be circulated back to the mill. At closure, the tailings surface will be covered with a geosynthetic membrane liner and a growth medium, and the downstream face of the containment dam will be covered with a growth medium.

Capital and Operating Costs

The projected capital and operating costs for Antilla over a 2 year construction period and 24 year operating mine life are summarized in the tables below.

Table 7. Summary of Antilla Initial Capital Cost Estimates (US$ millions)

Item	Cost (US$ million)
Mine Equipment	51
Mine Development	55
Process Plant	187
Tailings Storage Facility	18
Infrastructure	85
Subtotal	**396**
Owners Cost	28
Indirect Costs	82
Subtotal	**506**
Contingencies	97
Total Initial Capital Cost	**603**

Power will be supplied via a 50 km long power line connected to the national grid at the Cotaruse substation in the district of Chalhuanca to the southwest of the Antilla project. Copper concentrate will be trucked by contractor from the mine site to the port of Marcona, in Nazca province, along existing road networks.

Table 8. Antilla Sustaining Capital and Mine Closure Costs (US$ millions)

Item	Cost (US$ million)
Mine Equipment	133
Tailings Storage Facility	181
Infrastructure	10
Total Sustaining Capital Cost	**324**
Mine Closure	92
Sustaining Capital and Closure Cost	**416**

Table 9. Antilla On-site Operating Costs (US$ per tonne milled)

Item	Cost (US$ million)
Mining Cost	3.57
Processing Cost	4.78
G&A Costs	0.75
Total On-site Operating Cost	**9.10**

C1 and C2 cash costs (as defined by Brook Hunt) per pound of payable copper are listed in the table below.

Table 10. Antilla Average Cash Costs (US$) per lb Payable Copper

Item	Cost (US$ million)
C1 - Direct Cash Cost	1.83
C2 - Production Cost	2.35

Opportunities for Project Growth and Enhanced Economics

- Tetra Tech recommends that further investigation of the Antilla deposit is warranted and necessary. There is potential to add new mineral resources at depth and in the Northeast and Southeast sides of the pit shell. Tetra Tech recommends that additional drilling be carried out to reduce the drill spacing ion those zones with copper mineralization, where drill spacing distances are greater than 100 m. Additional drilling will determine, with greater confidence, both the continuity and extents of copper mineralization within and outside of the known deposit.
- Tetra Tech recommends an extension of the current exploration grid to include the West Block, North Block, Middle Block and Chabuco exploration targets. Tetra Tech recommends continued geochemical sampling and geophysical surveys over these areas located next to the current mineral resources.
- Mill feed hardness could be consistently soft through mine life and lower crushing and grinding power requirements or alternately allow the plant to operate at higher capacity
- Potential to use a contractor mining fleet and reduce initial capital costs
- Potential to use larger equipment sizes and reduce mining costs

- Considering the very preliminary metallurgical testwork undertaken on the project to date, there is potential to increase recoveries with additional metallurgical testing and to improve discrimination between metallurgical types within the deposit

Future Work

Further work leading to a Pre-Feasibility Study on Antilla is recommended and will include drilling, mineral resource modeling, metallurgical testwork, engineering and marketing studies, hydrological and geotechnical analysis, as well as various baseline environmental and archeological studies. In addition, exploration work will be recommended over the other targets in the vicinity of the known deposits.

Tailings

Comprehensive tailings and waste rock geochemical testing is required to confirm whether additional control and mitigation measures may be required and whether there may be an opportunity to eliminate the need for a geosynthetic membrane in the closure cover system.

Geotechnical characterization of the tailings storage facility dam foundation and basin are required to confirm the proposed design. Borrow material and waste rock geotechnical characterization studies are also required. There are alternative areas for tailings storage inside and outside the property and a study of analysis of alternatives will be developed.

Environment & Permitting

Existing environmental liabilities associated with the project are restricted to those expected to be associated with an exploration-stage project, and include drill sites and access roads. Additional Environmental Baseline studies should be conducted to collect site data including surface water quality, archeology, aquatic and terrestrial biology, flora, fauna, and additional geochemical characterization of mine waste materials. This information will inform a comprehensive Environmental Impact Study.

Technical Reporting

The complete technical report documenting the Antilla PEA will be filed within 45 days of the news release on May 2, 2016, and will be available on Panoro's website and on SEDAR. The technical report will be authored by the following Qualified Persons:

Qualified Person	**Firm**	**PEA Area**	**Professional Affiliation** (and registration number)
Paul Daigle, PGeo	Tetra Tech Inc.	Geology, resources	APGO (#1592)
Jesse Aarsen, PEng	Moose Mountain Technical Services Ltd.	Mining	APEGBC (#38709) APEGA (#74969)
Adrian Dance, PEng	SRK Consulting (Canada) Inc.	Mineral processing	APEGBC (#37151)
Maritz Rykaart, PEng	SRK Consulting (Canada) Inc.	Tailings, environmental	APEGBC (#28531)
Goran Andric, PEng	SRK Consulting (Canada) Inc.	Infrastructure	PEO (#100103151)
Brian Connolly, PEng	SRK Consulting (Canada) Inc.	Economic analysis	PEO (#90545203)
Luis Vela, CMC	Panoro Minerals Ltd.	Exploration, mineral tenure, permits	CMC (#0173)

Mineral Property Expenditures

The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, equity financing, and optioning of its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, obtaining mining licenses, and continued uncertainty in the exchange and commodity markets.

The following table provides a breakdown of exploration expenditures incurred on the Company's mineral exploration and evaluation assets in Q1 2016:

	Antilla	Cotabambas	Other	Total
Acquisition costs:				
Balance, March 31, 2016 and December 31, 2015	$ 7,319,722	$ 4,925,035	$ 2,301,064	$14,545,821
Exploration expenditures incurred in period:				
Amortization	-	6,903	22	6,925
Camp	408	34,401	359	35,168
Community relations	-	5,000	-	5,000
Metallurgy	1,903	-	-	1,903
Preliminary economic assessment	29,249	-	-	29,249
Recording fees and taxes	24,188	15,487	115,726	155,401
Recovery of value-added taxes	(3,783)	(170,745)	(2,439)	(176,967)
Salaries and wages	-	47,193	-	47,193
Travel	357	1,704	-	2,061
Incurred during the period	52,322	(60,057)	113,668	105,933
Capitalized exploration expenditures at December 31, 2015	8,414,856	36,419,967	8,245,518	53,080,341
Capitalized exploration expenditures at March 31, 2016	8,467,178	36,359,910	8,359,186	53,186,274
Total exploration and evaluation assets at March 31, 2016	**$15,786,900**	**$41,284,945**	**$10,660,250**	**$67,732,095**

Results of Operations

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale investments which are recognized in other comprehensive income.

The Canadian Dollar has decreased significantly with respect to both the United States Dollar and the Perúvian Nuevo Sole since December 31, 2014. The exchange rate from Canadian Dollars to the US$ was1.610 at December 31, 2014; 1.3840 on December 31, 2015, and 1.2987 at March 31, 2016, an increase of $0.085, resulting in a decrease in expenditures paid in US$ since late fiscal 2015, but higher than expenditures incurred in the three months ended March 31, 2015 ("Q1 2015"), as the Company's funds were primarily kept in Canadian dollar investments. The Perúvian Nuevo Sole has decreased in value from C$0.4056 at December

31, 2015, to C$0.3908 at March 31, 2016, also resulting in a slight decrease in costs denominated in Perúvian Nuevo Soles.

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters, to the nearest thousand:

	Mar 2016 Q1	Dec 2015 Q4	Sept 2015 Q3	June 2015 Q2	Mar 2015 Q1	Dec 2014 Q4	Sept 2014 Q3	June 2014 Q2
Revenue	-	-	-	-	-	-	-	-
General and administrative	390	395	479	731	615	676	636	590
Share-based expense	-	-	-	-	-	-	68	-
Interest income	-	-	(3)	(12)	(22)	(30)	(27)	(11)
Foreign exchange gain (loss)	56	13	35	-	125	(22)	39	56
Impairment of marketable securities	-	-	-	-	-	62	-	-
Write-down of mineral property interests	-	2,267	-	-	-	-	-	-
Loss for the period	333	2,670	510	719	718	686	716	635
Loss per share	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Exploration expenditures incurred	283	514	1,217	1,793	1,487	1,313	1,473	1,734

(All amounts in the notes and tables of the financial section are recorded under IFRS and are presented in 000's of Canadian Dollars) (All loss per share information is rounded to the nearest penny)

Financial Results for the Three Months Ended March 31, 2016, Compared to the Three Months Ended March 31, 2015

	Three months ended March 31, 2016	2015	Increase (decrease)
Expenses			
Salaries and fees	$ 138,945	$ 334,546	$ (195,601)
Directors' fees	11,336	18,500	(7,164)
Audit and tax	11,000	25,812	(14,812)
Consulting	10,179	2,554	7,625
Legal expenses.	116,896	11,662	105,234
Communications	10,453	34,867	(24,414)
Regulatory fees	12,796	21,549	(8,753)
Amortization	2,903	3,769	(861)
Professional dues and training	911	8,040	(7,129)
Travel	8,490	18,733	(10,243)
Shareholder relations	2,903	35,421	(32,518)
Rent and insurance	53,549	77,695	(24,146)
Office	9,665	21,515	(11,850)
	390,026	614,663	(224,632)

The Company's loss in Q1 2016 of $333,470 ($0.00 per common share) compares to $718,474 ($0.00 per common share) in Q1 2015. The decrease in the Company's expenditures reflects the decrease in exploration and evaluation expenditures incurred on the properties and a concerted effort by the Company to decrease general and administrative costs as low as possible, due to the lack of working capital.

The Company is a publicly-traded company, subject to the reporting requirements of a TSX V listed company. The costs of a reporting company include transfer agent fees, listing and other regulatory fees, and increased audit and legal costs. Administration costs of the head office and certain administrative costs related to the subsidiaries are also expended.

Salaries and benefits decreased (due to both a reduction in head count and a reduction of executive salaries) by $195,601. The decrease includes severance payments and accrued vacation pay for almost the entire administrative staff in Perú, which was paid throughout the year and in December 2015 and January 2016. The staff remaining in Perú are all currently working on an as-needs-basis or part-time. Directors' fees were also reduced effective August 1, 2015, and were reduced again effective January 1, 2016. The reduction in staff levels throughout fiscal 2015 is reflected in the lower costs in Q1 2016.

Communications has decreased by $24,414 in Q1 2016, from $34,867 to $10,453, due to reduced activity in the Company.

The largest increase in costs was in legal fees, which increased from $11,662 in Q1 2015 to $116,896 in Q1 2016. This increase is due to the costs related to restructuring and the Cotabambas Early Deposit Agreement. There has also been a foreign exchange gain during the period of $56,425, due to the increase in the Canadian dollar against the US dollar in Q1

2016. In fiscal 2015 the Company leased additional office space in Lima due to an increase in the number of employees working on the PEA, but has since been able to cancel one of the leases, thereby reducing rental costs for 2016. The decrease in insurance and rent is reflected in the slightly lower costs, from $77,695 in Q1 2015 to $53,549 in Q1 2016, a decrease of $24,146.

Travel and investor relations costs decreased from $18,733 and $35,421 in Q1 2015 to $8,490 and $2,903 in Q1 2016. The two cost categories reflect reduced marketing and shareholder communications' activity.

Interest revenue decreased from $21,766 in Q1 2015 to $131 in Q1 2016, due to declining cash balances held by the Company.

Liquidity

Liquidity risk is the risk that the Company will not be able to operate in the normal course of business for the next 12 months. The Company is considered to be in the exploration and development stage and is currently exploring mineral properties in Perú. The Company has no history of revenues from operating activities and will have negative cash flow from operations in future periods until commercial production is achieved from its advanced exploration stage projects.

Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge is liabilities in the normal course of business.

The Company has no operating revenue and incurred a loss of $333,470 for the three months ended March 31, 2016 (March 31, 2015 – $718,474). As at March 31, 2016, the Company has an accumulated deficit of $29,817,166 (December 31, 2015 - $29,483,696), and a working capital deficiency of $1,511,599 (December 31, 2015 – $1,082,526).

Based on its financial position at March 31, 2016, the available funds are not adequate to meet requirements for the estimated operations, exploration and development expenditures in the next twelve-month period. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern (see subsequent event below). On April 18, 2016, the Company received the first payment of US$1.0 million, pursuant to the terms of the agreement.

An additional US$1.0 million, expected in the second quarter of fiscal 2016, has not been received as May 30, 2016, the date of this MD&A.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. The Company is in the business of exploring and developing mineral property interests, and as such, must continually seek sources of financing to further develop and explore its mineral exploration and evaluation assets and to support general and administrative expenses.

The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, and equity financing, and optioning its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, obtaining mining licenses, and continued uncertainty in the exchange and commodity markets.

If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

These financial statements do not reflect material adjustments to the carrying values of its assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Early Deposit Precious Metals Purchase Agreement and subsequent event

The Company and its wholly-owned subsidiary entered into a definitive Early Deposit Precious Metals Purchase Agreement (the "Cotabambas Early Deposit Agreement") signed on March 21, 2016, with Silver Wheaton (Caymans) Ltd. ("Silver Wheaton"), in respect of the Cotabambas Project. Please see the section entitled "Recent Activities and Highlights" at the beginning of this MD&A.

In addition to the Cotabambas Early Deposit Agreement, the Company has, wherever possible, renegotiated third party service agreements on more favourable terms. The reduced staff levels discussed elsewhere in this MD&A has had a corresponding impact on expenditures such as camp service meals, fuel, and travel. Based on its financial position at March 31, 2016, the available funds are not adequate to meet requirements for the estimated administration and operations, including exploration and development on its exploration and evaluation assets, but with the subsequent events and the decreased expenditure levels, the Company will meet basic requirements, including payment of the Vigencias (concession payments) on its mineral property interests in Peru.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors and/or achieve operating profitability and generate positive cash flows. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or generate positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

The recoverability of amounts shown for exploration and evaluation assets and property and equipment is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary mining and environmental permits, and future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The Company will continue to seek additional financing through the sale of mineral property interests, debt financing, equity financing, and optioning its other mineral property interests. However, it is not certain that such financing will be available. The Company may be adversely impacted by a lack of normal available financing, obtaining mining licenses, and continued uncertainty in the exchange and commodity markets.

If the Company is unable to obtain adequate financing for additional exploration, the Company may be required to continue to curtail operations, exploration, and development activities.

In response to the capital shortfall, the Company adopted cost cutting measures in order to preserve capital, and the results of these measures can be seen in the results in the three-month comparison between March 31, 2016, and 2015. These measures included reducing the employee head count, including utilizing part-time staff, and asking certain employees to continue on as contractors, reducing administration expenditures, and reducing exploration activity.

The change in cash and accounts payable is as follows:

	March 31, 2016	December 2015	Change
Cash	$ 50,195	$ 212,647	$ (162,452)
Accounts payable	(1,636,463)	(1,384,373)	(252,090)
Net	$ (1,586,268)	$(1,171,726)	$ (414,542)

The change in cash and cash equivalents is due to cash used in operations of $315,536 (2015: $735,531), primarily used for administration expenses, cash invested into exploration and evaluation of projects of $275,973 (2015: $1,486,738), an increase in accounts payable of $153,084 (2015: decrease of $667,505) and a recovery of the value-added taxes in Perú of $176,967(2015: $217,254).

Commitments and Capital Resources

In the normal course of business, the Company enters into contracts that result in commitments for future payments. The following table summarizes the remaining contractual maturities of the Company's operating and capital commitments. The Company has the following commitments:

	2016	2017	2018	2019	2020	Total
Office lease (Vancouver)	$ 47,479	$ 55,303	$ 56,885	$ 60,050	$ 61,633	$ 281,350
Office leases (Perú-US)	$ 61,742	$ 49,134	$ -	$ -	$ -	$ 182,596
Warehouses (S/.)	S/. -	S/.56,420	S/. 4,000	S/. -	S/. -	S/. 60,420
Accounts payable and accrued liabilities	$1,636,463	$ -	$ -	$ -	$ -	$1,636,463

Vigencias (or recording fees) of US$3 per hectare are not commitments, but rather the annual payments required to maintain mineral concessions in good standing with the Perúvian government. The actual payment made in 2015 for the 2014 year was US$631,759. The ultimate amount to be paid is based on a formula relating to exploration costs incurred, offset against the basic fee and penalty. After the 6th year, an annual penalty must be paid per hectare, starting at US$6 per hectare, until after 12 years, the additional fee increases to US$20 per hectare. The penalties are reduced, based on exploration activity on the concessions, and the reduction is determined each year by the Perúvian government. The Company estimates the annual cost to be approximately US$478,636 for the 2015 year and is payable by June of fiscal 2016. This balance is lower than the payment made in fiscal 2015, after the reduction in the concessions held by the Company. The Company has an office lease in Lima and three warehouses in Cusco, and an office lease in Vancouver, Canada.

There are no commitments or obligations on community agreements at the date of this MD&A. The community agreements have various social commitments which are only for the term of each agreement. The social commitments include infrastructure, vehicles, and community storage, along with teachers and computers for schools and scholarships for students. Pursuant to the community agreements, the Company also hires local workers to perform various construction, exploration and remediation work.

Related Party Transactions

Employment contracts have been entered into with each of the President and Chief Executive Officer ("CEO"), the Vice-President Exploration ("VP-Ex"), the Senior Vice-President, South America ("VP-SA") and the Vice-President, Operations ("VP-Op"). The Company is in the process of entering into an employment contract with the newly appointed Chief Financial Officer ("CFO"). The interim CFO was not remunerated for services during the period from November 2015 to May 2016 over and above his normal fees he received as Chairman and director of the Company.

Under the employment agreements, the President and CEO currently receives a base salary of $182,520 per year and benefits. The VP-Ex, VP-SA and VP-Op are currently working as contract employees, and their fees are based on time allocated for services to the Company, and the total salaries and contractual fees paid during the three months totalled $67,753 for the three officers. Each Named Executive Officer, except the VP-SA and the interim CFO during the period has entered into an employment agreement with the Company. Each agreement is for an indefinite term and provides for lump sum payments on termination of employment equal to approximately one to two years times the salary paid during the year, or at the end of the previous fiscal year.

Risks and Uncertainties

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control, some of which are discussed below. For a full list of risk factors and uncertainties that the Company faces, please refer to the Company's Annual Information Form filed on www.sedar.com on April 29, 2016.

Industry

The Company is engaged in the exploration and development of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered, developed and economically produced. Few exploration projects result in the discovery of commercially mineable ore deposits. If market conditions make financings difficult, it may be difficult for the Company to finance development of its projects. The Company may be unsuccessful in identifying and acquiring projects of merit.

Mineral resource estimates

The estimation of resources and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of resources recovered and rates of production will not be less than anticipated. The prices of copper, gold and other are affected by numerous factors including central bank sales or purchases, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, supply and demand, political, economic conditions and production levels.

Cash flows and additional funding requirements

The Company currently has no revenue from operations. Additional capital will be required to continue with advancement and development of its properties. The sources of funds currently available to the Company are equity capital and the Silver Wheaton Early Deposit Agreement, which is to be used for the Cotabambas Project in Peru. Other sources of funding could be the offering of an interest in its projects to other parties. The Company currently has sufficient financial resources to continue its operations. If the Company is able to raise additional funds by equity or other form of investment, additional exploration will be undertaken at the Cotabambas Project, as outlined in the April and September PEAs, which are available on the Company's website and www.sedar.com.

Exchange rate fluctuations

The Company is subject to fluctuations in currency exchange rates, principally the Canadian and United States dollars. Some impact is also due to the exchange rates between the

Canadian dollar and the Nuevo Sol, the currency of Peru. The impact of changes in exchange rates can be favourable or unfavourable, and expenditures made in the United States dollar or Peruvian Nuevo Sol can impact the operations significantly. The Company does not engage in currency hedging to offset any risk of exchange rate fluctuation. The funding from the Silver Wheaton Early Deposit Agreement is in United States dollars, and it is expected that the Company will leave surplus funds in USD.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the three months ended March 31, 2016, there were no transactions with directors and officers and/or companies controlled by directors or officers in common with the Company.

Proposed Transactions

There are no proposed transactions requiring disclosure under this section that have not already been discussed elsewhere in this MD&A.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates and assumptions in the preparation of the Company's audited consolidated financial statements relate to the review of asset carrying values and determination of impairment charges relating to non-current assets, valuation of share-based expense, recoverability of deferred tax assets, and provision for closure and reclamation, among others. Actual results could differ from those estimates.

Functional and reporting currency - The functional and reporting currency of the Company and all of its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of available-for-sale investments which are recognized in other comprehensive income.

In concluding that the Canadian dollar is the functional currency of the parent, and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Going concern - In concluding the Company is a going concern, management considers funds on hand at year end, planned expenditures and strategic objectives in its determination. Due to the nature of its business, management increases or decreases administrative and exploration expenditures based on available working capital. Focus is on the concessions in Perú and keeping them in good standing by making the annual payments due by the end of June in each year. Presentation of the consolidated financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In concluding the Company is a going concern, management considered funds on hand at year end, the budgeted expenditures and strategic objectives in their determination. Management has prepared a cash flow forecast incorporating planned exploration expenditures and administrative expenses for the year ending December 31, 2016, and has concluded that cash on hand at March 31, 2016, is not sufficient to fund operations through the 2015 fiscal year. Please refer to Item 1.6, Liquidity, for a discussion of the Silver Wheaton Cotabambas Early Deposit Agreement which will provide enough working capital for fiscal 2016 with a reduced operating budget, and provides for the payment of the Vigencias in June 2016 for all of the Company's concessions.

Determination of cash-generating units ("CGU") – The Company defines a CGU as each separate property which is the smallest identifiable group of assets that may generate cash inflows that are independent of other assets or group of assets. In management's judgement each of the Company's properties are cash-generating units based on the evaluation of the smallest discrete group of assets that may generate cash flows.

Impairment of mineral properties – All capitalized acquisition costs and exploration and evaluation expenditures are monitored for indications of impairment when facts and circumstances suggest that the carrying amount of a CGU may exceed its recoverable amount. Where a potential impairment is indicated, assessments are performed for each area of interest. Judgement is required of management to determine if impairment is necessary.

Recognition of deferred income tax assets - the decision to recognize a deferred tax asset is based on management's judgement of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

Stock-based compensation - The Company uses the Black-Scholes Option Pricing model to estimate the fair value of share-based awards granted. Option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise, expiry or cancellation and the vesting period of options granted. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant. Changes in the subjective input assumptions can materially affect the estimated fair value of the options.

Changes in International Financial Reporting Standards (IFRS)

IFRS standards issued but not yet effective

The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the Company's consolidated financial statements in the future.

IFRS 9, *Financial Instruments ("IFRS 9")*

The final version of IFRS 9 was issued by the IASB on July 24, 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, with early adoption permitted, and must be applied retrospectively with some exemptions permitted. The Company does not expect the adoption of IFRS 9 to have a material effect on its consolidated financial statements.

IFRS 15*, Revenue from Contracts with Customers ("IFRS 15")*

On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. Given the Company has no current sources of revenue, the adoption of this standard is not expected to have a material effect on the consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded patter of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is evaluating the impact of adopting this standard on its consolidated financial statements.

Other MD&A Requirements

Additional information relating to the Company including its Annual Information Form and annual consolidated financial statements and MD&A for the year ended December 31, 2015, are available on SEDAR at www.sedar.com.

Contingent receivable

Contingent receivable

In 2007, the Company entered into a Purchase and Sale Agreement ("Mindoro Agreement") with Mindoro Resources Ltd. and its subsidiaries (collectively, "Mindoro"). Further to the Mindoro Agreement, Mindoro was required to make four cash installment payments to the Company, two of which, totaling $2,000.000 in cash and shares, were received in fiscal 2007. At the time of disposition, the likelihood of the nickel laterite prospect going into production was unknown, and the final two payments were not recorded as a receivable. The nickel laterite prospect has commenced production, but the ability of Mindoro to make the payments is uncertain and is not probable at this time; and therefore, the Company will record any proceeds from Mindoro in operations when received. In accordance with the Mindoro Agreement, the two payments are to be made as follows:

a) $500,000 on the fifteenth business day following the loading on board a ship or other conveyance for transport to a purchaser of an aggregate one million wet metric tonnes of nickel laterite, which became due on August 28, 2015, and was not paid by Mindoro to the Company; and

b) $500,000 on the first anniversary of the loading on board a ship or other conveyance for transport to a purchaser or treatment facility of an aggregate one million wet metric tons of nickel laterite, or August 28, 2016.

As of the date of this MD&A no payment has been received. The Mindoro Agreement is still in effect, and the Company has not issued written notice to Mindoro regarding the breach of the Mindoro Agreement.

Disclosure of Outstanding Share Data

Stock options to purchase common shares have been granted to directors, officers and employees at exercise prices determined by reference to the market value or by the board of directors on the date of the grant. Historically, the board has determined the exercise price of the stock options as the greater of a) current market value of the shares and b) recent financing prices.

The following summarizes information about stock options outstanding and exercisable at the date of this MD&A:

Year of Expiry	Number of Options	Weighted Average Exercise Price
2016	3,650,000	0.50
2017	5,150,000	0.85
2019	3,550,000	0.36
	12,350,000	$0.60

Each option is exercisable for one common share of the Company. The weighted average life of exercisable options outstanding is 1.5 years as of the date of this MD&A.

The number of shares available for options to be granted under the Company's stock option plan is 10% of the Company's Capital Stock. Options granted under the plan vest immediately or over a period of time at the discretion of the board of directors. Pursuant to the terms of the Company's stock option plan, any options that expire during a trading blackout will be extended until ten (10) business days after the trading blackout is lifted. As of the date of this MD&A, the Company has no outstanding warrants.

The Company's AGM is to be held on June 21, 2016.

At the date of this MD&A, there were 220,640,818 common shares outstanding, as well as 220,640,818 common shares fully diluted (as outstanding options are not in-the-money and therefore should not be included in the diluted figure).