

# PANORO MINERALS LTD.

## Management's Discussion and Analysis – Quarterly Highlights

As at and for the Three and Six-Month Periods  
Ended June 30, 2021 and 2020

August 23, 2021

---

Table of Contents

*Background & Date* ..... 3

*Qualified Person* ..... 4

*Description of Business* ..... 5

*Cotabambas* ..... 7

*Antilla* ..... 7

*Financial:* ..... 7

*Results of Operations* ..... 7

## Background & Date

The Management's Discussion and Analysis – Quarterly Highlights (“MD&A”) should be read in conjunction with the condensed consolidated interim financial statements of Panoro Minerals Ltd. (“Panoro” or the “Company”) for the three months (“Q2 2021”) and six months ended June 30, 2021 (“fiscal 2021”), with comparative figures for the three months ended June 30, 2020 (“Q1 2020”) and the six months ended June 30, 2020 (“fiscal 2020”), and the Company's audited financial statements as at and for the year ended December 31, 2020, as filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website. This report has been dated as at August 23, 2021, and was approved by the Board of Directors on August 20, 2021.

The common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “PML”, the Junior Board of the Bolsa de Valores de Lima (“PML” - Lima Stock Exchange), (“POROF” on the OTCQB in the United States) and (“PZM” on the Frankfurt Exchange).

## 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 AnyMD&A should be read together with the Company's Audited Financial Statements for the years ended December 31, 2020 and 2019, the 2020 Annual Information Form, 2020 Management Information Circular, Material Change Reports, press releases, and the Company's technical reports, all of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website [www.panoro.com](http://www.panoro.com).

## Currency

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 and recorded under IFRS unless otherwise specifically indicated. There are also references in this MD&A to Peruvian Nuevo Soles (“S/.”) and United States dollars (“US”). On June 30, 2021, the closing rate for one Canadian dollar in S/. was C\$1.00 = S/. 3.1980, and the closing rate for one Canadian dollar in USD was C\$1.00 = US\$0.8184 as reported by the Bank of Canada.

**CAUTION REGARDING FORWARD LOOKING STATEMENTS:** Information and statements contained in this Management Discussion and Analysis Quarterly Update (“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 Wheaton Precious Metals International Ltd. (“Wheaton Metals”) to match third party financing by Panoro targeted for exploration at the Cotabambas Project
- Payment by Wheaton Metals of US\$140 million in installments
- Mineral resource estimates and assumptions
- The PEAs on the Cotabambas and Antilla Projects, including, but not limited to, base-case parameters and assumptions, forecasts of net present value, internal rate of return and payback

- Copper concentrate grades 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 MD&A 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, and are included in all of the Company's documents filed on SEDAR and available on the Company's website. Items referred to in this MD&A may include forward-looking statements related to:

- 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;
- risks relating to Panoro's ability to raise funding to continue its exploration, development and mining activities; and
- Risks related to Covid-19 and the impact on the world's economy.

## 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.

## **Description of Business**

Panoro holds a portfolio of mineral property interests in Perú of which two, the Cotabambas and Antilla projects, are at an advanced stage of exploration and make up the core concession blocks for the Company.

## **2021 Activities**

During fiscal 2021, the Company:

- Is pursuing additional strategic financing alternatives for the Antilla Project (“Antilla”) with other mining companies and financial institutions, to advance the Antilla through feasibility studies, permitting and development.
- received the twelfth payment of \$947,325 (US\$750,000) from Wheaton Precious Metals International Ltd. (“Wheaton Metals”), pursuant to the Precious Metals Purchase Agreement (“PMPA”), bringing the total received under the Early Deposit US\$10.75 million.
- is pursuing strategic financing alternatives for the Cotabambas Project with other mining companies and financial institutions, in the form of Joint Venture, Equity Investment and/or additional Streaming Agreements.

## **Project Activities**

### **Humamantata**

The Humamantata Project is strategically located in Southern Peru, in the vicinity of the Las Bambas Copper Mine (MMG), the Constancia Copper Mine (Hudbay) and other important copper projects such as Haquira (First Quantum), Antilla (Panoro) and Cotabambas (Panoro).

The Company was exploring with its joint venture partner, Japan Oil, Gas and Metals National Corporation (“JOGMEC”) this project since entering into a joint venture in late fiscal 2018. Subsequent to June 30, 2021, JOGMEC and Panoro agreed to terminate the interim Agreement. Approximately US\$2.4 million was invested in the exploration work to date by JOGMEC.

Panoro and JOGMEC worked together to identify very prospective mineralized targets while substantially completing the permitting required to start drilling. Permitting completed at the project includes approval of the environmental permit, water permit and archeological permit. Access agreements with private landowners are also complete. We were unable to sign an agreement with the community in order to advance a drilling program. Unfortunately, budget

constraints and schedule delays, resulting from the Covid-19 pandemic, did not permit JOGMEC to continue funding the next phase of exploration.

The Company retains a 100% interest in the Humamantata Project and will be assessing other joint venture or partnership agreements to continue advancing the exploration programs.

Field activities on the Humamantata Project included:

- Geologic mapping at 1:1,000 scale over an area covering 1,200 hectares of the total 3,600 hectares of concessions comprising the Humamantata Project;
- Collecting 647 samples from surface outcrops over the target areas for geochemical analysis;
- Collecting 68 fresh and mineralized rock samples for Mineralogy and Petrography studies;
- Collecting 130 fresh and mineralized rock samples for a litho-geochemistry study;
- Collecting 496 rock samples by PIMA Spectrometry for a mineral alterations study;
- Completing 53.2 km of ground Induced Polarization geophysical surveys; and
- 80 km of ground Magnetic Resonance surveys.

The exploration program identified four targets:

- Target 1, Cu/Au/Ag porphyry mineralization located to the north of the property; with grades up to 2.69% Cu, 69.5 g/t Ag, 0.82 g/t Au, 374 ppm Mo
- Target 2, Ag Hydrothermal Breccia Mineralization located to the south of Target 1, with grades up to 332 g/t Ag, 0.42 g/t Au, 1,151 ppm Mo
- Target 3, Ag Hydrothermal Breccia and Ag-Cu Stockwork Mineralization in the south property; with grades up to 0.57% Cu, 210 g/t Ag, 0.091 g/t Au, 240 ppm Mo; and
- Target 4. Ag Hydrothermal Breccia and Cu-Au Skarn Mineralization located to the north of Target 2, with grades up to 1.19% Cu, 501 g/t Ag, 0.12 g/t Au, 160 ppm Mo

## Cotabambas

Work at the Cotabambas Project during the first half of fiscal 2021 and to the current date has focussed on the maintaining the project area during the COVID-19 pandemic. A Preliminary Economic Assessment (“PEA”) at the Cotabambas Project was completed in 2016. Subsequent to the completion of the PEA From 2017 to 2019 exploration at the Cotabambas has focussed on areas of potential mineral resource expansion in the areas of Maria Jose, Petra-David and Chaupec. Mapping, sampling, geophysical survey and exploration drilling in these areas has intersected zones of porphyry sulphide and oxide mineralization as well as Skarn-type mineralization. Future exploration plans are being developed for additional drilling in these areas as well as at newly identified areas such as Guacille. The newly identified areas were the subject of mapping and sampling campaigns during 2018-2019.

## Antilla

The Company is reviewing strategic alternatives to advance the Antilla Project (“Antilla”) through feasibility studies, permitting and development. In the year ended December 31, 2018 (“fiscal 2018”) the Company completed a Preliminary Economic Assessment, prepared by Moose Mountain Technical Services Ltd. in accordance with the definitions in Canadian National Instrument 43-101. The 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 in 2010. The Mineral Resource estimate includes primary and supergene sulphides, as well as mixed hypogene and supergene copper mineralization. The PEA is considered preliminary in nature, and was filed on SEDAR on June 26, 2018, and is available on the Company’s website.

## Financial:

During fiscal 2021, the Company has been focused on maintaining a positive cash position, while conducting an exploration program at its Humamantata Project.

In fiscal 2021, the Company

- Received the first semi-annual payment of US\$750,000 from the Wheaton Metals PMPA, and
- Received funding from JOGMEC of \$736,269 in the Humamantata joint venture exploration activities, which were managed by Panoro.

## Results of Operations

### Exploration

During fiscal 2021, the Company expended \$820,084 on exploration and evaluation expenditures, of which \$154,527 was expended on Antilla; \$277,481 on Cotabambas, before value added tax recovery of \$36,284; and \$680,028 on Humamantata project.

Exploration and evaluation expenditures are largely made up of salaries and wages of site-based staff, geology, community relations and casual labour and other capitalized costs.



## Administration Expenses

The Company's loss in fiscal 2021 of \$4,509,824 (\$0.02 per common share) compares to income of \$468,825 (\$0.01 per common share) in fiscal 2020. The discussion below is based on a comparison of fiscal 2021 and fiscal 2020.

All office staff in Lima, Peru, are currently working from their homes and most will continue to do so for the next few months. Panoro's staff at the Vancouver headquarters have been able to return to working primarily from the office.

Overall, the change in the Company's expenditures reflects a decrease in exploration and corporate activity in both fiscal periods, due to the suspension of almost all exploration activity during the COVID-19 pandemic.

Areas of significant changes in administration costs between fiscal 2021 and fiscal 2020 include the following:

- The exchange rates between Canada and the United States fiscal 2021 changed from a rate of \$0.7854 at December 31, 2020, to \$0.8068 at June 30, 2021, an increase in the value of the Canadian dollar.
- An exchange loss in fiscal 2021 of \$79,576, compared to an exchange loss of \$53,278 in fiscal 2020. The largest impact in fiscal 2021 compared to fiscal 2020 was the change in fair value of the PMPA financial liability had a significant change from a decrease in the fair value of \$355,775 in fiscal 2021 compared to an increase in the fair value of the PMPA liability of \$502,075 in fiscal 2020. This was due to the change in the USD:CAD exchange rates in the two comparative periods.
- A decrease in travel costs from \$17,876 in fiscal 2020 to \$4,506 in fiscal 2021, as there has been no corporate travel due to COVID-19. Travel in fiscal 2020 was incurred in the first quarter.
- An increase in corporate development, marketing and shareholder communications' activity from \$7,466 in fiscal 2020 to \$50,189 in fiscal 2021, as the Company transitioned from travel and personal contacts with investors to using webinars and other types of marketing meetings.
- Regulatory and transfer agent fees increase from \$28,503 in fiscal 2020 to \$75,552 in fiscal 2021 due to the OTCQB listing. In addition to annual regulatory costs during the period, the fiscal 2021 costs included one-time marketing and sponsorship fees incurred in obtaining the OTCQB listing.
- A decrease in legal fees from \$66,620 in fiscal 2020 to \$47,417 in fiscal 2021.
- Other expense categories in fiscal 2021 remain at relatively the same level as fiscal 2020.
- The Company incurred a write-down of mineral property interests of \$4,104,432 during fiscal 2021,



Variable costs of the Company's administrative expenses are usually incurred in the legal, travel and investor relations and corporate development expense categories, and correspond to corporate development initiatives, and other strategic activities.

In Q2 2020, directors' fees and Peru-based salaries were reduced. The salaries and directors' fees were reinstated in August 2020, resulting in differences in the Q2 2021 and Q2 2020.

The Company does not have an office in Lima, Peru, as the lease expired in May 2020 shortly after the COVID-19 pandemic started, and no new office premises were leased in Lima, Peru, as all employees work from home or in the field. The office lease in Vancouver expired in June 2021, and the Company has moved to new office premises.

#### Liquidity and capital resources

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. The Company has a number of agreements in place which will provide liquidity into the foreseeable future, including:

- the Company's PMPA with Wheaton Metals, whereby the Company has received proceeds of US\$10.75 million to the date of this MD&A. An additional US\$3.75 million is payable by Wheaton Metals to the Company in semi-annual payments to fiscal 2023;
- the Company's agreement with Hudbay Minerals Inc. ("Hudbay") on the Kusiorcco Project includes milestone payments to the Company of US\$2.0 million. The first milestone payment of US\$500,000 was received early 2019 as Hudbay advised the Company that they had completed surface rights agreements on the Kusiorcco Project. The agreement calls for three additional payments of US\$500,000 each on the completion of drill holes 1, 5 and ten on the project. Currently no drilling has started in the area by Hudbay. As per the agreement Hudbay will make the full US\$1.5 million payment in January 2023.
- payments receivable on the sale of the Cochasayhuas Gold Project to Mintania S.A.C. ("Mintania") of Perú for US\$2.45 million in June 2020.

The balance receivable is to be paid in instalments, plus a 5% Net Smelter Return royalty ("NSR") for 15 years from the commencement of commercial production. The initial US\$450,000 payment was received in June 2020. Additional installments are to be paid by Mintania on the following schedule:

- US\$1,000,000 in 2021;
- US\$ 750,000 in 2022; and
- US\$ 250,000 in 2023

As at June 30, 2021, the Company has an accumulated deficit of \$47,866,260 (December 31, 2020 – \$43,356,436), and has a working capital deficiency of \$10,022,243 (December 31, 2020 – working capital deficiency of \$9,499,481), with the inclusion of the current portion of the PMPA which is presented as a current liability, and is restated to fair value by the conversion of the liability to Canadian dollars at the period end rate, under IFRS. Without the current portion of the PMPA included in the working capital deficiency noted above, the Company has working capital of \$822,507 at June 30, 2021 (December 31, 2020 - \$686,119).

Based on its financial position at June 30, 2021, the Company believes that it has sufficient funds to meet operational expenditures over the ensuing twelve-month period, providing that payments from Wheaton Metals continue as per the PMPA, and other scheduled payments are forthcoming. The Company continues to review planned investment expenditures, primarily at the Cotabambas Project, but also its overhead expenditures, in order to meet changes in working capital estimates.

### Commitments

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 payable:

	2021	2022	2023	2024	2025	Total
Office lease						
(Vancouver)	\$ 40,191	\$ 97,176	\$98,902	\$ 100,628	\$ 102,355	\$ 439,250
Accrued vigencias	\$ 439,540	\$ -	\$ -	\$ -	\$ -	\$439,540
Accounts payable	\$ 278,880	\$ -	\$ -	\$ -	\$ -	\$278,880
Accrued liabilities	\$ 49,996	\$ -	\$ -	\$ -	\$ -	\$49,996

### Key management personnel and related parties

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”) and the Chief Financial Officer (“CFO”). Key management personnel compensation for the six months ended June 30, 2021 totalled \$542,787 (2020-\$569,856). The Company had no transactions between directors and officers and/or companies controlled by directors or officers in common with the Company. At June 30, 2021, \$3,154 was payable to officers of the Company for expenses incurred on behalf of the Company and \$14,500 (2020 - \$23,333) was payable to two directors for directors’ fees.

### Subsequent events

During the period ended June 30, 2021, the Company's office lease expired, and a new lease was entered into effective August 1, 2021, for a six-year period.

As noted earlier in this MD&A, the Company announced that it has agreed with its joint venture partner, JOGMEC to terminate the interim agreement for the joint venture of the Humamantata Project.