

PANORO MINERALS LTD.

Form 51-102F1 Management's Discussion and Analysis For the Year Ended December 31, 2005

April 21, 2006

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") during the year and the three months ended December 31, 2005 and to the date of this report. The MD&A supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2005. Consequently, the following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005, as well as the audited consolidated financial statements for the previous year ended December 31, 2004, the notes thereto and the prior Form 51-102F1 MD&A. filed at the time of and coinciding with the consolidated financial statements for the three months ended September 30, 2005.

The information in the MD&A may contain forward-looking statements. These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

CORPORATE AND FINANCIAL ACTIVITIES

During the Fourth Quarter of 2005 no changes in the corporate affairs and the composition of the Board of the Company or of its officers occurred.

During the Fourth Quarter of 2005 and the First Quarter of 2006 the Company initiated the incorporation of a wholly owned subsidiary in the Philippines in preparation for the requirements under the provisions of the Agreements of the Surigao Joint Venture. Under these provisions the earned and vested interest of the Company in the Surigao Joint Venture will be registered in the name of the wholly owned Philippine subsidiary. The Company engaged the services of Quisumbing Torres, a Member of Baker Mckenzie International, to carry out the incorporation in cooperation with the Company's Canadian Solicitors. The Name of the Philippine subsidiary will be Panoro Pacific Minerals Inc. With the help of the Philippine Solicitors and through the initiative of the Company's President the required three directors resident in the Philippines have been identified. The Directors resident in the Philippines will be JOSE VICENTE C. BENGZON III , a business man who in 2005 also acted as Chief Privatization Officer for the Department of Finance of the Republic of the Philippines with the rank of Undersecretary, LUCAS M. NUNAG, a retired solicitor and former Managing Partner of Quisumbing Torres, and, ROGER N. DIMMELL, a Canadian citizen and community development specialist and consultant with 23 years of experience at CIDA and former First Secretary, Development, at the Canadian Embassy in the Philippines. Helmut H. Wober and Christiaan Staargaard will be the Canadian Directors of the Philippine Subsidiary.

The final steps of the incorporation and registration of the Philippine subsidiary have just been concluded at the time of writing this Management discussion and analysis.

FINANCING ACTIVITIES DURING THE YEAR 2005

On January 28, 2005 the Company closed a Private Placement Financing, issuing 2,326,061 units at a price of \$ 0.18 per unit, one unit consisting of one common share and one share purchase warrant with an exercise price of \$0.28 per share and an expiry date of July 27,2006.

On September 1, 2005 the Company completed a non-brokered private placement of 5,477,000 units (the "Units") at a price of \$0.18 per Unit. Each Unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase one additional common share for a period of two years from the closing day at an exercise price of \$0.25 per share during the first twelve months and \$0.30 per share during the second twelve months. The net proceeds of the offering after finder's fees and costs are CAN\$ 966,305.50. The securities are subject to the customary four month hold period as required by the TSX Venture Exchange and the securities laws.

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Subsequent to the end of the Third Quarter 1,907,000 of its trading warrants were exercised at their strike price of \$0.35 and 459,188 Agent's warrants were exercised at the same price of \$0.35 for total net proceeds to the Company of \$ 828,166.

During the Fourth Quarter of 2005 the Company received further funds from the exercise of options by a former Director for a total of \$ 69,625 and, in addition to the redemption of the above warrants at \$0.35, from the redemption of warrants at \$0.28 a total of \$ 27,596 and at \$0.25 a total of \$49,971.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Fourth Quarter the Company's activities continued with focus on the exploration program that is being carried out by the Company's Joint Venture Partner Mindoro Resources Ltd. on the lands of the Surigao Option in the Republic of the Philippines under the Year Two Budget of \$ 759,215 as reported in the MD&A for the Third Quarter of 2005.

In Peru efforts continued in finding a suitable partner for the Company's El Rosal project in northern Peru. However, in the meantime the exploration work on the property was resumed during the First Quarter of 2006 as announced in the last MD&A with a program as described below.

After completion of the audited financial statements for the year the following are final result of the operations that are adjusted from earlier figures reported for the first three quarters.

During the First Quarter the Company expended \$165,441 on general and administrative expenses that includes \$58,061 of stock-based compensation and \$117,011 on mineral exploration activities. As at March 31, 2004, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,384,094 and the Surigao property was \$558,177.

During the Second Quarter the Company expended \$118,421 on general and administrative expenses that includes \$29,031 of stock-based compensation and \$202,157 on mineral exploration activities. As at June 30, 2005, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,414,712 and the Surigao property was \$729,715.

During the Third Quarter the Company expended \$127,727 on general and administrative expenses that includes \$61,543 of stock-based compensation and \$229,046 on mineral exploration activities. As at September 30, 2005, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,419,007 and the Surigao property was \$954,467.

During the Fourth Quarter the Company expended \$110,101 on general and administrative expenses that includes \$139 (\$30,370 net of an adjustment of \$30,231) of stock-based compensation and \$251,550 on mineral exploration activities.

As at December 31, 2005, the carrying value of the El Rosal property, consisting of deferred acquisition and exploration costs, was \$3,440,033 and the Surigao property was \$1,184,991.

As at December 31, 2005 the Company had a working capital of \$1,877,685 which management believes will be sufficient to achieve the Company's planned corporate and administrative expenses for the coming year. In combination with the subsequently received funds from the redemption of trading warrants, the company is now in a position to fund all the remaining earn-in requirements for the Surigao Joint Venture to become vested in a 40% beneficial ownership interest in the Surigao Joint Venture.

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The financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are outlined within Note 2 to the audited consolidated financial statements of the Company for the year ended December 31, 2005.

The tables below sets out the quarterly results for the past 8 quarters and selected financial information for the previous three completed fiscal years.

	Dec 31, 2005	Sept 30 2005	June 30, 2005	Mar 31, 2005	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	Mar.31, 2004
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General & administrative expenses	110,101	127,727	118,421	165,441	59,979	73,136	77,582	45,761
Other income	(11,044)	(3,954)	(897)	(5,880)	(3,741)	(3,888)	(6,746)	(7,588)
Loss for the period	99,057	123,773	117,524	159,561	56,238	69,248	70,836	38,173

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
	(audited)	(audited)	(audited)
Revenue	\$ 0	\$ 0	\$ 0
General & administration expenses	521,689	309,393	164,418
Other income	(21,775)	(21,963)	(12,551)
Loss for the year	499,914	287,430	151,867
Working capital	1,877,685	596,433	1,778,593
Properties:			
Acquisition and deferred exploration cost	4,625,024	3,825,260	2,864,531
Other assets	7,640	10,158	7,987
Shareholders' equity:			
Capital stock	8,365,684	5,899,834	5,731,334
Deferred debt	0	0	168,500
Option compensation	148,774	91,673	91,673
Deficit	(2,151,243)	(1,651,329)	(1,272,226)

COMMITMENTS

Effective September 1, 2005 the Company has by way of a Resolution of the Board of Directors entered into agreements to pay \$8,000 per month for management services provided by the president of the Company and project management fees to a director of US\$1,500 per month. Both prior agreements had expired at the end of June of 2005.

OPTIONS

On February 3, 2005/February 8 respectively, 1,350,000 and 200,000 stock options were granted under the Company's Stock Option Plan to directors and contractors of the company with an exercise price of \$0.25 for a five year term.

On March 1, 2005, 75,000 stock options were granted under the Company's Stock Option Plan to a consultant with an exercise price of \$0.265 for a five year term.

On September 6, 2005, the Company granted options under its existing Stock Option Plan to directors, officers and employees of the Company to purchase a total of 950,000 common shares at an exercise price of \$0.25 per share for a five year term and options to purchase 75,000 common shares on the same terms have been granted to Accent Marketing Limited, the Company's investor relations firm in Germany. The grand total of options granted was 1,025,000.

The total number of stock options granted and outstanding under the Company's original and amended Stock Option Plans as of December 31, 2005 is 3,450,000 and as of the date of this report, after granting 800,000 stock options to Directors of the Company and its newly incorporated Philippine subsidiary on April 19, 2006 is 4,250,000.

WARRANTS

2,326,061 non transferable warrants with an exercise price of \$ 0.28 issued in a private placement on January 28, 2005 will expire on July 27, 2006.

5,477,000 non transferable two year warrants at an exercise price of \$0.25 during the first 12 months and \$0.30 during the second twelve months, with a hold period of four months, were issued on September 1, 2005 in conjunction with the Private Placement that closed on that date.

RELATED PARTY TRANSACTIONS

During the Quarter ended March 31, 2005, the Company paid \$12,000 for management services provided by the president of the Company and \$3,681 for project management services provided by a director. Included in investor relations expense is \$10,000 of fees paid to a company in which a director of the Company is a shareholder

During the Quarter ended June 30, 2005, the Company paid \$12,000 for management services provided by the president of the Company and \$3,773 for project management services provided by a director. Included in investor relations expense is \$10,000 of fees paid to a company in which a director of the Company was a shareholder until this director resigned on May 25, 2005.

During the Quarter ended September 30, 2005, the Company paid \$16,000 for management services provided by the president of the Company and \$4,172 for project management services provided by a director. The consulting services of a director who had resigned on May 24, 2005 were retained on an as required basis without further compensation except the extension of his options in the shares of the Company to December 30, 2005.

During the Quarter ended December 31, 2005, the Company paid \$24,000 for management services provided by the president of the Company and \$5,247 for project management services provided by a director. The Company paid \$14,236 for consulting services of a director who had resigned on May 24,

2005. The Company also paid \$1,608 for office rent provided by a director who was appointed during the year.

PROJECTS

The 100% owned **El Rosal Project in Peru**, its geology, history and past exploration has been described in detail in the Company's Form 51-102F MD&A's dated May 26, 2004 and August 16, 2004. The El Rosal project remained dormant during all of the year 2005. At the time of writing the MD&A for the Third Quarter of 2005 the company announced plans to resume surface exploration work on the project in the first quarter of 2006 to further define the indicated deeper drill targets. This plan has been put into action in March of 2006. The following is an outline of the program and its objectives:

Introduction

During the 2004 program of drilling and mapping on the La Ramada Target of the El Rosal Project Panoro's geological consultant Uwe Schmidt discovered and outlined a diatreme breccia zone at the contact between Unit 6B (limestones) of the Pariatambo formation in the southern extension of the La Ramada Sur Skarn showing, trending in a North – South direction from Line 1400S (UTM 9,265,000N) to about 250 m south of Line 2050S (UTM 9,264,250 N). The breccia is located on the slope east of Quebrada Calabozo at an elevation of approximately 675 to 700m. Uwe Schmidt indicated three areas south of La Ramada Sur Skarn where the breccia appears in outcrop.

The same type of breccia was encountered in Diamond Drill Hole RA01-04 with fragments of leucocratic quartz porphyry and a fragment of highly mineralized skarn (3.1% Cu, 12.25% Zn) and in RA02-04 with a mixture of intrusive and non-intrusive rock fragments.

The ± 750m long breccia zone appears to be the source of a geochemically anomalous copper response in all stream sediments of creeks draining from it into Quebrada Calabozo from the east.

Breccias of this type have in several cases been observed associated with copper-gold porphyry systems and in those cases are thought to represent a very late, post mineral event. They often occur to the side or tangential to the porphyry deposits. They may in the case of La Ramada be related to the younger volcanism represented by Unit 8.

In both cases, El Rosal and La Ramada we are dealing with potential porphyry systems that are deep and unexposed. A high level soil geochemical response in Mn and As may reflect the footprint of the underlying systems.

Purpose and Objectives of the Program

The general purpose of the program is to establish a better understanding of the La Ramada geology and indications of a possible underlying deep porphyry system to guide and locate sites for a future drill program.

1) Diatreme Breccia

Determine the nature of the Breccia zone, its lithological composition, content of possible mineralization in transported fragments but also as post breccia mineralization of its matrix.

Determine the nature of the contacts with the intrusive rocks at the western contact and the sedimentary rocks of the eastern contact. Are they true breccia contacts or are they post breccia structural contacts as in some of the skarn showings (e.g. La Ramada main skarn)?

2) Stream Sediment Anomalies

Determine the source of the stream sediment anomalies in the eastern tributaries to Quebrada Calabozo by detailed mapping and intensive prospecting of the breccia zone and of the slope between the breccia zone and Quebrada Calabozo

3) Calabozo Este and La Ramada Sur

Relocate Calabozo Este and determine its extent and mineralization as well as the nature of its contacts (skarn-intrusive contact or structural, i.e. fault contact).

Revisit La Ramada Sur and if possible check the location of the last sample channels against the mapped geology.

4) Southern Block of Unit 8 Volcanics

The southern end of the breccia zone appears truncated by a fault the existence of which is largely the result of interpretation. The area between the southern end of the mapped breccia zone between Quebrada Calabozo to the west and drill hole ER03-04 has been interpreted as a down faulted block of Unit 8 volcanics. This fact and the nature of the boundaries of the block need to be verified or new information gathered that may change this information. The purpose would be to better interpret the results of ER03-04 and the relationship to the underlying strong IP anomaly.

PRINCIPAL PROJECT: SURIGAO OPTION AND JOINT VENTURE

The Surigao Project in the Republic of the Philippines continues to be the Company's principal area of activity and focus at this time.

In the Management Discussion and Analysis for the Third Quarter of 2005 the Company had, amongst other items, reported as follows:

"On September 28 the Company announced the launching of the drill program on Agata, which was initiated with the construction of the access road after all the required permits had been obtained. A detailed engineering study and cost estimate preceded the start of the road construction.

On November 2, 2005 the Joint venture Partners were able to announce the results of the work that had been carried out on the Tapian San Francisco and Canaga prospects in the Interim Period and during the transition when the plans and budget for Year Two were formulated.

Following mineralized float boulders to its source, an outcrop was located surrounded by strong IP responses and anomalies reported on earlier. The outcrop lies south of the strong phyllic alteration zone described in earlier releases. Hand trenching exposed about 25 meters of highly oxidized, crumbly, clay-chlorite+silica altered quartz monzonite (by microscopic determination) with chalcopyrite, bornite and pyrite disseminations and veinlets. The Mindoro geologist also reported: "Channel sampling on this outcrop has shown an average grade of 1.012% copper, 0.556 grams gold per tonne and 19.02 grams silver per tonne over a width of 25 meters. This includes values of 2.90% copper, 1.546 grams gold per tonne and 61.2 grams silver per tonne over a width of 5 meters. An adjacent channel was cut 10 meters northeast of the 25-m channel from the same outcrop. This channel cut assayed 0.14% Cu, 0.4 Au g/t, and 1.1 Ag g/t over 2 meters. Another outcrop 75 m southeast of the first one assayed 0.103% Cu and 0.032Au g/t over 5 meters.

About 600 meters to the south another float train was followed to its source of an outcrop in a similar configuration relative to geophysical features and structural intersections. The Mindoro geologist reported as follows: "Petrographic analysis conducted on a sample from this outcrop indicates an intensely quartz-

sericite-chlorite-pyrite-altered (phyllic) porphyritic rock. Deformation is also intense, which together with the pervasive alteration, obliterated most rock features. Vein calcite, chlorite and sericite are also present. Opaque grains are associated with these hydrothermal minerals. These consist of pyrite and chalcopyrite. This outcrop has been sampled and assay results are awaited. About 50 meters upslope, east from the first outcrop is another outcrop of weathered silica-clay-chlorite altered diorite with occasional malachite staining. This outcrop assayed 1.09% Cu, 0.08Au and 13.03Ag g/t over a width of 15 meters including values of 2.838% Cu, 0.207Au g/t and 35.0Ag g/t over a width of 5 meters.

The discovery of a new prospect, the BOLOBOLO prospect, also made during the budget transition period was announced by the joint venture partners on November 8. Strong and extensive propylitic, argillic, phyllic and calc-silicate alteration, characteristic of the alteration halos of a porphyry copper-gold system, have been located over an extensive area at Bolobolo, as well as three widely-separated float boulders assaying in the range of one percent copper.

Porphyry deposits in the Surigao District are controlled by the intersection of northeast-trending faults with north-northwest trending splays of the major Philippine Fault system. Due diligence work by Mindoro defined, amongst many other structural targets, one such structural intersection set in the Bolobolo area. A small ground reconnaissance program was carried out in the area to determine its potential significance. Altered and mineralized float boulders and outcrop were located over a wide area at Bolobolo. Samples were submitted to an independent consulting petrologist for study. Within the structural target, widespread propylitic alteration, characteristically the outer halo of a porphyry system, was defined in volcanics. Within this propylitic halo, outcrops and boulders of intense argillic, phyllic and calc-silicate alteration were located. Phyllic alteration (quartz-sericite-pyrite), which is characteristically proximal to the main mineralized core of porphyry systems, is intense, structurally controlled, and can be traced over three kilometers and observed up to 200 meters wide.

A mineralized float boulder of calc-silicate located in a stream, contains abundant disseminations of the copper minerals chalcopyrite and bornite, as well as high-density quartz-bornite-magnetite veinlets. A representative grab sample assayed 1.344 percent copper, 17.1 grams per tonne (g/t) silver and 0.01 g/t gold. A float boulder of similar alteration and mineralization found in a stream, approximately 1.6 kilometers to the south, assayed 0.96 per cent copper, 4.9 g/t silver and 0.06 g/t gold. Calc-silicate mineralization characteristically occurs in limestone near Philippine porphyry copper-gold deposits. In a third stream, approximately 3 kilometers to the northeast, a boulder of silicified limestone assaying 1.92 percent copper was also found.

The discovery of these showings featuring this type of mineralization and alteration is extremely encouraging for the planned drill program on the related targets. “

The Joint venture Partner and Operator of the Surigao Joint Venture MRL Gold Philippines Inc. gave the following accounts of **work performed in the months following September 30, 2005:**

I. Work performed in OCTOBER 2005

“Limited reconnaissance mapping on Barangay Bunga, (part of EPA 00042-XIII-Tapián Extension) has been conducted with the aim of tracing the northeast continuity of the alteration/mineralization delineated at Barangay Bolobolo.

Prospecting work, and mapping and sampling have been continued on small creeks on the back country high ridges in the Canaga area with the purpose of locating further significant mineralized outcrops around the C-5 and C-6 Porphyry Targets to enhance current interpretation of the target areas. A total of 23 channel cut samples were collected.

Geological mapping has been carried out on the newly-laid out farm-to-market road in Agata covering about 3 kilometers."

II. Work performed in NOVEMBER 2005

"Agata Project

Mobilization of drill rig for drill hole AGT N-1 began on November 2, 2005. The rig was set up on local grid coordinates 12200N/9749E angled at -55 degrees due West per instruction of Panoro. Actual drilling has commenced on November 6, 2005. This hole reached a total depth of 65.6 m and was abandoned on November 23, 2005 due to drilling difficulties in bad ground. The second hole, AGT N-2, has been set up in local grid coordinates 12200N/9600E angled at -70 degrees due East per instructions of Panoro. Drilling of the second hole began on November 27, 2005 and was at a depth of 43.50 m by the end of November, 2005.

Logging of all available drill cores from AGT N-1 and AGT N-2 has been completed.

1.6 kms of the farm-to-market road (FTMR) has been covered by geological mapping.

Canaga Project

Prospecting work, mapping and sampling on small creeks on the back country, high ridges, and along contour trails in the general vicinity of chargeability anomalies C5 and C9 have been continued in order to bring this high priority target to the drill stage before drilling commences in February."

III. Work performed in DECEMBER 2005

Agata Project

Drilling of AGT N-2, which began drilling on November 27, 2005 continued on through December. A total of 40.4 m was drilled for the month. The hole was terminated at a depth of 83.90 m.

Logging of drill core from AGT N-2 was completed and 1.6 kms of the farm-to-market road (FTMR) was covered by geological mapping.

On December 12, 2005 MRL Gold Philippines Inc., the Operator of the Surigao Joint Venture concluded an agreement with QNI Philippines Inc., a subsidiary of BHP Billiton, regarding the exploration of the Nickel Laterite potential on lands within two concessions of the Surigao Joint Venture comprising the Agata block, EPA 000080-XIII and MPSA 134-99 – XIII, Under the terms of the agreement BHP Billiton has been granted the exclusive right, for 180 days, to undertake a drilling and evaluation program to determine the nickel laterite potential of the Agata Property. The program will consist of 32 drill holes, totaling approximately 640 meters. Should the evaluations prove to be positive, the Surigao Joint Venture and BHP Billiton will enter into negotiations for the sale and purchase of nickel ore (the "Offtake Agreement"). The total cost of the exploration program would be deducted from future laterite ore shipments at 5% of the FOB Price of the nickel ore, until fully repaid in a manner that is mutually agreeable. There is no obligation for either the Surigao Joint Venture or BHP Billiton to enter into or conclude an Offtake Agreement. In the event that the parties are unable to enter into or conclude an Offtake Agreement, the cost of the exploration program will be shouldered by BHP Billiton.

IV. Work performed subsequent to December 2005:

Drilling of AGT N-3 on the Agata Project, which began tricone drilling on January 3, 2006 had advanced a mere 122.40 meters during the month of January.

QNI Phils. commissioned a local drilling contractor, Construction and Drilling Specialist Inc. (CDSI) based in Pasig City, Metro Manila to drill MRLGold's Laterite Prospect in Agata Project. Two portable drill rigs operated during the month. The first rig started drilling on January 26, 2006, while the second rig commenced drilling on January 30, 2006. Both rigs drilled a total of 17.3 meters for the month."

Drill hole AGT N-3 was finally terminated on February 25, 2006 after no significant advance was achieved.

In February QNI Phils. commissioned the third portable drilling machine to augment the drilling of the Laterite Prospect in Agata. A combined length of 176.15 meters was drilled in February at the end of which a total length of 210.5 meters has been drilled since the commencement of the drilling project."

In view of the unsatisfactory progress of the drilling operations at Agata North since their inception the Joint venture decided to defer continuation of drilling at Agata North until a reverse circulation drill could be mobilized to penetrate the difficult cap rock overlying the geophysical targets and in the meantime to move the diamond drill rig to the Agata South target.

Drilling of the first hole in Agata South Target started on March 31, 2006.

During March QNI had drilled a total of 265.95 meters utilizing four (4) portable drill rigs. By the end of March a total of 23 drill holes have been completed giving a combined total length of 459.40 meters or about 72% of the 640 meters programmed to be drilled by the said company.

Geological Mapping was carried out along the newly constructed "Farm to Market" road at Agata as construction of the road progressed.

CONCLUSIONS FOR THE YEAR 2005:

At this time no conclusions can be drawn as a result of the drilling operations carried out on the Surigao JV because none of the holes attempted reached their respective targets. The failure to complete the diamond drill holes at Agata North is due to a combination of difficult ground conditions and deficiencies in the drilling contractor's equipment and operating procedures. At the initiative of Panoro Minerals Ltd. a Canadian drilling consultant was engaged in January and seconded to the project. Unusually heavy rains delayed the progress of all work including the construction of the "Farm to Market" access road to the Agata project.

It is expected that BHP Billiton will make all of the results of the nickel laterite drilling program available for publication after the conclusion of the program during the second quarter of 2006.

At the time of writing this report Panoro has agreed to the opening of a second front of drilling at the Tapian San Francisco project of the Surigao Option and Joint Venture in order to accelerate the testing of the multiple porphyry targets. As a consequence the earn-in and vesting of Panoro's initial 40% interest in the JV will also be accelerated.

General

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On February 14, 2005 the Company announced that its shares had been accepted for trading on the Frankfurt Stock Exchange, commencing on the same day, under the trading symbol "PZM" and the German Securities No. (WKN) 914959

The Frankfurt Stock Exchange, which offers fully electronic trading facilities, is the largest of eight German stock exchanges. It ranks amongst NYSE, Nasdaq, and London as one of the world's largest stock exchanges. For more information on the Frankfurt Stock Exchange visit: www.exchange.de

Reconciliation of Proposed and Actual General Expenditures

Including Cash Calls to December 31, 2005 the Operator has spent \$ 339,482 of the Approved Year Two Budget of \$ 759, 215, leaving a balance of \$ 419, 733. However, Mindoro, the Operator has since asked for the approval of additional amounts of \$ 83,982 to cover unforeseen salary increases starting November 1, the difference in the price of core boxes, unforeseen legal and compensation expenses incurred in the construction of the road to Agata, and the earlier omitted Value Added Tax of the drilling costs.

The Operator has also asked for a special budget supplement of \$ 89,841 to cover the costs of a reverse circulation drilling program at Agata North, where conventional diamond drilling techniques have failed to accomplish the testing of the indicated targets. The reverse circulation drill program will be designed to drill a number of holes through the difficult cap rock at Agata North and to leave the holes to be completed to target depth with diamond core drilling methods.

At this time the Company has also received a budget proposal of \$ 731,000 for the road construction and drill program at Tapian San Francisco that is scheduled to commence in March and to last until the end of August 2006.

Total un-audited earn-in expenditures by the Company to December 31, 2005 including the value of shares paid for property acquisitions, cash calls received from Mindoro for expenditures to December 31 and direct expenditures by the Company to March 27 amount to \$ 1,148,900, leaving an amount of \$ 851,100 to be expended by Panoro to earn its initial 40% interest in the Surigao JV.

The unspent amount of the Approved Budget to December 31 of \$ 419,733, together with the budget supplements (\$ 83,982 and \$ 89,841) and Tapian San Francisco budget (\$ 731,00) totals \$ 1,324,556 of which \$ 851,000 would be paid by Panoro alone and \$ 473,456 on a pro rata basis by Mindoro and Panoro.

The Company has sufficient funds to cover all of the above budgeted commitments and the general operating costs of the Company for the next 12 months.

RISK FACTORS

The following are the material risk factors which the Issuer has identified in respect of any investment in its securities

Reserves

The Issuer's properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Issuer's properties will only follow upon obtaining satisfactory exploration results. There is no certainty that the expenditures made by the Issuer in exploring its mineral properties will result in discoveries of commercial quantities or ore. Most exploration projects do not result in the discovery of commercially mineable deposit of ore.

Exploration

The business of exploration for minerals involves a high degree of risk and few properties become producing mines. Unprofitable efforts result not only from the failure to discover mineral deposits, but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. There is no assurance that the Issuer's future exploration and development activities will result in any discoveries of commercial bodies of ore. The marketability of minerals acquired or discovered by the Issuer may be affected by numerous factors which are beyond the control of the Issuer and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Issuer's not receiving an adequate return on invested capital.

Market Forces

There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Issuer may affect the marketability of any mineral occurrences discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Issuer, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods.

Insufficient Capital

The Issuer does not have sufficient funds to complete all of its exploration and development programs. Therefore, additional funds will be required. The only sources of future funds for its exploration and development programs is the sale of equity capital or by entering into an option and joint venture agreement with another party. There is no assurance that the Issuer will be successful in obtaining further financing. A failure to obtain further financing could result in the loss or substantial dilution of the Issuer's interests in its properties.

Environmental Regulation

Existing and possible future environmental legislation, regulations and actions could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Issuer, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could materially affect the business of the Issuer or its ability to develop its properties. Before production can commence on any of its mineral properties, the Issuer must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of the Property.

No History of Earnings

The Issuer has no history of earnings. The Issuer has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to

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the Issuer is through the sale of its equity shares or by way of loans. While the Issuer may generate additional working capital through the operation, development, sale or possible syndication of its prospects, there is no assurance that any such funds will be generated.

Mining Operations

Mining operations generally involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of gold mining is subject to a variety of risks such as fires, power outages, labour disruptions, industrial accidents, flooding, explosions, cave-ins, land slides, and other environmental hazards, technical failures, the inability to obtain suitable or adequate machinery, equipment or labour, are some of the risks involved in the operations of mines and the conduct of exploration programs. Such occurrences, against which the Issuer cannot, or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on the Issuer's financial position. The economics of developing mineral properties are affected by such factors as the cost of operations, variations in the grade and metallurgy of the ore mined, fluctuations in mineral markets, costs of processing and equipment, transportation costs, government regulations including regulations relating to royalties, allowable production, importing and exporting of mineral product, and environmental protection rules and regulations.

Competition

The resource industry is intensely competitive in all of its phases, and the Issuer competes with many companies possessing greater financial resources and technical facilities than itself. Competition could adversely affect the Issuer's ability to acquire suitable producing properties or prospects for exploration in the future.

Mineral Tenure

In those jurisdictions where the Issuer has property interests, the Issuer makes a search of mining records in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, prior unregistered agreements or transfers, and title may be affected by undetected defects or native land claims. For unsurveyed mineral claims, the boundaries of such mining claims may be in doubt. The ownership and validity of mining claims are often uncertain and may be contested. The Issuer is not aware of any challenges to the location or area of its mineral claims. There is, however, no guarantee that title to the Issuer's properties will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers.

Key Personnel

The success of the Issuer and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Issuer may have a material adverse effect on the Issuer.

Dilution

There are a number of outstanding securities and agreements pursuant to which common shares of the Issuer may be issued in the future. If these common shares are issued, this will result in further dilution to the Issuer's shareholders. An investor's equity interest in the Issuer may also be diluted by future equity financings of the Issuer.

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Conflicts of Interest

Certain of the directors of the Issuer are or may become directors and/or officers of other companies engaged in mineral exploration and development, as well as mineral property acquisition. Accordingly, mineral property acquisition and/or exploration opportunities or prospects of which they become aware will not necessarily be made available to the Issuer. The directors intend to allocate these opportunities or prospects from time to time among the various companies in which they are involved, on the basis of prudent business judgment, the relative financial ability, the need of each company in which they are directors and/or officers to participate. In the event of any conflict of interest, the directors will act in accordance with the common law and the provisions of the *Company Act* (British Columbia).

CORPORATE DIRECTORY

Management

C. Allen Born, Chairman and Director
Helmut H. Wober, P. Eng., President, CEO and Director
Christian G. Pilon, Director and President of Minera Panoro (Peru) S.A.C.
William J. Boden, C.A., CFO and Director

Other Directors

Lorne Torhjem
Christiaan Staargaard P.Geo., (February 8, 2005)

Exchange and Symbol: TSX-V: PML, FRANKFURT: PZM

Share Capital

(as of April 6, 2006)
Issued and outstanding 34,475,925

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