

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") for the three months ended September 30, 2007 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited consolidated financial statements of the Company and the notes thereto for the quarter ended September 30, 2007.*

*Consequently, the following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements for the quarter ended September 30, 2007, as well as the audited consolidated financial statements for the previous year ended December 31, 2006, 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 year ended December 31, 2006.*

*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.*

## **Overview**

Panoro is a Canadian public company engaged in the acquisition, exploration and development of natural resource properties in Peru. The Company's common shares trade on the TSX Venture Exchange ("PML"), the Frankfurt Exchange ("PZM") and commenced trading on the Bolsa de Valores de Lima (Lima Stock Exchange) on May 15, 2007.

## **Current Quarter Highlights**

The following event occurred during the third fiscal quarter

- Community approval was received at the Company's El Rosal property.
- Two concessions located internally to the newly acquired Antilla property were acquired for \$US 160,000.
- The Company hired a Vice President of Exploration, and a new Chief Financial Officer.
- 1,750,000 stock options were issued to directors and management with exercise prices ranging from \$0.61 to \$0.70.

As of the date of this MD&A, the Company has mineral interests in Peru as follows:

### The El Rosal Project

The Company has a 100% interest in 11 mineral concessions totaling 5,100 hectares located in the Province of Chiclayo, Department of Lambayeque, Peru.

Community approval has recently been received, and completion of the process for the drilling permit is pending final issue of the permit document after some requested additional information has been supplied to the Ministry of Energy and Mines. The application has otherwise been accepted and approved. And the Company expects to commence preparation of the access trails and drill platforms during the months of November and December.

The Surigao Project

On March 14, 2007, the Company signed a purchase and sale agreement to sell the Company's Surigao interest, being a direct and indirect interest to each of the Surigao option projects as defined in the purchase and sale agreement to Mindoro.

On April 16, 2007, Mindoro paid the Company \$750,000 cash plus 500,000 Mindoro common shares; Mindoro will make a second payment of \$500,000 cash plus 500,000 Mindoro common shares on April 10, 2008. Furthermore, in the event that the nickel laterite prospect, located on the Agata project should proceed to production and upon shipment of an aggregate one million wet tonnes of nickel laterite, Mindoro will pay the Company \$500,000 cash plus an additional \$500,000 cash on the first anniversary of the shipment. The Company recorded a loss of \$17,400 on the sale of their 40% interest in the Surigao property.

The sale of the property allows the Company to focus exclusively on its properties in Peru.

Cordillera de Las Minas Properties

On June 7, 2007, Panoro completed the transaction to purchase all of the issued and outstanding shares of Cordillera de las Minas S.A. ("CDLM"), a Peruvian corporation, from CVRD International S.A. and El Tesoro (SPV Bermuda) Limited, a wholly-owned subsidiary of Antofagasta PLC. The Company purchased CDLM for \$US 13,000,000 and 6,000,000 common shares of Panoro Minerals Ltd.

CDLM owns 100% of 13 properties located in the Andahuaylas – Yauri Belt of Peru south of Cuzco where a number of recently discovered significant porphyry copper and copper-gold deposits are in various stages of advanced exploration or pre-development. The 13 projects are as follows.

- Antilla
- Cotabambas
- Kusiorcco
- Cocchasayhuas
- Alicia
- Promesa
- Pistoro Norte
- Sancapampa
- Humamantata
- Pataypampa
- Anyo
- Morosayhuas
- Checca

On June 15, 2007 the Company announced the appointment of Mr. Alberto Caballero Noriega to the position of President and Managing Director of Cordillera de las Minas (CDLM). Mr. Caballeros previously managed the CDLM projects from their inception to the present for more than 10 years for their owners CVRD and Antofagasta. Mr. Caballero is a highly respected professional geologist and has been the co-author of several scientific papers on the Andahuaylas - Yauri Copper - Gold Porphyry province and projects of CDLM.

The three projects in the CDLM portfolio that are currently ranked as the most important ones are Antilla, Cotabambas, and Kusiorcco.

#### The Antilla project

The Antilla project (6,600 hectares) is in an advanced exploration stage. The identified mineralization consists of a zone of secondary enrichment of porphyry style copper mineralization and alteration (consisting of secondary biotite) in a package of quartzites and arenites that has been intruded by a system of this type. The mineralization consists of predominantly sulphides (chalcocite, chalcopyrite and pyrite) associated with quartz stock-works, veinlets and disseminations. The project has to date been explored by 4,012 metres of diamond drilling in 19 holes of which 8 holes lie within the projected zone of mineralization. SRK Consulting is of the opinion that the Antilla deposit is an excellent Exploration Target with potential in the range of 135 million tonnes, at grades ranging from 0.61% to 0.75% copper. The potential to confirm and expand this target is also considered to be excellent. The Antilla project is located approximately 25 kilometers southeast of Grupo Mexico's Las Chancas project with reported resources of 200 million tonnes with a grade of 1% copper.

#### *Update on Antilla*

Antilla is one of the flagship projects of the Company. An aggressive drill program is planned for the project to confirm, define and expand its geological potential. Since the CDLM acquisition in June 2007, the Company has focused on obtaining community approval for further work at Antilla, and a host of other CDLM properties. While the process has taken longer than anticipated, progress is being made and community approval is expected before year end.

In August, the Company acquired two, three hundred-hectare concessions located internally to the Antilla block of concessions for a combined total cost of \$US 160,000. The two land blocks cover the southern extension of the West Target at Antilla.

Both the Antilla and Cotabambas projects have been included in a list of 20 properties assembled by the Government of Peru. The Government has asked the Congress to enact a law that would facilitate the advancement of and accelerate investments into these mining exploration and development projects it has designated as Projects of National Importance.

#### The Cotabambas project

Cotabambas (9,900 hectares) is an advanced exploration project on a cluster of copper gold porphyry systems. A total of 11,770 metres of diamond drilling in 33 holes have been carried out on the project to date. SRK Consulting has estimated an Inferred Mineral Resource of 90 million tonnes at a grade of 0.77% copper and 0.42 grams of gold per tonne, at a cut-off grade of 0.4% copper. The potential to upgrade and to expand this estimate is considered to be excellent. The Cotabambas project is located about 38 kilometers due north of Xstrata's Las Bambas project with reported resources of 300 million tonnes with a grade of 1.1% copper.

#### The Kusiorcco project

The Kusiorcco project is located close to Norsemont's Constancia project (Indicated Resources of 70 million tonnes at 0.52% copper, Inferred Resources 250 million tonnes at 0.51% copper) and the historical Katanga Mine. It consists of a strong, one kilometer by two kilometer Induced Polarization and Resistivity Anomaly overlying a 300 metre by 500 metre alteration zone characterized by an intensive

skeletal stock-work of quartz veins with the weathered out voids filled by limonite and goethite (both iron oxides). Management believes this to be the leached outcrop of part of a porphyry system that has been intensely mineralized with sulphide minerals and in fact, silicification, quartz stock-work systems and alteration are generally widespread in the Kusiorcco intrusive stock. The intensely leached outcrop also suggests the presence of a secondarily enriched zone at the transition to fresh sulphide mineralization at depth. The potential of this system to host a sizeable body of copper mineralization is further supported by the presence of a number of copper skarn occurrences located at the periphery of the Kusiorcco intrusive stock which are currently being mined on a small scale by locals.

### **Results of Operations**

Net loss for the quarter ended September 30, 2007 was \$387,795 or \$0.00 per share, compared to \$89,524, or \$0.00 per share in the comparable period of 2006; while for the nine month period net loss was \$884,728 as compared to a loss of \$345,011. Significant differences in expenses between the periods are as follows.

Salaries and fees increased during the quarter to \$105,999 from \$29,462 due to salary adjustments, and additional personnel. F. Tejada was hired as VP of Exploration in the quarter and Michael Kerfoot was brought on as CFO. In addition, a new office was opened in Lima with the addition of CDLM in June and includes support staff.

Legal fees increased to \$18,479 in the third quarter of 2007 as compared to a refund of \$8,630 in the same period of 2006 due to increased activity in Peru in the current year. Audit expense increased to \$10,157 from \$1,326 due to higher anticipated audit fees and the timing of accruals.

Regulatory fees were affected by the listing on the Lima exchange and acquisition related filing requirements and increased to \$8,655 from \$0.

Rent and office costs increased in the quarter ending September 30, 2007 to \$17,967 from \$1,608, and to \$19,469 from \$3,987 respectively with the addition of the CDLM office and the increased activity at the Minera Panoro Peru office in the current year.

Stock-based compensation expense was \$223,005, up from \$44,458 in the same period of 2006 due to both a greater number of options, and a higher fair value attributable to each individual option.

Increased amortization is due to the purchase of computers and office furnishings in the second and third quarters of 2007.

Interest and exchange revenues increased from a gain of \$11,718 in the quarter ending September 30, 2006 to a gain of \$67,159 in the current period due to increased treasury balances in the current year and therefore increased interest income being offset by higher foreign exchange losses as \$US denominated current assets devalued against the Canadian dollar.

Exploration expenses on the El Rosal property were \$77,059 in the first 9 months of the year as compared to \$123,464 in the first 9 months of 2006. This decrease is due to the Company focusing on the CDLM acquisition in the current year.

\$154,398 was spent on the Antilla property and \$115,211 at the Cotabambas property between their acquisition at the beginning of June 2007 and September 30, 2007. A significant portion of these

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expenses was the mineral concession fees that are due in June of each year. Mineral Concession fees were paid on all of the properties held and a small amount of work was also done on Kusiorcco.

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

	30-Sep-07	30-Jun-07	31-Mar-07	31-Dec-06	30-Sep-06	30-Jun-06	31-Mar-06	31-Dec-05
Mineral Property								
Expenditures	338,276	14,248,591	28,416	131,004	327,938	660,118	214,920	247,746
General and administrative	468,133	434,737	97,339	254,455	101,242	184,253	99,593	110,101
Interest and exchange	67,159	16,945	5,473	13,027	11,718	15,772	12,587	11,044
Net Loss	387,795	405,067	91,866	633,172	89,524	168,481	\$87,006	\$99,057
Loss per share	0.00	0.00	0.01	0.02	0.00	0.00	0.01	0.01

**Liquidity and Capital Resources**

On February 22<sup>nd</sup>, 2007 the Company engaged Research Capital Corporation as lead manager for a proposed financing to fund the acquisition of CDLM and for subsequent exploration and pre-development work. The terms of the financing in the form of a Brokered Private Placement of Subscription Receipts have been described in the MD&A for the First Quarter of 2007.

The private placement closed in two Tranches on May 24 and May 29, 2007. The first closing of the financing took place on May 24, and the final closing occurred on May 29. Net proceeds of the entire financing amounted to \$ 18,581,161. A total of 33,616,865 Units were issued for the financing. Each unit consisted of one common share and one half share purchase warrant.

A cash commission of 7% was paid to the various brokers for their role in the financing in addition to 3,361,686 compensation options (referred to as brokers warrants), each of which is exercisable for one common share at \$0.60 and includes one half of a share purchase warrant that can be exercised as a whole warrant at a price of \$0.75 per common share.

Panoro used the net proceeds from the private placement to finance the acquisition of CDLM, and will use the remaining funds for exploration and development purposes and for corporate expenses.

During the quarter ended September 30, 2007 2,507,400 warrants were exercised for net proceeds of \$774,700.

At September 30, 2007 the Company has cash and cash equivalents of \$7,122,001 and working capital of \$7,074,020 which are considered to be sufficient to fund a series of drilling programs and for corporate expenditures and overhead costs for the ensuing 12 months. This compares with a cash balance of \$1,165,005 at December 31, 2006.

Economic and industry factors have not changed substantially from those discussed in the MD&A for the year ending December 31, 2006.

**Change in Accounting Policy**

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new

standards have been adopted on a prospective basis with no restatement to prior period financial statements.

### **Financial Instruments – Recognition and Measurement (Section 3855)**

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized to cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- (i) Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- (ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- (iii) Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.
- (iv) All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

Marketable securities and investments are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

### **Hedging (Section 3865)**

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

### **Comprehensive Income (Section 1530)**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components, in a separate financial statement that is displayed with the same prominence as the other financial statements.

Accordingly, the Company now reports a consolidated statement of comprehensive income (loss) and included the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

### **Financial Instruments and Other Instruments**

#### Foreign currency risk

The Company conducts a major part of its business in US dollars and Peruvian New Sol and therefore is affected by the variations in exchange rates. The Company does not have foreign currency hedges in place and does not actively manage this risk.

#### Credit risk

The Company has established a policy of only placing excess cash in vehicles backed by major Canadian banks.

### **Related Party Transactions**

During the period ending September 30, 2007, the Company paid \$93,960 (2006 - \$72,000) for management services provided by the President of the Company and \$36,888 (2006 - \$15,286) for project management services provided by a director.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2007 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and

reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

### **Changes in Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

On June 7, 2007, the Company completed its acquisition of CDLM S.A. Management considers the acquisition of CDLM material to the results of operations, financial position and cash flows from the date of acquisition through September 30, 2007 and believe that the internal controls and procedures at CDLM have a material effect on the internal controls over financial reporting. The Company is integrating the CDLM operations and will be expanding its internal control over financial reporting process to include CDLM over the next year. Part of this process has been the addition of a full time Chief Financial Officer to oversee the accounting at the various subsidiaries and to integrate the flow of information for financial reporting purposes.

### **Summary of O/S Share Data**

A summary of the status of the Company's stock options as at September 30, 2007 and changes during the period then ended is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding at December 31, 2006</b>	4,425,000	0.25
Expired	(75,000)	0.26
<b>Outstanding at March 31, 2007</b>	4,350,000	0.25
Granted	550,000	0.59
Exercised	(400,000)	0.20
<b>Outstanding at June 30, 2007</b>	4,500,000	0.31
Granted	1,750,000	0.62
<b>Outstanding at September 30, 2007</b>	6,250,000	0.40

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As at September 30, 2007, 4,428,125 options were fully vested and expire as follows:

Year of Expiry	Options Outstanding		Options Exercisable
	Number of Shares	Weighted Average Exercise Price	Number of Shares
2008	950,000	\$0.20	950,000
2010	2,025,000	\$0.25	2,025,000
2011	975,000	\$0.33	809,375
2012	2,300,000	\$0.61	643,750
	6,250,000	\$0.39	4,428,125

The following warrants were outstanding at November 28, 2007

Expiry date	Exercise Price	Outstanding at November 28, 2007
31-Aug-07 Warrants	0.30	-
30-Nov-07 Warrants	0.50	1,534,900
29-May-09 Warrants	0.75	706,216
24-May-09 Warrants	0.75	16,102,217
24-May-09 Broker Warrants <sup>(1)</sup>	0.60	3,220,624
29-May-09 Broker Warrants <sup>(1)</sup>	0.60	141,243
24-May-09 Broker Warrants	0.75	1,610,312
29-May-09 Broker Warrants	0.75	70,622
<b>Total</b>		<b>23,386,134</b>

<sup>(1)</sup> Each \$0.60 broker warrant can be exercised for one common share and one half of a new share purchase warrant. A full new warrant can be exercised for \$0.75 in return for a common share. Both the full \$0.60 warrants, and the 1/2 \$0.75 warrants they represent have been included in the table above.

At November 28, 2007 there were 83,034,490 common shares outstanding.

**Subsequent Events and Proposed Transactions**

On November 21, 2007 the Company announced that it had appointed Social Capital Group as advisors for their community relations efforts in Peru. A Chief of community relations was also hired.