

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") during the year ended December 31, 2007 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, 2007. Consequently, the following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007, as well as the audited consolidated financial statements for the previous year ended December 31, 2006 the notes thereto and the prior 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 Junior Board of the Bolsa de Valores de Lima (Lima Stock Exchange) on May 15, 2007.

## **Highlights 2007 and to April 15, 2008**

- Closed a brokered private placement through the issuance of 33,616,865 common shares for gross proceeds of \$20.2 million.
- Acquired 13 mineral properties in southern Peru through the purchase of Cordillera de las Minas, a company formerly owned by CVRD (Vale) and Antofagasta.
- Sold 40% interest in the Surigao Joint Venture in the Philippines to the joint venture partner.
- Commenced trading on the Junior Board of the Lima Stock Exchange on May 15, 2007.

The following events occurred between the start of the fourth fiscal quarter and April 15, 2008

- Received regulatory permission for drilling at the El Rosal property.
- Commenced drill program at the El Rosal on January 20, 2008.
- Entered into a formal community relations agreement with the community of Antilla on December 1, 2007.

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

### Cordillera de las Minas Properties

On June 7, 2007, Panoro completed the transaction to purchase all of the issued and outstanding shares of Cordillera del 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. On April 7, 2008 the Company announced that the name of CDLM had been changed to Panoro Apurimac S.A. For the purpose of clarity the company will be referred to as CDLM until the first quarter of 2008.

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
- Cochasayhuas
- 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 CDLM. Mr. Caballero previously managed the CDLM projects for more than 10 years for their owners CVRD and Antofagasta. Mr. Caballero was replaced as General Manager of CDLM by Christian G. Pilon on January 31, 2008. Mr. Pilon is a Director of Panoro Minerals Ltd., and the Senior Vice President, South America. Mr. Pilon is also President of Minera Panoro Peru S.A.C. the Company's other subsidiary in Peru and President of the Board 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, which was achieved with the signing of a formal agreement on December 1, 2007. The ensuing process of approval by the Ministry of Energy and Mines reached the stage of permission-to-publish, and the permit

application was published in two Peruvian daily newspapers. The phase was completed on February 28, 2008 without any concerns being received from members of the public. Final approval and issuance of the formal Class – C permit to commence drilling are expected soon.

In August, the Company acquired two, 300 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 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. To date the requested legislation has not been enacted by the Congress of Peru.

#### 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 860 million tonnes with a grade of 0.93% 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.

#### Cochasayhuas and Checca Joint Venture

On March 17, 2008 the Company granted Consorcio Minero Horizonte ("CMH"), a privately owned gold mining company of Peru, an option to earn a 50% interest in two of their projects. Cochasayhuas is a vein type gold project with historically reported production of 401,000 ounces of gold and 480,000 ounces of silver while Checca is an early stage exploration project with potential to host epithermal gold mineralization.

The following are the principal terms of the Option Agreement:

1. CMH will have to spend a total of US\$2 million to earn a 50% interest in the two projects or in one of the two projects if CMH abandons one property.
2. CMH is firmly committed to spend a minimum of US\$1.1 million on Cochasayhuas including a minimum of 3000m diamond drilling and CMH is also firmly committed to a minimum expenditure of US\$500,000 on Checca. If CMH does not wish to drill Checca after their US\$ 500,000 program, Checca is returned to Panoro.
3. After CMH has earned its 50% interest a joint venture company will be formed in which Panoro can elect to maintain its 50% interest or allow CMH to earn an additional 10% interest for an incremental expenditure of US\$ 3 million in a Phase II program funded solely by CMH. Panoro can defer its election to maintain its 50% interest until CMH has also carried out a 3,000m drill program on Checca, unless Checca has been returned to Panoro.
4. If Panoro elects to maintain its 50% interest during Phase II CMH will either lend Panoro its share of US\$ 1.5 million, to be recovered with interest from production, or subscribe to US\$ 1.5 million worth of Panoro's treasury shares, the proceeds of which will be committed to Panoro's share of the costs for this phase. The share price of the subscription will be the volume weighted average of the ten days preceding CMH's election of this alternative and be subject to TSX approval.

The term of the Option is for 16 months starting after the necessary permits with the affected communities for the surface rights and the authorities have been obtained.

#### 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.

On January 21, 2008, drilling commenced at the El Rosal property. The El Rosal - Project is characterized by two principal targets with associated large tonnage potential, the El Rosal and La Ramada Targets. The mineralized systems identified by Panoro's work represent a new discovery of this type of system in this area of northern Peru.

The El Rosal Target, with an overall footprint of 2 kilometres by 2.5 kilometres for the system, contains copper-zinc-silver mineralization of a type called "skarn" mineralization and, significant for its tonnage potential, porphyry style alteration/mineralization, as well as polymetallic veins. Geological mapping, trenching and sampling, detailed ground geophysical surveys and two prior drill campaigns (in 2000 and 2004) have focused the attention on a deep target of intrusive rock below a 50-200m zone of thermal alteration and silicification with increasing rock geochemical values of zinc and copper.

The La Ramada Target is represented by a structurally more complex system with an overall footprint of 2.5 kilometres by 1 kilometer. The copper-skarn occurrences of the La Ramada system contain a gold component of 0.5 to 1.0 grams gold per tonne associated with copper values of 0.5% to 1.0% copper. A diatreme breccia zone of a type often associated with the lateral flanks of porphyry systems contains fragments of skarn and porphyry style mineralization observed in prior drill holes and surface trenches. The system is also characterized and defined by prior geophysical surveys, soil geochemical signatures and geological and assay information from drill holes of the 2004 program.

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 made a second payment of \$500,000 cash plus 500,000 Mindoro common shares on April 8, 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 its 40% interest in the Surigao property.

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

**Selected Annual Information**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Revenues	182,841	56,446	21,775
Net loss	1,282,644	978,183	499,914
Loss per share, basic and diluted	0.02	0.03	0.02
Total assets	29,772,657	6,814,981	6,698,714

**Results of Operations**

*Year ended December 31, 2007 compared with year ended December 31, 2006*

The net loss for the year ended December 31, 2007 was \$1,282,644 or \$0.02 per share compared with a loss of \$978,183 of \$0.03 during the prior year. The increase in loss was primarily due to an increase in general and administrative expenses of \$512,078 and stock-based compensation of \$185,866 offset by other income and expenses which decreased \$393,483.

General and administrative expenses, excluding stock based compensation, increased by \$512,078 from \$429,095 during the year ended December 31, 2006 to \$941,173. The increase resulted primarily from increases in audit expenses of \$24,967, investor relations of \$41,369, office and miscellaneous of \$38,085, regulatory fees of \$48,900, rent of \$32,676, salaries and fees of \$274,867, transfer agent fees of \$14,376, and travel of \$66,025 offset by a decrease in general exploration of \$37,708.

Audit expenses increased by \$24,967 due to audit work performed in Peru on the Company's newly acquired subsidiary CDLM, and additional work performed by the auditors relating to the year ending December 31, 2006.

The increase in investor relations by \$41,639 was a result of increased activity surrounding the Company's acquisition of CDLM and additional promotional expenses in Peru with the listing on the Lima exchange during the year.

Office and miscellaneous increased by \$38,085 due to increased personnel at the Vancouver office and the addition of a second office in Lima Peru.

Regulatory fees increased by \$48,900 during the year ended December 31, 2007. Fees for listing on the Lima exchange and initial setup fees were \$30,444 since becoming listed on May 15, 2007. The financings, disposal, and acquisition during the year also resulted in increased regulatory fees over the prior year.

Rent increased by \$32,676 during the year ended December 31, 2007. The increase was due to moving the Vancouver office to a larger location in order to accommodate increased personnel. Monthly Vancouver rent increased from \$530 per month to \$3,200 per month. Rent at the new office in Lima is \$1,500 per month.

Salaries and fees increased \$274,867 during the year ended December 31, 2007. A Vice President of Exploration was hired to oversee the exploration of the 13 new properties and a full time Chief Financial Officer was also appointed. Full time staff in Lima increased from one person in 2006 to seven people after the acquisition in 2007. The compensation of the President was also increased in order to reflect market rates.

Transfer agent fees increased \$14,376 during the year ended December 31, 2007. There were significantly more share transactions in 2007 with 6,606,800 warrants being exercised in 2007 as compared with 220,000 in 2006.

Travel increased \$14,376 during the year ended December 31, 2007. The President traveled to Toronto, New York and Austria for investor events and conferences. The president and members of senior management also made regular trips to Peru in order to integrate the newly acquired CDLM company.

General exploration decreased \$37,708 during the year ended December 31, 2007. Exploration in 2007 was focused primarily on newly acquired properties whose potential was sufficient enough to defer related costs.

The Company recognized compensation expense for all stock options granted using the fair value based method of accounting and recognized such cost over the vesting period of the awards. Any cash paid on the exercise of stock options is added to the stated value of common shares. Stock-based compensation increased \$185,866 over the prior year due to an increase in the aggregate number of options granted, the timing of expense recognition from prior year issues, and a higher fair value attributable to each individual option as a result of the increased share price between the two periods.

#### **Other Income and Expenses**

Other items consisted of loss on disposal of mineral interests of \$17,400, writedown of amounts receivable of \$75,000 gain on securities of \$43,304, foreign exchange loss of \$19,161 and interest income of \$182,841.

The writedown of amounts receivable was \$75,000 and relates to a receivable from Mindoro Minerals Ltd for 500,000 common shares. The common shares received on April 8, 2008 were originally valued at \$0.75 per share but were trading at \$0.60 as at December 31, 2007. The Company has written down the receivable that relates to these shares by \$75,000.

Interest income increased \$126,395 to \$182,841 due to the significant financing for \$20.2 million which took place during the year. This increased the Company's average treasury balance over the prior year as well as the potential to earn interest income.

**PANORO MINERALS LTD.**  
**Management's Discussion and Analysis**  
**For the Year ended December 31, 2007**

**April 15, 2008**

Writedown of mineral interests was \$332,003 in the year ending December 31, 2006. The writedown was on the carrying value of the Surigao Project in the Philippines and represents the difference between the carrying value at that time and the anticipated proceeds to be received with the disposal of the Company's 40% ownership. The Surigao property was disposed of in 2007 and a loss of \$17,400 was recorded on the disposal.

Mineral property expenditures were \$17,692,116 for the year ended December 31, 2007 (\$1,333,980 – 2006). Of the total property expenditures, property acquisition costs were \$16,813,349 (\$21,271 - 2006) and deferred property expenditures were \$878,767 (\$1,312,709 - 2006). The first half of the year was focused on the acquisition of CDLM while the second half of the year saw significant work done at El Rosal and Antilla with expenditures of \$127,732 and \$282,136 respectively. Mineral concession fees are payable annually and make up a significant portion of the Company's expenditures. The total of \$484,307 represents the fees for both 2006 and 2007 and represents 55% of the deferred development costs. In the prior year, development costs were incurred primarily at the Surigao property. The Company's interest in the Surigao joint venture was disposed of during the year so no comparable costs were incurred.

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

	31-Dec-07	30-Sep-07	30-Jun-07	31-Mar-07	31-Dec-06	30-Sep-06	30-Jun-06	31-Mar-06
Mineral Property Expenditures	421,833	338,276	16,903,591	28,416	131,004	327,938	660,118	214,920
General and administrative	397,289	468,133	434,737	97,339	254,455	101,242	184,253	99,593
Interest and foreign exchange	(74,103)	(67,159)	(16,945)	(5,473)	(13,027)	(11,718)	(15,772)	(12,587)
Net Loss	397,916	387,795	405,067	91,866	633,172	89,524	168,481	87,006
Loss per share	0.00	0.00	0.00	0.01	0.02	0.00	0.00	0.01

***Quarter December 31, 2007 compared with the quarter ended December 31, 2006***

The net loss for the year quarter ended December 31, 2007 was \$397,916 or \$0.00 per share compared with a loss of \$633,172 or \$0.02 per share during the prior year. The increase in loss was primarily due to an increase in general and administrative expenses of \$512,078 and stock-based compensation of \$185,866 offset by other income and expenses which decreased \$393,483.

**Liquidity and Capital Resources**

On February 22, 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 year ended December 31, 2007, 6,606,800 (220,000 – 2006) warrants were exercised for net proceeds of \$2,289,500 (\$58,300 – 2006), and 400,000 stock options were exercised for proceeds of \$85,000 (2006 – nil)

At December 31, 2007 the Company has cash and cash equivalents of \$7,268,431 and working capital of \$8,102,884 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.

There are 20,170,120 share purchase warrants outstanding with an exercise price between \$0.60 and \$0.75. All of these warrants expire at the end of May 2009. The appreciation of the Company's stock price and the exercise of these warrants or their expiry will impact the Company's need for capital in the next 12 to 24 months.

## **Outlook**

The Company is in the process of completing the 2008 drill program on its El Rosal Project and will evaluate the results to determine if further exploration is warranted.

The principal objectives for 2008, besides El Rosal, are commencement of drill programs at Antilla, Cotabambas and Kusiorcco. These projects represent the core assets of the Company and all efforts will be directed at conserving the Company's financial resources and to apply them primarily to these projects.

In the case of Antilla the Company believes that the issuance of the final permit to commence drilling operations by the Ministry of Energy and Mines of Peru is close at hand at the time of writing this MD&A. The program is designed to define and confirm the geological potential identified by SRK Consulting in order to convert it into an Inferred Resource or higher classification and to explore other targets on the property.

In the case of Cotabambas the objectives of the program are resource confirmation and expansion at its main zones of Inferred Resources. However, the process of obtaining the necessary permits will be a lengthy one with the first hurdle being the conclusion of an agreement with the local communities who own land within the Company's property boundaries. Three small rural communities are located near Cotabambas that have surface rights within the Company's property boundaries.

Peruvian law requires that any agreement with the community be approved by a majority of two thirds in a full village assembly of adults. The process has caused delays in the industry, however, in most cases has led to a successful conclusion of agreements that reflect a socially responsible and sustainable behavior of the mining industry, be it in exploration, development and production. The Environmental Impact Study for Cotabambas has already been completed.

Kusiorcco, a project in the earlier stages of exploration, still awaiting its first drill program, nevertheless has to go through a similar process.

The Company has initiated the process at both Cotabambas and Kusiorcco and progress has been made. While the Company is currently confident that it can reach an equitable agreement with all the communities concerned, it is not possible to put a time schedule on the process.

The Company has been successful in 2007 to achieve such agreements with the communities at its El Rosal project and at Antilla.

The Cochasyhuas and Checca projects that have been optioned to Consorcio Minera Horizonte are in similar stages of the respective permitting processes.

### **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 income (loss) 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 income (loss) 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 income (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 income to be presented in other "comprehensive income" until it is considered appropriate to recognize into net income (loss). 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 loss" 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 December 31, 2007, the Company paid \$127,500 (2006 - \$96,000) for management services provided by the President of the Company and \$80,089 (2006 - \$20,400) for project management services provided by a Director. During the year ended December 31, 2007, office rent of \$3,541 (2006 - \$6,394) was paid to a private company controlled by a director of the Company.

### **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 December 31, 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 December 31, 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 December 31, 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 Outstanding Share Data**

A summary of the status of the Company's stock options as at December 31, 2007 and changes during the year 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)	0.21
<b>Outstanding at June 30, 2007</b>	4,500,000	0.31
Granted	1,750,000	0.61
<b>Outstanding at September 30, 2007</b>	6,250,000	0.39
<b>Outstanding at December 31, 2007</b>	6,250,000	0.39

On February 14, 2008, an additional 300,000 options were granted to employees, contractors and directors at an average price of \$0.40 per share.

As at April 15, 2008, 4,837,500 options were fully vested and expire as follows:

<b>Year of Expiry</b>	<b>Options Outstanding at December 31, 2007</b>		<b>Options Exercisable</b>
	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Shares</b>
2008	950,000	\$0.20	950,000
2010	2,025,000	\$0.25	2,025,000
2011	975,000	\$0.33	931,250
2012	2,300,000	\$0.61	931,250
	6,250,000	\$0.39	4,837,500

The following warrants were outstanding at April 15, 2008

Expiry date	Exercise Price	Outstanding at April 15, 2008
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	3,220,444
29-May-09 Broker Warrants <sup>(1)</sup>	0.60	141,243
24-May-09 Broker Warrants	0.75	1,610,222
29-May-09 Broker Warrants	0.75	70,621
<b>Total</b>		<b>21,850,963</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 April 15, 2008 there were 83,689,390 common shares outstanding.

### **Commitments**

The Company has the following commitments relating to the lease of its offices in Canada and Peru.

	2008	2009	2010	2011
Office leases	\$ 42,588	\$ 43,788	\$ 44,988	\$ 16,794

### **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 of ore. Most exploration projects do not result in the discovery of a 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 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.

### **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).

**Additional Sources of Information**

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information 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)